SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 8-K

CURRENT REPORT

Pursuant to Section 13 or 15(d) of
The Securities Exchange Act of 1934

Date of Report (date of earliest event reported):
June 25, 2003 (June 25, 2003)

XEROX CORPORATION

(Exact name of registrant as specified in its charter)

New York	**1-4471**	**16-0468020**
(State or other jurisdiction of incorporation)	**(Commission File Number)**	**(IRS Employer Identification No.)**

800 Long Ridge Road
P. O. Box 1600
Stamford, Connecticut 06904-1600
(Address of principal executive offices) (Zip Code)

Registrant's telephone number, including area code:
(203) 968-3000

Not Applicable
(Former name or former address, if changed since last report)

Item 5. Other Events

On June 25, 2003, the Registrant completed a $3.6 billion recapitalization that included the offering and sale of 9.2 million shares of 6.25% Series C Mandatory Convertible Preferred Stock, 46 million shares of Common Stock, $700 million of 7-1/8% Senior Notes due 2010 and $550 million 7-5/8% Senior Notes due 2013 and the effectiveness of the Registrant's new $1.0 billion credit agreement. The foregoing offerings of mandatory convertible preferred stock, common stock and senior notes were made pursuant to the Registrant's Registration Statement on Form S-3 (File Nos. 333-101164 and 333-101164-01, -03 and -05 through -13); and the Registrant has filed with the Securities and Exchange Commission final Prospectus Supplements pursuant to Rule 424(b)(2) under the Securities Act of 1933 relating to each of such offerings. The Registrant is filing as exhibits to this Current Report on Form 8-K certain agreements and instruments related to the foregoing transactions, which documents are listed on the exhibit list under Item 7 of this Form 8-K.

Item7. Financial Statements, Pro Form Financial Information and Exhibits

Exhibit No.	Description
1.1	Underwriting Agreement, dated June 19, 2003, among Xerox Corporation and the Underwriters relating to the 6.25% Series C Mandatory Convertible Preferred Stock (capitalized terms as defined therein)
1.2	Underwriting Agreement, dated June 19, 2003, among Xerox Corporation and the Underwriters relating to the Common Stock (capitalized terms as defined therein)
1.3	Underwriting Agreement, dated June 19, 2003, among Xerox Corporation, each of the Guarantors and the Underwriters relating to the 7-1/8% Senior Notes due 2010 and the 7-5/8% Senior Notes due 2013 (capitalized terms as defined therein)
3.	Certificate of Amendment of Certificate of Incorporation of Xerox Corporation filed with the Department of State of New York on June 24, 2003
4.1	Indenture, dated June 25, 2003, between Xerox Corporation and Wells Fargo Bank Minnesota, National Association, as Trustee (the "June 25, 2003 Indenture")
4.2	First Supplemental Indenture, dated June 25, 2003, among Xerox Corporation, the Guarantors and Wells Fargo Bank Minnesota, National Association, as Trustee (capitalized terms as defined therein), to the June 25, 2003 Indenture
4.3	Form of 7 1/8% Senior Notes due 2010
4.4	Form of 7 5/8% Senior Notes due 2013

4.5	Form of Note Guarantee
4.6	Credit Agreement, dated as of June 19, 2003, among Xerox Corporation, the Overseas Borrowers from time to time party thereto, the Lenders party thereto, JPMorgan Chase Bank, as Administrative Agent, Collateral Agent and LC Issuing Bank, Deutsche Bank Securities Inc., as Syndication Agent, and Citicorp North America, Inc., Merrill Lynch, Pierce, Fenner & Smith Incorporated and UBS Securities LLC, as Co-Documentation Agents
4.7	Guarantee and Security Agreement, dated as of June 25, 2003, among Xerox Corporation, the Subsidiary Guarantors party hereto and JPMorgan Chase Bank, as Collateral Agent
4.8	Mortgage, Assignment of Leases and Rents, Security Agreement, Financing Statement and Fixture Filing, dated as of June 25, 2003, between Xerox Corporation and JPMorgan Chase Bank, as Collateral Agent, encumbering one property located in the State of Oklahoma described in the granting clause thereof
4.9	Mortgage, Assignment of Leases and Rents, Security Agreement, Financing Statement and Fixture Filing, dated as of June 25, 2003 between Xerox Corporation and JPMorgan Chase Bank, as Collateral Agent, encumbering three properties located in the State of New York described in the granting clause thereof
4.10	Line of Credit Deed of Trust, Assignment of Leases and Rents, Security Agreement, Financing Statement and Fixture Filing, dated as of June 25, 2003, among Xerox Corporation, First American Title Insurance Company, as Trustee for the benefit of JPMorgan Chase Bank, as Collateral Agent, encumbering one property located in the State of Oregon
4.11	Third Supplemental Indenture, dated, June 25, 2003, among Xerox Corporation, the guarantors named therein and Wells Fargo Bank Minnesota, National Association, as Trustee to the Indenture dated as of January 17, 2002 between Xerox Corporation and Wells Fargo Bank Minnesota, National Association, as Trustee, relating to Xerox Corporations' 9-3/4% Senior Notes due 2009 (denominated in U.S. Dollars)
4.12	Third Supplemental Indenture, dated, June 25, 2003, among Xerox Corporation, the guarantors named therein and Wells Fargo Bank Minnesota, National Association, as Trustee to the Indenture dated as of January 17, 2002 between Xerox Corporation and Wells Fargo Bank Minnesota, National Association, as Trustee, relating to Xerox Corporations' 9-3/4% Senior Notes due 2009 (denominated in Euros)
5.1	Opinion of Blank Rome LLP relating to the 7-1/8% Senior Notes due 2010 and the 7-5/8% Senior Notes due 2013
5.2	Opinion of Skadden, Arps, Slate, Meagher & Flom LLP relating to the 7 1/8% Senior Notes due 2010 and the 7 5/8% Senior Notes due 2013. This opinion supersedes and entirely replaces the opinion of Skadden, Arps, Slate, Meagher & Flom LLP filed as Exhibit 5.3 to the Registrant's Current Report of Form 8-K filed with the Commission on June 25, 2003.

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, Registrant has duly authorized this report to be signed on its behalf by the undersigned duly authorized.

XEROX CORPORATION

By: /s/ MARTIN S. WAGNER

Martin S. Wagner
Assistant Secretary

Date: June 27, 2003

Exhibit Index

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Exhibit 1.1

XEROX CORPORATION
(a New York corporation)

8,000,000 Shares of 6-1/4% Series C Mandatory Convertible Preferred Stock

UNDERWRITING AGREEMENT

June 19, 2003

Citigroup Global Markets Inc.
Merrill Lynch, Pierce, Fenner & Smith
Incorporated
Goldman, Sachs & Co.
J.P. Morgan Securities Inc.
Deutsche Bank Securities Inc.
UBS Securities LLC
Banc One Capital Markets, Inc.
Bear, Stearns & Co. Inc.
Danske Markets Inc.
BNP Paribas Securities Corp.
Credit Suisse First Boston LLC
Fleet Securities, Inc.
As Representatives of the several Underwriters
named on Schedule I hereto

c/o Citigroup Global Markets Inc.
388 Greenwich Street
New York, New York 10013

Ladies and Gentlemen:

Xerox Corporation, a New York corporation (the "Company"), confirms its agreements (this "Agreement") with the underwriters named in Schedule I attached hereto (collectively, the "Underwriters," which term shall also include any underwriter substituted as provided in Section 11 hereto) for whom Citigroup Global Markets Inc., Merrill Lynch, Pierce, Fenner & Smith Incorporated, Goldman, Sachs & Co., J.P. Morgan Securities Inc., Deutsche Bank Securities Inc., UBS Securities LLC, Banc One Capital Markets, Inc., Bear, Stearns & Co. Inc., Danske Markets, Inc., BNP Paribas Securities Corp., Credit Suisse First Boston LLC and Fleet Securities, Inc. are acting as representative(s) (the "Representatives") with respect to the issue and sale by the Company and the purchase by the Under-

writers, acting severally and not jointly, of an aggregate of 8,000,000 shares (the "Firm Shares") of 6-1/4% Series C mandatory convertible preferred stock, $1.00 par value (the "Preferred Stock") of the Company. In addition, solely for the purpose of covering over-allotments, the Company grants to the Underwriters the option to purchase from the Company up to an additional 1,200,000 shares of Preferred Stock (the "Additional Shares"). The Firm Shares and the Additional Shares are hereinafter collectively sometimes referred to as the "Shares." The Shares are convertible into shares of common stock, par value $1.00 per share (the "Common Stock"), of the Company at the conversion prices set forth in the Prospectus (as defined below).

The Shares will be issued in book-entry form and will be issued to Cede & Co., as nominee of The Depository Trust Company ("DTC"), pursuant to a letter agreement, to be dated as of the Closing Time (as defined herein) (the "DTC Agreement"), among the Company, the Trustee and DTC.

The Company has filed, in accordance with the provisions of the Securities Act of 1933, as amended, and the rules and regulations thereunder (collectively, the "Act"), with the Securities and Exchange Commission (the "Commission") a registration statement on Form S-3, as amended (File Nos. 333-101164, 333-101164-01, -03 and -05 through -13), including a prospectus, relating to the offer and sale from time to time of securities of the Company and certain of its subsidiaries (such registration statement as amended to the date of this Agreement, the "Registration Statement"). The term "Base Prospectus" means the prospectus included in the Registration Statement. The Company has furnished to you, for use by the Underwriters and by dealers, copies of a preliminary prospectus supplement to the Base Prospectus (the "Preliminary Prospectus") relating to the Shares and the shares of Common Stock issuable by the Company upon conversion of the Shares (the "Common Stock Shares"). The Company has filed with, or transmitted for filing to, or shall promptly hereafter file with or transmit for filing to, the Commission a final prospectus supplement (the "Prospectus Supplement") relating to the Shares and the shares of Preferred Stock represented thereby pursuant to Rule 424(b) of the Act. The term "Prospectus" means the Prospectus Supplement together with the Base Prospectus in the form first used to confirm the sale of the Shares. Any reference in this Agreement to the Registration Statement, the Preliminary Prospectus, any supplemental prospectus (including the Prospectus Supplement) or the Prospectus shall be deemed to refer to and include the documents incorporated by reference therein pursuant to Item 12 of Form S-3 under the Act, as of the effective date of the Registration Statement or the date of such Preliminary Prospectus, supplemental prospectus or the Prospectus, as the case may be, and any reference to "amend," "amendment" or "supplement" with respect to the Registration Statement, the Preliminary Prospectus, any supplemental prospectus or the Prospectus shall be deemed to refer to and include any documents filed after such date under the Securities Exchange Act of 1934, as amended, and the rules and regulations of the Commission thereunder (collectively, the "1934 Act"), as applicable, that are deemed to be incorporated by reference therein. As used herein, "Business Day" shall mean a day on which the New York Stock Exchange is open for trading.

SECTION 1. Representations and Warranties.

(a) *Representations and Warranties by the Company*. The Company represents and warrants to the Underwriters as of the date hereof, as of the Closing Time referred to in Section 2(b) hereof, and as of the Additional Time of Purchase referred to in Section 2(a) hereof, and agrees with the Underwriters, as follows:

(i) Registration Statement and Prospectus. The Registration Statement has been declared effective under the Act; no stop order of the Commission preventing or suspending the use of the Preliminary Prospectus or the effectiveness of the Registration Statement has been issued and no proceedings for such purpose have been instituted or, to the Company's knowledge after due inquiry, are threatened by the Commission; the Base Prospectus, at the time of filing thereof, complied in all material respects with the requirements of the Act; the Registration Statement complied when it became effective, complies and will comply, at the Closing Time, in all material respects with the requirements of the Act and the Prospectus will comply, as of its date and at the Closing Time, in all material respects with the requirements of the Act; the conditions to the use of Form S-3 have been satisfied; the Registration Statement did not when it became effective and does not contain an untrue statement of a material fact or omit to state a material fact necessary in order to make the statements therein not misleading and the Prospectus will not, as of its date and at the Closing Time, contain an untrue statement of a material fact or omit to state a material fact necessary in order to make the statements therein, in the light of the circumstances under which they were made, not misleading. The representations and warranties in this subsection shall not apply to statements in or omissions from the Registration Statement or the Prospectus made in reliance upon and in conformity with information furnished to the Company in writing by the Underwriters expressly for use in the Registration Statement or the Prospectus.

(ii) Incorporated Documents. The documents incorporated by reference in the Prospectus, at the time they were or hereafter are filed with the Commission, complied and will comply, as the case may be, in all material respects with the requirements of the 1934 Act.

(iii) Independent Accountants. The accountants who certified the financial statements and the supporting schedules included or incorporated by reference in the Registration Statement and the Prospectus are independent public accountants as required by the Act.

(iv) Financial Statements. The financial statements included or incorporated by reference in the Registration Statement and the Prospectus (and any amendment or supplement thereto), together with the related schedules and notes, present fairly the financial position of the Company and its consolidated subsidiaries at the dates indicated and the statements of operations, balance sheets and cash flows of the Company and its consolidated subsidiaries for the periods specified; except as otherwise stated therein, such financial statements have been prepared in conformity with generally accepted accounting principles ("GAAP") applied on a consistent basis throughout the periods involved. The supporting schedules included or incorporated by reference in the Registration Statement and the Prospectus (and any amendment or supplement thereto) present fairly in accordance with GAAP the information required to be stated therein. The selected financial data included in the Registration Statement and the Prospectus (and any amendment or supplement thereto) present fairly the information shown therein and have been compiled on a basis consistent with that of the audited financial statements included in or incorporated by reference in the Registration Statement and the Prospectus (and any amendment or supplement thereto).

(v) No Material Adverse Change in Business. Since the respective dates as of which information is given in the Registration Statement and the Prospectus, except as otherwise stated therein, (A) there has been no material adverse change or any development involving a prospective material adverse change in the condition, financial or otherwise, or in the results of operations or business affairs of the Company and its subsidiaries considered as one enterprise, whether or not arising in the ordinary course of business, (B) there have been no transactions entered into by the Company or any of its subsidiaries, other than those in the ordinary course of business, which are material with respect to the Company and its subsidiaries considered as one enterprise, and (C) other than as a result of the issuance of the Shares, the contemporaneous issuance by the Company of up to 46,000,000 shares of its common stock, $1.25 billion aggregate principal amount of its senior notes and the establishment of a new $1 billion credit facility, there is no prospective development likely to result in a material change in the capitalization of the Company. For the purposes of this Agreement, the occurrence of any of the events described in clause (A) of this paragraph (v) shall be defined to mean a "Material Adverse Effect."

(vi) Good Standing of the Company. The Company has been duly organized and is validly existing as a corporation in good standing under the laws of the State of New York and has corporate power and authority to own, lease and operate its properties and to conduct its business as described in the Registration Statement and the Prospectus and to enter into and perform its obligations under this Agreement; and the Company is duly qualified as a foreign company or corporation to transact business and is in good standing in each other jurisdiction in which such qualification is required, whether by reason of the ownership or leasing of property or the conduct of business, except where the failure so to qualify or to be in good standing would not result in a Material Adverse Effect.

(vii) Good Standing of Subsidiaries. Each Subsidiary of the Company has been duly organized and is validly existing and in good standing under the laws of the jurisdiction of its incorporation or organization, has corporate or other organizational power and authority to own, lease and operate its properties and to conduct its business as described in the Registration Statement and the Prospectus and is duly qualified as a foreign corporation to transact business and is in good standing in each jurisdiction in which such qualification is required, whether by reason of the ownership or leasing of property or the conduct of business, except where the failure so to qualify or to be in good standing would not result in a Material Adverse Effect. Except as otherwise disclosed in the Prospectus, all of the issued and outstanding capital stock of each such Subsidiary has been duly authorized and validly issued, is fully paid and non-assessable and, to the extent owned by the Company, is owned by the Company directly or through Subsidiaries, free and clear of any security interest, mortgage, pledge, lien, encumbrance, claim or equity. None of the outstanding shares of capital stock of any Subsidiary was issued in violation of preemptive or similar rights of any securityholder of such Subsidiary. As used herein "Subsidiary" means each subsidiary of the Company listed in Exhibit 99.2 to the Company's Quarterly Report on Form 10-Q for the fiscal quarter ended March 31, 2003, in each case that is in existence on the date hereof. The Company does not own or control, directly or indirectly, any corporation, association or other entity, other than those Subsidiaries which, in the aggregate, would constitute a "Significant Subsidiary," as such term is defined in Rule 1-02 of Regulation S-X under the Act.

(viii) Capitalization. The authorized, issued and outstanding capital stock of the Company is as set forth in the Prospectus in the column entitled "Actual" under the caption "Capitalization" (except for subsequent issuances, if any, pursuant to this Agreement, pursuant to reservations, agreements or employee benefit plans referred to in the Prospectus or pursuant to the exercise of convertible securities or options referred to in the Prospectus in connection with the Xerox Canada Inc. ("XCI") Exchangeable Class B Stock or the XCI Rights Plan). The shares of issued and outstanding capital stock of the Company have been duly authorized and validly issued and are fully paid and non-assessable; none of the outstanding shares of capital stock was issued in violation of preemptive or other similar rights of any securityholder of the Company.

(ix) Authorization of this Agreement. This Agreement has been duly authorized, executed and delivered by the Company.

(x) Authorization of the Transfer Agency Agreement Amendment. The Addendum to Fee and Service Schedule for the Stock Transfer Services between the Company, Equiserve, Inc. and Equiserve Trust Company, N.A. which amends the Agreement for Stock Transfer Services dated February 1, 1999 between the Company and Equiserve Trust Company, N.A. (as successor to Bankboston, N.A.). relating to the Preferred Stock (the "Transfer Agency Agreement Amendment") has been duly authorized by the Company.

(xi) Authorization of Shares. The Shares to be issued and sold by the Company have been duly and validly authorized and, when issued and delivered against payment therefor as provided herein, will be duly and validly issued and fully paid and nonassessable. The Common Stock Shares have been duly and validly authorized and, when issued upon conversion of the Shares, will be duly and validly issued and fully paid and nonassessable.

(xii) Description and Form of Shares. The Shares and the Common Stock conform in all material respects to the descriptions thereof contained in the Prospectus.

(xiii) No Preemptive or Other Similar Rights. Except as described in the Registration Statement and the Prospectus, no person has the right, contractual or otherwise, to cause the Company to register under the Act any shares of capital stock or other equity interests of the Company as a result of the filing or effectiveness of the Registration Statement or the sale of Shares to the Underwriters contemplated hereby or the issuance of the Common Stock upon conversion of the Shares, nor does any person have preemptive rights, co-sale rights, rights of first refusal or other rights to purchase any of the Shares or the Common Stock other than those that have been expressly waived prior to the date hereof.

(xiv) Certificate of Amendment. The Certificate of Amendment of the Certificate of Incorporation of the Company relating to the Preferred Stock (the "Certificate of Amendment" and, together with this Agreement and the Transfer Agency Agreement Amendment, the "Operative Agreements"), has been duly approved by the Board of Directors of the Company, has not been modified, amended or revoked, is in full force and effect on the date hereof and is the only amendment to the Certificate of Incorporation of the Company adopted by the Board of Directors of the Company or any committee thereof relating to the number of author-

ized shares of or the rights, powers and preferences, and the qualifications, limitations and restrictions thereof, of the Preferred Stock; the execution of the Certificate of Amendment by the Company and the filing of the Certificate of Amendment with the Secretary of State of the State of New York (the "Secretary of State") on behalf of the Company have been duly authorized by the Board of Directors of the Company.

(xv) Manipulation or Stabilization of Share Prices. Neither the Company nor any of its subsidiaries or any of their respective directors and officers has taken, directly or indirectly, any action designed to or which has constituted or which might reasonably be expected to cause or result, under the 1934 Act or otherwise, in stabilization or manipulation of the price of any security of the Company to facilitate the sale or resale of the Shares.

(xvi) Absence of Defaults and Conflicts. Neither the Company nor any of its Subsidiaries is (a) in violation of its charter or by-laws or (b) in default in the performance or observance of any obligation, agreement, covenant or condition contained in any contract, indenture, mortgage, deed of trust, loan or credit agreement, note, lease or other agreement or instrument to which the Company or any of its Subsidiaries is a party or by which it or any of them may be bound, or to which any of the property or assets of the Company or any Subsidiary is subject (collectively, "Agreements and Instruments"), except, in the case of clause (b), for such defaults that have not and would not result in a Material Adverse Effect; and the execution, delivery and performance of this Agreement and the Certificate of Amendment and the consummation of the transactions contemplated in this Agreement and in the Registration Statement and the Prospectus (including the issuance and sale of the Shares) and compliance by the Company with its obligations under this Agreement and the Certificate of Amendment have been duly authorized by all necessary corporate action and do not and will not, whether with or without the giving of notice or passage of time or both, conflict with or constitute a breach of, or default or Repayment Event (as defined below) under, or result in the creation or imposition of any lien, charge or encumbrance upon any property or assets of the Company or any Subsidiary pursuant to the Agreements and Instruments (except for such conflicts, breaches or defaults or liens, charges or encumbrances that would not result in a Material Adverse Effect), nor will such action result in any violation of the provisions of (A) the charter (as amended by the Certificate of Amendment) or by-laws of the Company or any Subsidiary or (B) any applicable law, statute, rule, regulation, judgment, order, writ or decree of any government, government instrumentality or court, domestic or foreign, having jurisdiction over the Company or any Subsidiary or any of their assets, properties or operations except for such violations, in the case of clause (B) only, that would not result in a Material Adverse Effect. As used herein, a "Repayment Event" means any event or condition which gives the holder of any note, debenture or other evidence of indebtedness (or any person acting on such holder's behalf) the right to require the repurchase, redemption or repayment of all or a portion of such indebtedness by the Company or any Subsidiary.

(xvii) Absence of Labor Dispute. No labor dispute with the employees of the Company or any Subsidiary exists or, to the knowledge of the Company, is imminent, and the Company is not aware of any existing or imminent labor disturbance by the employees of any of its or any Subsidiary's principal suppliers, manufacturers, customers or contractors, which, in either case, would reasonably be expected to result in a Material Adverse Effect.

(xviii) Absence of Proceedings. There is no action, suit, proceeding, inquiry or investigation before or brought by any court or governmental agency or body, domestic or foreign, now pending, or, to the knowledge of the Company, threatened, against or affecting the Company or any Subsidiary, which would be required to be disclosed in the Registration Statement or the Prospectus, except as disclosed in the Registration Statement and the Prospectus, which would reasonably be expected to materially and adversely affect the consummation of the transactions contemplated in this Agreement or the performance by the Company of its obligations hereunder; the aggregate of all pending legal or governmental proceedings to which the Company or any Subsidiary is a party or of which any of their respective property or assets is the subject which are not described in the Registration Statement or the Prospectus, including ordinary routine litigation incidental to the business, would not reasonably be expected to result in a Material Adverse Effect.

(xix) Accuracy of Descriptions. All of the descriptions of contracts or other documents contained or incorporated by reference in the Registration Statement or the Prospectus are accurate and complete descriptions in all material respects of such contracts or other documents.

(xx) Possession of Intellectual Property. The Company and its Subsidiaries own or possess, or can acquire on reasonable terms, adequate patents, patent rights, licenses, inventions, copyrights, know-how (including trade secrets and other unpatented and/or unpatentable proprietary or confidential information, systems or procedures), trademarks, service marks, trade names or other intellectual property (collectively, "Intellectual Property") necessary to carry on the business now operated by them, and the expected expiration of any rights under such Intellectual Property would not result in a Material Adverse Effect. Except as disclosed in the Registration Statement and the Prospectus, neither the Company nor any of its Subsidiaries has received any notice or is otherwise aware of any infringement of or conflict with asserted rights of others with respect to any Intellectual Property or of any facts or circumstances which would render any Intellectual Property invalid or inadequate to protect the interest of the Company or any of its Subsidiaries therein, and which infringement or conflict (if the subject of any unfavorable decision, ruling or finding) or invalidity or inadequacy, individually or in the aggregate, would result in a Material Adverse Effect.

(xxi) Absence of Further Requirements. No filing with, or authorization, approval, consent, license, order, registration, qualification or decree of, any court or governmental authority or agency is necessary or required in connection with the offering of the Shares, the issuance and sale of the Shares, the issuance of the Common Stock upon conversion of the Shares, the due authorization, execution or delivery by the Company of its obligations under any of the Operative Agreements or the consummation of the transactions contemplated by this Agreement, except (A) such as have been already obtained or (B) such as may be required under state or foreign securities or "blue sky" laws or under the rules and regulations of the National Association of Securities Dealers (the "NASD").

(xxii) Possession of Licenses and Permits. The Company and its Subsidiaries possess such permits, licenses, approvals, consents and other authorizations (collectively, "Governmental Licenses") issued by the appropriate federal, state, local or foreign regulatory agen-

cies or bodies necessary to conduct the business now operated by them, except where the failure to possess such Governmental Licenses would not, individually or in the aggregate, have a Material Adverse Effect; the Company and its Subsidiaries are in compliance with the terms and conditions of all such Governmental Licenses, except where the failure so to comply would not, individually or in the aggregate, have a Material Adverse Effect; all of the Governmental Licenses held are valid and in full force and effect, except when the invalidity of such Governmental Licenses or the failure of such Governmental Licenses to be in full force and effect would not have a Material Adverse Effect; and neither the Company nor any of its Subsidiaries has received any notice of proceedings relating to the revocation or modification of any such Governmental Licenses which, individually or in the aggregate, if the subject of an unfavorable decision, ruling or finding, would result in a Material Adverse Effect.

(xxiii) Title to Property. The Company and its Subsidiaries have good and marketable title to all material real property owned by the Company and its Subsidiaries and good title to all other material properties owned by them, in each case, free and clear of all mortgages, pledges, liens, security interests, claims, restrictions or encumbrances ("Encumbrances") of any kind except such as (A) are described in the Registration Statement and the Prospectus, (B) do not, individually or in the aggregate, materially affect the value of such property and do not interfere with the use made and proposed to be made of such property by the Company or any of its Subsidiaries or (C) where failure to have such good and marketable title or to be free of such Encumbrances would not have a Material Adverse Effect; and all of the leases and subleases material to the business of the Company and its Subsidiaries, considered as one enterprise, and under which the Company or any of its Subsidiaries holds properties described in the Registration Statement and the Prospectus, are in full force and effect, and neither the Company nor any Subsidiary has any notice of any claim of any sort that has been asserted by anyone adverse to the rights of the Company or any Subsidiary under any of the leases or subleases mentioned above, or affecting or questioning the rights of the Company or such Subsidiary to the continued possession of the leased or subleased premises under any such lease or sublease, except for any such claim as would not, individually or in the aggregate with any other such claims, have a Material Adverse Effect.

(xxiv) Tax Law Compliance. The Company and its consolidated subsidiaries have filed all necessary federal, state and foreign income and franchise tax returns or have properly requested extensions thereof and have paid all taxes required to be paid by any of them and, if due and payable, any related or similar assessment, fine or penalty levied against any of them except as are being contested in good faith and by appropriate proceedings. The Company has made adequate charges, accruals and reserves in the applicable financial statements referred to in Section 1(a)(iv) hereof in respect of all federal, state and foreign income and franchise taxes for all periods to which the tax liability of the Company or any of its consolidated subsidiaries has not been finally determined.

(xxv) Company's Accounting System. The Company maintains on behalf of itself and its Subsidiaries a system of accounting controls sufficient to provide reasonable assurances that (A) transactions are executed in accordance with management's general or specific authorization, (B) transactions are recorded as necessary to permit preparation of financial statements in conformity with GAAP and to maintain accountability for assets, (C) access to

assets is permitted only in accordance with management's general or specific authorization and (D) the recorded accountability for assets is compared with existing assets at reasonable intervals and appropriate action is taken with respect to any differences.

(xxvi) Investment Company Act. The Company is not and, after giving effect to the issuance and sale of the Shares as herein contemplated and the application of the net proceeds therefrom as described in the Prospectus, will not be, an "investment company" within the meaning of the Investment Company Act of 1940, as amended (the "1940 Act").

(xxvii) Environmental Laws. Except as described in the Registration Statement and the Prospectus and except as would not, individually or in the aggregate, result in a Material Adverse Effect, (A) neither the Company nor any of its Subsidiaries is in violation of any federal, state, local or foreign statute, law, rule, regulation, ordinance, code, policy or rule of common law or any judicial or administrative interpretation thereof, including any judicial or administrative order, consent, decree or judgment, relating to pollution or protection of human health, the environment (including, without limitation, ambient air, surface water, groundwater, land surface or subsurface strata) or wildlife, including, without limitation, laws and regulations relating to the release or threatened release of chemicals, pollutants, contaminants, wastes, toxic substances, hazardous substances, petroleum or petroleum products (collectively, "Hazardous Materials") or to the manufacture, processing, distribution, use, treatment, storage, disposal, transport or handling of Hazardous Materials (collectively, "Environmental Laws"), (B) the Company and its Subsidiaries have all permits, authorizations and approvals required under any applicable Environmental Laws and are each in compliance with their requirements, (C) there are no pending or threatened administrative, regulatory or judicial actions, suits, demands, demand letters, claims, liens, notices of noncompliance or violation, investigation or proceedings relating to any Environmental Law against the Company or any of its Subsidiaries and (D) there are no events or circumstances that would reasonably be expected to form the basis of an order for clean-up or remediation, or an action, suit or proceeding by any private party or governmental body or agency, against or affecting the Company or any of its Subsidiaries relating to Hazardous Materials or the violation of any Environmental Laws.

(xxviii) Controls and Procedures. The Company has established and maintains disclosure controls and procedures (as such term is defined in Rule 13a-14(c) and 15d-14(c) under the 1934 Act); such disclosure controls and procedures are designed so that material information relating to the Company, including its consolidated subsidiaries, is made known to the Company's Chief Executive Officer and its Chief Financial Officer by others within those entities; the Company's auditors and the Audit Committee of the Board of Directors have been advised of: (i) any significant deficiencies in the design or operation of internal controls which could adversely affect the Company's ability to record, process, summarize and report financial data; (ii) any fraud, whether or not material, that involves management or other employees who have a significant role in the Company's internal controls; and (iii) any material weaknesses in internal controls. Since the date of the most recent evaluation of the Company's controls and procedures, there have been no significant changes in internal controls or in other factors that could significantly affect internal controls, including any corrective actions with regard to significant deficiencies and material weaknesses.

(xxix) NASD Matters. The Company has no knowledge of any affiliations or associations between any member of the NASD and any of the Company's officers, directors or 5% or greater securityholders, as the case may be.

(xxx) Registration. The Common Stock is registered pursuant to Section 12(b) of the 1934 Act and is listed on the New York Stock Exchange ("NYSE") and the Chicago Stock Exchange (the "CSE") and the Company has taken no action designed to, or likely to have the effect of, terminating the registration of the Common Stock under the 1934 Act or delisting the Common Stock from the NYSE or the CSE, nor has the Company received any notification that the Commission or the NYSE or the CSE is contemplating terminating such registration or listing.

(xxxi) ERISA Matters. Except as described in the Registration Statement and the Prospectus and except as would not, individually or in the aggregate, result in a Material Adverse Effect, the Company and each of its Subsidiaries is in compliance in all material respects with all presently applicable provisions of the Employee Retirement Income Security Act of 1974, as amended, including the regulations and published interpretations thereunder ("ERISA"). No "reportable event" (as defined in ERISA) has occurred with respect to any "pension plan" (as defined in ERISA) for which the Company would reasonably be expected to have any liability; the Company has not incurred and does not expect to incur material liability under (x) Title IV of ERISA with respect to termination of, or withdrawal from, any "pension plan" or (y) Sections 412 or 4971 of the Internal Revenue Code of 1986, as amended, including regulations and published interpretations thereunder (the "Code"); and each "pension plan" for which the Company would have any liability that is intended to be qualified under Section 401(a) of the Code has received a determination letter from the Internal Revenue Service to the effect that it is so qualified and nothing has occurred, whether by action or by failure to act, which is necessarily likely to cause the loss of such qualification.

(b) *Officer's Certificates*. Any certificate signed by any officer of the Company or any of its Subsidiaries delivered to the Underwriters or to counsel for the Underwriters shall be deemed a representation and warranty by the Company or such Subsidiary to the Underwriters as to the matters covered thereby.

SECTION 2. Sale and Delivery to Underwriters; Closing.

(a) *Shares*. On the basis of the representations and warranties herein contained and subject to the terms and conditions herein set forth, the Company agrees to sell to each Underwriter, and each Underwriter, severally and not jointly, agrees to purchase from the Company, at a purchase price of $97.00 per Share, the number of Firm Shares set forth in Schedule I attached hereto opposite the name of such Underwriter, plus any additional Firm Shares which such Underwriter may become obligated to purchase pursuant to the provisions of Section 11 hereof. The public offering price is not in excess of the price recommended by Goldman, Sachs & Co., acting in its capacity as a "qualified independent underwriter" within the meaning of Rule 2720 ("Rule 2720") of the Rules of Conduct of the NASD (the "QIU"). The Company is advised by the Representatives that the Underwriters intend (i) to make a public offering of their respective portions of the Shares as soon after the date hereof as in

the Representatives' judgment is advisable and (ii) initially to offer the Shares upon the terms set forth in the Prospectus.

In addition, the Company hereby grants to the Underwriters the option to purchase, and upon the basis of the warranties and representations and subject to the terms and conditions herein set forth, the Underwriters shall have the right to purchase, severally and not jointly, from the Company, ratably in accordance with the number of Firm Shares to be purchased by each of them (subject to such adjustment as the Representatives shall determine to avoid fractional shares), all or a portion of the Additional Shares as may be necessary to cover over-allotments made in connection with the offering of the Firm Shares, at the same purchase price per share to be paid by the Underwriters to the Company for the Firm Shares. This option may be exercised by the Underwriters in whole at any time or in part from time to time on or before the thirtieth day following the date of the Prospectus Supplement, by written notice to the Company. Such notice shall set forth the aggregate number of Additional Shares as to which the option is being exercised and the date and time when the Additional Shares are to be delivered (such date and time being herein referred to as the "Additional Time of Purchase"); provided, however, that the Additional Time of Purchase shall not be earlier than the Closing Time nor earlier than the second business day after the date on which the option shall have been exercised nor later than the tenth business day after the date on which the option shall have been exercised. The number of Additional Shares to be sold to each Underwriter shall be the number which bears the same proportion to the aggregate number of Additional Shares being purchased as the number of Firm Shares set forth opposite the name of such Underwriter on Schedule I attached hereto bears to the total number of Firm Shares (subject, in each case, to such adjustment as the Representatives may determine to eliminate fractional shares).

(b) *Payment*. Payment of the purchase price for, and delivery of certificates for, the Firm Shares shall be made at the offices of Skadden, Arps, Slate, Meagher & Flom LLP, Four Times Square, New York, New York 10036 or at such other place as shall be agreed upon by the Underwriters and the Company, at 9:00 A.M. (Eastern time) on the third business day after the date hereof (unless postponed in accordance with the provisions of Section 11 hereof), or such other time not later than ten business days after such date as shall be agreed upon by the Underwriters and the Company (such time and date of payment and delivery being herein called the "Closing Time").

Payment shall be made to the Company by wire transfer of immediately available funds to a bank account designated by the Company, against delivery to Citigroup Global Markets Inc. for the respective accounts of the Underwriters of the Firm Shares to be purchased by them. It is understood that each Underwriter has authorized Citigroup Global Markets Inc., for its account, to accept delivery of, receipt for, and make payment of the purchase price for, the Firm Shares which it has severally agreed to purchase. Citigroup Global Markets Inc., individually and not as representative of the Underwriters, may (but shall not be obligated to) make payment of the purchase price for the Firm Shares, if any, to be purchased by any Underwriter whose funds have not been received by the Closing Time, but such payment shall not relieve such Underwriter from its obligations hereunder.

Payment of the purchase price for the Additional Shares shall be made to the Company at the Additional Time of Purchase in the same manner and at the same office as the payment for the Firm Shares. It is understood that each Underwriter has authorized Citigroup Global Markets Inc., for its account, to accept delivery of, receipt for, and make payment of the purchase price for, the Additional

Shares which it has severally agreed to purchase. Citigroup Global Markets Inc., individually and not as representative of the Underwriters, may (but shall not be obligated to) make payment of the purchase price for the Additional Shares, if any, to be purchased by any Underwriter whose funds have not been received by the Additional Time of Purchase, but such payment shall not relieve such Underwriter from its obligations hereunder.

(c) *Registration*. The Shares shall be issued in such denominations and registered in such names as the Underwriters may request in writing at least one full business day before the Closing Time, the Additional Time of Purchase or the relevant date of delivery, as the case may be. The Shares will be issued in book-entry form for clearance through The Depository Trust Company ("DTC").

SECTION 3. Covenants of the Company. The Company covenants with the Underwriters as follows:

(a) *Delivery of Prospectus*. To furnish the Underwriters and those persons identified by the Underwriters to the Company, as many copies of the Prospectus, and any amendments or supplements thereto, as the Underwriters may from time to time reasonably request for the time period specified in Section 3(c)(iii) hereof; in case any Underwriter is required to deliver a prospectus after the nine-month period referred to in Section 10(a)(3) of the Act in connection with the sale of the Shares, the Company will prepare, at its expense, promptly upon request such amendment or amendments to the Registration Statement and the Prospectus as may be necessary to permit compliance with the requirements of Section 10(a)(3) of the Act. The Company consents to the use of the Prospectus, and any amendments and supplements thereto required pursuant hereto, by the Underwriters in connection with the offering and sale of the Shares.

(b) *Notice and Effect of Material Events*. The Company will immediately notify the Underwriters, and confirm such notice in writing, of (i) any filing made by the Company of information relating to the offering of the Shares with any securities exchange or any other securities regulatory body in the United States or any other jurisdiction, (ii) the issuance by the Commission or any state securities commission of any stop order suspending the effectiveness of the Registration Statement or the qualification or exemption from qualification of the Shares for offering or sale in any jurisdiction designated by the Representatives pursuant to Section 3(d) hereof, or the initiation of any proceeding by the Commission or any state securities commission or any other federal or state regulatory authority for such purpose and (iii) the happening, during the period referred to in Section 3(c)(iii) hereof, of any material change or any development involving a prospective material change in or affecting the condition, financial or otherwise, or in the results of operations or business affairs of the Company and its subsidiaries which (A) make any statement in the Registration Statement or the Prospectus false or misleading in any material respect or (B) if not disclosed in the Registration Statement or the Prospectus, would constitute a material omission therefrom. In such event, or if during such time any event shall occur as a result of which it is necessary, in the reasonable opinion of the Company, its counsel, the Underwriters or counsel for the Underwriters, to amend or supplement the Registration Statement or the Prospectus in order that the Registration Statement or the Prospectus not include any untrue statement of a material fact or omit to state a material fact necessary in order to make the statements therein not misleading in the light of the circumstances then existing, the Company will forthwith amend or supplement the Registration Statement or the Prospectus by preparing and furnishing to the Underwriters an amendment or amendments of, or a supplement or

Underwriters an amendment or amendments of, or a supplement or supplements to, the Registration Statement or the Prospectus (in form and substance satisfactory in the reasonable opinion of counsel for the Underwriters) so that, as so amended or supplemented, the Registration Statement or the Prospectus will not include an untrue statement of a material fact or omit to state a material fact necessary in order to make the statements therein, in the light of the circumstances then existing, not misleading. The Company shall use its best efforts to prevent the issuance of any stop order or order suspending the effectiveness of the Registration Statement or the qualification or exemption of the Shares by the Commission or under any federal or state securities or "blue sky" laws and, if at any time the Commission or any state securities commission or other federal or state regulatory authority shall issue an order suspending the effectiveness of the Registration Statement or the qualification or exemption of the Shares under any federal or state securities or "blue sky" laws, the Company shall use its best efforts to obtain the withdrawal or lifting of such order at the earliest possible time.

(c) *Amendments and Supplements*. The Company will advise the Underwriters promptly, and, if requested by the Representatives, will confirm such advice in writing (i) if it is necessary for any post-effective amendment to the Registration Statement to be declared effective before the offering of the Shares may commence, (ii) of any request by the Commission for amendments or supplements to the Registration Statement or the Prospectus or for additional information with respect thereto, or of notice of institution of proceedings for, or the entry of a stop order, suspending the effectiveness of the Registration Statement and (iii) during such period as a prospectus is required to be delivered under the Act in connection with the offering and sale of the Shares by the Underwriters, (A) of any proposal to amend or supplement the Registration Statement or the Prospectus, including by filing any documents that would be incorporated therein by reference and (B) if any event shall occur or condition shall exist as a result of which, it becomes necessary to amend or supplement the Registration Statement or the Prospectus in order to make the statements therein, in the light of the circumstances under which they were made, not misleading, or, if it is necessary to amend or supplement the Registration Statement or the Prospectus to comply with the Act. The Company will provide the Underwriters and their counsel copies of any such documents for review and comment a reasonable amount of time prior to any proposed filing and to file no such amendment or supplement to which the Underwriters may reasonably object in writing.

The Company will endeavor to cause any necessary post-effective amendment to the Registration Statement to become effective as soon as reasonably possible and will promptly notify the Underwriters, and if requested by the Representatives, confirm such advice in writing, when such post-effective amendment to the Registration Statement becomes effective. If action is required due to a condition described by clause (iii) of the immediately preceding paragraph, subject to such paragraph, the Company shall (A) forthwith prepare and file with the Commission an appropriate amendment or supplement to such Registration Statement or Prospectus so that the statements therein, as so amended or supplemented, will not, in the light of the circumstances in which they are made, be misleading, or so that such Registration Statement or Prospectus will comply with applicable law, (B) prepare promptly upon the reasonable request of any of the Representatives, any amendment or supplement to the Registration Statement or the Prospectus that in the reasonable opinion of Underwriters' counsel is believed to be necessary under the Act and (C) furnish to the Underwriters and such other persons as the Underwriters may designate such number of copies thereof as the Underwriters may reasonably request.

(d) *Blue Sky Qualifications*. The Company shall use its reasonable efforts, in cooperation with the Underwriters, to qualify the Shares for offering and sale under the applicable securities laws of such states and other jurisdictions as the Underwriters may designate; provided, however, that the Company shall not be obligated to file any general consent to service of process or to qualify as a foreign corporation or as a dealer in securities in any jurisdiction in which it is not so qualified or to subject itself to taxation in respect of doing business in any jurisdiction in which it is not otherwise so subject. In each jurisdiction in which the Shares have been so qualified, the Company shall file such statements and reports as may be required by the laws of such jurisdiction to continue such qualification in effect for so long as may be required in connection with the distribution of the Shares.

(e) *Use of Proceeds*. The Company shall use the net proceeds received by it from the sale of the Shares in the manner specified in the Prospectus under the caption "Use of Proceeds."

(f) *Rule 424(b)*. The Company shall file the Prospectus pursuant to Rule 424(b) under the Act not later than the Commission's close of business on the second Business Day following the date of determination of the offering price of the Shares or, if applicable, such earlier time as may be required by Rule 424(b).

(g) *Reasonable Inquiries; Information*. In connection with the original distribution of the Shares, the Company agrees that, prior to any offer or resale of the Shares by the Underwriters, the Underwriters and counsel for the Underwriters shall have the right to make reasonable inquiries into the business of the Company and its subsidiaries.

(h) *Subsequent Filings*. Subject to Section 3(f) hereof, the Company shall file promptly all reports and any definitive proxy or information statement required to be filed by the Company with the Commission in order to comply with the 1934 Act subsequent to the date of the Prospectus and for so long as the delivery of a prospectus is required by the Act in connection with the offering or sale of the Shares.

(i) *Earning Statement*. The Company shall make generally available to its securityholders, and to deliver to the Representatives, an earning statement of the Company (which need not be audited but will satisfy the provisions of Section 11(a) of the Act) covering a period of twelve months beginning after the effective date of the Registration Statement (as defined in Rule 158(c) of the Act) as soon as is reasonably practicable after the termination of such twelve-month period.

(j) *Lock-Up*. The Company shall not, during the period beginning from the date of the Prospectus Supplement and continuing to and including the date 90 days after the date of such Prospectus Supplement, without the prior written consent of each of Goldman, Sachs & Co. and Citigroup Global Markets Inc., on behalf of the Underwriters, (i) sell, offer to sell, contract or agree to sell, hypothecate, pledge or grant any option to purchase or otherwise dispose of or agree to dispose of, directly or indirectly, any shares of Common Stock or any securities convertible into or exchangeable for Common Stock or file any registration statement under the Act with respect to any of the foregoing; or (ii) enter into any swap or any other agreement or any transaction that transfers, in whole or in part, directly or indirectly, the economic consequence of ownership of any shares of Common Stock, whether any such transaction is to be settled by delivery of shares of Common Stock or other securities, in cash or otherwise. Notwithstanding the foregoing, the following shall be permitted: (1) the sale

of the Shares to the Underwriters pursuant to this Agreement, (2) the sale of up to 46,000,000 shares of Common Stock as described in the Prospectus Supplement relating to the sale of shares of Common Stock, (3) the issuance of shares of Common Stock as payment of dividends on the Shares in accordance with the terms thereof, (4) the issuance of shares of Common Stock upon the conversion of the Shares, (5) the issuance of shares of Common Stock upon the exercise of outstanding options and warrants disclosed as outstanding in the Prospectus and (6) the granting of options and the issuance of shares of Common Stock upon the exercise thereof pursuant to stock option and employee benefit plans in effect on the date hereof (as such plans are in effect on the date hereof).

(k) *Reservation of Shares*. The Company will reserve and keep available at all times, free of preemptive rights, the full number of shares of Common Stock issuable upon conversion of the Shares. At any time that the number of authorized but unissued shares of Common Stock (or Common Stock held in treasury and available for such purpose) shall be less than the aggregate number of shares of Common Stock into which the Preferred Stock then outstanding shall be convertible, to take such action as is necessary to increase the number of shares which the Company is authorized to issue so that the Company will have a sufficient number of shares of Common Stock available for conversion of the Preferred Stock then outstanding.

(l) *Adjustment of Conversion Prices*. Between the date hereof and the Closing Time, the Company shall not do or authorize any act or thing that would result in an adjustment of the conversion prices relating to the Shares set forth in the Prospectus.

(m) *Manipulation or Stabilization of Share Prices.* The Company shall not take, directly or indirectly, any action designed to cause or result in, or that has constituted or might reasonably be expected to constitute, the stabilization or manipulation of the price of any securities of the Company.

SECTION 4. Payment of Expenses.

(a) *Expenses*. The Company shall pay all expenses incident to the performance of its obligations under this Agreement, including (i) the printing of the Registration Statement, the Preliminary Prospectus, the Prospectus and of each amendment or supplement thereto and delivery (ii) the printing or reproduction of the Operative Agreements and related documents, (iii) the preparation, issuance and delivery of the book-entry credits for the Shares to the Underwriters, (iv) the transportation and other expenses incurred by or on behalf of Company representatives in connection with presentations to prospective purchasers of the Shares, (v) the fees and disbursements of the Company's counsel and accountants, (vi) the qualification of the Shares under securities laws in accordance with the provisions of Section 3(d) hereof, including filing fees and the reasonable fees and disbursements of counsel for the Underwriters in connection therewith and in connection with the preparation of a "blue sky" survey, and (vii) the registration of the Shares under the 1934 Act and the listing of the Shares on the NYSE.

(b) *Termination of Agreement*. If this Agreement is terminated by the Underwriters in accordance with the provisions of Section 5(o) or Section 10(a)(i) hereof, the Company shall reimburse the Underwriters for all of their out-of-pocket expenses, including the reasonable fees and disbursements of counsel for the Underwriters.

SECTION 5. Conditions of Underwriters' Obligations. The obligation of the Underwriters to purchase and pay for the Firm Shares and the Additional Shares hereunder is subject to the accuracy of the representations and warranties of the Company contained in Section 1 hereof or in certificates of any officer of the Company and any of its Subsidiaries delivered pursuant to the provisions hereof, in each case at the date hereof and as of the Closing Time or the Additional Time of Purchase, as the case may be, to the performance by the Company of its covenants and other obligations hereunder, and to the following further conditions:

(a) *Opinions of Counsel for the Company*. At the Closing Time and the Additional Time of Purchase, the Underwriters shall have received the favorable opinions, dated as of the Closing Time or the Additional Time of Purchase, as the case may be, of (i) Skadden, Arps, Slate, Meagher & Flom LLP, counsel for the Company, substantially to the effect set forth in Exhibit A attached hereto, (ii) Martin S. Wagner, Associate General Counsel to the Company, substantially to the effect set forth in Exhibit B attached hereto and (iii) Christina E. Clayton, General Counsel to the Company, substantially to the effect as set forth in Exhibit C attached hereto. Each such counsel may also state that, insofar as such opinion involves factual matters, they have relied, to the extent they deem proper, upon certificates of officers of the Company or any of its subsidiaries and certificates of public officials.

(b) *Opinion of Counsel for Underwriters*. At the Closing Time and the Additional Time of Purchase, the Underwriters shall have received the favorable opinion, dated as of the Closing Time or the Additional Time of Purchase, as the case may be, of Cahill Gordon & Reindel LLP, counsel for the Underwriters, in form and substance satisfactory to the Underwriters. In giving such opinion such counsel may rely, as to all matters governed by the laws of jurisdictions other than the law of the State of New York, the federal law of the United States and the General Corporation Law of the State of Delaware, upon the opinions of counsel satisfactory to the Underwriters. Such counsel may also state that, insofar as such opinion involves factual matters, they have relied, to the extent they deem proper, upon certificates of officers of the Company and its subsidiaries and certificates of public officials.

(c) *Rule 424(b).* The Prospectus shall have been filed with the Commission pursuant to Rule 424(b) under the Act in accordance with Section 3(f) of this Agreement and no amendment or supplement to the Registration Statement or the Prospectus, including documents deemed to be incorporated by reference therein, shall have been filed to which you object in writing.

(d) *Officers' Certificate*. At the Closing Time and the Additional Time of Purchase, there shall not have been, since the date hereof or since the respective dates as of which information is given in the Registration Statement or the Prospectus (exclusive of any amendment or supplement thereto or documents incorporated by reference therein that are filed after the date hereof), any Material Adverse Effect and the Underwriters shall have received a certificate of the Chairman or a Vice President of the Company and of the chief financial or chief accounting officer of the Company, dated as of the Closing Time or the Additional Time of Purchase, as the case may be, to the effect that (i) there has been no such Material Adverse Effect, (ii) the representations and warranties in Section 1(a) hereof are true and correct with the same force and effect as though expressly made at and as of the Closing Time or the Additional Time of Purchase, as the case may be and (iii) the Company has complied with all of the agreements entered into in connection with the transaction contemplated herein and satisfied all conditions on its part to be performed or satisfied at or prior to the Closing Time or the Additional Time of Purchase, as the case may be.

(e) *Accountant's Comfort Letter*. At the time of the execution of this Agreement, the Underwriters shall have received from PricewaterhouseCoopers LLP a letter dated the date hereof, in form and substance satisfactory to the Underwriters, containing statements and information of the type ordinarily included in accountants' comfort letters with respect to the financial statements and certain financial information contained in or incorporated by reference in the Registration Statement or the Prospectus.

(f) *Bring-down Comfort Letter*. At the Closing Time and the Additional Time of Purchase, the Underwriters shall have received from PricewaterhouseCoopers LLP a letter, dated as of the Closing Time or the Additional Time of Purchase, as the case may be, to the effect that they reaffirm the statements made in the letter furnished pursuant to subsection (e) of this Section, except that the specified date referred to shall be a date not more than three business days prior to the Closing Time or the Additional Time of Purchase, as the case may be.

(g) *Maintenance of Rating*. At the Closing Time and the Additional Time of Purchase, the Company's senior unsecured debt shall be rated at least B+ by Standard & Poor's Ratings Services, a division of The McGraw-Hill Companies, Inc. ("S&P") and B1 by Moody's Investor Service, Inc. ("Moody's").

(h) *Additional Documents*. At the Closing Time and the Additional Time of Purchase, counsel for the Underwriters shall have been furnished with such documents and opinions as they may reasonably require for the purpose of enabling them to pass upon the issuance and sale of the Shares as herein contemplated, or in order to evidence the accuracy of any of the representations or warranties, or the fulfillment of any of the conditions, herein contained; and all proceedings taken by the Company in connection with the issuance and sale of the Shares as herein contemplated shall be reasonably satisfactory in form and substance to the Underwriters and counsel for the Underwriters.

(i) *No Stop Orders*. Prior to the Closing Time and the Additional Time of Purchase, no stop order with respect to the effectiveness of the Registration Statement shall have been issued under the Act or proceedings initiated or, to the Company's knowledge, threatened under Section 8(d) or 8(e) of the Act.

(j) *Book-Entry*. The Shares shall be eligible and accepted for clearance and settlement through DTC.

(k) *Lock-Up Agreements.* At or prior to the Closing Time, the Underwriters shall have received the written agreement in substantially the form attached hereto as Exhibit D (the "Lock-Up Agreement"), dated on or prior to the date of this Agreement, from each of the Company's directors and officers (as defined under Rule 16a-1(f) of the 1934 Act) (as set forth on Schedule II attached hereto), and such Lock-Up Agreements shall be in full force and effect.

(l) *NYSE and CSE Approvals.* The NYSE shall have approved the listing (subject to official notice of issuance) of the Shares. The NYSE and the CSE shall have approved the listing (subject to official notice of issuance) of the Common Stock Shares.

(m) *Certificate of Amendment*. The Certificate of Amendment shall have been duly filed with the Secretary of State and shall have become effective under the Business Corporation Law of the State of New York.

(n) *Transfer Agency Agreement Amendment*. The Transfer Agency Agreement Amendment in form and substance reasonably satisfactory to the Representatives shall have been executed and delivered by each of the parties thereto.

(o) *Termination of Agreement*. If any condition specified in this Section 5 shall not have been fulfilled when and as required to be fulfilled, this Agreement may be terminated by the Representatives that have agreed to purchase the majority of Firm Shares, as listed on Schedule I hereto, by notice to the Company at any time at or prior to the Closing Time or the Additional Time of Purchase, as the case may be, and such termination shall be without liability of any party to any other party except as provided in Section 4 hereof and except that Sections 1, 7, 8 and 9 hereof shall survive any such termination and remain in full force and effect.

SECTION 6. [Intentionally Omitted]

SECTION 7. Indemnification.

(a) *Indemnification of Underwriters*. The Company agrees to indemnify and hold harmless each Underwriter, its affiliates, its officers and directors and each person, if any, who controls any Underwriter within the meaning of Section 15 of the Act or Section 20 of the 1934 Act to the extent and in the manner set forth in clauses (i), (ii) and (iii) below:

(i) against any and all loss, liability, claim, damage and expense whatsoever, as incurred, resulting from any untrue statement or alleged untrue statement of a material fact contained in any Registration Statement (or in the Registration Statement as amended by any post-effective amendment thereof by the Company becoming effective after the date of this Agreement) or in a Prospectus (the term Prospectus for the purpose of this Section 7 being deemed to include any Preliminary Prospectus, the Prospectus and any amendment or supplement thereto), or the omission or alleged omission therefrom of a material fact necessary in order to make the statements therein, in the light of the circumstances under which they were made, not misleading;

(ii) against any and all loss, liability, claim, damage and expense whatsoever, as incurred, to the extent of the aggregate amount paid in settlement of any litigation, or any investigation or proceeding by any governmental agency or body, commenced or threatened, or of any claim whatsoever based upon any such untrue statement or omission, or any such alleged untrue statement or omission; provided that (subject to Section 7(c) hereof) any such settlement is effected with the written consent of the Company; and

(iii) against any and all expense whatsoever, as incurred (including the reasonable fees and disbursements of counsel chosen by the Underwriters), reasonably incurred in investigating, preparing or defending against any litigation, or any investigation or proceeding by any governmental agency or body, commenced or threatened, or any claim whatsoever based

upon any such untrue statement or omission, or any such alleged untrue statement or omission, to the extent that any such expense is not paid under (i) or (ii) above;

provided, however, that (A) this indemnity agreement shall not apply to any loss, liability, claim, damage or expense of an Underwriter to the extent arising out of any untrue statement or omission or alleged untrue statement or omission made in reliance upon and in conformity with written information furnished to the Company by such Underwriter expressly for use in such Registration Statement or the Prospectus (or any amendment or supplement thereto) and (B) the Company shall not be liable to any indemnified party with respect to any Preliminary Prospectus (or supplement thereto) if (i) the Prospectus corrected any such untrue statement or omission, (ii) the Prospectus was delivered to such indemnified party (sufficiently in advance of the Closing Time and in sufficient quantity to allow for distribution by the Closing Time), (iii) the delivery of the Prospectus was required by the Act to be made to the applicable purchaser and (iv) such indemnified party failed to furnish a copy of the Prospectus (excluding any documents incorporated by reference therein) to the applicable purchaser.

(b) *Indemnification of the Company*. Each Underwriter agrees, severally and not jointly, to indemnify and hold harmless the Company, the directors and officers of the Company, and each person, if any, who controls the Company within the meaning of Section 15 of the Act or Section 20 of the 1934 Act against any and all loss, liability, claim, damage and expense described in the indemnity contained in subsection (a) of this Section, as incurred, but only with respect to untrue statements or omissions, or alleged untrue statements or omissions, made in any Registration Statement (or in the Registration Statement as amended by any post-effective amendment thereof by the Company) or any Prospectus (or any amendment or supplement thereto) in reliance upon and in conformity with written information furnished to the Company by such Underwriter expressly for use in such Registration Statement (or in the Registration Statement as amended by any post-effective amendment thereof by the Company) or Prospectus (or any amendment or supplement thereto).

(c) *Actions against Parties; Notification*. Each indemnified party shall give notice as promptly as reasonably practicable to each indemnifying party of any action commenced against it in respect of which indemnity may be sought hereunder, but failure to so notify an indemnifying party shall not relieve such indemnifying party from any liability hereunder to the extent it is not materially prejudiced as a result thereof and in any event shall not relieve it from any liability which it may have otherwise than on account of this indemnity agreement. In the case of parties indemnified pursuant to Section 7(a) hereof, counsel to the indemnified parties shall be selected by the Underwriters, and, in the case of parties indemnified pursuant to Section 7(b) hereof, counsel to the indemnified parties shall be selected by the Company. An indemnifying party may participate at its own expense in the defense of any such action; provided, however, that counsel to the indemnifying party shall not (except with the consent of the indemnified party) also be counsel to the indemnified party. If it so elects within a reasonable time after receipt of such notice, an indemnifying party, jointly with any other indemnifying parties receiving such notice, may assume the defense of such action with counsel chosen by it and which counsel is reasonably acceptable to the indemnified parties' defendant in such action, unless such indemnified parties reasonably object to such assumption on the ground that there may be legal defenses available to them which are different from or in addition to those available to such indemnifying party. In no event shall the indemnifying parties be liable for fees and expenses of more than one counsel (in addition to any local counsel) separate from their own counsel for all indemnified parties in connection with any one action or separate but similar or related actions in the same jurisdiction

arising out of the same general allegations or circumstances. No indemnifying party shall, without the prior written consent of the indemnified parties, settle or compromise or consent to the entry of any judgment with respect to any litigation, or any investigation or proceeding by any governmental agency or body, commenced or threatened, or any claim whatsoever in respect of which indemnification or contribution could be sought under this Section 7 or Section 8 hereof (whether or not the indemnified parties are actual or potential parties thereto), unless such settlement, compromise or consent (i) includes an unconditional release of each indemnified party from all liability arising out of such litigation, investigation, proceeding or claim and (ii) does not include a statement as to or an admission of fault, culpability or a failure to act by or on behalf of any indemnified party.

(d) *Settlement without Consent if Failure to Reimburse*. If at any time an indemnified party shall have requested an indemnifying party to reimburse the indemnified party for fees and expenses of counsel, such indemnifying party agrees that it shall be liable for any settlement of the nature contemplated by Section 7(a)(ii) hereof effected without its written consent if (i) such settlement is entered into more than 45 days after receipt by such indemnifying party of the aforesaid request, (ii) such indemnifying party shall have received notice of the terms of such settlement at least 30 days prior to such settlement being entered into and (iii) such indemnifying party shall not have reimbursed such indemnified party in accordance with such request prior to the date of such settlement, unless the indemnifying party shall in good faith contest the reasonableness of such fees and expenses (but only to the extent so contested) or the entitlement of the indemnified person to indemnification under the terms of this Section 7.

SECTION 8. Contribution. If the indemnification provided for in Section 7 hereof is for any reason unavailable to or insufficient to hold harmless an indemnified party in respect of any losses, liabilities, claims, damages or expenses referred to therein, then each indemnifying party shall contribute to the aggregate amount of such losses, liabilities, claims, damages and expenses incurred by such indemnified party, as incurred, (i) in such proportion as is appropriate to reflect the relative benefits received by the Company on the one hand and the Underwriters on the other hand from the offering of the Shares pursuant to this Agreement or (ii) if the allocation provided by clause (i) is not permitted by applicable law, in such proportion as is appropriate to reflect not only the relative benefits referred to in clause (i) above but also the relative fault of the Company on the one hand and of the Underwriters on the other hand in connection with the statements or omissions which resulted in such losses, liabilities, claims, damages or expenses, as well as any other relevant equitable considerations.

The relative benefits received by the Company on the one hand and the Underwriters on the other hand in connection with the offering of the Shares pursuant to this Agreement shall be deemed to be in the same respective proportions as the total net proceeds from the offering of the Shares pursuant to this Agreement (before deducting expenses) received by the Company and the total underwriting discount received by the Underwriters, in each case as set forth in the Prospectus, bear to the aggregate initial offering price of the Shares as set forth on such cover.

The relative fault of the Company on the one hand and the Underwriters on the other hand shall be determined by reference to, among other things, whether any such untrue or alleged untrue statement of a material fact or omission or alleged omission to state a material fact relates to information supplied by the Company on the one hand, or by the Underwriters on the other hand and the par-

ties' relative intent, knowledge, access to information and opportunity to correct or prevent such statement or omission.

The Company and the Underwriters agree that it would not be just and equitable if contribution pursuant to this Section 8 were determined by pro rata allocation or by any other method of allocation which does not take account of the equitable considerations referred to above in this Section 8. The aggregate amount of losses, liabilities, claims, damages and expenses incurred by an indemnified party and referred to above in this Section 8 shall be deemed to include any legal or other expenses reasonably incurred by such indemnified party in investigating, preparing or defending against any litigation, or any investigation or proceeding by any governmental agency or body, commenced or threatened, or any claim whatsoever based upon any such untrue or alleged untrue statement or omission or alleged omission.

Notwithstanding the provisions of this Section 8, no Underwriter shall be required to contribute any amount in excess of the amount by which the total discounts or commissions received by it hereunder exceeds the amount of any damages which such Underwriter otherwise would have been required to pay by reason of such untrue or alleged untrue statement or omission or alleged omission.

No person guilty of fraudulent misrepresentation (within the meaning of Section 11(f) of the Act) shall be entitled to contribution from any person who was not guilty of such fraudulent misrepresentation.

For purposes of this Section 8, each person, if any, who controls each Underwriter within the meaning of Section 15 of the Act or Section 20 of the 1934 Act and affiliates, officers and directors of each Underwriter shall have the same rights to contribution as the Underwriters, and each officer and director of the Company and each person, if any, who controls the Company within the meaning of Section 15 of the Act or Section 20 of the 1934 Act shall have the same rights to contribution as the Company.

The Underwriters' respective obligations to contribute pursuant to this Section 8 are several in proportion to the respective amount of Shares they have purchased hereunder, and not joint.

SECTION 9. Representations, Warranties and Agreements to Survive Delivery. All representations, warranties and agreements contained in this Agreement or in certificates of officers of the Company or any of its subsidiaries submitted pursuant hereto shall remain operative and in full force and effect, regardless of any investigation made by or on behalf of the Underwriters or controlling person, or by or on behalf of the Company, and shall survive delivery of the Shares to the Underwriters.

SECTION 10. Termination of Agreement.

(a) *Termination; General*. The Representatives that have agreed to purchase the majority of the Firm Shares, as listed on Schedule I hereto, may terminate this Agreement, by notice to the Company, at any time at or prior to the Closing Time (i) if there has been, since the time of execution of this Agreement or since the respective dates as of which information is given in the Registration Statement or the Prospectus (exclusive of any amendment or supplement thereto or documents incorporated by reference therein that are filed after the date hereof), any Material Adverse Effect, or (ii) if

there has occurred any material adverse change in the financial markets in the United States or the international financial markets, any outbreak of hostilities or escalation thereof or other calamity or crisis or any change or development involving a prospective change in national or international political, financial or economic conditions, in each case the effect of which is such as to make it, in the judgment of such Representatives, impracticable or inadvisable to market the Shares or to enforce contracts for the sale of the Shares, or (iii) if trading in any securities of the Company has been suspended or materially limited by the Commission or the New York Stock Exchange or if trading generally on the American Stock Exchange or the New York Stock Exchange or in the Nasdaq National Market has been suspended or materially limited, or minimum or maximum prices for trading have been fixed, or maximum ranges for prices have been required, by any of said exchanges or by such system or by order of the Commission, the NASD, any other governmental authority, or a material disruption has occurred in commercial banking or securities settlement or clearance services in the United States or (iv) if a banking moratorium has been declared by either federal or New York authorities.

(b) *Liabilities*. If this Agreement is terminated pursuant to this Section, such termination shall be without liability of any party to any other party except as provided in Section 4 hereof, and provided further that Sections 1, 7, 8 and 9 hereof shall survive such termination and remain in full force and effect.

SECTION 11. Default by One or More of the Underwriters. If one or more of the Underwriters shall fail at the Closing Time to purchase the Firm Shares which it or they are obligated to purchase under this Agreement (the "Defaulted Shares"), then the non-defaulting Underwriters shall have the right, within 24 hours thereafter, to make arrangements for one or more of the non-defaulting Underwriters, or any other Underwriters, to purchase all, but not less than all, of the Defaulted Shares in such amounts as may be agreed upon and upon the terms herein set forth; if, however, the non-defaulting Underwriters shall not have completed such arrangements within such 24-hour period, then:

(a) if the aggregate number of Defaulted Shares does not exceed 10% of the aggregate amount of Firm Shares to be purchased on such date pursuant to this Agreement, the non-defaulting Underwriters shall be obligated, severally and not jointly, to purchase the full amount thereof in the proportions that their respective underwriting obligations under this Agreement bear to the purchase obligations of all non-defaulting Underwriters, or

(b) if the aggregate number of Defaulted Shares exceeds 10% of the aggregate principal amount of Firm Shares to be purchased on such date pursuant to this Agreement, this Agreement shall terminate without liability on the part of any non-defaulting Underwriter.

No action taken pursuant to this Section 11 shall relieve any defaulting Underwriter from liability in respect of its default. In the event of any such default which does not result in a termination of this Agreement, either the non-defaulting Underwriters or the Company shall have the right to postpone the Closing Time for a period not exceeding seven days in order to effect any required changes in the Prospectus or in any other documents or arrangement.

SECTION 12. Notices. All notices and other communications hereunder shall be in writing and shall be deemed to have been duly given if mailed or transmitted by any standard form of telecommunication. Notices to the Underwriters shall be directed to them at their addresses set forth on

the first page of this Agreement; and notices to the Company shall be directed to Xerox Corporation, Corporate Headquarters, 800 Long Ridge Road, Stamford, CT 06904, attention of Martin S. Wagner, Assistant Secretary and Associate General Counsel.

SECTION 13. Parties. This Agreement shall inure to the benefit of and be binding upon the Underwriters, the Company and their respective successors. Nothing expressed or mentioned in this Agreement is intended or shall be construed to give any person, firm or corporation, other than the Underwriters, the Company and their respective successors and the controlling persons, affiliates, officers and directors, referred to in Sections 7 and 8 hereof and their heirs and legal representatives, any legal or equitable right, remedy or claim under or in respect of this Agreement or any provision herein contained. This Agreement and all conditions and provisions hereof are intended to be for the sole and exclusive benefit of the Underwriters, the Company and their respective successors, and said controlling persons, affiliates, officers, directors and Trustee, and their heirs and legal representatives, and for the benefit of no other person, firm or corporation. No purchaser of Shares from the Underwriters shall be deemed to be a successor by reason merely of such purchase.

SECTION 14. GOVERNING LAW AND TIME. THIS AGREEMENT SHALL BE GOVERNED BY AND CONSTRUED IN ACCORDANCE WITH THE LAWS OF THE STATE OF NEW YORK. SPECIFIED TIMES OF DAY REFER TO NEW YORK CITY TIME.

SECTION 15. Effect of Headings. The Article and Section headings herein are for convenience only and shall not affect the construction hereof.

SECTION 16. Underwriters' Information. The Company and the Underwriters acknowledge and agree that for all purposes of this Agreement the only information relating to any Underwriter that has been furnished to the Company in writing by any Underwriter expressly for use in the Prospectus consists of the following: the third, ninth, tenth and sixteenth paragraphs under the heading "Underwriting" in the Prospectus.

SECTION 17. Qualified Independent Underwriter.

(a) *Indemnification of QIU*. The Company agrees to indemnify and hold harmless the QIU, its affiliates, and each person, if any, who controls the QIU within the meaning of Section 15 of the Act or Section 20 of the 1934 Act to the extent and in the manner set forth in clauses (i), (ii) and (iii) below:

(i) against any and all loss, liability, claim, damage and expense whatsoever, as incurred, resulting from any untrue statement or alleged untrue statement of a material fact contained in any Registration Statement (or in the Registration Statement as amended by any post-effective amendment thereof by the Company becoming effective after the date of this Agreement) or in a Prospectus (the term Prospectus for the purpose of this Section 17 being deemed to include any Preliminary Prospectus, the Prospectus and any amendment or supplement thereto), or the omission or alleged omission therefrom of a material fact necessary in order to make the statements therein, in the light of the circumstances under which they were made, not misleading;

(ii) against any and all loss, liability, claim, damage and expense whatsoever, as incurred, to the extent of the aggregate amount paid in settlement of any litigation, or any investigation or proceeding by any governmental agency or body, commenced or threatened, or of any claim whatsoever based upon any such untrue statement or omission, or any such alleged untrue statement or omission; provided that (subject to Section 17(c) hereof) any such settlement is effected with the written consent of the Company; and

(iii) against any and all expense whatsoever, as incurred (including the reasonable fees and disbursements of counsel chosen by the QIU), reasonably incurred in investigating, preparing or defending against any litigation, or any investigation or proceeding by any governmental agency or body, commenced or threatened, or any claim whatsoever based upon any such untrue statement or omission, or any such alleged untrue statement or omission, to the extent that any such expense is not paid under (i) or (ii) above;

provided, however, that (A) this indemnity agreement shall not apply to any loss, liability, claim, damage or expense of the QIU to the extent arising out of any untrue statement or omission or alleged untrue statement or omission made in reliance upon and in conformity with written information furnished to the Company by the QIU expressly for use in such Registration Statement or the Prospectus (or any amendment or supplement thereto) and (B) the Company shall not be liable to any indemnified party with respect to any Preliminary Prospectus (or supplement thereto) if (i) the Prospectus corrected any such untrue statement or omission, (ii) the Prospectus was delivered to such indemnified party (sufficiently in advance of the Closing Time and in sufficient quantity to allow for distribution by the Closing Time), (iii) the delivery of the Prospectus was required by the Act to be made to the applicable purchaser and (iv) such indemnified party failed to furnish a copy of the Prospectus (excluding any documents incorporated by reference therein) to the applicable purchaser.

(b) *Actions against Parties; Notification*. The QIU shall give notice, as promptly as reasonably practicable, to the Company of any action commenced against the QIU in respect of which indemnity may be sought hereunder, but failure to so notify the Company shall not relieve the Company from any liability hereunder to the extent it is not materially prejudiced as a result thereof and in any event shall not relieve it from any liability which it may have otherwise than on account of this indemnity agreement. Counsel to the QIU shall be selected by the QIU. The Company may participate at its own expense in the defense of any such action; provided, however, that counsel to the Company shall not (except with the consent of the QIU) also be counsel to the QIU. If it so elects within a reasonable time after receipt of such notice, the Company may assume the defense of such action with counsel chosen by it and which counsel is reasonably acceptable to the QIU, unless the QIU reasonably objects to such assumption on the ground that there may be legal defenses available to it which are different from or in addition to those available to the Company. In no event shall the Company be liable for fees and expenses of more than one counsel (in addition to any local counsel) separate from their own counsel for the QIU in connection with any one action or separate but similar or related actions in the same jurisdiction arising out of the same general allegations or circumstances. The Company shall not without the prior written consent of the QIU, settle or compromise or consent to the entry of any judgment with respect to any litigation, or any investigation or proceeding by any governmental agency or body, commenced or threatened, or any claim whatsoever in respect of which indemnification or contribution could be sought under this Section 17 hereof (whether or not the QIU is an actual or potential party thereto), unless such settlement, compromise or consent (i) includes an un-

conditional release of the QIU from all liability arising out of such litigation, investigation, proceeding or claim and (ii) does not include a statement as to or an admission of fault, culpability or a failure to act by or on behalf of the QIU.

(c) *Settlement without Consent if Failure to Reimburse*. If at any time the QIU shall have requested the Company to reimburse the QIU for fees and expenses of counsel, the Company agrees that it shall be liable for any settlement of the nature contemplated by Section 17(a)(ii) effected without its written consent if (i) such settlement is entered into more than 45 days after receipt by the Company of the aforesaid request, (ii) the Company shall have received notice of the terms of such settlement at least 30 days prior to such settlement being entered into and (iii) the Company shall not have reimbursed the QIU in accordance with such request prior to the date of such settlement, unless the Company shall in good faith contest the reasonableness of such fees and expenses (but only to the extent so contested) or the entitlement of the QIU to indemnification under the terms of this Section 17.

(d) *Contribution*. If the indemnification provided for in this Section 17 hereof is for any reason unavailable to or insufficient to hold harmless the QIU in respect of any losses, liabilities, claims, damages or expenses referred to therein, then the Company shall contribute to the aggregate amount of such losses, liabilities, claims, damages and expenses incurred by the QIU as incurred, (i) in such proportion as is appropriate to reflect the relative benefits received by the Company on the one hand and the QIU on the other hand from the offering of the Shares pursuant to this Agreement or (ii) if the allocation provided by clause (i) is not permitted by applicable law, in such proportion as is appropriate to reflect not only the relative benefits referred to in clause (i) above but also the relative fault of the Company on the one hand and of the QIU on the other hand in connection with the statements or omissions which resulted in such losses, liabilities, claims, damages or expenses, as well as any other relevant equitable considerations.

The relative benefits received by the Company on the one hand and the QIU on the other hand in connection with the offering of the Shares pursuant to this Agreement shall be deemed to be in the same respective proportions as the total net proceeds from the offering of the Shares pursuant to this Agreement (before deducting expenses) received by the Company and the total fee received by the QIU, in each case as set forth in the Prospectus, bear to the aggregate initial offering price of the Shares as set forth on such cover.

The relative fault of the Company on the one hand and the QIU on the other hand shall be determined by reference to, among other things, whether any such untrue or alleged untrue statement of a material fact or omission or alleged omission to state a material fact relates to information supplied by the Company on the one hand, or by the QIU and the parties' relative intent, knowledge, access to information and opportunity to correct or prevent such statement or omission.

The Company and the QIU agree that it would not be just and equitable if contribution pursuant to this Section 17 were determined by pro rata allocation or by any other method of allocation which does not take account of the equitable considerations referred to above in this Section 17. The aggregate amount of losses, liabilities, claims, damages and expenses incurred by an indemnified party and referred to above in this Section 17 shall be deemed to include any legal or other expenses reasonably incurred by such indemnified party in investigating, preparing or defending against any litiga-

tion, or any investigation or proceeding by any governmental agency or body, commenced or threatened, or any claim whatsoever based upon any such untrue or alleged untrue statement or omission or alleged omission.

Notwithstanding the provisions of this Section 8, the QIU shall not be required to contribute any amount in excess of the amount by which the total discounts or commissions received by it hereunder exceeds the amount of any damages which the QIU otherwise would have been required to pay by reason of such untrue or alleged untrue statement or omission or alleged omission.

No person guilty of fraudulent misrepresentation (within the meaning of Section 11(f) of the Act) shall be entitled to contribution from any person who was not guilty of such fraudulent misrepresentation.

For purposes of this Section 17, each person, if any, who controls the QIU within the meaning of Section 15 of the Act or Section 20 of the 1934 Act and affiliates of the QIU shall have the same rights to contribution as the QIU, and each officer and director of the Company and each person, if any, who controls the Company within the meaning of Section 15 of the Act or Section 20 of the 1934 Act shall have the same rights to contribution as the Company.

(e) The Company hereby confirms its engagement of the services of the QIU as, and the QIU hereby confirms its agreement with the Company to render services as, a “qualified independent underwriter” within the meaning of Rule 2720 with respect to the offering and sale of the Shares.

(f) The QIU hereby represents and warrants to, and agrees with, the Company and the Underwriters that with respect to the offering and sale of the Shares as described in the Prospectus:

(i) The QIU constitutes a “qualified independent underwriter” within the meaning of Rule 2720;

(ii) The QIU has conducted due diligence in respect of the offering and sale of the Shares as described in the Prospectus;

(iii) The QIU has undertaken the legal responsibilities and liabilities of an underwriter under the Act specifically including those inherent in Section 11 thereof; and

(iv) The QIU recommends, as of the date of the execution and delivery of this Agreement, that the price of the Shares shall not be lower than $100.00.

(g) The QIU hereby agrees with the Company and the Underwriters that, as part of its services hereunder, in the event of any amendment or supplement to the Prospectus, the QIU will render services as a “qualified independent underwriter” within the meaning of Rule 2720 with respect to the offering and sale of the Shares as described in the Prospectus as so amended or supplemented that are substantially the same as those services being rendered with respect to the offering and sale of the Shares as described in the Prospectus (including those described in subsection (b) above).

(h) The Company agrees to pay the QIU $10,000 for serving as QIU in connection with the offering and sale of Shares.

The QIU hereby consents to the references to it as set forth under the caption “Underwriting” in the Prospectus and in any amendment or supplement thereto made in accordance with Section 3 hereof.

[Signature pages follow]

If the foregoing is in accordance with your understanding of our agreement, please sign and return to the Company a counterpart hereof, whereupon this instrument, along with all counterparts, will become a binding agreement among the Underwriters, the QIU and the Company in accordance with its terms.

Very truly yours,

XEROX CORPORATION

By: /s/ LAWRENCE A. ZIMMERMAN

Name: Lawrence A. Zimmerman
Title: Senior Vice President and Chief Financial Officer

CONFIRMED AND ACCEPTED,
as of the date first above written:

CITIGROUP GLOBAL MARKETS INC.
MERRILL LYNCH, PIERCE, FENNER & SMITH
INCORPORATED
GOLDMAN, SACHS & CO.
J.P. MORGAN SECURITIES INC.
DEUTSCHE BANK SECURITIES INC.
UBS SECURITIES LLC
BANC ONE CAPITAL MARKETS, INC.
BEAR, STEARNS & CO. INC.
DANSKE MARKETS INC.
BNP PARIBAS SECURITIES CORP.
CREDIT SUISSE FIRST BOSTON LLC
FLEET SECURITIES, INC.

By: CITIGROUP GLOBAL MARKETS INC.

By: /s/ THOMAS W. OSTRANDER

Authorized Signatory

For themselves as Representatives of the other Underwriters named on Schedule I hereto.

GOLDMAN, SACHS & CO.,
as Qualified Independent Underwriter

By: /s/ GOLDMAN, SACHS & CO.

Authorized Signatory

Schedule I

Underwriter	Number of Firm Shares
Citigroup Global Markets Inc.	1,086,667
Merrill Lynch, Pierce, Fenner & Smith Incorporated	1,086,666
Goldman, Sachs & Co.	1,086,667
J.P. Morgan Securities Inc.	1,086,667
Deutsche Bank Securities Inc.	1,086,667
UBS Securities LLC	1,086,666
Banc One Capital Markets, Inc.	400,000
Bear, Stearns & Co. Inc.	400,000
Danske Markets Inc.	160,000
BNP Paribas Securities Corp.	200,000
Credit Suisse First Boston LLC	160,000
Fleet Securities, Inc.	160,000
Total	8,000,000

Schedule II

Company’s Directors and Executive Officers

1. Ursula M. Burns
2. Christina E. Clayton
3. James A. Firestone
4. Gilbert Hatch
5. Antonia Ax:son Johnson
6. Vernon E. Jordan, Jr.
7. Gary R. Kabureck
8. Yotaro Kobayashi
9. Hilmer Kopper
10. Ralph S. Larsen
11. Michael C. MacDonald
12. Anne M. Mulcahy
13. N.J. Nicholas, Jr.
14. John E. Pepper
15. Ann N. Reese
16. Lawrence A. Zimmerman

Exhibit A

FORM OF OPINION OF COMPANY'S COUNSEL
TO BE DELIVERED PURSUANT TO
SECTION 5(a)(i)

See attached.

Exhibit B

FORM OF OPINION OF ASSOCIATE GENERAL COUNSEL OF COMPANY
TO BE DELIVERED PURSUANT TO
SECTION 5(a)(ii)

See attached.

Exhibit C

FORM OF OPINION OF GENERAL COUNSEL OF COMPANY
TO BE DELIVERED PURSUANT TO
SECTION 5(a)(iii)

See attached.

Form of Lock-Up Agreement

See attached.

Exhibit 1.2

XEROX CORPORATION
(a New York corporation)

40,000,000 Shares of Common Stock

UNDERWRITING AGREEMENT

June 19, 2003

Goldman, Sachs & Co.
Citigroup Global Markets Inc.
J.P. Morgan Securities Inc.
Merrill Lynch, Pierce, Fenner & Smith
Incorporated
Deutsche Bank Securities Inc.
UBS Securities LLC
Bear, Stearns & Co. Inc.
Danske Markets Inc.
BNP Paribas Securities Corp.
Credit Suisse First Boston LLC
As Representatives of the several Underwriters
named on Schedule I hereto

c/o Goldman, Sachs & Co.
85 Broad Street
New York, NY 10004

Ladies and Gentlemen:

Xerox Corporation, a New York corporation (the "Company"), confirms its agreements (this "Agreement") with the underwriters named in Schedule I annexed hereto (collectively, the "Underwriters," which term shall also include any underwriter substituted as provided in Section 11 hereto) for whom Goldman, Sachs & Co., Citigroup Global Markets Inc., J.P. Morgan Securities Inc., Merrill Lynch, Pierce, Fenner & Smith Incorporated, Deutsche Bank Securities Inc., UBS Securities LLC, Bear, Stearns & Co. Inc., Danske Markets Inc., BNP Paribas Securities Corp. and Credit Suisse First Boston LLC are acting as representative(s) (the "Representatives") with respect to the issue and sale by the Company and the purchase by the Underwriters, acting severally and not jointly, of an aggregate of 40,000,000 shares (the "Firm Shares") of common stock, $1.00 par value (the "Common Stock") of the Company. In addition, solely for the purpose of covering sales in excess of the number

of Firm Shares, the Company grants to the Underwriters the option to purchase from the Company up to an additional 6,000,000 shares of Common Stock (the "Additional Shares"). The Firm Shares and the Additional Shares are hereinafter collectively sometimes referred to as the "Shares."

The Company has filed, in accordance with the provisions of the Securities Act of 1933, as amended, and the rules and regulations thereunder (collectively, the "Act"), with the Securities and Exchange Commission (the "Commission") a registration statement on Form S-3, as amended (File Nos. 333-101164, 333-101164-01, -03 and -05 through -13), including a prospectus, relating to the offer and sale from time to time of securities of the Company and certain of its subsidiaries (such registration statement as amended to the date of this Agreement, the "Registration Statement"). The term "Base Prospectus" means the prospectus included in the Registration Statement. The Company has furnished to you, for use by the Underwriters and by dealers, copies of a preliminary prospectus supplement to the Base Prospectus (the "Preliminary Prospectus") relating to the Shares. The Company has filed with, or transmitted for filing to, or shall promptly hereafter file with or transmit for filing to, the Commission a final prospectus supplement (the "Prospectus Supplement") relating to the Shares pursuant to Rule 424(b) of the Act. The term "Prospectus" means the Prospectus Supplement together with the Base Prospectus in the form first used to confirm the sale of the Shares. Any reference in this Agreement to the Registration Statement, the Preliminary Prospectus, any supplemental prospectus (including the Prospectus Supplement) or the Prospectus shall be deemed to refer to and include the documents incorporated by reference therein pursuant to Item 12 of Form S-3 under the Act, as of the effective date of the Registration Statement or the date of such Preliminary Prospectus, supplemental prospectus or the Prospectus, as the case may be, and any reference to "amend," "amendment" or "supplement" with respect to the Registration Statement, the Preliminary Prospectus, any supplemental prospectus or the Prospectus shall be deemed to refer to and include any documents filed after such date under the Securities Exchange Act of 1934, as amended, and the rules and regulations of the Commission thereunder (collectively, the "1934 Act"), as applicable, that are deemed to be incorporated by reference therein. As used herein, "Business Day" shall mean a day on which the New York Stock Exchange is open for trading.

SECTION 1. Representations and Warranties.

(a) *Representations and Warranties by the Company.* The Company represents and warrants to the Underwriters as of the date hereof, as of the Closing Time referred to in Section 2(b) hereof, and as of the Additional Time of Purchase referred to in Section 2(a) hereof, and agrees with the Underwriters, as follows:

(i) Registration Statement and Prospectus. The Registration Statement has been declared effective under the Act; no stop order of the Commission preventing or suspending the use of the Preliminary Prospectus or the effectiveness of the Registration Statement has been issued and no proceedings for such purpose have been instituted or, to the Company's knowledge after due inquiry, are threatened by the Commission; the Base Prospectus, at the time of filing thereof, complied in all material respects with the requirements of the Act; the Registration Statement complied when it became effective, complies and will comply, at the Closing Time, in all material respects with the requirements of the Act and the Prospectus will comply, as of its date and at the Closing Time, in all material respects with the requirements of the Act; the conditions to the use of Form S-3 have been satisfied; the Registration Statement

did not when it became effective and does not contain an untrue statement of a material fact or omit to state a material fact necessary in order to make the statements therein not misleading and the Prospectus will not, as of its date and at the Closing Time, contain an untrue statement of a material fact or omit to state a material fact necessary in order to make the statements therein, in the light of the circumstances under which they were made, not misleading. The representations and warranties in this subsection shall not apply to statements in or omissions from the Registration Statement or the Prospectus made in reliance upon and in conformity with information furnished to the Company in writing by the Underwriters expressly for use in the Registration Statement or the Prospectus.

(ii) Incorporated Documents. The documents incorporated by reference in the Prospectus, at the time they were or hereafter are filed with the Commission, complied and will comply, as the case may be, in all material respects with the requirements of the 1934 Act.

(iii) Independent Accountants. The accountants who certified the financial statements and the supporting schedules included or incorporated by reference in the Registration Statement and the Prospectus are independent public accountants as required by the Act.

(iv) Financial Statements. The financial statements included or incorporated by reference in the Registration Statement and the Prospectus (and any amendment or supplement thereto), together with the related schedules and notes, present fairly the financial position of the Company and its consolidated subsidiaries at the dates indicated and the statements of operations, balance sheets and cash flows of the Company and its consolidated subsidiaries for the periods specified; except as otherwise stated therein, such financial statements have been prepared in conformity with generally accepted accounting principles ("GAAP") applied on a consistent basis throughout the periods involved. The supporting schedules included or incorporated by reference in the Registration Statement and the Prospectus (and any amendment or supplement thereto) present fairly in accordance with GAAP the information required to be stated therein. The selected financial data included in the Registration Statement and the Prospectus (and any amendment or supplement thereto) present fairly the information shown therein and have been compiled on a basis consistent with that of the audited financial statements included in or incorporated by reference in the Registration Statement and the Prospectus (and any amendment or supplement thereto).

(v) No Material Adverse Change in Business. Since the respective dates as of which information is given in the Registration Statement and the Prospectus, except as otherwise stated therein, (A) there has been no material adverse change or any development involving a prospective material adverse change in the condition, financial or otherwise, or in the results of operations or business affairs of the Company and its subsidiaries considered as one enterprise, whether or not arising in the ordinary course of business, (B) there have been no transactions entered into by the Company or any of its subsidiaries, other than those in the ordinary course of business, which are material with respect to the Company and its subsidiaries considered as one enterprise, and (C) other than as a result of the issuance of the Shares, the contemporaneous issuance by the Company of up to 9,200,000 shares of its Series C mandatory convertible preferred stock, $1.25 billion aggregate principal amount of its senior notes

and the establishment of a new $1 billion credit facility, there is no prospective development likely to result in a material change in the capitalization of the Company. For the purposes of this Agreement, the occurrence of any of the events described in clause (A) of this paragraph (v) shall be defined to mean a "Material Adverse Effect."

(vi) Good Standing of the Company. The Company has been duly organized and is validly existing as a corporation in good standing under the laws of the State of New York and has corporate power and authority to own, lease and operate its properties and to conduct its business as described in the Registration Statement and the Prospectus and to enter into and perform its obligations under this Agreement; and the Company is duly qualified as a foreign company or corporation to transact business and is in good standing in each other jurisdiction in which such qualification is required, whether by reason of the ownership or leasing of property or the conduct of business, except where the failure so to qualify or to be in good standing would not result in a Material Adverse Effect.

(vii) Good Standing of Subsidiaries. Each Subsidiary of the Company has been duly organized and is validly existing and in good standing under the laws of the jurisdiction of its incorporation or organization, has corporate or other organizational power and authority to own, lease and operate its properties and to conduct its business as described in the Registration Statement and the Prospectus and is duly qualified as a foreign corporation to transact business and is in good standing in each jurisdiction in which such qualification is required, whether by reason of the ownership or leasing of property or the conduct of business, except where the failure so to qualify or to be in good standing would not result in a Material Adverse Effect. Except as otherwise disclosed in the Prospectus, all of the issued and outstanding capital stock of each such Subsidiary has been duly authorized and validly issued, is fully paid and non-assessable and, to the extent owned by the Company, is owned by the Company directly or through Subsidiaries, free and clear of any security interest, mortgage, pledge, lien, encumbrance, claim or equity. None of the outstanding shares of capital stock of any Subsidiary was issued in violation of preemptive or similar rights of any securityholder of such Subsidiary. As used herein "Subsidiary" means each subsidiary of the Company listed in Exhibit 99.2 to the Company's Quarterly Report on Form 10-Q for the fiscal quarter ended March 31, 2003, in each case that is in existence on the date hereof. The Company does not own or control, directly or indirectly, any corporation, association or other entity, other than those Subsidiaries which, in the aggregate, would constitute a "Significant Subsidiary," as such term is defined in Rule 1-02 of Regulation S-X under the Act.

(viii) Capitalization. The authorized, issued and outstanding capital stock of the Company is as set forth in the Prospectus in the column entitled "Actual" under the caption "Capitalization" (except for subsequent issuances, if any, pursuant to this Agreement, pursuant to reservations, agreements or employee benefit plans referred to in the Prospectus or pursuant to the exercise of convertible securities or options referred to in the Prospectus in connection with the Xerox Canada Inc. ("XCI") Exchangeable Class B Stock or the XCI Rights Plan). The shares of issued and outstanding capital stock of the Company have been duly authorized and validly issued and are fully paid and non-assessable; none of the outstanding shares of capital stock was issued in violation of preemptive or other similar rights of any securityholder of the Company.

(ix) Authorization of this Agreement. This Agreement has been duly authorized, executed and delivered by the Company.

(x) Authorization of Shares. The Shares to be issued and sold by the Company have been duly and validly authorized and, when issued and delivered against payment therefor as provided herein, will be duly and validly issued and fully paid and nonassessable.

(xi) Description and Form of Shares. The Shares conform in all material respects to the description thereof contained in the Prospectus. The form of certificates for the Shares conforms to the requirements of the New York Business Corporation Law.

(xii) No Preemptive or Other Similar Rights. Except as described in the Registration Statement and the Prospectus, no person has the right, contractual or otherwise, to cause the Company to register under the Act any shares of capital stock or other equity interests of the Company as a result of the filing or effectiveness of the Registration Statement or the sale of Shares to the Underwriters contemplated hereby, nor does any person have preemptive rights, co-sale rights, rights of first refusal or other rights to purchase any of the Shares other than those that have been expressly waived prior to the date hereof.

(xiii) Manipulation or Stabilization of Share Prices. Neither the Company nor any of its subsidiaries or any of their respective directors and officers has taken, directly or indirectly, any action designed to or which has constituted or which might reasonably be expected to cause or result, under the 1934 Act or otherwise, in stabilization or manipulation of the price of any security of the Company to facilitate the sale or resale of the Shares.

(xiv) Absence of Defaults and Conflicts. Neither the Company nor any of its Subsidiaries is (a) in violation of its charter or by-laws or (b) in default in the performance or observance of any obligation, agreement, covenant or condition contained in any contract, indenture, mortgage, deed of trust, loan or credit agreement, note, lease or other agreement or instrument to which the Company or any of its Subsidiaries is a party or by which it or any of them may be bound, or to which any of the property or assets of the Company or any Subsidiary is subject (collectively, “Agreements and Instruments”), except, in the case of clause (b), for such defaults that have not and would not result in a Material Adverse Effect; and the execution, delivery and performance of this Agreement, and the consummation of the transactions contemplated in this Agreement and in the Registration Statement and the Prospectus (including the issuance and sale of the Shares) and compliance by the Company with its obligations under this Agreement have been duly authorized by all necessary corporate action and do not and will not, whether with or without the giving of notice or passage of time or both, conflict with or constitute a breach of, or default or Repayment Event (as defined below) under, or result in the creation or imposition of any lien, charge or encumbrance upon any property or assets of the Company or any Subsidiary pursuant to the Agreements and Instruments (except for such conflicts, breaches or defaults or liens, charges or encumbrances that would not result in a Material Adverse Effect), nor will such action result in any violation of the provisions of (A) the charter or by-laws of the Company or any Subsidiary or (B) any applicable law, statute, rule, regulation, judgment, order, writ or decree of any government, government instrumentality or court, domestic or foreign, having jurisdiction over the Company or any Subsidi-

ary or any of their assets, properties or operations except for such violations, in the case of clause (B) only, that would not result in a Material Adverse Effect. As used herein, a "Repayment Event" means any event or condition which gives the holder of any note, debenture or other evidence of indebtedness (or any person acting on such holder's behalf) the right to require the repurchase, redemption or repayment of all or a portion of such indebtedness by the Company or any Subsidiary.

(xv) Absence of Labor Dispute. No labor dispute with the employees of the Company or any Subsidiary exists or, to the knowledge of the Company, is imminent, and the Company is not aware of any existing or imminent labor disturbance by the employees of any of its or any Subsidiary's principal suppliers, manufacturers, customers or contractors, which, in either case, would reasonably be expected to result in a Material Adverse Effect.

(xvi) Absence of Proceedings. There is no action, suit, proceeding, inquiry or investigation before or brought by any court or governmental agency or body, domestic or foreign, now pending, or, to the knowledge of the Company, threatened, against or affecting the Company or any Subsidiary, which would be required to be disclosed in the Registration Statement or the Prospectus, except as disclosed in the Registration Statement and the Prospectus, which would reasonably be expected to materially and adversely affect the consummation of the transactions contemplated in this Agreement or the performance by the Company of its obligations hereunder; the aggregate of all pending legal or governmental proceedings to which the Company or any Subsidiary is a party or of which any of their respective property or assets is the subject which are not described in the Registration Statement or the Prospectus, including ordinary routine litigation incidental to the business, would not reasonably be expected to result in a Material Adverse Effect.

(xvii) Accuracy of Descriptions. All of the descriptions of contracts or other documents contained or incorporated by reference in the Registration Statement or the Prospectus are accurate and complete descriptions in all material respects of such contracts or other documents.

(xviii) Possession of Intellectual Property. The Company and its Subsidiaries own or possess, or can acquire on reasonable terms, adequate patents, patent rights, licenses, inventions, copyrights, know-how (including trade secrets and other unpatented and/or unpatentable proprietary or confidential information, systems or procedures), trademarks, service marks, trade names or other intellectual property (collectively, "Intellectual Property") necessary to carry on the business now operated by them, and the expected expiration of any rights under such Intellectual Property would not result in a Material Adverse Effect. Except as disclosed in the Registration Statement and the Prospectus, neither the Company nor any of its Subsidiaries has received any notice or is otherwise aware of any infringement of or conflict with asserted rights of others with respect to any Intellectual Property or of any facts or circumstances which would render any Intellectual Property invalid or inadequate to protect the interest of the Company or any of its Subsidiaries therein, and which infringement or conflict (if the subject of any unfavorable decision, ruling or finding) or invalidity or inadequacy, individually or in the aggregate, would result in a Material Adverse Effect.

(xix) Absence of Further Requirements. No filing with, or authorization, approval, consent, license, order, registration, qualification or decree of, any court or governmental authority or agency is necessary or required in connection with the offering of the Shares, the issuance and sale of the Shares, the due authorization, execution or delivery by the Company of its obligations under this Agreement or the consummation of the transactions contemplated by this Agreement, except (A) such as have been already obtained or (B) such as may be required under state or foreign securities or "blue sky" laws or under the rules and regulations of the National Association of Securities Dealers (the "NASD").

(xx) Possession of Licenses and Permits. The Company and its Subsidiaries possess such permits, licenses, approvals, consents and other authorizations (collectively, "Governmental Licenses") issued by the appropriate federal, state, local or foreign regulatory agencies or bodies necessary to conduct the business now operated by them, except where the failure to possess such Governmental Licenses would not, individually or in the aggregate, have a Material Adverse Effect; the Company and its Subsidiaries are in compliance with the terms and conditions of all such Governmental Licenses, except where the failure so to comply would not, individually or in the aggregate, have a Material Adverse Effect; all of the Governmental Licenses held are valid and in full force and effect, except when the invalidity of such Governmental Licenses or the failure of such Governmental Licenses to be in full force and effect would not have a Material Adverse Effect; and neither the Company nor any of its Subsidiaries has received any notice of proceedings relating to the revocation or modification of any such Governmental Licenses which, individually or in the aggregate, if the subject of an unfavorable decision, ruling or finding, would result in a Material Adverse Effect.

(xxi) Title to Property. The Company and its Subsidiaries have good and marketable title to all material real property owned by the Company and its Subsidiaries and good title to all other material properties owned by them, in each case, free and clear of all mortgages, pledges, liens, security interests, claims, restrictions or encumbrances ("Encumbrances") of any kind except such as (A) are described in the Registration Statement and the Prospectus, (B) do not, individually or in the aggregate, materially affect the value of such property and do not interfere with the use made and proposed to be made of such property by the Company or any of its Subsidiaries or (C) where failure to have such good and marketable title or to be free of such Encumbrances would not have a Material Adverse Effect; and all of the leases and subleases material to the business of the Company and its Subsidiaries, considered as one enterprise, and under which the Company or any of its Subsidiaries holds properties described in the Registration Statement and the Prospectus, are in full force and effect, and neither the Company nor any Subsidiary has any notice of any claim of any sort that has been asserted by anyone adverse to the rights of the Company or any Subsidiary under any of the leases or subleases mentioned above, or affecting or questioning the rights of the Company or such Subsidiary to the continued possession of the leased or subleased premises under any such lease or sublease, except for any such claim as would not, individually or in the aggregate with any other such claims, have a Material Adverse Effect.

(xxii) Tax Law Compliance. The Company and its consolidated subsidiaries have filed all necessary federal, state and foreign income and franchise tax returns or have properly requested extensions thereof and have paid all taxes required to be paid by any of them and, if

due and payable, any related or similar assessment, fine or penalty levied against any of them except as are being contested in good faith and by appropriate proceedings. The Company has made adequate charges, accruals and reserves in the applicable financial statements referred to in Section 1(a)(iv) hereof in respect of all federal, state and foreign income and franchise taxes for all periods to which the tax liability of the Company or any of its consolidated subsidiaries has not been finally determined.

(xxiii) Company's Accounting System. The Company maintains on behalf of itself and its Subsidiaries a system of accounting controls sufficient to provide reasonable assurances that (A) transactions are executed in accordance with management's general or specific authorization, (B) transactions are recorded as necessary to permit preparation of financial statements in conformity with GAAP and to maintain accountability for assets, (C) access to assets is permitted only in accordance with management's general or specific authorization and (D) the recorded accountability for assets is compared with existing assets at reasonable intervals and appropriate action is taken with respect to any differences.

(xxiv) Investment Company Act. The Company is not and, after giving effect to the issuance and sale of the Shares as herein contemplated and the application of the net proceeds therefrom as described in the Prospectus, will not be, an "investment company" within the meaning of the Investment Company Act of 1940, as amended (the "1940 Act").

(xxv) Environmental Laws. Except as described in the Registration Statement and the Prospectus and except as would not, individually or in the aggregate, result in a Material Adverse Effect, (A) neither the Company nor any of its Subsidiaries is in violation of any federal, state, local or foreign statute, law, rule, regulation, ordinance, code, policy or rule of common law or any judicial or administrative interpretation thereof, including any judicial or administrative order, consent, decree or judgment, relating to pollution or protection of human health, the environment (including, without limitation, ambient air, surface water, groundwater, land surface or subsurface strata) or wildlife, including, without limitation, laws and regulations relating to the release or threatened release of chemicals, pollutants, contaminants, wastes, toxic substances, hazardous substances, petroleum or petroleum products (collectively, "Hazardous Materials") or to the manufacture, processing, distribution, use, treatment, storage, disposal, transport or handling of Hazardous Materials (collectively, "Environmental Laws"), (B) the Company and its Subsidiaries have all permits, authorizations and approvals required under any applicable Environmental Laws and are each in compliance with their requirements, (C) there are no pending or threatened administrative, regulatory or judicial actions, suits, demands, demand letters, claims, liens, notices of noncompliance or violation, investigation or proceedings relating to any Environmental Law against the Company or any of its Subsidiaries and (D) there are no events or circumstances that would reasonably be expected to form the basis of an order for clean-up or remediation, or an action, suit or proceeding by any private party or governmental body or agency, against or affecting the Company or any of its Subsidiaries relating to Hazardous Materials or the violation of any Environmental Laws.

(xxvi) Controls and Procedures. The Company has established and maintains disclosure controls and procedures (as such term is defined in Rule 13a-14(c) and 15d-14(c) under

the 1934 Act); such disclosure controls and procedures are designed so that material information relating to the Company, including its consolidated subsidiaries, is made known to the Company's Chief Executive Officer and its Chief Financial Officer by others within those entities; the Company's auditors and the Audit Committee of the Board of Directors have been advised of: (i) any significant deficiencies in the design or operation of internal controls which could adversely affect the Company's ability to record, process, summarize and report financial data; (ii) any fraud, whether or not material, that involves management or other employees who have a significant role in the Company's internal controls; and (iii) any material weaknesses in internal controls. Since the date of the most recent evaluation of the Company's controls and procedures, there have been no significant changes in internal controls or in other factors that could significantly affect internal controls, including any corrective actions with regard to significant deficiencies and material weaknesses.

(xxvii) NASD Matters. The Company has no knowledge of any affiliations or associations between any member of the NASD and any of the Company's officers, directors or 5% or greater securityholders, as the case may be.

(xxviii) Registration. The Common Stock is registered pursuant to Section 12(b) of the 1934 Act and is listed on the New York Stock Exchange ("NYSE") and the Chicago Stock Exchange ("CSE"), and the Company has taken no action designed to, or likely to have the effect of, terminating the registration of the Common Stock under the 1934 Act or delisting the Common Stock from the NYSE or the CSE, nor has the Company received any notification that the Commission or the NYSE or the CSE is contemplating terminating such registration or listing.

(xxix) ERISA Matters. Except as described in the Registration Statement and the Prospectus and except as would not individually or in the aggregate, result in a Material Adverse Effect, the Company and each of its Subsidiaries is in compliance in all material respects with all presently applicable provisions of the Employee Retirement Income Security Act of 1974, as amended, including the regulations and published interpretations thereunder ("ERISA"); no "reportable event" (as defined in ERISA). No has occurred with respect to any "pension plan" (as defined in ERISA) for which the Company would reasonably be expected to have any liability; the Company has not incurred and does not expect to incur material liability under (x) Title IV of ERISA with respect to termination of, or withdrawal from, any "pension plan" or (y) Sections 412 or 4971 of the Internal Revenue Code of 1986, as amended, including regulations and published interpretations thereunder (the "Code"); and each "pension plan" for which the Company would have any liability that is intended to be qualified under Section 401(a) of the Code has received a determination letter from the Internal Revenue Service to the effect that it is so qualified and nothing has occurred, whether by action or by failure to act, which is reasonably likely to cause the loss of such qualification.

(b) *Officer's Certificates*. Any certificate signed by any officer of the Company or any of its Subsidiaries delivered to the Underwriters or to counsel for the Underwriters shall be deemed a representation and warranty by the Company or such Subsidiary to the Underwriters as to the matters covered thereby.

SECTION 2. Sale and Delivery to Underwriters; Closing.

(a) *Shares*. On the basis of the representations and warranties herein contained and subject to the terms and conditions herein set forth, the Company agrees to sell to each Underwriter, and each Underwriter, severally and not jointly, agrees to purchase from the Company, at a purchase price of $9.84 per Share, the number of Firm Shares set forth in Schedule I opposite the name of such Underwriter, plus any additional Firm Shares which such Underwriter may become obligated to purchase pursuant to the provisions of Section 11 hereof. The Company is advised by the Representatives that the Underwriters intend (i) to make a public offering of their respective portions of the Shares as soon after the date hereof as in the Representatives' judgment is advisable and (ii) initially to offer the Shares upon the terms set forth in the Prospectus.

In addition, the Company hereby grants to the Underwriters the option to purchase, and upon the basis of the warranties and representations and subject to the terms and conditions herein set forth, the Underwriters shall have the right to purchase, severally and not jointly, from the Company, ratably in accordance with the number of Firm Shares to be purchased by each of them (subject to such adjustment as the Representatives shall determine to avoid fractional shares), all or a portion of the Additional Shares as may be necessary to cover sales in excess of the number of Firm Shares made in connection with the offering of the Firm Shares, at the same purchase price per share to be paid by the Underwriters to the Company for the Firm Shares. This option may be exercised by the Underwriters in whole at any time or in part from time to time on or before the thirtieth day following the date of the Prospectus Supplement, by written notice to the Company. Such notice shall set forth the aggregate number of Additional Shares as to which the option is being exercised and the date and time when the Additional Shares are to be delivered (such date and time being herein referred to as the "Additional Time of Purchase"); provided, however, that the Additional Time of Purchase shall not be earlier than the Closing Time nor earlier than the second business day after the date on which the option shall have been exercised nor later than the tenth business day after the date on which the option shall have been exercised. The number of Additional Shares to be sold to each Underwriter shall be the number which bears the same proportion to the aggregate number of Additional Shares being purchased as the number of Firm Shares set forth opposite the name of such Underwriter on Schedule I attached hereto bears to the total number of Firm Shares (subject, in each case, to such adjustment as the Representatives may determine to eliminate fractional shares).

(b) *Payment*. Payment of the purchase price for, and delivery of certificates for, the Firm Shares shall be made at the offices of Skadden, Arps, Slate, Meagher & Flom LLP, 4 Times Square, New York, New York 10036 or at such other place as shall be agreed upon by the Underwriters and the Company, at 9:00 A.M. (Eastern time) on the third business day after the date hereof (unless postponed in accordance with the provisions of Section 11 hereof), or such other time not later than ten business days after such date as shall be agreed upon by the Underwriters and the Company (such time and date of payment and delivery being herein called the "Closing Time").

Payment shall be made to the Company by wire transfer of immediately available funds to a bank account designated by the Company, against delivery to Goldman, Sachs & Co. for the respective accounts of the Underwriters of the Firm Shares to be purchased by them. It is understood that each Underwriter has authorized Goldman, Sachs & Co., for its account, to accept delivery of, receipt for, and make payment of the purchase price for, the Firm Shares which it has severally agreed to pur-

chase. Goldman, Sachs & Co., individually and not as representative of the Underwriters, may (but shall not be obligated to) make payment of the purchase price for the Firm Shares, if any, to be purchased by any Underwriter whose funds have not been received by the Closing Time, but such payment shall not relieve such Underwriter from its obligations hereunder.

Payment of the purchase price for the Additional Shares shall be made to the Company at the Additional Time of Purchase in the same manner and at the same office as the payment for the Firm Shares. It is understood that each Underwriter has authorized Goldman, Sachs & Co., for its account, to accept delivery of, receipt for, and make payment of the purchase price for, the Additional Shares which it has severally agreed to purchase. Goldman, Sachs & Co., individually and not as representative of the Underwriters, may (but shall not be obligated to) make payment of the purchase price for the Additional Shares, if any, to be purchased by any Underwriter whose funds have not been received by the Additional Time of Purchase, but such payment shall not relieve such Underwriter from its obligations hereunder.

(c) *Registration*. Certificates for the Shares shall be in such denominations and registered in such names as the Underwriters may request in writing at least one full business day before the Closing Time, the Additional Time of Purchase or the relevant date of delivery, as the case may be. The certificates for the Shares will be definitive global certificates in book entry form for clearance through The Depository Trust Company ("DTC"). The certificates for the Shares will be made available for examination and packaging by the Underwriters in The City of New York not later than 10:00 A.M. (Eastern time) on the business day prior to the Closing Time or Additional Time of Purchase, as the case may be.

SECTION 3. Covenants of the Company. The Company covenants with the Underwriters as follows:

(a) *Delivery of Prospectus*. To furnish the Underwriters and those persons identified by the Underwriters to the Company, as many copies of the Prospectus, and any amendments or supplements thereto, as the Underwriters may from time to time reasonably request for the time period specified in Section 3(c)(iii) hereof; in case any Underwriter is required to deliver a prospectus after the nine-month period referred to in Section 10(a)(3) of the Act in connection with the sale of the Shares, the Company will prepare, at its expense, promptly upon request such amendment or amendments to the Registration Statement and the Prospectus as may be necessary to permit compliance with the requirements of Section 10(a)(3) of the Act. The Company consents to the use of the Prospectus, and any amendments and supplements thereto required pursuant hereto, by the Underwriters in connection with the offering and sale of the Shares.

(b) *Notice and Effect of Material Events*. The Company will immediately notify the Underwriters, and confirm such notice in writing, of (i) any filing made by the Company of information relating to the offering of the Shares with any securities exchange or any other securities regulatory body in the United States or any other jurisdiction, (ii) the issuance by the Commission or any state securities commission of any stop order suspending the effectiveness of the Registration Statement or the qualification or exemption from qualification of the Shares for offering or sale in any jurisdiction designated by the Representatives pursuant to Section 3(d) hereof, or the initiation of any proceeding by the Commission or any state securities commission or any other federal or state regulatory author-

ity for such purpose and (iii) the happening, during the period referred to in Section 3(c)(iii) hereof, of any material change or any development involving a prospective material change in or affecting the condition, financial or otherwise, or in the results of operations or business affairs of the Company and its subsidiaries which (A) make any statement in the Registration Statement or the Prospectus false or misleading in any material respect or (B) if not disclosed in the Registration Statement or the Prospectus, would constitute a material omission therefrom. In such event, or if during such time any event shall occur as a result of which it is necessary, in the reasonable opinion of the Company, its counsel, the Underwriters or counsel for the Underwriters, to amend or supplement the Registration Statement or the Prospectus in order that the Registration Statement or the Prospectus not include any untrue statement of a material fact or omit to state a material fact necessary in order to make the statements therein not misleading in the light of the circumstances then existing, the Company will forthwith amend or supplement the Registration Statement or the Prospectus by preparing and furnishing to the Underwriters an amendment or amendments of, or a supplement or supplements to, the Registration Statement or the Prospectus (in form and substance satisfactory in the reasonable opinion of counsel for the Underwriters) so that, as so amended or supplemented, the Registration Statement or the Prospectus will not include an untrue statement of a material fact or omit to state a material fact necessary in order to make the statements therein, in the light of the circumstances then existing, not misleading. The Company shall use its best efforts to prevent the issuance of any stop order or order suspending the effectiveness of the Registration Statement or the qualification or exemption of the Shares by the Commission or under any federal or state securities or "blue sky" laws and, if at any time the Commission or any state securities commission or other federal or state regulatory authority shall issue an order suspending the effectiveness of the Registration Statement or the qualification or exemption of the Shares under any federal or state securities or "blue sky" laws, the Company shall use its best efforts to obtain the withdrawal or lifting of such order at the earliest possible time.

(c) *Amendments and Supplements*. The Company will advise the Underwriters promptly, and, if requested by the Representatives, will confirm such advice in writing (i) if it is necessary for any post-effective amendment to the Registration Statement to be declared effective before the offering of the Shares may commence, (ii) of any request by the Commission for amendments or supplements to the Registration Statement or the Prospectus or for additional information with respect thereto, or of notice of institution of proceedings for, or the entry of a stop order, suspending the effectiveness of the Registration Statement and (iii) during such period as a prospectus is required to be delivered under the Act in connection with the offering and sale of the Shares by the Underwriters, (A) of any proposal to amend or supplement the Registration Statement or the Prospectus, including by filing any documents that would be incorporated therein by reference and (B) if any event shall occur or condition shall exist as a result of which, it becomes necessary to amend or supplement the Registration Statement or the Prospectus in order to make the statements therein, in the light of the circumstances under which they were made, not misleading, or, if it is necessary to amend or supplement the Registration Statement or the Prospectus to comply with the Act. The Company will provide the Underwriters and their counsel copies of any such documents for review and comment a reasonable amount of time prior to any proposed filing and to file no such amendment or supplement to which the Underwriters may reasonably object in writing.

The Company will endeavor to cause any necessary post-effective amendment to the Registration Statement to become effective as soon as reasonably possible and will promptly notify the Underwriters, and if requested by the Representatives, confirm such advice in writing, when such post-

effective amendment to the Registration Statement becomes effective. If action is required due to a condition described by clause (iii) of the immediately preceding paragraph, subject to such paragraph, the Company shall (A) forthwith prepare and file with the Commission an appropriate amendment or supplement to such Registration Statement or Prospectus so that the statements therein, as so amended or supplemented, will not, in the light of the circumstances in which they are made, be misleading, or so that such Registration Statement or Prospectus will comply with applicable law, (B) prepare promptly upon the reasonable request of any of the Representatives, any amendment or supplement to the Registration Statement or the Prospectus that in the reasonable opinion of Underwriters' counsel is believed to be necessary under the Act and (C) furnish to the Underwriters and such other persons as the Underwriters may designate such number of copies thereof as the Underwriters may reasonably request.

(d) *Blue Sky Qualifications*. The Company shall use its reasonable efforts, in cooperation with the Underwriters, to qualify the Shares for offering and sale under the applicable securities laws of such states and other jurisdictions as the Underwriters may designate; provided, however, that the Company shall not be obligated to file any general consent to service of process or to qualify as a foreign corporation or as a dealer in securities in any jurisdiction in which it is not so qualified or to subject itself to taxation in respect of doing business in any jurisdiction in which it is not otherwise so subject. In each jurisdiction in which the Shares have been so qualified, the Company will file such statements and reports as may be required by the laws of such jurisdiction to continue such qualification in effect for so long as may be required in connection with the distribution of the Shares.

(e) *Use of Proceeds*. The Company shall use the net proceeds received by it from the sale of the Shares in the manner specified in the Prospectus under the caption "Use of Proceeds."

(f) *Rule 424(b)*. The Company shall file the Prospectus pursuant to Rule 424(b) under the Act not later than the Commission's close of business on the second Business Day following the date of determination of the offering price of the Shares or, if applicable, such earlier time as may be required by Rule 424(b).

(g) *Reasonable Inquiries; Information*. In connection with the original distribution of the Shares, the Company agrees that, prior to any offer or resale of the Shares by the Underwriters, the Underwriters and counsel for the Underwriters shall have the right to make reasonable inquiries into the business of the Company and its subsidiaries.

(h) *Subsequent Filings*. Subject to Section 3(f) hereof, the Company shall file promptly all reports and any definitive proxy or information statement required to be filed by the Company with the Commission in order to comply with the 1934 Act subsequent to the date of the Prospectus and for so long as the delivery of a prospectus is required by the Act in connection with the offering or sale of the Shares.

(i) *Earning Statement*. The Company shall make generally available to its securityholders, and to deliver to the Representatives, an earning statement of the Company (which need not be audited but will satisfy the provisions of Section 11(a) of the Act) covering a period of twelve months beginning after the effective date of the Registration Statement (as defined in Rule 158(c) of the Act) as soon as is reasonably practicable after the termination of such twelve-month period.

(j) *Lock-Up.* The Company will not, during the period beginning from the date of the Prospectus Supplement and continuing to and including the date 90 days after the date of such Prospectus Supplement, without the prior written consent of each of Goldman, Sachs & Co. and Citigroup Global Markets Inc., on behalf of the Underwriters, (1) sell, offer to sell, contract or agree to sell, hypothecate, pledge or grant any option to purchase or otherwise dispose of or agree to dispose of, directly or indirectly, any shares of Common Stock or any securities convertible into or exchangeable for Common Stock or file any registration statement under the Act with respect to any of the foregoing; or (2) enter into any swap or any other agreement or any transaction that transfers, in whole or in part, directly or indirectly, the economic consequence of ownership of any shares of Common Stock, whether any such transaction is to be settled by delivery of shares of Common Stock or other securities, in cash or otherwise. Notwithstanding the foregoing, the following shall be permitted: (1) the sale of the Shares to the Underwriters pursuant to this Agreement, (2) the sale of up to 7,475,000 shares of the Company's Series C mandatory convertible preferred stock (the "Preferred Shares") as described in the Prospectus Supplement, (3) the issuance of shares of Common Stock as payment of dividends on the Preferred Shares in accordance with the terms thereof, (4) the issuance of shares of Common Stock upon the conversion of any of the Preferred Shares, (5) the issuance of shares of Common Stock upon the exercise of outstanding options and warrants disclosed as outstanding in the Prospectus and (6) the granting of options and the issuance of shares of Common Stock upon the exercise thereof pursuant to stock option and employee benefit plans in effect on the date hereof (as such plans are in effect on the date hereof).

(k) *Manipulation or Stabilization of Share Prices.* The Company shall not take, directly or indirectly, any action designed to cause or result in, or that has constituted or might reasonably be expected to constitute, the stabilization or manipulation of the price of any securities of the Company.

SECTION 4. Payment of Expenses.

(a) *Expenses.* The Company shall pay all expenses incident to the performance of its obligations under this Agreement, including (i) the printing of the Registration Statement, the Preliminary Prospectus, the Prospectus and of each amendment or supplement thereto and delivery, (ii) the printing or reproduction of this Agreement and related documents, (iii) the preparation, issuance and delivery of the certificates for the Shares to the Underwriters, (iv) the transportation and other expenses incurred by or on behalf of Company representatives in connection with presentations to prospective purchasers of the Shares, (v) the fees and disbursements of the Company's counsel and accountants, (vi) the qualification of the Shares under securities laws in accordance with the provisions of Section 3(d) hereof, including filing fees and the reasonable fees and disbursements of counsel for the Underwriters in connection therewith and in connection with the preparation of a "blue sky" survey and (vii) the registration of the Shares under the 1934 Act and the listing of the Shares on the NYSE and the CSE.

(b) *Termination of Agreement*. If this Agreement is terminated by the Underwriters in accordance with the provisions of Section 5(m) or Section 10(a)(i) hereof, the Company shall reimburse the Underwriters for all of their out-of-pocket expenses, including the reasonable fees and disbursements of counsel for the Underwriters.

SECTION 5. Conditions of Underwriters' Obligations. The obligation of the Underwriters to purchase and pay for the Firm Shares and the Additional Shares hereunder is subject to the accuracy of the representations and warranties of the Company contained in Section 1 hereof or in certificates of any officer of the Company and any of its Subsidiaries delivered pursuant to the provisions hereof, in each case at the date hereof and as of the Closing Time or the Additional Time of Purchase, as the case may be, to the performance by the Company of its covenants and other obligations hereunder, and to the following further conditions:

(a) *Opinions of Counsel for the Company*. At the Closing Time and the Additional Time of Purchase, the Underwriters shall have received the favorable opinions, dated as of the Closing Time or the Additional Time of Purchase, as the case may be, of (i) Skadden, Arps, Slate, Meagher & Flom LLP, counsel for the Company, substantially to the effect set forth in Exhibit A attached hereto, (ii) Martin S. Wagner, Associate General Counsel to the Company, substantially to the effect set forth in Exhibit B attached hereto and (iii) Christina E. Clayton, General Counsel to the Company, substantially to the effect as set forth in Exhibit C attached hereto. Each such counsel may also state that, insofar as such opinion involves factual matters, they have relied, to the extent they deem proper, upon certificates of officers of the Company or any of its subsidiaries and certificates of public officials.

(b) *Opinion of Counsel for Underwriters*. At the Closing Time and the Additional Time of Purchase, the Underwriters shall have received the favorable opinion, dated as of the Closing Time or the Additional Time of Purchase, as the case may be, of Cahill Gordon & Reindel LLP, counsel for the Underwriters, in form and substance satisfactory to the Underwriters. In giving such opinion such counsel may rely, as to all matters governed by the laws of jurisdictions other than the law of the State of New York, the federal law of the United States and the General Corporation Law of the State of Delaware, upon the opinions of counsel satisfactory to the Underwriters. Such counsel may also state that, insofar as such opinion involves factual matters, they have relied, to the extent they deem proper, upon certificates of officers of the Company and its subsidiaries and certificates of public officials.

(c) *Rule 424(b).* The Prospectus shall have been filed with the Commission pursuant to Rule 424(b) under the Act in accordance with Section 3(f) of this Agreement and no amendment or supplement to the Registration Statement or the Prospectus, including documents deemed to be incorporated by reference therein, shall have been filed to which you object in writing.

(d) *Officers' Certificate*. At the Closing Time and the Additional Time of Purchase, there shall not have been, since the date hereof or since the respective dates as of which information is given in the Registration Statement or the Prospectus (exclusive of any amendment or supplement thereto or documents incorporated by reference therein that are filed after the date hereof), any Material Adverse Effect and the Underwriters shall have received a certificate of the Chairman or a Vice President of the Company and of the chief financial or chief accounting officer of the Company, dated as of the Closing Time or the Additional Time of Purchase, as the case may be, to the effect that (i) there has been no such Material Adverse Effect, (ii) the representations and warranties in Section 1(a) hereof are true and correct with the same force and effect as though expressly made at and as of the Closing Time or the Additional Time of Purchase, as the case may be and (iii) the Company has complied with all of the agreements entered into in connection with the transaction contemplated herein and satisfied all conditions on its part to be performed or satisfied at or prior to the Closing Time or the Additional Time of Purchase, as the case may be.

(e) *Accountant's Comfort Letter*. At the time of the execution of this Agreement, the Underwriters shall have received from PricewaterhouseCoopers LLP a letter dated the date hereof, in form and substance satisfactory to the Underwriters, containing statements and information of the type ordinarily included in accountants' comfort letters with respect to the financial statements and certain financial information contained in or incorporated by reference in the Registration Statement or the Prospectus.

(f) *Bring-down Comfort Letter*. At the Closing Time and the Additional Time of Purchase, the Underwriters shall have received from PricewaterhouseCoopers LLP a letter, dated as of the Closing Time or the Additional Time, as the case may be, to the effect that they reaffirm the statements made in the letter furnished pursuant to subsection (e) of this Section, except that the specified date referred to shall be a date not more than three business days prior to the Closing Time or the Additional Time of Purchase, as the case may be.

(g) *Maintenance of Rating*. At the Closing Time and the Additional Time of Purchase, the Company's senior unsecured debt shall be rated at least B+ by Standard & Poor's Ratings Services, a division of The McGraw-Hill Companies, Inc. ("S&P") and B1 by Moody's Investor Service, Inc. ("Moody's").

(h) *Additional Documents*. At the Closing Time and the Additional Time of Purchase, counsel for the Underwriters shall have been furnished with such documents and opinions as they may reasonably require for the purpose of enabling them to pass upon the issuance and sale of the Shares as herein contemplated, or in order to evidence the accuracy of any of the representations or warranties, or the fulfillment of any of the conditions, herein contained; and all proceedings taken by the Company in connection with the issuance and sale of the Shares as herein contemplated shall be reasonably satisfactory in form and substance to the Underwriters and counsel for the Underwriters.

(i) *No Stop Orders*. Prior to the Closing Time and the Additional Time of Purchase, no stop order with respect to the effectiveness of the Registration Statement shall have been issued under the Act or proceedings initiated or, to the Company's knowledge, threatened under Section 8(d) or 8(e) of the Act.

(j) *Book-Entry*. The Shares shall be eligible and accepted for clearance and settlement through DTC.

(k) *Lock-Up Agreements.* At or prior to the Closing Time, the Underwriters shall have received the written agreement in substantially the form attached hereto as Exhibit D (the "Lock-Up Agreement"), dated on or prior to the date of this Agreement, from each of the Company's directors and officers (as defined in Rule 16a-1(f) of the 1934 Act) (as set forth on Schedule II attached hereto), and such Lock-Up Agreements shall be in full force and effect.

(l) *NYSE/CSE Approval*. The NYSE and the CSE shall have approved the listing (subject to official notice of issuance) of the Shares.

(m) *Termination of Agreement*. If any condition specified in this Section shall not have been fulfilled when and as required to be fulfilled, this Agreement may be terminated by the Represen-

tatives that agreed to purchase the majority of the Firm Shares, as listed on Schedule I hereto, by notice to the Company at any time at or prior to the Closing Time or the Additional Time of Purchase, as the case may be, and such termination shall be without liability of any party to any other party except as provided in Section 4 hereof and except that Sections 1, 7, 8 and 9 hereof shall survive any such termination and remain in full force and effect.

SECTION 6. [Intentionally Omitted]

SECTION 7. Indemnification.

(a) *Indemnification of Underwriters*. The Company agrees to indemnify and hold harmless each Underwriter, its affiliates, its officers and directors and each person, if any, who controls any Underwriter within the meaning of Section 15 of the Act or Section 20 of the 1934 Act to the extent and in the manner set forth in clauses (i), (ii) and (iii) below:

(i) against any and all loss, liability, claim, damage and expense whatsoever, as incurred, resulting from any untrue statement or alleged untrue statement of a material fact contained in any Registration Statement (or in the Registration Statement as amended by any post-effective amendment thereof by the Company becoming effective after the date of this Agreement) or in a Prospectus (the term Prospectus for the purpose of this Section 7 being deemed to include any Preliminary Prospectus, the Prospectus and any amendment or supplement thereto), or the omission or alleged omission therefrom of a material fact necessary in order to make the statements therein, in the light of the circumstances under which they were made, not misleading;

(ii) against any and all loss, liability, claim, damage and expense whatsoever, as incurred, to the extent of the aggregate amount paid in settlement of any litigation, or any investigation or proceeding by any governmental agency or body, commenced or threatened, or of any claim whatsoever based upon any such untrue statement or omission, or any such alleged untrue statement or omission; provided that (subject to Section 7(d) hereof) any such settlement is effected with the written consent of the Company; and

(iii) against any and all expense whatsoever, as incurred (including the reasonable fees and disbursements of counsel chosen by the Underwriters), reasonably incurred in investigating, preparing or defending against any litigation, or any investigation or proceeding by any governmental agency or body, commenced or threatened, or any claim whatsoever based upon any such untrue statement or omission, or any such alleged untrue statement or omission, to the extent that any such expense is not paid under (i) or (ii) above;

provided, however, that (A) this indemnity agreement shall not apply to any loss, liability, claim, damage or expense of an Underwriter to the extent arising out of any untrue statement or omission or alleged untrue statement or omission made in reliance upon and in conformity with written information furnished to the Company by such Underwriter expressly for use in such Registration Statement or the Prospectus (or any amendment or supplement thereto) and (B) the Company shall not be liable to any indemnified party with respect to any Preliminary Prospectus (or supplement thereto) if (i) the Prospectus corrected any such untrue statement or omission, (ii) the Prospectus was delivered to such in-

demnified party (sufficiently in advance of the Closing Time and in sufficient quantity to allow for distribution by the Closing Time), (iii) the delivery of the Prospectus was required by the Act to be made to the applicable purchaser and (iv) such indemnified party failed to furnish a copy of the Prospectus (excluding any documents incorporated by reference therein) to the applicable purchaser.

(b) *Indemnification of the Company*. Each Underwriter agrees, severally and not jointly, to indemnify and hold harmless the Company, the directors and officers of the Company, and each person, if any, who controls the Company within the meaning of Section 15 of the Act or Section 20 of the 1934 Act against any and all loss, liability, claim, damage and expense described in the indemnity contained in subsection (a) of this Section, as incurred, but only with respect to untrue statements or omissions, or alleged untrue statements or omissions, made in any Registration Statement (or in the Registration Statement as amended by any post-effective amendment thereof by the Company) or any Prospectus (or any amendment or supplement thereto) in reliance upon and in conformity with written information furnished to the Company by such Underwriter expressly for use in such Registration Statement (or in the Registration Statement as amended by any post-effective amendment thereof by the Company) or Prospectus (or any amendment or supplement thereto).

(c) *Actions against Parties; Notification*. Each indemnified party shall give notice as promptly as reasonably practicable to each indemnifying party of any action commenced against it in respect of which indemnity may be sought hereunder, but failure to so notify an indemnifying party shall not relieve such indemnifying party from any liability hereunder to the extent it is not materially prejudiced as a result thereof and in any event shall not relieve it from any liability which it may have otherwise than on account of this indemnity agreement. In the case of parties indemnified pursuant to Section 7(a) hereof, counsel to the indemnified parties shall be selected by the Underwriters, and, in the case of parties indemnified pursuant to Section 7(b) hereof, counsel to the indemnified parties shall be selected by the Company. An indemnifying party may participate at its own expense in the defense of any such action; provided, however, that counsel to the indemnifying party shall not (except with the consent of the indemnified party) also be counsel to the indemnified party. If it so elects within a reasonable time after receipt of such notice, an indemnifying party, jointly with any other indemnifying parties receiving such notice, may assume the defense of such action with counsel chosen by it and which counsel is reasonably acceptable to the indemnified parties' defendant in such action, unless such indemnified parties reasonably object to such assumption on the ground that there may be legal defenses available to them which are different from or in addition to those available to such indemnifying party. In no event shall the indemnifying parties be liable for fees and expenses of more than one counsel (in addition to any local counsel) separate from their own counsel for all indemnified parties in connection with any one action or separate but similar or related actions in the same jurisdiction arising out of the same general allegations or circumstances. No indemnifying party shall, without the prior written consent of the indemnified parties, settle or compromise or consent to the entry of any judgment with respect to any litigation, or any investigation or proceeding by any governmental agency or body, commenced or threatened, or any claim whatsoever in respect of which indemnification or contribution could be sought under this Section 7 or Section 8 hereof (whether or not the indemnified parties are actual or potential parties thereto), unless such settlement, compromise or consent (i) includes an unconditional release of each indemnified party from all liability arising out of such litigation, investigation, proceeding or claim and (ii) does not include a statement as to or an admission of fault, culpability or a failure to act by or on behalf of any indemnified party.

(d) *Settlement without Consent if Failure to Reimburse*. If at any time an indemnified party shall have requested an indemnifying party to reimburse the indemnified party for fees and expenses of counsel, such indemnifying party agrees that it shall be liable for any settlement of the nature contemplated by Section 7(a)(ii) hereof effected without its written consent if (i) such settlement is entered into more than 45 days after receipt by such indemnifying party of the aforesaid request, (ii) such indemnifying party shall have received notice of the terms of such settlement at least 30 days prior to such settlement being entered into and (iii) such indemnifying party shall not have reimbursed such indemnified party in accordance with such request prior to the date of such settlement, unless the indemnifying party shall in good faith contest the reasonableness of such fees and expenses (but only to the extent so contested) or the entitlement of the indemnified person to indemnification under the terms of this Section 7.

SECTION 8. Contribution. If the indemnification provided for in Section 7 hereof is for any reason unavailable to or insufficient to hold harmless an indemnified party in respect of any losses, liabilities, claims, damages or expenses referred to therein, then each indemnifying party shall contribute to the aggregate amount of such losses, liabilities, claims, damages and expenses incurred by such indemnified party, as incurred, (i) in such proportion as is appropriate to reflect the relative benefits received by the Company on the one hand and the Underwriters on the other hand from the offering of the Shares pursuant to this Agreement or (ii) if the allocation provided by clause (i) is not permitted by applicable law, in such proportion as is appropriate to reflect not only the relative benefits referred to in clause (i) above but also the relative fault of the Company on the one hand and of the Underwriters on the other hand in connection with the statements or omissions which resulted in such losses, liabilities, claims, damages or expenses, as well as any other relevant equitable considerations.

The relative benefits received by the Company on the one hand and the Underwriters on the other hand in connection with the offering of the Shares pursuant to this Agreement shall be deemed to be in the same respective proportions as the total net proceeds from the offering of the Shares pursuant to this Agreement (before deducting expenses) received by the Company and the total underwriting discount received by the Underwriters, in each case as set forth in the Prospectus, bear to the aggregate initial offering price of the Shares as set forth on such cover.

The relative fault of the Company on the one hand and the Underwriters on the other hand shall be determined by reference to, among other things, whether any such untrue or alleged untrue statement of a material fact or omission or alleged omission to state a material fact relates to information supplied by the Company on the one hand, or by the Underwriters on the other hand and the parties' relative intent, knowledge, access to information and opportunity to correct or prevent such statement or omission.

The Company and the Underwriters agree that it would not be just and equitable if contribution pursuant to this Section 8 were determined by pro rata allocation or by any other method of allocation which does not take account of the equitable considerations referred to above in this Section 8. The aggregate amount of losses, liabilities, claims, damages and expenses incurred by an indemnified party and referred to above in this Section 8 shall be deemed to include any legal or other expenses reasonably incurred by such indemnified party in investigating, preparing or defending against any litigation, or any investigation or proceeding by any governmental agency or body, commenced or

threatened, or any claim whatsoever based upon any such untrue or alleged untrue statement or omission or alleged omission.

Notwithstanding the provisions of this Section 8, no Underwriter shall be required to contribute any amount in excess of the amount by which the total discounts or commissions received by it hereunder exceeds the amount of any damages which such Underwriter otherwise would have been required to pay by reason of such untrue or alleged untrue statement or omission or alleged omission.

No person guilty of fraudulent misrepresentation (within the meaning of Section 11(f) of the Act) shall be entitled to contribution from any person who was not guilty of such fraudulent misrepresentation.

For purposes of this Section 8, each person, if any, who controls each Underwriter within the meaning of Section 15 of the Act or Section 20 of the 1934 Act and affiliates, officers and directors of each Underwriter shall have the same rights to contribution as the Underwriters, and each officer and director of the Company and each person, if any, who controls the Company within the meaning of Section 15 of the Act or Section 20 of the 1934 Act shall have the same rights to contribution as the Company.

The Underwriters' respective obligations to contribute pursuant to this Section 8 are several in proportion to the respective amount of Shares they have purchased hereunder, and not joint.

SECTION 9. Representations, Warranties and Agreements to Survive Delivery. All representations, warranties and agreements contained in this Agreement or in certificates of officers of the Company or any of its subsidiaries submitted pursuant hereto shall remain operative and in full force and effect, regardless of any investigation made by or on behalf of the Underwriters or controlling person, or by or on behalf of the Company, and shall survive delivery of the Shares to the Underwriters.

SECTION 10. Termination of Agreement.

(a) *Termination; General*. The Representatives that have agreed to purchase the majority of the Firm Shares, as listed on Schedule I hereto, may terminate this Agreement, by notice to the Company, at any time at or prior to the Closing Time (i) if there has been, since the time of execution of this Agreement or since the respective dates as of which information is given in the Registration Statement or the Prospectus (exclusive of any amendment or supplement thereto or documents incorporated by reference therein that are filed after the date hereof), any Material Adverse Effect, or (ii) if there has occurred any material adverse change in the financial markets in the United States or the international financial markets, any outbreak of hostilities or escalation thereof or other calamity or crisis or any change or development involving a prospective change in national or international political, financial or economic conditions, in each case the effect of which is such as to make it, in the judgment of such Representatives, impracticable or inadvisable to market the Shares or to enforce contracts for the sale of the Shares, or (iii) if trading in any securities of the Company has been suspended or materially limited by the Commission or the New York Stock Exchange or if trading generally on the American Stock Exchange or the New York Stock Exchange or in the Nasdaq National Market has been suspended or materially limited, or minimum or maximum prices for trading have been fixed, or maximum ranges for prices have been required, by any of said exchanges or by such system or by or-

der of the Commission, the NASD, any other governmental authority, or a material disruption has occurred in commercial banking or securities settlement or clearance services in the United States or (iv) if a banking moratorium has been declared by either federal or New York authorities.

(b) *Liabilities*. If this Agreement is terminated pursuant to this Section, such termination shall be without liability of any party to any other party except as provided in Section 4 hereof, and provided further that Sections 1, 7, 8 and 9 hereof shall survive such termination and remain in full force and effect.

SECTION 11. Default by One or More of the Underwriters. If one or more of the Underwriters shall fail at the Closing Time to purchase the Firm Shares which it or they are obligated to purchase under this Agreement (the "Defaulted Shares"), then the non-defaulting Underwriters shall have the right, within 24 hours thereafter, to make arrangements for one or more of the non-defaulting Underwriters, or any other Underwriters, to purchase all, but not less than all, of the Defaulted Shares in such amounts as may be agreed upon and upon the terms herein set forth; if, however, the non-defaulting Underwriters shall not have completed such arrangements within such 24-hour period, then:

(a) if the aggregate number of Defaulted Shares does not exceed 10% of the aggregate number of Firm Shares to be purchased on such date pursuant to this Agreement, the non-defaulting Underwriters shall be obligated, severally and not jointly, to purchase the full amount thereof in the proportions that their respective underwriting obligations under this Agreement bear to the purchase obligations of all non-defaulting Underwriters, or

(b) if the aggregate number of Defaulted Shares exceeds 10% of the aggregate principal amount of Firm Shares to be purchased on such date pursuant to this Agreement, this Agreement shall terminate without liability on the part of any non-defaulting Underwriter.

No action taken pursuant to this Section 11 shall relieve any defaulting Underwriter from liability in respect of its default. In the event of any such default which does not result in a termination of this Agreement, either the non-defaulting Underwriters or the Company shall have the right to postpone the Closing Time for a period not exceeding seven days in order to effect any required changes in the Prospectus or in any other documents or arrangement.

SECTION 12. Notices. All notices and other communications hereunder shall be in writing and shall be deemed to have been duly given if mailed or transmitted by any standard form of telecommunication. Notices to the Underwriters shall be directed to them at their addresses set forth on the first page of this Agreement; and notices to the Company shall be directed to Xerox Corporation, Corporate Headquarters, 800 Long Ridge Road, Stamford, CT 06904, attention of Martin S. Wagner, Assistant Secretary and Associate General Counsel.

SECTION 13. Parties. This Agreement shall inure to the benefit of and be binding upon the Underwriters, the Company and their respective successors. Nothing expressed or mentioned in this Agreement is intended or shall be construed to give any person, firm or corporation, other than the Underwriters, the Company and their respective successors and the controlling persons, affiliates, officers and directors, referred to in Sections 7 and 8 hereof and their heirs and legal representatives, any legal or equitable right, remedy or claim under or in respect of this Agreement or any provision herein

contained. This Agreement and all conditions and provisions hereof are intended to be for the sole and exclusive benefit of the Underwriters, the Company and their respective successors, and said controlling persons, affiliates, officers, directors and Trustee, and their heirs and legal representatives, and for the benefit of no other person, firm or corporation. No purchaser of Shares from the Underwriters shall be deemed to be a successor by reason merely of such purchase.

SECTION 14. GOVERNING LAW AND TIME. THIS AGREEMENT SHALL BE GOVERNED BY AND CONSTRUED IN ACCORDANCE WITH THE LAWS OF THE STATE OF NEW YORK. SPECIFIED TIMES OF DAY REFER TO NEW YORK CITY TIME.

SECTION 15. Effect of Headings. The Article and Section headings herein are for convenience only and shall not affect the construction hereof.

SECTION 16. Underwriters' Information. The Company and the Underwriters acknowledge and agree that for all purposes of this Agreement the only information relating to any Underwriter that has been furnished to the Company in writing by any Underwriter expressly for use in the Prospectus consists of the following: the third, eight, ninth and thirteenth paragraphs under the heading "Underwriting" in the Prospectus.

[Signature pages follow]

If the foregoing is in accordance with your understanding of our agreement, please sign and return to the Company a counterpart hereof, whereupon this instrument, along with all counterparts, will become a binding agreement among the Underwriters and the Company in accordance with its terms.

Very truly yours,

XEROX CORPORATION

By: /s/ LAWRENCE A. ZIMMERMAN

Name: Lawrence A. Zimmerman
Title: Senior Vice President and Chief Financial Officer

CONFIRMED AND ACCEPTED,
as of the date first above written:

GOLDMAN, SACHS & CO.
CITIGROUP GLOBAL MARKETS INC.
J.P. MORGAN SECURITIES INC.
MERRILL LYNCH, PIERCE, FENNER & SMITH
INCORPORATED
DEUTSCHE BANK SECURITIES INC.
UBS SECURITIES LLC
BEAR, STEARNS & CO. INC.
DANSKE MARKETS INC.
BNP PARIBAS SECURITIES CORP.
CREDIT SUISSE FIRST BOSTON LLC

By: GOLDMAN, SACHS & CO.

By: /s/ GOLDMAN, SACHS & CO.

Authorized Signatory

For themselves as Representatives of the other Underwriters named on Schedule I hereto.

Schedule I

Underwriter	Number of Firm Shares
Goldman, Sachs & Co.	5,407,317
Citigroup Global Markets Inc.	5,407,317
J.P. Morgan Securities Inc.	5,407,317
Merrill Lynch, Pierce, Fenner & Smith Incorporated	5,407,317
Deutsche Bank Securities Inc.	5,407,317
UBS Securities LLC	5,407,317
Bear, Stearns & Co. Inc.	2,000,000
Danske Markets Inc.	3,756,098
BNP Paribas Securities Corp.	1,000,000
Credit Suisse First Boston LLC	800,000
Total	40,000,000

Schedule II

Company's Directors and Executive Officers

1. Ursula M. Burns
2. Christina E. Clayton
3. James A. Firestone
4. Gilbert Hatch
5. Antonia Ax:son Johnson
6. Vernon E. Jordan, Jr.
7. Gary R. Kabureck
8. Yotaro Kobayashi
9. Hilmer Kopper
10. Ralph S. Larsen
11. Michael C. MacDonald
12. Anne M. Mulcahy
13. N.J. Nicholas, Jr.
14. John E. Pepper
15. Ann N. Reese
16. Lawrence A. Zimmerman

Exhibit A

FORM OF OPINION OF COMPANY'S COUNSEL
TO BE DELIVERED PURSUANT TO
SECTION 5(a)(i)

See attached.

Exhibit B

FORM OF OPINION OF ASSOCIATE GENERAL COUNSEL OF COMPANY
TO BE DELIVERED PURSUANT TO
SECTION 5(a)(ii)

See attached.

Exhibit C

FORM OF OPINION OF GENERAL COUNSEL OF COMPANY
TO BE DELIVERED PURSUANT TO
SECTION 5(a)(iii)

See attached.

Form of Lock-Up Agreement

See attached.

Exhibit 1.3

XEROX CORPORATION
(a New York corporation)

$700,000,000 7-1/8 % Senior Notes due 2010
$550,000,000 7-5/8 % Senior Notes due 2013

UNDERWRITING AGREEMENT

June 19, 2003

Deutsche Bank Securities Inc.
J.P. Morgan Securities Inc.
Citigroup Global Markets Inc.
Goldman, Sachs & Co.
Merrill Lynch, Pierce, Fenner & Smith
Incorporated
UBS Securities LLC
Banc One Capital Markets, Inc.
Bear, Stearns & Co. Inc.
Danske Markets Inc.
BNP Paribas Securities Corp.
Credit Suisse First Boston LLC
Fleet Securities, Inc.
PNC Capital Markets, Inc.
As Representatives of the several Underwriters
named on Schedule I hereto

c/o Deutsche Bank Securities Inc.
60 Wall Street, 2nd Floor
New York, NY 10005

Ladies and Gentlemen:

Xerox Corporation, a New York corporation (the "Company"), and each of the Guarantors (as defined below) confirms its agreements (this "Agreement") with the underwriters named in Schedule I annexed hereto (collectively, the "Underwriters," which term shall also include any underwriter substituted as provided in Section 11 hereto) for whom Deutsche Bank Securities Inc., J.P. Morgan Securities Inc., Citigroup Global Markets Inc., Goldman, Sachs & Co., Merrill Lynch, Pierce, Fenner & Smith Incorporated, UBS Securities LLC, Banc One Capital Markets, Inc., Bear, Stearns & Co. Inc.,

Danske Markets Inc., BNP Paribas Securities Corp., Credit Suisse First Boston LLC, Fleet Securities, Inc. and PNC Capital Markets, Inc. are acting as representative(s) (the "Representatives") with respect to the issue and sale by the Company and the purchase by the Underwriters, acting severally and not jointly, of $700,000,000 aggregate principal amount of 7-1/8% Senior Notes due 2010 (the "Seven Year Notes") and $550,000,000 aggregate principal amount of 7-5/8% Senior Notes due 2013 (the "Ten Year Notes" and together with the Seven Year Notes, the "Notes") in the respective amounts specified in Schedule I.

The Notes are to be issued pursuant to a Series Supplement (the "Supplement"), to be dated as of the Closing Time referred to in Section 2(b) hereof, to an indenture, dated as of the Closing Time (collectively with the Supplement, the "Indenture"), among the Company, the Guarantors and Wells Fargo Bank Minnesota, National Association, as trustee (the "Trustee"). The Notes will be guaranteed (the "Guarantees") by each of the entities listed on Schedule B hereto (each a "Guarantor" and collectively, the "Guarantors"). The Company agrees that if any of its Subsidiaries (as defined herein) other than those named on the signature pages on the date hereof ("Additional Guarantors") will be a guarantor of its outstanding 9 ¾% Senior Notes due 2009 or any other Capital Markets Debt (as defined in the Supplemental Indenture) immediately following the Closing Time, then the Company agrees to cause each of the Additional Guarantors to execute an instrument substantially in the form of Exhibit D hereto (the "Joinder Agreement") pursuant to which each Additional Guarantor shall become a party to this Agreement as a Guarantor, and as such will be deemed to have acknowledged and agreed to be bound by all covenants, representations, warranties and acknowledgements attributable to the Guarantors as set forth herein and shall be deemed to have agreed to perform all obligations and duties required of a Guarantor as set forth herein. The Notes and the Guarantees are herein referred to collectively as the "Securities."

The Notes will be issued in book-entry form and will be issued to Cede & Co., as nominee of The Depository Trust Company ("DTC"), pursuant to a letter agreement, to be dated as of the Closing Time (as defined herein) (the "DTC Agreement"), among the Company, the Trustee and DTC.

The Notes, the Indenture, the DTC Agreement, the Guarantees and this Agreement are collectively referred to as the "Operative Agreements."

The Company has filed, in accordance with the provisions of the Securities Act of 1933, as amended, and the rules and regulations thereunder (collectively, the "Act"), with the Securities and Exchange Commission (the "Commission") a registration statement on Form S-3, as amended (File Nos. 333-101164 and 333-101164-01, -03 and -05 through -13), including a prospectus, relating to the offer and sale from time to time of securities of the Company and the Guarantors (such registration statement as amended to the date of this Agreement, the "Registration Statement"). The term "Base Prospectus" means the prospectus included in the Registration Statement. The Company has furnished to you, for use by the Underwriters and by dealers, copies of a preliminary prospectus supplement to the Base Prospectus (the "Preliminary Prospectus") relating to the Securities. The Company has filed with, or transmitted for filing to, or shall promptly hereafter file with or transmit for filing to, the Commission a final prospectus supplement (the "Prospectus Supplement") relating to the Securities pursuant to Rule 424(b) of the Act. The term "Prospectus" means the Prospectus Supplement together with the Base Prospectus in the form first used to confirm the sale of the Securities. Any reference in this Agreement to the Registration Statement, the Preliminary Prospectus, any supplemental prospec-

tus (including the Prospectus Supplement) or the Prospectus shall be deemed to refer to and include the documents incorporated by reference therein pursuant to Item 12 of Form S-3 under the Act, as of the effective date of the Registration Statement or the date of such Preliminary Prospectus, supplemental prospectus or the Prospectus, as the case may be, and any reference to "amend," "amendment" or "supplement" with respect to the Registration Statement, the Preliminary Prospectus, any supplemental prospectus or the Prospectus shall be deemed to refer to and include any documents filed after such date under the Securities Exchange Act of 1934, as amended, and the rules and regulations of the Commission thereunder (collectively, the "1934 Act"), as applicable, that are deemed to be incorporated by reference therein. As used herein, "Business Day" shall mean a day on which the New York Stock Exchange is open for trading.

SECTION 1. Representations and Warranties.

(a) *Representations and Warranties by the Company and the Guarantors*. Each of the Company and the Guarantors represents and warrants to the Underwriters as of the date hereof and as of the Closing Time referred to in Section 2(b) hereof, and agrees with the Underwriters, as follows:

(i) Registration Statement and Prospectus. The Registration Statement has been declared effective under the Act; no stop order of the Commission preventing or suspending the use of the Preliminary Prospectus or the effectiveness of the Registration Statement has been issued and no proceedings for such purpose have been instituted or, to the Company's knowledge after due inquiry, are threatened by the Commission; the Base Prospectus, at the time of filing thereof, complied in all material respects with the requirements of the Act; the Registration Statement complied when it became effective, complies and will comply, at the Closing Time, in all material respects with the requirements of the Act and the Prospectus will comply, as of its date and at the Closing Time, in all material respects with the requirements of the Act; the conditions to the use of Form S-3 have been satisfied; the Registration Statement did not when it became effective and does not contain an untrue statement of a material fact or omit to state a material fact necessary in order to make the statements therein not misleading and the Prospectus will not, as of its date and at the Closing Time, contain an untrue statement of a material fact or omit to state a material fact necessary in order to make the statements therein, in the light of the circumstances under which they were made, not misleading. The representations and warranties in this subsection shall not apply to statements in or omissions from the Registration Statement or the Prospectus made in reliance upon and in conformity with information furnished to the Company in writing by the Underwriters expressly for use in the Registration Statement or the Prospectus.

(ii) Incorporated Documents. The documents incorporated by reference in the Prospectus, at the time they were or hereafter are filed with the Commission, complied and will comply, as the case may be, in all material respects with the requirements of the 1934 Act.

(iii) Independent Accountants. The accountants who certified the financial statements and the supporting schedules included or incorporated by reference in the Registration Statement and the Prospectus are independent public accountants as required by the Act.

(iv) Financial Statements. The financial statements included or incorporated by reference in the Registration Statement and the Prospectus (and any amendment or supplement thereto), together with the related schedules and notes, present fairly the financial position of the Company and its consolidated subsidiaries at the dates indicated and the statements of operations, balance sheets and cash flows of the Company and its consolidated subsidiaries for the periods specified; except as otherwise stated therein, such financial statements have been prepared in conformity with generally accepted accounting principles ("GAAP") applied on a consistent basis throughout the periods involved. The supporting schedules included or incorporated by reference in the Registration Statement and the Prospectus (and any amendment or supplement thereto) present fairly in accordance with GAAP the information required to be stated therein. The selected financial data included in the Registration Statement and the Prospectus (and any amendment or supplement thereto) present fairly the information shown therein and have been compiled on a basis consistent with that of the audited financial statements included in or incorporated by reference in the Registration Statement and the Prospectus (and any amendment or supplement thereto).

(v) No Material Adverse Change in Business. Since the respective dates as of which information is given in the Registration Statement and the Prospectus, except as otherwise stated therein, (A) there has been no material adverse change or any development involving a prospective material adverse change in the condition, financial or otherwise, or in the results of operations or business affairs of the Company and its subsidiaries considered as one enterprise, whether or not arising in the ordinary course of business, (B) there have been no transactions entered into by the Company or any of its subsidiaries, other than those in the ordinary course of business, which are material with respect to the Company and its other subsidiaries considered as one enterprise, and (C) other than as a result of the issuance of the Notes, the contemporaneous issuance by the Company of up to 46,000,000 shares of its common stock, up to 9,200,000 shares of its Series C mandatory convertible preferred stock and the establishment of a new $1 billion credit facility, there is no prospective development likely to result in a material change in the capitalization of the Company. For the purposes of this Agreement, the occurrence of any of the events described in clause (A) of this paragraph (v) shall be defined to mean a "Material Adverse Effect."

(vi) Good Standing of the Company. The Company has been duly organized and is validly existing as a corporation in good standing under the laws of the State of New York and has corporate power and authority to own, lease and operate its properties and to conduct its business as described in the Registration Statement and the Prospectus and to enter into and perform its obligations under the Operative Agreements to which it is a party; and the Company is duly qualified as a foreign company or corporation to transact business and is in good standing in each other jurisdiction in which such qualification is required, whether by reason of the ownership or leasing of property or the conduct of business, except where the failure so to qualify or to be in good standing would not result in a Material Adverse Effect.

(vii) Good Standing of Subsidiaries. Each Subsidiary of the Company (including each Guarantor) has been duly organized and is validly existing and in good standing under the laws of the jurisdiction of its incorporation or organization, has corporate or other organizational power and authority to own, lease and operate its properties and to conduct its busi-

ness as described in the Registration Statement and the Prospectus and is duly qualified as a foreign corporation to transact business and is in good standing in each jurisdiction in which such qualification is required, whether by reason of the ownership or leasing of property or the conduct of business, except where the failure so to qualify or to be in good standing would not result in a Material Adverse Effect. Except as otherwise disclosed in the Prospectus, all of the issued and outstanding capital stock of each such Subsidiary has been duly authorized and validly issued, is fully paid and non-assessable and, to the extent owned by the Company is owned by the Company, directly or through Subsidiaries, free and clear of any security interest, mortgage, pledge, lien, encumbrance, claim or equity. None of the outstanding shares of capital stock of any Subsidiary was issued in violation of the preemptive or similar rights of any securityholder of such Subsidiary. As used herein "Subsidiary" means each subsidiary of the Company listed in Exhibit 99.2 to the Company's Quarterly Report on Form 10-Q (the "Form 10-Q") for the fiscal quarter ended March 31, 2003, in each case that is in existence on the date hereof. The Company does not own or control, directly or indirectly, any corporation, association or other entity, other than those subsidiaries which, in the aggregate, would constitute a "Significant Subsidiary," as such term is defined in Rule 1-02 of Regulation S-X under the Act.

(viii) Capitalization. The authorized, issued and outstanding capital stock of the Company is as set forth in the Prospectus in the column entitled "Actual" under the caption "Capitalization" (except for subsequent issuances, if any, pursuant to this Agreement, pursuant to reservations, agreements or employee benefit plans referred to in the Prospectus or pursuant to the exercise of convertible securities or options referred to in the Prospectus in connection with the Xerox Canada Inc. ("XCI") Exchangeable Class B Stock or the XCI Rights Plan). The shares of issued and outstanding capital stock of the Company have been duly authorized and validly issued and are fully paid and non-assessable; none of the outstanding shares of capital stock was issued in violation of preemptive or other similar rights of any securityholder of the Company.

(ix) Authorization of Indenture. The Indenture has been duly authorized, and, at the Closing Time will have been executed and delivered by the Company and each of the Guarantors and, assuming due authorization, execution and delivery of the Indenture by the Trustee, the Indenture will constitute a valid and binding agreement of the Company and each of the Guarantors, enforceable against the Company and each of the Guarantors in accordance with its terms, except as the enforcement thereof may be limited by bankruptcy, insolvency (including, without limitation, all laws relating to fraudulent transfers), reorganization, moratorium or other similar laws relating to or affecting the enforcement of creditors' rights generally or by general equitable principles (regardless of whether enforcement is considered in a proceeding at law or in equity); and the Indenture conforms in all material prospects to the requirements of the Trust Indenture Act of 1939, as amended (the "1939 Act"), and the rules and regulations of the Commission thereunder applicable to an indenture qualified thereunder and has been qualified under the 1939 Act.

(x) Notes. As of the Closing Time, the Notes will have been duly authorized by the Company and, when executed and delivered by the Company and paid for pursuant to this Agreement, will constitute valid and binding obligations of the Company, enforceable in ac-

cordance with their terms and entitled to the benefits of the Indenture, except as the enforcement thereof may be limited by bankruptcy, insolvency (including, without limitation, all laws relating to fraudulent transfers), reorganization, moratorium or other similar laws relating to or affecting the enforcement of creditors' rights generally or by general equitable principles (regardless of whether enforcement is considered in a proceeding at law or in equity).

(xi) Authorization of this Agreement. This Agreement has been duly authorized, executed and delivered by the Company and each of the Guarantors.

(xii) Guarantees. As of the Closing Time, the Guarantees to be endorsed on the Notes by each Guarantor will have been duly authorized by such Guarantor and, when executed and delivered by such Guarantor and the Notes have been issued, executed and authenticated in accordance with the Indenture and delivered by the Company and paid for pursuant to this Agreement, will constitute valid and binding obligations of such Guarantor, enforceable in accordance with their terms and entitled to the benefits of the Indenture, except as the enforcement thereof may be limited by bankruptcy, insolvency (including, without limitation, all laws relating to fraudulent transfers), reorganization, moratorium or other similar laws relating to or affecting the enforcement of creditors' rights generally or by general equitable principles (regardless of whether enforcement is considered in a proceeding at law or in equity).

(xiii) Description of the Notes, Guarantees and the Indenture. The Notes, Guarantees and the Indenture conform in all material respects to the descriptions thereof contained in the Prospectus.

(xiv) Absence of Defaults and Conflicts. Neither the Company nor any of its Subsidiaries (including the Guarantors) is (a) in violation of its charter or by-laws or (b) in default in the performance or observance of any obligation, agreement, covenant or condition contained in any contract, indenture, mortgage, deed of trust, loan or credit agreement, note, lease or other agreement or instrument to which the Company or any of its Subsidiaries is a party or by which it or any of them may be bound, or to which any of the property or assets of the Company or any Subsidiary is subject (collectively, "Agreements and Instruments"), except, in the case of clause (b), for such defaults that have not and would not result in a Material Adverse Effect; and the execution, delivery and performance of this Agreement, the Indenture, the Guarantees and the Notes and the consummation of the transactions contemplated in this Agreement and in the Registration Statement and the Prospectus (including the issuance and sale of the Notes and the Guarantees) and compliance by the Company and the Guarantors with its obligations under this Agreement, the Indenture, the Guarantees and the Notes have been duly authorized by all necessary corporate action and do not and will not, whether with or without the giving of notice or passage of time or both, conflict with or constitute a breach of, or default or Repayment Event (as defined below) under, or result in the creation or imposition of any lien, charge or encumbrance upon any property or assets of the Company or any Subsidiary pursuant to, the Agreements and Instruments (except for such conflicts, breaches or defaults or liens, charges or encumbrances that would not result in a Material Adverse Effect), nor will such action result in any violation of the provisions of (A) the charter or by-laws of the Company or any Subsidiary or (B) any applicable law, statute, rule, regulation, judgment, order, writ or decree of any government, government instrumentality or court, domestic or

foreign, having jurisdiction over the Company or any Subsidiary or any of their assets, properties or operations except for such violations, in the case of clause (B) only, that would not result in a Material Adverse Effect. As used herein, a "Repayment Event" means any event or condition which gives the holder of any note, debenture or other evidence of indebtedness (or any person acting on such holder's behalf) the right to require the repurchase, redemption or repayment of all or a portion of such indebtedness by the Company or any Subsidiary.

(xv) Absence of Labor Dispute. No labor dispute with the employees of the Company or any Subsidiary exists or, to the knowledge of the Company, is imminent, and the Company is not aware of any existing or imminent labor disturbance by the employees of any of its or any Subsidiary's principal suppliers, manufacturers, customers or contractors, which, in either case, would reasonably be expected to result in a Material Adverse Effect.

(xvi) Absence of Proceedings. There is no action, suit, proceeding, inquiry or investigation before or brought by any court or governmental agency or body, domestic or foreign, now pending, or, to the knowledge of the Company, threatened, against or affecting the Company or any Subsidiary, which would be required to be disclosed in the Registration Statement or the Prospectus, except as disclosed in the Registration Statement and the Prospectus, which would reasonably be expected to materially and adversely affect the consummation of the transactions contemplated in this Agreement or the performance by the Company and the Guarantors of its obligations hereunder; the aggregate of all pending legal or governmental proceedings to which the Company or any Subsidiary is a party or of which any of their respective property or assets is the subject which are not described in the Registration Statement or the Prospectus, including ordinary routine litigation incidental to the business, would not reasonably be expected to result in a Material Adverse Effect.

(xvii) Accuracy of Descriptions. All of the descriptions of contracts or other documents contained or incorporated by reference in the Registration Statement or the Prospectus are accurate and complete descriptions in all material respects of such contracts or other documents.

(xviii) Possession of Intellectual Property. The Company and its Subsidiaries own or possess, or can acquire on reasonable terms, adequate patents, patent rights, licenses, inventions, copyrights, know-how (including trade secrets and other unpatented and/or unpatentable proprietary or confidential information, systems or procedures), trademarks, service marks, trade names or other intellectual property (collectively, "Intellectual Property") necessary to carry on the business now operated by them, and the expected expiration of any rights under such Intellectual Property would not result in a Material Adverse Effect. Except as disclosed in the Registration Statement and the Prospectus, neither the Company nor any of its Subsidiaries has received any notice or is otherwise aware of any infringement of or conflict with asserted rights of others with respect to any Intellectual Property or of any facts or circumstances which would render any Intellectual Property invalid or inadequate to protect the interest of the Company or any of its Subsidiaries therein, and which infringement or conflict (if the subject of any unfavorable decision, ruling or finding) or invalidity or inadequacy, individually or in the aggregate, would result in a Material Adverse Effect.

(xix) Absence of Further Requirements. No filing with, or authorization, approval, consent, license, order, registration, qualification or decree of, any court or governmental authority or agency is necessary or required in connection with the offering of the Notes and the Guarantees, the issuance and sale of the Notes and the Guarantees, the due authorization, execution or delivery by the Company and the Guarantors of their respective obligations under any of the Operative Agreements to which it is a party or the consummation of the transactions contemplated by this Agreement, except (A) such as have been already obtained and (B) such as may be required under state or foreign securities or "blue sky" laws or under the rules and regulations of the National Association of Securities Dealers (the "NASD").

(xx) Possession of Licenses and Permits. The Company and its Subsidiaries possess such permits, licenses, approvals, consents and other authorizations (collectively, "Governmental Licenses") issued by the appropriate federal, state, local or foreign regulatory agencies or bodies necessary to conduct the business now operated by them, except where the failure to possess such Governmental Licenses would not, individually or in the aggregate, have a Material Adverse Effect; the Company and its Subsidiaries are in compliance with the terms and conditions of all such Governmental Licenses, except where the failure so to comply would not, individually or in the aggregate, have a Material Adverse Effect; all of the Governmental Licenses held are valid and in full force and effect, except when the invalidity of such Governmental Licenses or the failure of such Governmental Licenses to be in full force and effect would not have a Material Adverse Effect; and neither the Company nor any of its Subsidiaries has received any notice of proceedings relating to the revocation or modification of any such Governmental Licenses which, individually or in the aggregate, if the subject of an unfavorable decision, ruling or finding, would result in a Material Adverse Effect.

(xxi) Title to Property. The Company and its Subsidiaries have good and marketable title to all material real property owned by the Company and its Subsidiaries and good title to all other material properties owned by them, in each case, free and clear of all mortgages, pledges, liens, security interests, claims, restrictions or encumbrances ("Encumbrances") of any kind except such as (A) are described in the Registration Statement and the Prospectus or (B) do not, individually or in the aggregate, materially affect the value of such property and do not interfere with the use made and proposed to be made of such property by the Company or any of its Subsidiaries or (C) where failure to have such good and marketable title or to be free of such Encumbrances would not have a Material Adverse Effect; and all of the leases and subleases material to the business of the Company and its Subsidiaries, considered as one enterprise, and under which the Company or any of its Subsidiaries holds properties described in the Registration Statement and the Prospectus, are in full force and effect, and neither the Company nor any Subsidiary has any notice of any claim of any sort that has been asserted by anyone adverse to the rights of the Company or any Subsidiary under any of the leases or subleases mentioned above, or affecting or questioning the rights of the Company or such Subsidiary to the continued possession of the leased or subleased premises under any such lease or sublease, except for any such claim as would not, individually or in the aggregate with any other such claims, have a Material Adverse Effect.

(xxii) Tax Law Compliance. The Company and its consolidated subsidiaries have filed all necessary federal, state and foreign income and franchise tax returns or have properly

requested extensions thereof and have paid all taxes required to be paid by any of them and, if due and payable, any related or similar assessment, fine or penalty levied against any of them except as are being contested in good faith and by appropriate proceedings. The Company has made adequate charges, accruals and reserves in the applicable financial statements referred to in Section 1(a)(iv) hereof in respect of all federal, state and foreign income and franchise taxes for all periods to which the tax liability of the Company or any of its consolidated subsidiaries has not been finally determined.

(xxiii) Company's Accounting System. The Company maintains on behalf of itself and its Subsidiaries a system of accounting controls sufficient to provide reasonable assurances that (A) transactions are executed in accordance with management's general or specific authorization, (B) transactions are recorded as necessary to permit preparation of financial statements in conformity with GAAP and to maintain accountability for assets, (C) access to assets is permitted only in accordance with management's general or specific authorization and (D) the recorded accountability for assets is compared with existing assets at reasonable intervals and appropriate action is taken with respect to any differences.

(xxiv) Investment Company Act. The Company is not and, after giving effect to the issuance and sale of the Notes as herein contemplated and the application of the net proceeds therefrom as described in the Prospectus, will not be, an "investment company" within the meaning of the Investment Company Act of 1940, as amended (the "1940 Act").

(xxv) Environmental Laws. Except as described in the Registration Statement and the Prospectus and except as would not, individually or in the aggregate, result in a Material Adverse Effect, (A) neither the Company nor any of its Subsidiaries is in violation of any federal, state, local or foreign statute, law, rule, regulation, ordinance, code, policy or rule of common law or any judicial or administrative interpretation thereof, including any judicial or administrative order, consent, decree or judgment, relating to pollution or protection of human health, the environment (including, without limitation, ambient air, surface water, groundwater, land surface or subsurface strata) or wildlife, including, without limitation, laws and regulations relating to the release or threatened release of chemicals, pollutants, contaminants, wastes, toxic substances, hazardous substances, petroleum or petroleum products (collectively, "Hazardous Materials") or to the manufacture, processing, distribution, use, treatment, storage, disposal, transport or handling of Hazardous Materials (collectively, "Environmental Laws"), (B) the Company and its Subsidiaries have all permits, authorizations and approvals required under any applicable Environmental Laws and are each in compliance with their requirements, (C) there are no pending or threatened administrative, regulatory or judicial actions, suits, demands, demand letters, claims, liens, notices of noncompliance or violation, investigation or proceedings relating to any Environmental Law against the Company or any of its Subsidiaries, and (D) there are no events or circumstances that would reasonably be expected to form the basis of an order for clean-up or remediation, or an action, suit or proceeding by any private party or governmental body or agency, against or affecting the Company or any of its Subsidiaries relating to Hazardous Materials or the violation of any Environmental Laws.

(xxvi) Controls and Procedures. The Company has established and maintains disclosure controls and procedures (as such term is defined in Rule 13a-14(c) and 15d-14(c) under the 1934 Act); such disclosure controls and procedures are designed so that material information relating to the Company, including its consolidated subsidiaries, is made known to the Company's Chief Executive Officer and its Chief Financial Officer by others within those entities; the Company's auditors and the Audit Committee of the Board of Directors have been advised of: (i) any significant deficiencies in the design or operation of internal controls which could adversely affect the Company's ability to record, process, summarize, and report financial data; (ii) any fraud, whether or not material, that involves management or other employees who have a significant role in the Company's internal controls; and (iii) any material weaknesses in internal controls. Since the date of the most recent evaluation of the Company's controls and procedures, there have been no significant changes in internal controls or in other factors that could significantly affect internal controls, including any corrective actions with regard to significant deficiencies and material weaknesses.

(xxvii) NASD Matters. The Company has no knowledge of any affiliations or associations between any member of the NASD and any of the Company's officers, directors or 5% or greater securityholders, as the case may be.

(xxviii) ERISA Matters. Except as described in the Registration Statement and the Prospectus and except as would not, individually or in the aggregate, result in a Material Adverse Effect, the Company and each of its Subsidiaries is in compliance with all presently applicable provisions of the Employee Retirement Income Security Act of 1974, as amended, including the regulations and published interpretations thereunder ("ERISA"). No "reportable event" (as defined in ERISA) has occurred with respect to any "pension plan" (as defined in ERISA) for which the Company would reasonably be expected to have any liability; the Company has not incurred and does not expect to incur material liability under (x) Title IV of ERISA with respect to termination of, or withdrawal from, any "pension plan" or (y) Sections 412 or 4971 of the Internal Revenue Code of 1986, as amended, including regulations and published interpretations thereunder (the "Code"); and each "pension plan" for which the Company would have any liability that is intended to be qualified under Section 401(a) of the Code has received a determination letter from the Internal Revenue Service to the effect that it is so qualified and nothing has occurred, whether by action or by failure to act, which is reasonably likely to cause the loss of such qualification.

(b) *Officer's Certificates*. Any certificate signed by any officer of the Company or any of its Subsidiaries (including the Guarantors) delivered to the Underwriters or to counsel for the Underwriters shall be deemed a representation and warranty by the Company or such Guarantor to the Underwriters as to the matters covered thereby.

SECTION 2. Sale and Delivery to Underwriters; Closing.

(a) *Securities*. On the basis of the representations and warranties herein contained and subject to the terms and conditions herein set forth, the Company agrees to sell to each Underwriter, and each Underwriter, severally and not jointly, agrees to purchase from the Company, at a purchase price of 97.875% of the principal amount thereof, the principal amount of Notes set forth in Schedule I

opposite the name of such Underwriter and the Guarantees, plus any additional principal amount of Securities which such Underwriter may become obligated to purchase pursuant to the provisions of Section 11 hereof. The public offering price is not in excess of the price recommended by Goldman, Sachs & Co., acting in its capacity as a "qualified independent underwriter" within the meaning of Rule 2720 ("Rule 2720") of the Rules of Conduct of the NASD (the "QIU"). The Company is advised by the Representatives that the Underwriters intend (i) to make a public offering of their respective portions of the Securities as soon after the date hereof as in the Representatives' judgment is advisable and (ii) initially to offer the Securities upon the terms set forth in the Prospectus.

(b) *Payment*. Payment of the purchase price for, and delivery of certificates for, the Securities shall be made at the offices of Skadden, Arps, Slate, Meagher & Flom LLP, 4 Times Square, New York, New York 10036 or at such other place as shall be agreed upon by the Underwriters and the Company, at 9:00 A.M. (Eastern time) on the third business day after the date hereof (unless postponed in accordance with the provisions of Section 11 hereof), or such other time not later than ten business days after such date as shall be agreed upon by the Underwriters and the Company (such time and date of payment and delivery being herein called the "Closing Time").

Payment shall be made to the Company by wire transfer of immediately available funds to a bank account designated by the Company, against delivery to Deutsche Bank Securities Inc. for the respective accounts of the Underwriters of the Notes to be purchased by them. It is understood that each Underwriter has authorized Deutsche Bank Securities Inc., for its account, to accept delivery of, receipt for, and make payment of the purchase price for, the Securities which it has severally agreed to purchase. Deutsche Bank Securities Inc., individually and not as representative of the Underwriters, may (but shall not be obligated to) make payment of the purchase price for the Securities, if any, to be purchased by any Underwriter whose funds have not been received by the Closing Time, but such payment shall not relieve such Underwriter from its obligations hereunder.

(c) *Registration*. Certificates for the Notes shall be in such denominations and registered in such names as the Underwriters may request in writing at least one full business day before the Closing Time or the relevant date of delivery, as the case may be. The certificates for the Notes will be definitive global certificates in book entry form for clearance through DTC. The certificates for the Notes will be made available for examination and packaging by the Underwriters in The City of New York not later than 10:00 A.M. (Eastern time) on the business day prior to the Closing Time.

SECTION 3. Covenants of the Company and the Guarantors. Each of the Company and the Guarantors covenants with the Underwriters as follows:

(a) *Delivery of Prospectus*. To furnish the Underwriters and those persons identified by the Underwriters to the Company, as many copies of the Prospectus, and any amendments or supplements thereto, as the Underwriters may from time to time reasonably request for the time period specified in Section 3(c)(iii) hereof; in case any Underwriter is required to deliver a prospectus after the nine-month period referred to in Section 10(a)(3) of the Act in connection with the sale of the Securities, the Company will prepare, at its expense, promptly upon request such amendment or amendments to the Registration Statement and the Prospectus as may be necessary to permit compliance with the requirements of Section 10(a)(3) of the Act. The Company consents to the use of the Prospectus, and

any amendments and supplements thereto required pursuant hereto, by the Underwriters in connection with the offering and sale of the Securities.

(b) *Notice and Effect of Material Events*. The Company will immediately notify the Underwriters, and confirm such notice in writing, of (i) any filing made by the Company of information relating to the offering of the Notes with any securities exchange or any other securities regulatory body in the United States or any other jurisdiction, (ii) the issuance by the Commission or any state securities commission of any stop order suspending the effectiveness of the Registration Statement, qualification or exemption from qualification of the Securities for offering or sale in any jurisdiction designated by the Representatives pursuant to Section 3(d) hereof, or the initiation of any proceeding by the Commission or any state securities commission or any other federal or state regulatory authority for such purpose and (iii) the happening, during the period referred to in Section 3(c)(iii) hereof, of any material change or any development involving a prospective material change in or affecting the condition, financial or otherwise, or in the results of operations or business affairs of the Company and its subsidiaries which (A) make any statement in the Registration Statement or the Prospectus false or misleading in any material respect or (B) if not disclosed in the Registration Statement or the Prospectus, would constitute a material omission therefrom. In such event, or if during such time any event shall occur as a result of which it is necessary, in the reasonable opinion of the Company, its counsel, the Underwriters or counsel for the Underwriters, to amend or supplement the Registration Statement or the Prospectus in order that the Registration Statement or the Prospectus not include any untrue statement of a material fact or omit to state a material fact necessary in order to make the statements therein not misleading in the light of the circumstances then existing, the Company and the Guarantors will forthwith amend or supplement the Registration Statement or the Prospectus by preparing and furnishing to the Underwriters an amendment or amendments of, or a supplement or supplements to, the Registration Statement or the Prospectus (in form and substance satisfactory in the reasonable opinion of counsel for the Underwriters) so that, as so amended or supplemented, the Registration Statement or the Prospectus will not include an untrue statement of a material fact or omit to state a material fact necessary in order to make the statements therein, in the light of the circumstances then existing, not misleading. The Company and the Guarantors shall use their best efforts to prevent the issuance of any stop order or order suspending the effectiveness of the Registration Statement or the qualification or exemption of the Securities by the Commission or under any federal or state securities or “blue sky” laws and, if at any time the Commission or any state securities commission or other federal or state regulatory authority shall issue an order suspending the effectiveness of the Registration Statement or the qualification or exemption of the Securities under any federal or state securities or “blue sky” laws, the Company and the Guarantors shall use their best efforts to obtain the withdrawal or lifting of such order at the earliest possible time.

(c) *Amendments and Supplements*. The Company will advise the Underwriters promptly, and, if requested by the Representatives, will confirm such advice in writing (i) if it is necessary for any post-effective amendment to the Registration Statement to be declared effective before the offering of the Securities may commence, (ii) of any request by the Commission for amendments or supplements to the Registration Statement or the Prospectus or for additional information with respect thereto, or of notice of institution of proceedings for, or the entry of a stop order, suspending the effectiveness of the Registration Statement and, (iii) during such period as a prospectus is required to be delivered under the Act in connection with the offering and sale of the Notes by the Underwriters, (A) of any proposal to amend or supplement the Registration Statement or the Prospectus, including

by filing any documents that would be incorporated therein by reference and (B) if any event shall occur or condition shall exist as a result of which, it becomes necessary to amend or supplement the Registration Statement or the Prospectus in order to make the statements therein, in the light of the circumstances under which they were made, not misleading, or, if it is necessary to amend or supplement the Registration Statement or the Prospectus to comply with the Act. The Company will provide the Underwriters and their counsel copies of any such documents for review and comment a reasonable amount of time prior to any proposed filing and to file no such amendment or supplement to which the Underwriters may reasonably object in writing.

The Company will endeavor to cause any necessary post-effective amendment to the Registration Statement to become effective as soon as reasonably possible and will promptly notify the Underwriters, and if requested by the Representatives, confirm such advice in writing, when such post-effective amendment to the Registration Statement becomes effective. If action is required due to a condition described by clause (iii) of the immediately preceding paragraph, subject to such paragraph, the Company shall (A) forthwith prepare and file with the Commission an appropriate amendment or supplement to such Registration Statement or Prospectus so that the statements therein, as so amended or supplemented, will not, in the light of the circumstances in which they are made, be misleading, or so that such Registration Statement or Prospectus will comply with applicable law, (B) prepare promptly upon the reasonable request of any of the Representatives, any amendment or supplement to the Registration Statement or the Prospectus that in the reasonable opinion of Underwriters' counsel is believed to be necessary under the Act, and (C) furnish to the Underwriters and such other persons as the Underwriters may designate such number of copies thereof as the Underwriters may reasonably request.

(d) *Blue Sky Qualifications*. Each of the Company and the Guarantors will use its reasonable efforts, in cooperation with the Underwriters, to qualify the Securities for offering and sale under the applicable securities laws of such states and other jurisdictions as the Underwriters may designate; provided, however, that neither the Company nor the Guarantors shall be obligated to file any general consent to service of process or to qualify as a foreign corporation or as a dealer in securities in any jurisdiction in which it is not so qualified or to subject itself to taxation in respect of doing business in any jurisdiction in which it is not otherwise so subject. In each jurisdiction in which the Securities have been so qualified, each of the Company and the Guarantors will file such statements and reports as may be required by the laws of such jurisdiction to continue such qualification in effect for so long as may be required in connection with the distribution of the Securities.

(e) *Use of Proceeds*. The Company shall use the net proceeds received by it from the sale of the Notes in the manner specified in the Prospectus under the caption "Use of Proceeds."

(f) *Rule 424(b)*. The Company shall file the Prospectus pursuant to Rule 424(b) under the Act not later than the Commission's close of business on the second Business Day following the date of determination of the offering price of the Securities or, if applicable, such earlier time as may be required by Rule 424(b).

(g) *Reasonable Inquiries; Information*. In connection with the original distribution of the Securities, the Company agrees that, prior to any offer or resale of the Securities by the Underwriters,

the Underwriters and counsel for the Underwriters shall have the right to make reasonable inquiries into the business of the Company and its subsidiaries.

(h) *Subsequent Filings*. Subject to Section 3(f) hereof, the Company shall file promptly all reports and any definitive proxy or information statement required to be filed by the Company and the Guarantors with the Commission in order to comply with the 1934 Act subsequent to the date of the Prospectus and for so long as the delivery of a prospectus is required by the Act in connection with the offering or sale of the Securities.

(i) *Earning Statement*. The Company shall make generally available to its security holders, and to deliver to the Representatives, an earning statement of the Company (which need not be audited but will satisfy the provisions of Section 11(a) of the Act) covering a period of twelve months beginning after the effective date of the Registration Statement (as defined in Rule 158(c) of the Act) as soon as is reasonably practicable after the termination of such twelve-month period.

SECTION 4. Payment of Expenses.

(a) *Expenses*. The Company shall pay all expenses incident to the performance of its obligations under this Agreement, including (i) the printing of the Registration Statement, the Preliminary Prospectus, the Prospectus and of each amendment or supplement thereto, (ii) the printing or reproduction of the Operative Agreements and related documents, (iii) the preparation, issuance and delivery of the certificates for the Notes and the Guarantees to the Underwriters, (iv) the transportation and other expenses incurred by or on behalf of Company representatives in connection with presentations to prospective purchasers of the Securities, (v) the fees and disbursements of the Company's counsel and accountants, (vi) the qualification of the Securities under securities laws in accordance with the provisions of Section 3(d), including filing fees and the reasonable fees and disbursements of counsel for the Underwriters in connection therewith and in connection with the preparation of the blue sky and legal investment survey, (vii) the fees and expenses of the Trustee, including the fees and disbursements of counsel for the Trustee and (viii) any fees payable in connection with the rating of the Notes by a nationally recognized statistical rating organization.

(b) *Termination of Agreement*. If this Agreement is terminated by the Underwriters in accordance with the provisions of Section 5(l) or Section 10(a)(i) hereof, the Company shall reimburse the Underwriters for all of their out-of-pocket expenses, including the reasonable fees and disbursements of counsel for the Underwriters.

SECTION 5. Conditions of Underwriters' Obligations. The obligation of the Underwriters to purchase and pay for the Securities hereunder is subject to the accuracy of the representations and warranties of the Company and the Guarantors contained in Section 1 hereof or in certificates of any Trustee and any officer of the Company and any of its Subsidiaries delivered pursuant to the provisions hereof, in each case at the date hereof and as of the Closing Time, to the performance by the Company and the Guarantors of its covenants and other obligations hereunder, and to the following further conditions:

(a) *Opinions of Counsel for the Company*. At the Closing Time, the Underwriters shall have received the favorable opinions, dated as of the Closing Time, of (i) Skadden, Arps, Slate,

Meagher & Flom LLP, counsel for the Company and the Guarantors, substantially to the effect set forth in Exhibit A hereto, (ii) Martin S. Wagner, Associate General Counsel to the Company and the Guarantors, substantially to the effect set forth in Exhibit B hereto and (iii) Christina E. Clayton, General Counsel to the Company, substantially to the effect as set forth in Exhibit C attached hereto. Each such counsel may also state that, insofar as such opinion involves factual matters, they have relied, to the extent they deem proper, upon certificates of the Trustee, officers of the Company or any of its subsidiaries and certificates of public officials.

(b) *Opinion of Counsel for Underwriters*. At the Closing Time, the Underwriters shall have received the favorable opinion, dated as of the Closing Time, of Cahill Gordon & Reindel LLP, counsel for the Underwriters, in form and substance satisfactory to the Underwriters. In giving such opinion such counsel may rely, as to all matters governed by the laws of jurisdictions other than the law of the State of New York, the federal law of the United States and the General Corporation Law of the State of Delaware, upon the opinions of counsel satisfactory to the Underwriters. Such counsel may also state that, insofar as such opinion involves factual matters, they have relied, to the extent they deem proper, upon certificates of officers of the Company and its subsidiaries and certificates of public officials.

(c) *Rule 424(b).* The Prospectus shall have been filed with the Commission pursuant to Rule 424(b) under the Act in accordance with Section 3(f) of this Agreement and no amendment or supplement to the Registration Statement or the Prospectus, including documents deemed to be incorporated by reference therein, shall have been filed to which you object in writing.

(d) *Officers' Certificate*. At the Closing Time, there shall not have been, since the date hereof or since the respective dates as of which information is given in the Registration Statement or the Prospectus (exclusive of any amendment or supplement thereto or documents incorporated by reference therein that are filed after the date hereof), any Material Adverse Effect and the Underwriters shall have received a certificate of the Chairman or a Vice President of the Company and of the chief financial or chief accounting officer of the Company, dated as of the Closing Time, to the effect that (i) there has been no such Material Adverse Effect, (ii) the representations and warranties in Section 1(a) hereof are true and correct with the same force and effect as though expressly made at and as of the Closing Time, and (iii) the Company has complied with all of the agreements entered into in connection with the transaction contemplated herein and satisfied all conditions on its part to be performed or satisfied at or prior to the Closing Time.

(e) *Indenture*. At the Closing Time, the Company, the Guarantors and the Trustee shall have executed and delivered the Indenture in a form and substance reasonably acceptable to the Underwriters.

(f) *Accountant's Comfort Letter*. At the time of the execution of this Agreement, the Underwriters shall have received from PricewaterhouseCoopers LLP a letter dated the date hereof, in form and substance satisfactory to the Underwriters, containing statements and information of the type ordinarily included in accountants' comfort letters with respect to the financial statements and certain financial information contained in or incorporated by reference in the Registration Statement or the Prospectus.

(g) *Bring-down Comfort Letter*. At the Closing Time, the Underwriters shall have received from PricewaterhouseCoopers LLP a letter, dated as of the Closing Time, to the effect that they reaffirm the statements made in the letter furnished pursuant to subsection (f) of this Section, except that the specified date referred to shall be a date not more than three business days prior to the Closing Time.

(h) *Maintenance of Rating*. At the Closing Time, the Company's senior unsecured debt shall be rated at least B+ by Standard & Poor's Ratings Services, a division of The McGraw-Hill Companies, Inc. ("S&P") and B1 by Moody's Investor Service, Inc. ("Moody's").

(i) *Additional Documents*. At the Closing Time, counsel for the Underwriters shall have been furnished with such documents and opinions as they may reasonably require for the purpose of enabling them to pass upon the issuance and sale of the Securities as herein contemplated, or in order to evidence the accuracy of any of the representations or warranties, or the fulfillment of any of the conditions, herein contained; and all proceedings taken by the Company in connection with the issuance and sale of the Securities as herein contemplated shall be reasonably satisfactory in form and substance to the Underwriters and counsel for the Underwriters.

(j) *No Stop Orders*. Prior to the Closing Time, no stop order with respect to the effectiveness of the Registration Statement shall have been issued under the Act or proceedings initiated or, to the Company's knowledge, threatened under Section 8(d) or 8(e) of the Act.

(k) *Book-Entry*. The Notes shall be eligible and accepted for clearance and settlement through DTC.

(l) *Termination of Agreement*. If any condition specified in this Section shall not have been fulfilled when and as required to be fulfilled, this Agreement may be terminated by the Representatives that agreed to purchase the majority of the aggregate principal amount of the Notes as listed on Schedule I hereto, by notice to the Company at any time at or prior to the Closing Time and such termination shall be without liability of any party to any other party except as provided in Section 4 hereof and except that Sections 1, 7, 8 and 9 hereof shall survive any such termination and remain in full force and effect.

SECTION 6. [Intentionally Omitted]

SECTION 7. Indemnification.

(a) *Indemnification of Underwriters*. The Company and each Guarantor, jointly and severally, agree to indemnify and hold harmless each Underwriter, its affiliates, its officers and directors and each person, if any, who controls any Underwriter within the meaning of Section 15 of the Act or Section 20 of the 1934 Act to the extent and in the manner set forth in clauses (i), (ii) and (iii) below:

(i) against any and all loss, liability, claim, damage and expense whatsoever, as incurred, resulting from any untrue statement or alleged untrue statement of a material fact contained in any Registration Statement (or in the Registration Statement as amended by any post-effective amendment thereof by the Company becoming effective after the date of this

Agreement) or in a Prospectus (the term Prospectus for the purpose of this Section 7 being deemed to include any Preliminary Prospectus, the Prospectus and any amendment or supplement thereto), or the omission or alleged omission therefrom of a material fact necessary in order to make the statements therein, in the light of the circumstances under which they were made, not misleading;

(ii) against any and all loss, liability, claim, damage and expense whatsoever, as incurred, to the extent of the aggregate amount paid in settlement of any litigation, or any investigation or proceeding by any governmental agency or body, commenced or threatened, or of any claim whatsoever based upon any such untrue statement or omission, or any such alleged untrue statement or omission; provided that (subject to Section 7(c) hereof) any such settlement is effected with the written consent of the Company; and

(iii) against any and all expense whatsoever, as incurred (including the reasonable fees and disbursements of counsel chosen by the Underwriters), reasonably incurred in investigating, preparing or defending against any litigation, or any investigation or proceeding by any governmental agency or body, commenced or threatened, or any claim whatsoever based upon any such untrue statement or omission, or any such alleged untrue statement or omission, to the extent that any such expense is not paid under (i) or (ii) above;

provided, however, that (A) this indemnity agreement shall not apply to any loss, liability, claim, damage or expense of an Underwriter to the extent arising out of any untrue statement or omission or alleged untrue statement or omission made in reliance upon and in conformity with written information furnished to the Company by such Underwriter expressly for use in such Registration Statement or the Prospectus (or any amendment or supplement thereto) and (B) the Company shall not be liable to any indemnified party with respect to any Preliminary Prospectus (or supplement thereto) if (i) the Prospectus corrected any such untrue statement or omission, (ii) the Prospectus was delivered to such indemnified party (sufficiently in advance of the Closing Time and in sufficient quantity to allow for distribution by the Closing Time), (iii) the delivery of the Prospectus was required by the Act to be made to the applicable purchaser and (iv) such indemnified party failed to furnish a copy of the Prospectus (excluding any documents incorporated by reference therein) to the applicable purchaser.

(b) *Indemnification of the Company and the Guarantors*. Each Underwriter agrees, severally and not jointly, to indemnify and hold harmless the Company and the Guarantors, the directors and officers of the Company and the Guarantors, and each person, if any, who controls the Company and the Guarantors within the meaning of Section 15 of the Act or Section 20 of the 1934 Act against any and all loss, liability, claim, damage and expense described in the indemnity contained in subsection (a) of this Section, as incurred, but only with respect to untrue statements or omissions, or alleged untrue statements or omissions, made in any Registration Statement (or in the Registration Statement as amended by any post-effective amendment thereof by the Company) or any Prospectus (or any amendment or supplement thereto) in reliance upon and in conformity with written information furnished to the Company by such Underwriter expressly for use in such Registration Statement (or in the Registration Statement as amended by any post-effective amendment thereof by the Company) or Prospectus (or any amendment or supplement thereto).

(c) *Actions against Parties; Notification*. Each indemnified party shall give notice as promptly as reasonably practicable to each indemnifying party of any action commenced against it in respect of which indemnity may be sought hereunder, but failure to so notify an indemnifying party shall not relieve the Company from any liability hereunder to the extent it is not materially prejudiced as a result thereof and in any event shall not relieve it from any liability which it may have otherwise than on account of this indemnity agreement. In the case of parties indemnified pursuant to Section 7(a) hereof, counsel to the indemnified parties shall be selected by the Underwriters, and, in the case of parties indemnified pursuant to Section 7(b) hereof, counsel to the indemnified parties shall be selected by the Company. An indemnifying party may participate at its own expense in the defense of any such action; provided, however, that counsel to the indemnifying party shall not (except with the consent of the indemnified party) also be counsel to the indemnified party. If it so elects within a reasonable time after receipt of such notice, an indemnifying party, jointly with any other indemnifying parties receiving such notice, may assume the defense of such action with counsel chosen by it and which counsel is reasonably acceptable to the indemnified parties' defendant in such action, unless such indemnified parties reasonably object to such assumption on the ground that there may be legal defenses available to them which are different from or in addition to those available to the Company. In no event shall the indemnifying parties be liable for fees and expenses of more than one counsel (in addition to any local counsel) separate from their own counsel for all indemnified parties in connection with any one action or separate but similar or related actions in the same jurisdiction arising out of the same general allegations or circumstances. No indemnifying party shall, without the prior written consent of the indemnified parties, settle or compromise or consent to the entry of any judgment with respect to any litigation, or any investigation or proceeding by any governmental agency or body, commenced or threatened, or any claim whatsoever in respect of which indemnification or contribution could be sought under this Section 7 or Section 8 hereof (whether or not the indemnified parties are actual or potential parties thereto), unless such settlement, compromise or consent (i) includes an unconditional release of each indemnified party from all liability arising out of such litigation, investigation, proceeding or claim and (ii) does not include a statement as to or an admission of fault, culpability or a failure to act by or on behalf of any indemnified party.

(d) *Settlement without Consent if Failure to Reimburse*. If at any time an indemnified party shall have requested an indemnifying party to reimburse the indemnified party for fees and expenses of counsel, such indemnifying party agrees that it shall be liable for any settlement of the nature contemplated by Section 7(a)(ii) hereof effected without its written consent if (i) such settlement is entered into more than 45 days after receipt by such indemnifying party of the aforesaid request, (ii) such indemnifying party shall have received notice of the terms of such settlement at least 30 days prior to such settlement being entered into and (iii) such indemnifying party shall not have reimbursed such indemnified party in accordance with such request prior to the date of such settlement, unless the indemnifying party shall in good faith contest the reasonableness of such fees and expenses (but only to the extent so contested) or the entitlement of the indemnified person to indemnification under the terms of this Section 7.

SECTION 8. Contribution. If the indemnification provided for in Section 7 hereof is for any reason unavailable to or insufficient to hold harmless an indemnified party in respect of any losses, liabilities, claims, damages or expenses referred to therein, then each indemnifying party shall contribute to the aggregate amount of such losses, liabilities, claims, damages and expenses incurred by such indemnified party, as incurred, (i) in such proportion as is appropriate to reflect the relative benefits

received by the Company and the Guarantors on the one hand and the Underwriters on the other hand from the offering of the Notes pursuant to this Agreement or (ii) if the allocation provided by clause (i) is not permitted by applicable law, in such proportion as is appropriate to reflect not only the relative benefits referred to in clause (i) above but also the relative fault of the Company and the Guarantors on the one hand and of the Underwriters on the other hand in connection with the statements or omissions which resulted in such losses, liabilities, claims, damages or expenses, as well as any other relevant equitable considerations.

The relative benefits received by the Company and the Guarantors on the one hand and the Underwriters on the other hand in connection with the offering of the Notes pursuant to this Agreement shall be deemed to be in the same respective proportions as the total net proceeds from the offering of the Notes pursuant to this Agreement (before deducting expenses) received by the Company and the Guarantors and the total underwriting discount received by the Underwriters, in each case as set forth in the Prospectus, bear to the aggregate initial offering price of the Notes as set forth on such cover.

The relative fault of the Company and the Guarantors on the one hand and the Underwriters on the other hand shall be determined by reference to, among other things, whether any such untrue or alleged untrue statement of a material fact or omission or alleged omission to state a material fact relates to information supplied by the Company and the Guarantors on the one hand, or by the Underwriters on the other hand and the parties' relative intent, knowledge, access to information and opportunity to correct or prevent such statement or omission.

The Company and the Guarantors and the Underwriters agree that it would not be just and equitable if contribution pursuant to this Section 8 were determined by pro rata allocation or by any other method of allocation which does not take account of the equitable considerations referred to above in this Section 8. The aggregate amount of losses, liabilities, claims, damages and expenses incurred by an indemnified party and referred to above in this Section 8 shall be deemed to include any legal or other expenses reasonably incurred by such indemnified party in investigating, preparing or defending against any litigation, or any investigation or proceeding by any governmental agency or body, commenced or threatened, or any claim whatsoever based upon any such untrue or alleged untrue statement or omission or alleged omission.

Notwithstanding the provisions of this Section 8, no Underwriter shall be required to contribute any amount in excess of the amount by which the total discounts or commissions received by it hereunder exceeds the amount of any damages which such Underwriter otherwise would have been required to pay by reason of such untrue or alleged untrue statement or omission or alleged omission.

No person guilty of fraudulent misrepresentation (within the meaning of Section 11(f) of the Act) shall be entitled to contribution from any person who was not guilty of such fraudulent misrepresentation.

For purposes of this Section 8, each person, if any, who controls each Underwriter within the meaning of Section 15 of the Act or Section 20 of the 1934 Act and the officers, directors and affiliates of each Underwriter shall have the same rights to contribution as the Underwriters and each officer and director of the Company and the Guarantors and each person, if any, who controls the Com-

pany and the Guarantors within the meaning of Section 15 of the Act or Section 20 of the 1934 Act shall have the same rights to contribution as the Company.

The Underwriters' respective obligations to contribute pursuant to this Section 8 are several in proportion to the respective amount of Notes they have purchased hereunder, and not joint.

SECTION 9. Representations, Warranties and Agreements to Survive Delivery. All representations, warranties and agreements contained in this Agreement or in certificates of officers of the Company or any of its subsidiaries submitted pursuant hereto shall remain operative and in full force and effect, regardless of any investigation made by or on behalf of the Underwriters or controlling person, or by or on behalf of the Company and any Guarantor, and shall survive delivery of the Notes to the Underwriters.

SECTION 10. Termination of Agreement.

(a) *Termination; General*. The Representatives that have agreed to purchase the majority of the aggregate principal amount of the Notes, as listed on Schedule I hereto, may terminate this Agreement, by notice to the Company, at any time at or prior to the Closing Time (i) if there has been, since the time of execution of this Agreement or since the respective dates as of which information is given in the Registration Statement, or the Prospectus (exclusive of any amendment or supplement thereto or documents incorporated by reference therein that are filed after the date hereof), any Material Adverse Effect, or (ii) if there has occurred any material adverse change in the financial markets in the United States or the international financial markets, any outbreak of hostilities or escalation thereof or other calamity or crisis or any change or development involving a prospective change in national or international political, financial or economic conditions, in each case the effect of which is such as to make it, in the judgment of such Representatives, impracticable or inadvisable to market the Notes or to enforce contracts for the sale of the Notes, or (iii) if trading in any securities of the Company has been suspended or materially limited by the Commission or the New York Stock Exchange or if trading generally on the American Stock Exchange or the New York Stock Exchange or in the Nasdaq National Market has been suspended or materially limited, or minimum or maximum prices for trading have been fixed, or maximum ranges for prices have been required, by any of said exchanges or by such system or by order of the Commission, the NASD, any other governmental authority, or a material disruption has occurred in commercial banking or securities settlement or clearance services in the United States, or (iv) if a banking moratorium has been declared by either federal or New York authorities.

(b) *Liabilities*. If this Agreement is terminated pursuant to this Section, such termination shall be without liability of any party to any other party except as provided in Section 4 hereof, and provided further that Sections 1, 7, 8 and 9 hereof shall survive such termination and remain in full force and effect.

SECTION 11. Default by One or More of the Underwriters. If one or more of the Underwriters shall fail at the Closing Time to purchase the Notes which it or they are obligated to purchase under this Agreement (the "Defaulted Notes"), then the non-defaulting Underwriters shall have the right, within 24 hours thereafter, to make arrangements for one or more of the non-defaulting Underwriters, or any other Underwriters, to purchase all, but not less than all, of the Defaulted Notes in such

amounts as may be agreed upon and upon the terms herein set forth; if, however, the non-defaulting Underwriters shall not have completed such arrangements within such 24-hour period, then:

(a) if the aggregate principal amount of Defaulted Notes does not exceed 10% of the aggregate principal amount of Notes to be purchased on such date pursuant to this Agreement, the non-defaulting Underwriters shall be obligated, severally and not jointly, to purchase the full amount thereof in the proportions that their respective underwriting obligations under this Agreement bear to the purchase obligations of all non-defaulting Underwriters, or

(b) if the aggregate principal amount of Defaulted Notes exceeds 10% of the aggregate principal amount of Notes to be purchased on such date pursuant to this Agreement, this Agreement shall terminate without liability on the part of any non-defaulting Underwriter.

No action taken pursuant to this Section 11 shall relieve any defaulting Underwriter from liability in respect of its default. In the event of any such default which does not result in a termination of this Agreement, either the non-defaulting Underwriters or the Company shall have the right to postpone the Closing Time for a period not exceeding seven days in order to effect any required changes in the Prospectus or in any other documents or arrangement.

SECTION 12. Notices. All notices and other communications hereunder shall be in writing and shall be deemed to have been duly given if mailed or transmitted by any standard form of telecommunication. Notices to the Underwriters shall be directed to them at their addresses set forth on the first page of this Agreement; and notices to the Company or any Guarantor shall be directed to Xerox Corporation, Corporate Headquarters, 800 Long Ridge Road, Stamford, CT 06904, attention of Martin S. Wagner, Assistant Secretary and Associate General Counsel.

SECTION 13. Parties. This Agreement shall inure to the benefit of and be binding upon the Underwriters, the Company and the Guarantors and their respective successors. Nothing expressed or mentioned in this Agreement is intended or shall be construed to give any person, firm or corporation, other than the Underwriters, the Company and the Guarantors and their respective successors and the controlling persons, officers and directors, referred to in Sections 7 and 8 hereof and their heirs and legal representatives, any legal or equitable right, remedy or claim under or in respect of this Agreement or any provision herein contained. This Agreement and all conditions and provisions hereof are intended to be for the sole and exclusive benefit of the Underwriters, their affiliates, the Company and the Guarantors and their respective successors, and said controlling persons, officers, directors and Trustee, and their heirs and legal representatives, and for the benefit of no other person, firm or corporation. No purchaser of Notes from the Underwriters shall be deemed to be a successor by reason merely of such purchase.

SECTION 14. GOVERNING LAW AND TIME. THIS AGREEMENT SHALL BE GOVERNED BY AND CONSTRUED IN ACCORDANCE WITH THE LAWS OF THE STATE OF NEW YORK. SPECIFIED TIMES OF DAY REFER TO NEW YORK CITY TIME.

SECTION 15. Effect of Headings. The Article and Section headings herein and the Table of Contents are for convenience only and shall not affect the construction hereof.

SECTION 16. Underwriters' Information. The Company and the Underwriters acknowledge and agree that for all purposes of this Agreement the only information relating to any Underwriter that has been furnished to the Company in writing by any Underwriter expressly for use in the Prospectus consists of the following:

(i) the third and fourth sentences of the sixth paragraph under the heading "Underwriting" in the Prospectus; and

(ii) the third and tenth paragraphs under the heading "Underwriting" in the Prospectus.

SECTION 17. Qualified Independent Underwriter.

(a) *Indemnification of QIU*. The Company and each Guarantor, jointly and severally, agree to indemnify and hold harmless the QIU, its affiliates, and each person, if any, who controls the QIU within the meaning of Section 15 of the Act or Section 20 of the 1934 Act to the extent and in the manner set forth in clauses (i), (ii) and (iii) below:

(i) against any and all loss, liability, claim, damage and expense whatsoever, as incurred, resulting from any untrue statement or alleged untrue statement of a material fact contained in any Registration Statement (or in the Registration Statement as amended by any post-effective amendment thereof by the Company becoming effective after the date of this Agreement) or in a Prospectus (the term Prospectus for the purpose of this Section 17 being deemed to include any Preliminary Prospectus, the Prospectus and any amendment or supplement thereto), or the omission or alleged omission therefrom of a material fact necessary in order to make the statements therein, in the light of the circumstances under which they were made, not misleading;

(ii) against any and all loss, liability, claim, damage and expense whatsoever, as incurred, to the extent of the aggregate amount paid in settlement of any litigation, or any investigation or proceeding by any governmental agency or body, commenced or threatened, or of any claim whatsoever based upon any such untrue statement or omission, or any such alleged untrue statement or omission; provided that (subject to Section 17(c) hereof) any such settlement is effected with the written consent of the Company; and

(iii) against any and all expense whatsoever, as incurred (including the reasonable fees and disbursements of counsel chosen by the QIU), reasonably incurred in investigating, preparing or defending against any litigation, or any investigation or proceeding by any governmental agency or body, commenced or threatened, or any claim whatsoever based upon any such untrue statement or omission, or any such alleged untrue statement or omission, to the extent that any such expense is not paid under (i) or (ii) above;

provided, however, that (A) this indemnity agreement shall not apply to any loss, liability, claim, damage or expense of the QIU to the extent arising out of any untrue statement or omission or alleged untrue statement or omission made in reliance upon and in conformity with written information furnished to the Company by the QIU expressly for use in such Registration Statement or the Prospectus (or any

amendment or supplement thereto) and (B) the Company shall not be liable to any indemnified party with respect to any Preliminary Prospectus (or supplement thereto) if (i) the Prospectus corrected any such untrue statement or omission, (ii) the Prospectus was delivered to such indemnified party (sufficiently in advance of the Closing Time and in sufficient quantity to allow for distribution by the Closing Time), (iii) the delivery of the Prospectus was required by the Act to be made to the applicable purchaser and (iv) such indemnified party failed to furnish a copy of the Prospectus (excluding any documents incorporated by reference therein) to the applicable purchaser.

(b) *Actions against Parties; Notification*. The QIU shall give notice, as promptly as reasonably practicable, to the Company of any action commenced against the QIU in respect of which indemnity may be sought hereunder, but failure to so notify the Company shall not relieve the Company from any liability hereunder to the extent it is not materially prejudiced as a result thereof and in any event shall not relieve it from any liability which it may have otherwise than on account of this indemnity agreement. Counsel to the QIU shall be selected by the QIU. The Company may participate at its own expense in the defense of any such action; provided, however, that counsel to the Company shall not (except with the consent of the QIU) also be counsel to the QIU. If it so elects within a reasonable time after receipt of such notice, the Company, jointly with any other indemnifying parties receiving such notice, may assume the defense of such action with counsel chosen by it and which counsel is reasonably acceptable to the QIU, unless the QIU reasonably objects to such assumption on the ground that there may be legal defenses available to it which are different from or in addition to those available to the Company. In no event shall the Company be liable for fees and expenses of more than one counsel (in addition to any local counsel) separate from their own counsel for the QIU in connection with any one action or separate but similar or related actions in the same jurisdiction arising out of the same general allegations or circumstances. The Company shall not, without the prior written consent of the QIU, settle or compromise or consent to the entry of any judgment with respect to any litigation, or any investigation or proceeding by any governmental agency or body, commenced or threatened, or any claim whatsoever in respect of which indemnification or contribution could be sought under this Section 17 hereof (whether or not the QIU is an actual or potential party thereto), unless such settlement, compromise or consent (i) includes an unconditional release of the QIU from all liability arising out of such litigation, investigation, proceeding or claim and (ii) does not include a statement as to or an admission of fault, culpability or a failure to act by or on behalf of the QIU.

(c) *Settlement without Consent if Failure to Reimburse*. If at any time the QIU shall have requested the Company to reimburse the QIU for fees and expenses of counsel, the Company agrees that it shall be liable for any settlement of the nature contemplated by Section 17(a)(ii) effected without its written consent if (i) such settlement is entered into more than 45 days after receipt by the Company of the aforesaid request, (ii) the Company shall have received notice of the terms of such settlement at least 30 days prior to such settlement being entered into, and (iii) the Company shall not have reimbursed the QIU in accordance with such request prior to the date of such settlement, unless the Company shall in good faith contest the reasonableness of such fees and expenses (but only to the extent so contested) or the entitlement of the QIU to indemnification under the terms of this Section 17.

(d) *Contribution*. If the indemnification provided for this Section 17 hereof is for any reason unavailable to or insufficient to hold harmless the QIU in respect of any losses, liabilities, claims, damages or expenses referred to therein, then the Company and the Guarantors shall contribute to the

to the aggregate amount of such losses, liabilities, claims, damages and expenses incurred by the QIU, as incurred, (i) in such proportion as is appropriate to reflect the relative benefits received by the Company and the Guarantors on the one hand and the QIU on the other hand from the offering of the Notes pursuant to this Agreement or (ii) if the allocation provided by clause (i) is not permitted by applicable law, in such proportion as is appropriate to reflect not only the relative benefits referred to in clause (i) above but also the relative fault of the Company and the Guarantors on the one hand and of the QIU on the other hand in connection with the statements or omissions which resulted in such losses, liabilities, claims, damages or expenses, as well as any other relevant equitable considerations.

The relative benefits received by the Company and the Guarantors on the one hand and the QIU on the other hand in connection with the offering of the Notes pursuant to this Agreement shall be deemed to be in the same respective proportions as the total net proceeds from the offering of the Notes pursuant to this Agreement (before deducting expenses) received by the Company and the Guarantors and the total fee received by the QIU, in each case as set forth in the Prospectus, bear to the aggregate initial offering price of the Notes as set forth on such cover.

The relative fault of the Company and the Guarantors on the one hand and the QIU on the other hand shall be determined by reference to, among other things, whether any such untrue or alleged untrue statement of a material fact or omission or alleged omission to state a material fact relates to information supplied by the Company and the Guarantors on the one hand, or by the QIU and the parties' relative intent, knowledge, access to information and opportunity to correct or prevent such statement or omission.

The Company and the Guarantors and the QIU agree that it would not be just and equitable if contribution pursuant to this Section 17 were determined by pro rata allocation or by any other method of allocation which does not take account of the equitable considerations referred to above in this Section 17. The aggregate amount of losses, liabilities, claims, damages and expenses incurred by the QIU and referred to above in this Section 17 shall be deemed to include any legal or other expenses reasonably incurred by the QIU in investigating, preparing or defending against any litigation, or any investigation or proceeding by any governmental agency or body, commenced or threatened, or any claim whatsoever based upon any such untrue or alleged untrue statement or omission or alleged omission.

Notwithstanding the provisions of this Section 17, the QIU shall not be required to contribute any amount in excess of the amount by which the total discounts or commissions received by it hereunder exceeds the amount of any damages which the QIU otherwise would have been required to pay by reason of such untrue or alleged untrue statement or omission or alleged omission.

No person guilty of fraudulent misrepresentation (within the meaning of Section 11(f) of the Act) shall be entitled to contribution from any person who was not guilty of such fraudulent misrepresentation.

For purposes of this Section 17, each person, if any, who controls the QIU within the meaning of Section 15 of the Act or Section 20 of the 1934 Act and affiliates of the QIU shall have the same rights to contribution as the QIU, and each officer and director of the Company and the Guarantors and each person, if any, who controls the Company and the Guarantors within the meaning of Section

15 of the Act or Section 20 of the 1934 Act shall have the same rights to contribution as the Company and the Guarantors.

(e) The Company hereby confirms its engagement of the services of the QIU as, and the QIU hereby confirms its agreement with the Company to render services as, a "qualified independent underwriter" within the meaning of Rule 2720 with respect to the offering and sale of the Notes.

(f) The QIU hereby represents and warrants to, and agrees with, the Company and the Underwriters that with respect to the offering and sale of the Notes as described in the Prospectus:

(i) The QIU constitutes a "qualified independent underwriter" within the meaning of Rule 2720;

(ii) The QIU has conducted due diligence in respect of the offering and sale of the Notes as described in the Prospectus;

(iii) The QIU has undertaken the legal responsibilities and liabilities of an underwriter under the Act specifically including those inherent in Section 11 thereof;

(iv) The QIU recommends, as of the date of the execution and delivery of this Agreement, that the yield on the Seven Year Notes shall not be lower than 7-1/8% (corresponding to an initial public offering price of 100.00%); and

(v) The QIU recommends, as of the date of the execution and delivery of this Agreement, that the yield on the Ten Year Notes shall not be lower than 7-5/8% (corresponding to an initial public offering price of 100.00%).

(g) The QIU hereby agrees with the Company and the Underwriters that, as part of its services hereunder, in the event of any amendment or supplement to the Prospectus, the QIU will render services as a "qualified independent underwriter" within the meaning of Rule 2720 with respect to the offering and sale of the Securities as described in the Prospectus as so amended or supplemented that are substantially the same as those services being rendered with respect to the offering and sale of the Securities as described in the Prospectus (including those described in subsection (b) above).

(h) The Company agrees to pay the QIU $10,000 for serving as QIU in connection with the offering and sale of Securities.

The QIU hereby consents to the references to it as set forth under the caption "Underwriting" in the Prospectus and in any amendment or supplement thereto made in accordance with Section 3 hereof.

[Signature pages follow]

If the foregoing is in accordance with your understanding of our agreement, please sign and return to the Company a counterpart hereof, whereupon this instrument, along with all counterparts, will become a binding agreement among the Underwriters, the QIU and the Company in accordance with its terms.

Very truly yours,

XEROX CORPORATION

By: /s/ LAWRENCE A. ZIMMERMAN

Name: Lawrence A. Zimmerman
Title: Senior Vice President and Chief Financial Officer

INTELLIGENT ELECTRONICS INC.,
XEROX INTERNATIONAL JOINT MARKETING, INC.,
as Guarantors

By: /s/ MARTIN S. WAGNER

Name: Martin S. Wagner
Title: Secretary

CONFIRMED AND ACCEPTED,
as of the date first above written:

DEUTSCHE BANK SECURITIES INC.
J.P. MORGAN SECURITIES INC.
CITIGROUP GLOBAL MARKETS INC.
GOLDMAN, SACHS & CO.
MERRILL LYNCH, PIERCE, FENNER & SMITH
INCORPORATED
UBS SECURITIES LLC
BANC ONE CAPITAL MARKETS, INC.
BEAR, STEARNS & CO. INC.
DANSKE MARKETS INC.
BNP PARIBAS SECURITIES CORP.
CREDIT SUISSE FIRST BOSTON LLC
FLEET SECURITIES, INC.
PNC CAPITAL MARKETS, INC.

By: DEUTSCHE BANK SECURITIES INC.

By: /s/ DAVID FLANNERY

Authorized Signatory

By: /s/ DAVID S. BAILEY

Authorized Signatory

For themselves as Representatives of the other Underwriters named on Schedule I hereto.

GOLDMAN, SACHS & CO.,
as Qualified Independent Underwriter

By: /s/ GOLDMAN, SACHS & CO.

Authorized Signatory

Schedule A

Underwriter	Principal amount of Seven Year Notes	Principal amount of Ten Year Notes
Deutsche Bank Securities Inc.	$ 80,659,000	$ 63,375,000
J.P. Morgan Securities Inc.	80,659,000	63,375,000
Citigroup Global Markets Inc.	80,659,000	63,375,000
Goldman, Sachs & Co.	80,659,000	63,375,000
Merrill Lynch, Pierce, Fenner & Smith Incorporated	80,659,000	63,375,000
UBS Securities LLC	80,659,000	63,375,000
Banc One Capital Markets, Inc.	56,609,000	44,479,000
Bear, Stearns & Co. Inc.	35,000,000	27,500,000
Danske Markets Inc.	35,000,000	27,500,000
BNP Paribas Securities Corp.	17,500,000	13,750,000
Credit Suisse First Boston LLC	14,000,000	11,000,000
Fleet Securities, Inc.	22,644,000	17,791,000
PNC Capital Markets, Inc.	35,293,000	27,730,000
Total	$ 700,000,000	$ 550,000,000

INTELLIGENT ELECTRONICS INC.,
XEROX INTERNATIONAL JOINT MARKETING, INC.

Exhibit A

FORM OF OPINION OF COMPANY'S COUNSEL
TO BE DELIVERED PURSUANT TO
SECTION 5(a)(i)

See attached.

Exhibit B

FORM OF OPINION OF ASSOCIATE GENERAL COUNSEL OF COMPANY
TO BE DELIVERED PURSUANT TO
SECTION 5(a)(ii)

See attached.

Exhibit C

FORM OF OPINION OF GENERAL COUNSEL OF COMPANY
TO BE DELIVERED PURSUANT TO
SECTION 5(a)(iii)

See attached.

Exhibit D

[FORM OF JOINDER AGREEMENT]

[DATE]

Ladies and Gentlemen:

Reference is hereby made to that certain underwriting agreement (the "Underwriting Agreement"), dated as of June 19, 2003, among Xerox Corporation, a New York corporation (the "Company"), and each of the Guarantors and Deutsche Bank Securities Inc., J.P. Morgan Securities Inc., Citigroup Global Markets Inc., Goldman, Sachs & Co., Merrill Lynch, Pierce, Fenner & Smith Incorporated, UBS Securities LLC, Banc One Capital Markets, Inc., Bear, Stearns & Co. Inc., Danske Markets Inc., BNP Paribas Securities Corp., Credit Suisse First Boston LLC, Fleet Securities, Inc. and PNC Capital Markets, Inc. acting as representative(s) with respect to the issue and sale by the Company and the purchase by the Underwriters, acting severally and not jointly. Capitalized terms used herein and not otherwise defined herein shall have the meanings ascribed to such terms in the Underwriting Agreement.

The undersigned hereby acknowledges that it has received and reviewed a copy of the Underwriting Agreement, and acknowledges and agrees to (i) join and become a party to the Underwriting Agreement as a Guarantor as indicated by its signature below; (ii) be bound by all covenants, agreements, representations, warranties and acknowledgments of a Guarantor in the Underwriting Agreement; (iii) comply with Article 14 of the Supplemental Indenture and (iii) perform all obligations and duties required of a Guarantor pursuant to the Underwriting Agreement. The undersigned hereby makes as of the date hereof all of the representations and warranties of a Guarantor in the Underwriting Agreement.

THIS JOINDER AGREEMENT SHALL BE GOVERNED BY AND CONSTRUED IN ACCORDANCE WITH THE LAWS OF THE STATE OF NEW YORK.

[Signature Page Follows]

IN WITNESS WHEREOF, each of the undersigned has caused this Joinder Agreement to be duly executed and delivered in New York, New York, by its proper and duly authorized officer as of the date set forth above.

[NAME]

By: _____

Name:
Title:

CONFIRMED AND ACCEPTED,
as of the date first above written:

DEUTSCHE BANK SECURITIES INC.
J.P. MORGAN SECURITIES INC.
CITIGROUP GLOBAL MARKETS INC.
GOLDMAN, SACHS & CO.
MERRILL LYNCH, PIERCE, FENNER & SMITH
INCORPORATED
UBS SECURITIES LLC
BANC ONE CAPITAL MARKETS, INC.
BEAR, STEARNS & CO. INC.
DANSKE MARKETS INC.
BNP PARIBAS SECURITIES CORP.
CREDIT SUISSE FIRST BOSTON LLC
FLEET SECURITIES, INC.
PNC CAPITAL MARKETS, INC.

By: DEUTSCHE BANK SECURITIES INC.

By: _____
Authorized Signatory

By: _____
Authorized Signatory

For themselves as Representatives of the other Underwriters named on Schedule I to the Underwriting Agreement.

Certificate of Amendment
of the
Certificate of Incorporation
of
Xerox Corporation
Under Section 805 of the New York Business Corporation Law

The undersigned, Leslie F. Varon, Vice President and Secretary of Xerox Corporation (the "*Corporation*"), hereby certifies that:

1. The name of the Corporation is "XEROX CORPORATION". The name under which the Corporation was formed is "THE HALOID COMPANY".

2. The Certificate of Incorporation was filed by the Department of State on April 18, 1906 under the name The Haloid Company.

3. The Certificate of Incorporation, as amended, of the Corporation (hereinafter, the "*Certificate of Incorporation*") is hereby being amended by the addition to Article FOURTH of a provision stating the number, designation, relative rights, preferences and limitations of the Corporation's 6.25% Series C Mandatory Convertible Preferred Stock, par value $1.00 (the "*Series C Mandatory Convertible Preferred Stock*") under authority vested in the Board of Directors in the Certificate of Incorporation and as permitted by Section 502 of the Business Corporation Law.

4. To effect the foregoing, Article FOURTH of the Certificate of Incorporation is hereby amended by inserting a Subdivision 18 following Subdivision 17 thereof, and such Subdivision 18 shall read in its entirety as follows:

"THE 6.25% SERIES C MANDATORY CONVERTIBLE PREFERRED STOCK

18. (a) *Designation and Ranking*. The distinctive serial designation of the sixth series of Cumulative Preferred Stock shall be called the "6.25% Series C Mandatory Convertible Preferred Stock" and is hereinafter referred to as the "Series C Mandatory Convertible Preferred Stock"; and the number of shares constituting the Series C Mandatory Convertible Preferred Stock shall be 9,200,000 shares. The Series C Mandatory Convertible Preferred Stock shall rank, with respect to dividend distributions and distributions upon the dissolution, liquidation and winding-up of the Corporation, (i) senior to the common stock, par value $1.00 per share, of the Corporation (the "*Common Stock*") and the class B common stock, par value $1.00 per share, of the Corporation (the "*Class B Common Stock*") and to each other class or series of stock of the Corporation (including any series of Cumulative Preferred Stock established after June 25, 2003 by the Board of Directors), now or hereafter existing, the terms of which do not expressly provide that such class or series will rank senior to or *pari passu* with the Series C Senior Mandatory Convertible Preferred Stock as to dividend distributions and distributions upon the liquidation, dissolution or winding-up of the Company (collectively referred to as "*Junior Securities*"); (ii) *pari passu* with the Corporation's Series B Convertible Preferred Stock (the "*Series B Convertible Preferred Stock*" and together, with the "*Series C Mandatory Convertible Preferred*

Stock," the "*Cumulative Preferred Stock*") and with each other class or series of stock of the Corporation, now or hereafter existing, the terms of which expressly provide that such class or series will rank *paripassu* with the Series C Mandatory Convertible Preferred Stock as to dividend distributions and distributions upon liquidation, dissolution or winding-up of the Corporation (collectively referred to as "*Parity Securities*"); and (iii) junior to each other class or series of stock of the Corporation, now or hereafter existing, the terms of which expressly provide that such class or series will rank senior to the Series C Mandatory Convertible Preferred Stock as to dividend distributions and distributions upon liquidation, dissolution or winding-up of the Corporation (collectively referred to as "*Senior Securities*").

(b) *Dividends*.

(i) *General*. Dividends on the Series C Mandatory Convertible Preferred Stock shall be payable quarterly, when, as and if declared by the Board of Directors or a duly authorized committee thereof, out of the assets of the Corporation legally available therefor, on the first calendar day (or the following Business Day if the first calendar day is not a Business Day) of January, April, July and October of each year (each such date being referred to herein as a "*Dividend Payment Date*") at the annual rate of $6.25 per share subject to adjustment as provided in Section 18(l)(ii). The initial dividend on the Series C Mandatory Convertible Preferred Stock for the dividend period commencing on June 25, 2003, to but excluding October 1, 2003, will be $1.6667, and shall be payable, when, as and if declared, on October 1, 2003. The dividend on the Series C Mandatory Convertible Preferred Stock for each subsequent dividend period shall be $1.5625 per share. The amount of dividends payable on each share of Series C Mandatory Convertible Preferred Stock for each full quarterly period thereafter shall be computed by dividing the annual dividend rate by four. The amount of dividends payable for any other period that is shorter or longer than a full quarterly dividend period will be computed on the basis of a 360-day year consisting of twelve 30-day months.

A dividend period with respect to a Dividend Payment Date is the period commencing on the preceding Dividend Payment Date or, if none, the date of issue and ending on the day immediately prior to the next Dividend Payment Date. Dividends payable, when, as and if declared, on a Dividend Payment Date shall be payable to Holders (as defined below) of record on the date not exceeding forty calendar days preceding the relevant Dividend Payment Date, fixed by the Board of Directors in advance of payment of the relevant dividend (each, a "*Dividend Record Date*").

Dividends on the Series C Mandatory Convertible Preferred Stock shall be cumulative if the Corporation fails to declare one or more dividends on the Series C Mandatory Convertible Preferred Stock in any amount, whether or not there are assets of the Corporation legally available for the payment of such dividends in whole or in part.

The Corporation may pay dividends, at its sole option, (a) in cash, (b) by delivering shares of Common Stock to the Transfer Agent (as defined below) on behalf of the Holders, to be sold on the Holders' behalf for cash or (c) in any combination thereof. By and upon acquiring the Series C Mandatory Convertible Preferred Stock each Holder is deemed to appoint the Transfer Agent as such Holder's agent for any such sale, and the

Transfer Agent shall serve as a designated agent of the Holders in making any such sales. To pay dividends in shares of Common Stock, the Corporation must deliver to the Transfer Agent a number of shares of Common Stock which, when sold by the Transfer Agent on the Holders' behalf, will result in net cash proceeds to be distributed to the Holders in an amount equal to the cash dividend otherwise payable to the Holders.

If the Corporation pays dividends in shares of Common Stock by delivering them to the Transfer Agent, those shares shall be owned beneficially by the Holders upon delivery to the Transfer Agent, and the Transfer Agent shall hold those shares and the net cash proceeds from the sale of those shares up to the amount of such dividends for the exclusive benefit of the Holders until the Dividend Payment Date, or such other date as is fixed by the Board of Directors pursuant to the terms and conditions set forth in the last paragraph of this Section 18(b)(i), at which time the portion of such net cash proceeds equal to the non-cash component of the declared dividend on the Series C Mandatory Convertible Preferred Stock shall be distributed to the Holders entitled thereto with any remainder to be returned to the Company.

Holders shall not be entitled to any dividend, whether payable in cash, property or stock, in excess of the then applicable full dividends calculated pursuant to this Section 18(b)(i) (including accrued dividends, if any) on shares of Series C Mandatory Convertible Preferred Stock. No interest or sum of money in lieu of interest shall be payable in respect of any dividend or payment which may be in arrears.

(ii) In order to pay dividends on any Dividend Payment Date, or such other date as is fixed by the Board of Directors or a duly authorized committee thereof pursuant to the terms and conditions set forth in the last paragraph of Section 18(b)(i) hereof, in shares of Common Stock, (A) the shares of Common Stock delivered to the Transfer Agent shall have been duly authorized, (B) the Corporation shall have provided to the Transfer Agent an effective registration statement under the Securities Act of 1933, as amended, and the rules and regulations thereunder (the "*Securities Act*") permitting the immediate sale of the shares of Common Stock in the public market, (C) the shares of Common Stock, once purchased by the purchasers thereof, shall be validly issued, fully paid and non-assessable and (D) such shares shall have been registered under the Securities Exchange Act of 1934, as amended, and the rules and regulations thereunder, if required, and shall be listed or admitted for trading on each United States securities exchange on which the Common Stock is then listed.

(c) *Liquidation Preference*. In the event of any voluntary or involuntary liquidation, dissolution or winding-up of the Corporation, the Holders shall be entitled to receive out of the assets of the Corporation available for distribution to shareholders, before any distribution or payment of assets is made on any Junior Securities, $100.00 per share, subject to adjustment as provided in Section 18(l)(ii) hereof, plus an amount equal to the sum of all accrued and unpaid dividends (whether or not declared) for the then-current dividend period and all dividend periods prior thereto.

Neither the sale, lease or conveyance of all or substantially all of the property or business of the Corporation (other than in connection with the voluntary or involuntary liquidation, disso-

lution or winding-up of the Corporation), nor the consolidation, or merger of the Corporation into or with any other Person, shall constitute a voluntary or involuntary liquidation, dissolution or winding-up of the Corporation for the purposes of the foregoing paragraph.

In the event the assets of the Corporation available for distribution to the holders of Cumulative Preferred Stock upon any voluntary or involuntary liquidation, dissolution or winding-up of the Corporation shall be insufficient to pay in full all amounts to which such holders are entitled as provided above, the holders of shares of the Cumulative Preferred Stock, including the Series C Mandatory Convertible Preferred Stock, shall share ratably in any distribution of assets of the Corporation based on the relative aggregate liquidation preference of the outstanding shares of each series.

After the payment to the Holders of the full preferential amounts provided above, the Holders will have no right or claim to any remaining assets of the Corporation.

(d) *Voting Rights*.

(i) The Holders shall have no voting rights, except as otherwise set forth in the Certificate of Incorporation of the Corporation or as expressly required by applicable state law. In exercising any such vote, each outstanding share of Series C Mandatory Convertible Preferred Stock shall be entitled to one vote.

(ii) Unless the consent of the holders of a greater number of shares shall then be required by law, the consent of the holders of at least two-thirds of the shares of Cumulative Preferred Stock, including the Series C Mandatory Convertible Preferred Stock, at the time outstanding, given in person or by proxy, either in writing or at any special or annual meeting called for the purpose, at which the Cumulative Preferred Stock, including the Series C Mandatory Convertible Preferred Stock, shall vote separately as a class, shall be necessary to permit, effect or validate any one or more of the following:

(1) The authorization of, or any increase in the authorized amount of any class of stock ranking prior to the Cumulative Preferred Stock, including the Series C Mandatory Convertible Preferred Stock.

(2) The amendment, alteration or repeal of any of the provisions of the Certificate of Incorporation, or of the By-Laws of the Corporation, in either case by way of merger, consolidation or otherwise, which would affect adversely any right, preference, privilege or voting power of the Cumulative Preferred Stock, including the Series C Mandatory Convertible Preferred Stock, or the holders thereof; *provided*, *however*, that if any such amendment, alteration or repeal would affect adversely any right, preference, privilege or voting power of one or more, but not all, of the series of Cumulative Preferred Stock, including the Series C Mandatory Convertible Preferred Stock, at the time outstanding, the consent of the holders of at least two-thirds of the outstanding shares of each such series so affected, similarly given, shall be required in lieu of (or if such consent is required by law, in addition to) the consent of the holders of two-thirds of the shares of the

Cumulative Preferred Stock, including the Series C Mandatory Convertible Preferred Stock, as a class; or

(3) The voluntary liquidation, dissolution or winding up of the Corporation, or the sale, lease or conveyance (other than by mortgage) of all or substantially all the property or business of the Corporation, or the consolidation or merger of the Corporation with or into any other corporation, except any such consolidation or merger wherein none of the rights, preferences, privileges or voting powers of any series of the Cumulative Preferred Stock or the holders thereof are adversely affected.

(e) *Automatic Conversion*. Each share of Series C Mandatory Convertible Preferred Stock will automatically convert (unless previously converted at the option of the Corporation in accordance with Section 18(f) or at the option of the Holder in accordance with Section 18(g), or a Merger Early Conversion has occurred in accordance with Section 18(h)), on July 1, 2006 (the "*Automatic Conversion Date*"), into a number of newly issued shares of Common Stock equal to the number of shares of Common Stock resulting from the application of the Conversion Rate (as defined in Section 18(i) below). The Holders on the Automatic Conversion Date shall have the right to receive a dividend payment of cash, shares of Common Stock, or any combination thereof, as the Corporation determines in its sole discretion, in an amount equal to any accrued and unpaid dividends on the Series C Mandatory Convertible Preferred Stock as of the Automatic Conversion Date (other than previously declared dividends on the Series C Mandatory Convertible Preferred Stock payable to a Holder of record as of a prior date), whether or not declared, out of legally available assets of the Corporation. To the extent the Corporation pays some or all of such dividend in shares of Common Stock, the number of shares of Common Stock issuable to a Holder in respect of such accrued and unpaid dividends shall equal the amount of accrued and unpaid dividends on the Series C Mandatory Convertible Preferred Stock on the Automatic Conversion Date that the Corporation determines to pay in shares of Common Stock divided by the 5-Day Average Market Price (as defined below).

Dividends on the shares of Series C Mandatory Convertible Preferred Stock shall cease to accrue and such shares of Series C Mandatory Convertible Preferred Stock shall cease to be outstanding on the Automatic Conversion Date. The Corporation shall make such arrangements as it deems appropriate for the issuance of certificates, if any, representing shares of Common Stock (both for purposes of the automatic conversion of shares of Series C Mandatory Convertible Preferred Stock and for purposes of any dividend payment by the Corporation of shares of Common Stock in respect of accrued and unpaid dividends on the Series C Mandatory Convertible Preferred Stock), and for any payment of cash in respect of accrued and unpaid dividends on the Series C Mandatory Convertible Preferred Stock or cash in lieu of fractional shares, if any, in exchange for and contingent upon the surrender of certificates representing the shares of Series C Mandatory Convertible Preferred Stock (if such shares are held in certificated form), and the Corporation may defer the payment of dividends on such shares of Common Stock and the voting thereof until, and make such payment and voting contingent upon, the surrender of such certificates representing the shares of Series C Mandatory Convertible Preferred Stock, *provided*, *however*, that the Corporation shall give the Holders such notice of any such actions as the Corporation deems appropriate and upon such surrender such Holders shall be entitled to receive such dividends declared and paid on such shares of Common Stock subsequent to the Automatic

Conversion Date. Amounts payable in cash in respect of the shares of Series C Mandatory Convertible Preferred Stock or in respect of such shares of Common Stock shall not bear interest.

(f) *Provisional Conversion at the Option of the Corporation*.

(i) Prior to the Automatic Conversion Date, the Corporation may, at its option, cause the conversion of all, but not less than all, the shares of Series C Mandatory Convertible Preferred Stock then outstanding into shares of Common Stock at a rate of 8.1301 shares of Common Stock for each share of Series C Mandatory Convertible Preferred Stock (the "*Provisional Conversion Rate*"), subject to adjustment as set forth in Section 18(i)(ii) below (as though references in Section 18(i)(ii) to the Conversion Rate were replaced with references to the Provisional Conversion Rate); *provided*, *however*, that the Closing Price of the Common Stock has exceeded 150% of the Threshold Appreciation Price (as defined below) for at least 20 Trading Days (as defined below) within a period of 30 consecutive Trading Days ending on the Trading Day prior to the date on which the Corporation notifies the Holders (pursuant to Section 18(f)(ii)) that it is exercising its option to cause the conversion of the Series C Mandatory Convertible Preferred Stock pursuant to this Section 18(f) (the "*Provisional Conversion Notice Date*"). The Corporation shall be able to cause this conversion only if, in addition to issuing the Holders shares of Common Stock, the Corporation pays the Holders in cash (a) an amount equal to any accrued and unpaid dividends on the shares of Series C Mandatory Convertible Preferred Stock then outstanding, whether or not declared, and (b) the present value of all remaining dividend payments on the shares of Series C Mandatory Convertible Preferred Stock then outstanding, through and including July 1, 2006, in each case, out of legally available assets of the Corporation. The present value of the remaining dividend payments will be computed using a discount rate equal to the Treasury Yield.

(ii) A written notice (the "*Provisional Conversion Notice*") shall be sent by or on behalf of the Corporation, by first class mail, postage prepaid, to the Holders of record as they appear on the stock register of the Corporation on the Provisional Conversion Notice Date (a) notifying such Holders of the election of the Corporation to convert and of the Provisional Conversion Date (as defined below), which date shall not be less than 30 days nor be more than 60 days after the Provisional Conversion Notice Date, and (b) stating the Corporate Trust Office of the Transfer Agent at which the shares of Series C Mandatory Convertible Preferred Stock called for conversion shall, upon presentation and surrender of the certificate(s) (if such shares are held in certificated form) evidencing such shares, be converted, and the Provisional Conversion Rate to be applied thereto.

(iii) The Corporation shall deliver to the Transfer Agent irrevocable written instructions authorizing the Transfer Agent, on behalf and at the expense of the Corporation, to cause the Provisional Conversion Notice to be duly mailed as soon as practicable after receipt of such irrevocable instructions from the Corporation and in accordance with the above provisions. The shares of Common Stock to be issued upon conversion of the Series C Mandatory Convertible Preferred Stock pursuant to this Section 18(f) and all funds necessary for the payment in cash of (1) any accrued and unpaid dividends on the shares of Series C Mandatory Convertible Preferred Stock then outstanding, whether or

not declared, and (2) the present value of all remaining dividend payments on the shares of Series C Mandatory Convertible Preferred Stock then outstanding through and including July 1, 2006, shall be deposited with the Transfer Agent in trust at least one Business Day prior to the Provisional Conversion Date, for the *pro rata* benefit of the Holders of record as they appear on the stock register of the Corporation, so as to be and continue to be available therefor. Neither failure to mail such Provisional Conversion Notice to one or more such Holders nor any defect in such Provisional Conversion Notice shall affect the sufficiency of the proceedings for conversion as to other Holders.

(iv) If a Provisional Conversion Notice shall have been given as hereinbefore provided, then each Holder shall be entitled to all preferences and relative, participating, optional and other special rights accorded by this certificate until and including the Provisional Conversion Date. From and after the Provisional Conversion Date, upon delivery by the Corporation of the Common Stock and payment of the funds to the Transfer Agent as described in paragraph (iii) above, the Series C Mandatory Convertible Preferred Stock shall no longer be deemed to be outstanding, and all rights of such Holders shall cease and terminate, except the right of the Holders, upon surrender of certificates therefor, to receive Common Stock and any amounts to be paid hereunder.

(v) The deposit of monies in trust with the Transfer Agent up to the amount necessary for the Provisional Conversion shall be irrevocable except that the Corporation shall be entitled to receive from the Transfer Agent the interest or other earnings, if any, earned on any monies so deposited in trust, and the Holders of the shares converted shall have no claim to such interest or other earnings, and any balance of monies so deposited by the Corporation and unclaimed by the Holders entitled thereto at the expiration of two years from the Provisional Conversion Date shall be repaid, together with any interest or other earnings thereon, to the Corporation, and after any such repayment, the Holders of the shares entitled to the funds so repaid to the Corporation shall look only to the Corporation for such payment without interest.

(g) *Early Conversion at the Option of the Holder*.

(i) Shares of Series C Mandatory Convertible Preferred Stock are convertible, in whole or in part, at the option of the Holders thereof ("*Optional Conversion*"), at any time prior to the Automatic Conversion Date, into shares of Common Stock at a rate of 8.1301 shares of Common Stock for each share of Series C Mandatory Convertible Preferred Stock (the "*Optional Conversion Rate*"), subject to adjustment as set forth in Section 18(i)(ii) below (as though references in Section 18(i)(ii) to the Conversion Rate were replaced with references to the Optional Conversion Rate).

(ii) Optional Conversion of shares of Series C Mandatory Convertible Preferred Stock may be effected by delivering certificates evidencing such shares (if such shares are held in certificated form), together with written notice of conversion and a proper assignment of such certificates to the Corporation or in blank (and, if applicable, payment of an amount equal to the dividend payable on such shares pursuant to paragraph (iii) below), to the Corporate Trust Office of the Transfer Agent for the Series C Mandatory Convertible Preferred Stock or to any other office or agency maintained by

the Corporation for that purpose. Each Optional Conversion shall be deemed to have been effected immediately prior to the close of business on the date on which the foregoing requirements shall have been satisfied.

(iii) Holders of shares of Series C Mandatory Convertible Preferred Stock at the close of business on a Dividend Record Date shall be entitled to receive the dividend payable on such shares on the corresponding Dividend Payment Date (if such dividend has been declared) notwithstanding the Optional Conversion of such shares following such Dividend Record Date and prior to such Dividend Payment Date. However, shares of Series C Mandatory Convertible Preferred Stock surrendered for Optional Conversion after the close of business on a Dividend Record Date and before the opening of business on the corresponding Dividend Payment Date must be accompanied by payment in cash of an amount equal to the dividend payable on such shares on such Dividend Payment Date. Except as provided above, upon any Optional Conversion of shares of Series C Mandatory Convertible Preferred Stock, the Corporation shall make no payment or allowance for unpaid preferred dividends, whether or not in arrears, on such shares of Series C Mandatory Convertible Preferred Stock as to which Optional Conversion has been effected or for dividends or distributions on the shares of Common Stock issued upon such Optional Conversion.

(h) *Early Conversion upon Cash Merger*.

(i) In the event of a merger or consolidation of the Corporation of the type described in Section 18(i)(iii)(1) in which the Common Stock outstanding immediately prior to such merger or consolidation is exchanged for consideration consisting of at least 30% cash or cash equivalents (any such event a "*Cash Merger*"), then the Corporation (or the successor to the Corporation hereunder) shall be required to offer all Holders of shares of Series C Mandatory Convertible Preferred Stock that remain outstanding after the Cash Merger (if any) the right to convert their shares of Series C Mandatory Convertible Preferred Stock prior to the Automatic Conversion Date ("*Merger Early Conversion*") as provided herein.

On or before the fifth Business Day after the consummation of a Cash Merger, the Corporation or, at the request and expense of the Corporation, the Transfer Agent shall give all Holders notice of the occurrence of the Cash Merger and of the right of Merger Early Conversion arising as a result thereof. The Corporation shall also deliver a copy of such notice to the Transfer Agent. Each such notice shall contain:

(1) the date, which shall be not less than 20 nor more than 30 calendar days after the date of such notice, on which the Merger Early Conversion will be effected (the "*Merger Early Conversion Date*");

(2) the date, which shall be on or one Business Day prior to the Merger Early Conversion Date, by which the Merger Early Conversion right must be exercised;

(3) the Conversion Rate (as adjusted pursuant to Section 18(i)(ii)) in effect immediately before such Cash Merger and the kind and amount of securities, cash and other property receivable by the Holder upon conversion of its shares of Series C Mandatory Convertible Preferred Stock pursuant to Section 18(i)(iii); and

(4) the instructions a Holder must follow to exercise the Merger Early Conversion right.

(ii) To exercise a Merger Early Conversion right, a Holder shall deliver to the Transfer Agent at the Corporate Trust Office (as defined below) by 5:00 p.m., New York City time, on or before the date by which the Merger Settlement right must be exercised as specified in the notice, the certificate(s) (if such shares are held in certificated form) evidencing the shares of Series C Mandatory Convertible Preferred Stock with respect to which the Merger Early Conversion right is being exercised duly endorsed for transfer to the Corporation or in blank with a written notice to the Corporation stating the Holder's intention to convert early in connection with the Cash Merger and providing the Corporation with payment instructions.

(iii) On the Merger Early Conversion Date, the Corporation shall deliver or cause to be delivered the cash, securities and other property to be received by such exercising Holder determined by assuming the Holder had converted the shares of Series C Mandatory Convertible Preferred Stock for which such Merger Early Conversion right was exercised into Common Stock immediately before the Cash Merger at the Conversion Rate (as adjusted pursuant to Section 18(i)(ii)).

(iv) Upon a Merger Early Conversion, the Transfer Agent shall, in accordance with the instructions provided by the Holder thereof on the notice provided to the Corporation as set forth in paragraph (ii) above, deliver to the Holder such cash, securities or other property issuable upon such Merger Early Conversion together with payment in lieu of any fractional shares, as provided herein.

(v) In the event that Merger Early Conversion is effected with respect to shares of Series C Mandatory Convertible Preferred Stock representing less than all the shares of Series C Mandatory Convertible Preferred Stock held by a Holder, upon such Merger Early Conversion the Corporation (or the successor to the Corporation hereunder) shall execute and the Transfer Agent shall authenticate, countersign and deliver to the Holder thereof, at the expense of the Corporation, a certificate evidencing the shares as to which Merger Early Conversion was not effected.

(i) *Definition of Conversion Rate; Anti-dilution Adjustments*.

(i) Subject to the immediately following sentence, the "Conversion Rate" is equal to:

(1) if the 20-Day Average Market Price is greater than or equal to $12.30 (the "*Threshold Appreciation Price*"), 8.1301 shares of Common Stock per share of Series C Mandatory Convertible Preferred Stock;

(2) if the 20-Day Average Market Price is less than the Threshold Appreciation Price, but is greater than $10.25, the number of shares of Common Stock per share of Series C Mandatory Convertible Preferred Stock equal to $100.00 (the "*Stated Amount*") divided by the 20-Day Average Market Price; and

(3) if the 20-Day Average Market Price is equal to or less than $10.25, 9.7561 shares of Common Stock per share of Series C Mandatory Convertible Preferred Stock,

in each case subject to adjustment as provided in Section 18(i)(ii) (and in each case rounded upward or downward to the nearest 1/10,000th of a share). In each of the clauses in the immediately preceding sentence, the number of newly issued shares of Common Stock issuable upon conversion of each share of the Series C Mandatory Convertible Preferred Stock on the Automatic Conversion Date in respect of a conversion pursuant to Section 18(e) shall be increased by an amount equal to any accrued and unpaid dividends on the Series C Mandatory Convertible Preferred Stock on the Automatic Conversion Date (taking into account any payment of such dividends on the Automatic Conversion Date) divided by the 20-Day Average Market Price.

(ii) In connection with the Conversion Rate as set forth in Section 18(i)(i), the formula for determining the Conversion Rate and the number of shares of Common Stock to be delivered on any conversion date on an early conversion as set forth in Section 18(f), (g) or (h) shall be subject to the following adjustments:

(1) *Stock Dividends*. In case the Corporation shall pay or make a dividend or other distribution on the Common Stock or Class B Common Stock in Common Stock or Class B Common Stock, the Conversion Rate, as in effect at the opening of business on the day following the date fixed for the determination of shareholders entitled to receive such dividend or other distribution, shall be increased by dividing such Conversion Rate by a fraction of which the numerator shall be the number of shares of Common Stock and Class B Common Stock outstanding at the close of business on the date fixed for such determination and the denominator shall be the sum of such number of shares and the total number of shares constituting such dividend or other distribution, such increase to become effective immediately after the opening of business on the day following the date fixed for such determination.

(2) (A) *Stock Purchase Rights*. In case the Corporation shall issue to all holders of its Common Stock and/or Class B Common Stock (such issuance not being available on an equivalent basis to Holders of the shares of Series C Mandatory Convertible Preferred Stock upon conversion) (1) rights, options or warrants entitling them to subscribe for or purchase shares of Common Stock or Class B Common Stock, or (2) securities convertible or exchangeable into shares of Common Stock or Class B Common Stock or rights, options or warrants to purchase or acquire securities convertible or exchangeable into shares of Common Stock or Class B Common Stock, in each case at a price per share of Common Stock or Class B Common Stock, as applicable, less than the Current Market

Price on the date fixed for the determination of shareholders entitled to receive such rights, options, warrants or securities (other than pursuant to a dividend reinvestment, share purchase or similar plan), the Conversion Rate in effect at the opening of business on the day following the date fixed for such determination shall be increased by dividing such Conversion Rate by a fraction, the numerator of which shall be the number of shares of Common Stock and B Common Stock outstanding at the close of business on the date fixed for such determination plus the number of shares of Common Stock and Class B Common Stock, as applicable, which the aggregate consideration expected to be received by the Corporation upon the exercise, conversion or exchange of such rights, options, warrants or securities (as determined in good faith by the Board of Directors, whose determination shall be conclusive and described in a Board Resolution) would purchase at such Current Market Price and the denominator of which shall be the number of shares of Common Stock and Class B Common Stock outstanding at the close of business on the date fixed for such determination plus the number of shares of Common Stock or Class B Common Stock, as applicable, so offered for subscription or purchase, either directly or indirectly, or into which such securities are convertible or exchangeable, such increase to become effective immediately after the opening of business on the day following the date fixed for such determination.

(3) *Stock Subdivisions, Splits, Reclassifications and Combinations*. In case outstanding shares of Common Stock and/or Class B Common Stock shall be subdivided, split or reclassified into a greater number of shares of Common Stock or Class B Common Stock, respectively, the Conversion Rate in effect at the opening of business on the day following the day upon which such subdivision, split or reclassification becomes effective shall be proportionately increased, and, conversely, in case outstanding shares of Common Stock and/or Class B Common Stock shall each be combined or reclassified into a smaller number of shares of Common Stock or Class B Common Stock, respectively, the Conversion Rate in effect at the opening of business on the day following the day upon which such combination or reclassification becomes effective shall be proportionately reduced, such increase or reduction, as the case may be, to become effective immediately after the opening of business on the day following the day upon which such subdivision, split, reclassification or combination becomes effective.

(4) *Debt, Asset or Security Distributions*. (A) In case the Corporation shall, by dividend or otherwise, distribute to all holders of its Common Stock and/or Class B Common Stock evidences of its indebtedness, assets or securities (but excluding (w) any rights, options, warrants or securities referred to in Section 18(i)(ii)(2), (x) any dividend or distribution paid exclusively in cash, (y) any dividend, shares of capital stock of any class or series, or similar equity interests, of or relating to a subsidiary or other business unit in the case of a Spin-Off referred to in Section 18(i)(ii)(4)(B), or (z) any dividend or distribution referred to in Section 18(i)(ii)(1)), the Conversion Rate shall be increased by dividing the Conversion Rate in effect immediately prior to the close of business on the date fixed for the determination of shareholders entitled to receive such distribution by

a fraction, the numerator of which shall be the Current Market Price on the date fixed for such determination less the then fair market value (as determined in good faith by the Board of Directors, whose determination shall be conclusive and described in a Board Resolution) of the portion of the assets or evidences of indebtedness so distributed applicable to one share of Common Stock or Class B Common Stock, as the case may be, and the denominator of which shall be such Current Market Price, such adjustment to become effective immediately prior to the opening of business on the day following the date fixed for the determination of shareholders entitled to receive such distribution. In any case in which this Section (18)(i)(ii)(4)(A) is applicable, Section 18(i)(ii)(4)(B) shall not be applicable.

(B) In the case of a Spin-Off, the Conversion Rate in effect immediately before the close of business on the record date fixed for determination of shareholders entitled to receive that distribution will be increased by multiplying the Conversion Rate by a fraction, the numerator of which is the Current Market Price plus the Fair Market Value (as defined below) of the portion of those shares of Capital Stock or similar equity interests so distributed applicable to one share of Common Stock or Class B Common Stock, as the case may be, and the denominator of which is the Current Market Price. Any adjustment to the Conversion Rate under this Section 18(i)(ii)(4)(B) will occur at the earlier of (A) the tenth Trading Day from, and including, the effective date of the Spin-Off and (B) the date of the securities being offered in the Initial Public Offering of the Spin-Off, if that Initial Public Offering is effected simultaneously with the Spin-Off.

(5) *Cash Distributions*. In case the Corporation shall (A) by dividend or otherwise, distribute to all holders of its Common Stock and/or Class B Common Stock, cash (excluding (x) any cash that is distributed in a Reorganization Event to which Section 18(i)(iii) applies or as part of a distribution referred to in Section 18(i)(ii)(4)) in an aggregate amount that, combined together with (B) the aggregate amount of any other distributions to all holders of Common Stock and/or Class B Common Stock made exclusively in cash within the 12 months preceding the date of payment of such distribution and in respect of which no adjustment pursuant to this Section 18(i)(ii)(5) or (6) has been made and (C) the aggregate of any cash plus the fair market value, as of the date of the expiration of the tender or exchange offer referred to below (as determined in good faith by the Board of Directors, whose determination shall be conclusive and described in a Board Resolution), of the consideration payable in respect of any tender or exchange offer by the Corporation or any of its subsidiaries for all or any portion of the Common Stock and/or Class B Common Stock concluded within the 12 months preceding the date of payment of the distribution described in clause (A) of this Section 18(i)(ii)(5) and in respect of which no adjustment pursuant to this Section 18(i)(ii)(5) or (6) has been made, exceeds 10% of the product of the Current Market Price on the date for the determination of shareholders entitled to receive such distribution times the number of shares of Common Stock and Class B Common Stock outstanding on such date, then, and in each such case, immedi-

ately after the close of business on such date for determination, the Conversion Rate shall be increased by dividing the Conversion Rate in effect immediately prior to the close of business on the date fixed for determination of the shareholders entitled to receive such distribution by a fraction (A) the numerator of which shall be equal to the Current Market Price on the date fixed for such determination less an amount equal to the quotient of (x) the combined amount distributed or payable in the transactions described in clauses (A), (B) and (C) of this Section 18(i)(ii)(5) and (y) the number of shares of Common Stock and Class B Common Stock outstanding on the date fixed for such determination and (B) the denominator of which shall be equal to the Current Market Price on the date fixed for such determination.

(6) *Tender Offers*. In case (A) a tender or exchange offer made by the Corporation or any subsidiary of the Corporation for all or any portion of the Common Stock and/or Class B Common Stock shall expire and such tender or exchange offer (as amended through the expiration thereof) shall require the payment to shareholders (based on the acceptance (up to any maximum specified in the terms of the tender or exchange offer) of Purchased Shares (as defined below)) of an aggregate consideration having a fair market value (as determined in good faith by the Board of Directors, whose determination shall be conclusive and described in a Board Resolution) that combined together with (B) the aggregate of the cash plus the fair market value (as determined in good faith by the Board of Directors, whose determination shall be conclusive and described in a Board Resolution), as of the expiration of such tender or exchange offer, of consideration payable in respect of any other tender or exchange offer by the Corporation or any subsidiary of the Corporation for all or any portion of the Common Stock and/or Class B Common Stock expiring within the 12 months preceding the expiration of such tender or exchange offer and in respect of which no adjustment pursuant to Section 18(i)(ii)(5) or (6) has been made and (C) the aggregate amount of any distributions to all holders of shares of Common Stock and/or Class B Common Stock made exclusively in cash within the 12 months preceding the expiration of such tender or exchange offer and in respect of which no adjustment pursuant to Section 18(i)(ii)(5) or (6) has been made, exceeds 10% of the product of the Current Market Price as of the last time (the "*Expiration Time*") tenders could have been made pursuant to such tender or exchange offer (as amended through the expiration thereof) times the number of shares of Common Stock and Class B Common Stock outstanding (including any tendered shares) at the Expiration Time, then, and in each such case, immediately prior to the opening of business on the day after the date of the Expiration Time, the Conversion Rate shall be increased by dividing the Conversion Rate immediately prior to the close of business on the date of the Expiration Time by a fraction (A) the numerator of which shall be equal to (x) the product of (I) the Current Market Price on the date of the Expiration Time and (II) the number of shares of Common Stock and Class B Common Stock outstanding (including any tendered shares) on the date of the Expiration Time less (y) the amount of cash plus the fair market value (determined as aforesaid) of the aggregate consideration payable to shareholders based on the transactions described in clauses (A), (B) and (C) of this Section

18(i)(ii)(6) (assuming in the case of clause (A) the acceptance, up to any maximum specified in the terms of the tender or exchange offer, of Purchased Shares), and (B) the denominator of which shall be equal to the product of (x) the Current Market Price on the date of the Expiration Time and (y) the number of shares of Common Stock and Class B Common Stock outstanding (including any tendered shares) on the date of the Expiration Time less the number of all shares validly tendered, not withdrawn and accepted for payment on the date of the Expiration Time (such validly tendered shares, up to any such maximum, being referred to as the "*Purchased Shares*").

(7) *Calculation of Adjustments*. All adjustments to the Conversion Rate shall be calculated to the nearest 1/10,000th of a share of Common Stock (or if there is not a nearest 1/10,000th of a share to the next lower 1/10,000th of a share). No adjustment in the Conversion Rate shall be required unless such adjustment would require an increase or decrease of at least one percent therein; *provided*, that any adjustments which by reason of this subparagraph are not required to be made shall be carried forward and taken into account in any subsequent adjustment. If an adjustment is made to the Conversion Rate pursuant to Section 18(i)(ii)(1), (2), (3), (4), (5), (6) or (7), an adjustment shall also be made to the 20-Day Average Market Price solely to determine which of clauses (1), (2) or (3) of the definition of Conversion Rate will apply on the Automatic Conversion Date. Such adjustment shall be made by multiplying the 20-Day Average Market Price by a fraction, the numerator of which shall be the Conversion Rate immediately before such adjustment and the denominator of which shall be the Conversion Rate immediately after such adjustment pursuant to Section 18(i)(ii)(1), (2), (3), (4), (5) (6) or (7); *provided*, *however*, that if such adjustment to the Conversion Rate is required to be made pursuant to the occurrence of any of the events contemplated Section 18(i)(ii)(1), (2), (3), (4), (5) (6) or (7) during the period taken into consideration for determining the 20-Day Average Market Price, appropriate and customary adjustments shall be made to the Conversion Rate.

(8) *Increase of Conversion Rate*. The Corporation may make such increases in the Conversion Rate, in addition to those required by this Section 18(i)(ii), as it considers to be advisable in order to avoid or diminish any income tax to any holders of shares of Common Stock resulting from any dividend or distribution of stock or issuance of rights or warrants to purchase or subscribe for stock or from any event treated as such for income tax purposes or for any other reasons.

(9) *Notice of Adjustment*. Whenever the Conversion Rate is adjusted in accordance with this Section 18(i)(ii), the Corporation shall: (A) forthwith compute the Conversion Rate in accordance with this Section 18(i)(ii) and prepare and transmit to the Transfer Agent an Officer's Certificate setting forth the Conversion Rate, the method of calculation thereof in reasonable detail, and the facts requiring such adjustment and upon which such adjustment is based; and (B) as soon as practicable following the occurrence of an event that requires an adjust-

ment to the Conversion Rate pursuant to this Section 18(i)(ii) (or if the Corporation is not aware of such occurrence, as soon as practicable after becoming so aware), provide a written notice to the Holders of the occurrence of such event and a statement setting forth in reasonable detail the method by which the adjustment to the Conversion Rate was determined and setting forth the adjusted Conversion Rate.

(iii) In the event of:

(1) any consolidation or merger of the Corporation with or into another Person or of another Person with or into the Corporation; or

(2) any sale, transfer, lease or conveyance to another Person of the property of the Corporation as an entirety or substantially as an entirety; or

(3) any reclassification (other than a reclassification to which Section 18(i)(ii)(3) applies),

(any such event, a "*Reorganization Event*"), each share of Series C Mandatory Convertible Preferred Stock prior to such Reorganization Event shall, after such Reorganization Event, be converted into the right to receive the kind and amount of securities, cash and other property receivable in such Reorganization Event (without any interest thereon, and without any right to dividends or distributions thereon which have a record date that is prior to the date of the Reorganization Event) per share of Series C Mandatory Convertible Preferred Stock by a holder of Common Stock that (A) is not a Person with which the Corporation consolidated or into which the Corporation merged or which merged into the Corporation or to which such sale or transfer was made, as the case may be (any such Person, a "*Constituent Person*"), or an Affiliate (as defined below) of a Constituent Person to the extent such Reorganization Event provides for different treatment of Common Stock held by Affiliates of the Corporation and non-Affiliates, and (B) has failed to exercise the rights of election, if any, as to the kind or amount of securities, cash and other property receivable upon such Reorganization Event (provided that if the kind or amount of securities, cash and other property receivable upon such Reorganization Event is not the same for each share of Common Stock held immediately prior to such Reorganization Event by other than a Constituent Person or an Affiliate thereof and in respect of which such rights of election shall not have been exercised ("*Non-electing Share*"), then for the purpose of this Section 18(i)(iii) the kind and amount of securities, cash and other property receivable upon such Reorganization Event by each Non-electing Share shall be deemed to be the kind and amount so receivable per share by a plurality of the Non-electing Shares). On the Automatic Conversion Date, the Conversion Rate then in effect shall be applied to the value or amount on the Automatic Conversion Date of such securities, cash or other property.

On the occurrence of such a Reorganization Event, the Person formed by such consolidation or merger or the Person which acquires the assets of the Corporation shall execute and deliver to the Transfer Agent an agreement supplemental hereto providing that the Holder of each share of Series C Mandatory Convertible Preferred Stock that re-

mains outstanding after the Reorganization Event (if any) shall have the rights provided by this Section 18(i)(iii). Such supplemental agreement shall provide for adjustments which, for events subsequent to the effective date of such supplemental agreement, shall be as nearly equivalent as may be practicable to the adjustments provided for in this Section 18(i). The above provisions of this Section 18(i)(iii) shall similarly apply to successive Reorganization Events.

(j) *Definitions*.

(i) "*5-Day Average Market Price*" as of any date means the arithmetic average of the volume-weighted average price per share of the Common Stock for each of the five Trading Days ending on the earlier of the day preceding the date in question and the day before the "ex date" with respect to the issuance or distribution requiring such computation, as reported by Bloomberg Professional Service accessed using the reference "XRX Equity VAP" for the period beginning at 9:30 am, New York City time, and ending at 4:00 pm, New York City time. If such day is not a Trading Day, the five Trading Days will end on the last Trading Day prior to such day. For purposes of this paragraph, the term "Ex Date," when used with respect to any such issuance or distribution, means the first date on which the Common Stock trades without the right to receive such issuance or distribution. If, on any trading day no volume-weighted average price is reported for the Common Stock by Bloomberg Professional Service, the Closing Price of a share of the Common Stock will be substituted for the volume-weighted average price for such day.

(ii) "*20-Day Average Market Price*" as of any conversion date means the arithmetic average of the volume-weighted average price per share of the Common Stock for each of the 20 Trading Days ending on the third business day prior to the applicable conversion date, as reported by Bloomberg Professional Service accessed using the reference "XRX Equity VAP" for the period beginning at 9:30 am, New York City time, and ending at 4:00 pm, New York City time. If the third business day prior to such conversion date is not a Trading Day, the 20 Trading Days will end on the last trading day prior to the third business day prior to such conversion date. For purposes of this definition, the term "ex date," when used with respect to any such issuance or distribution, means the first date on which the Common Stock trades without the right to receive such issuance or distribution. If, on any Trading Day no volume-weighted average price is reported for the Common Stock by Bloomberg Professional Service, the Closing Price of a share of the Common Stock will be substituted for the volume-weighted average price for such day.

(iii) "*Affiliate*" has the same meaning as given to that term in Rule 405 of the Securities Act or any successor rule thereunder.

(iv) "*Board Resolution*" means a copy of a resolution certified by the Secretary or any Assistant Secretary of the Corporation to have been duly adopted by the Board of Directors or any authorized committee thereof and to be in full force and effect and filed with the Transfer Agent.

(v) "*Business Day*" means any day other than a Saturday or Sunday or any other day on which banks in The City of New York are authorized or required by law or executive order to close.

(vi) "*Capital Stock*" of any Person means any and all shares, interests, participations or other equivalents however designated of corporate stock or other equity participations, including partnership interests, whether general or limited, of such Person and any rights (other than debt securities convertible or exchangeable into an equity interest), warrants or options to acquire an equity interest in such Person.

(vii) The "*Closing Price*" of the Common Stock or any securities distributed in a Spin-Off, as the case may be, on any date of determination means the closing sale price (or, if no closing sale price is reported, the last reported sale price) per share on the New York Stock Exchange (the "*NYSE*") on such date or, if such security is not listed for trading on NYSE on any such date, as reported in the composite transactions for the principal United States securities exchange on which such security is so listed or quoted or, if such security is not so listed or quoted on a United States national or regional securities exchange, as reported by the Nasdaq stock market or, if such security is not so reported, the last quoted bid price for such security in the over-the-counter market as reported by the National Quotation Bureau or similar organization or, if such bid price is not available, the market value of such security on such date as determined by a nationally recognized independent investment banking firm retained for this purpose by the Corporation.

(viii) "*Corporate Trust Office*" means the principal corporate trust office of the Transfer Agent at which, at any particular time, its corporate trust business shall be administered.

(ix) "*Current Market Price*" means (1) on any day the average of the Closing Prices of the Common Stock for the five consecutive Trading Days preceding the earlier of the day preceding the day in question and the day before the "ex date" with respect to the issuance or distribution requiring computation, (2) in the case of any Spin-Off that is effected simultaneously with an Initial Public Offering of the securities being distributed in the Spin-Off, the Closing Price of the Common Stock on the Trading Day on which the initial public offering price of the securities being distributed in the Spin-Off is determined, and (3) in the case of any other Spin-Off, the average of the Closing Prices of the Common Stock over the first 10 Trading Days after the effective date of such Spin-Off. For purposes of this paragraph, the term "ex date," when used with respect to any issuance or distribution, shall mean the first date on which the Common Stock trades in a regular way on such exchange or in such market without the right to receive such issuance or distribution.

(x) "*Fair Market Value*" means (1) in the case of any Spin-Off that is effected simultaneously with an Initial Public Offering of the securities being distributed in the Spin-Off, the initial public offering price of those securities, and (2) in the case of any other Spin-Off, the average of the Closing Prices of the securities being distributed in the Spin-Off over the first 10 Trading Days after the effective date of such Spin-Off.

(xi) "*Holder*" means the Person in whose name a share of Series C Mandatory Convertible Preferred Stock is registered.

(xii) "*Initial Public Offering*" means the first time securities of the same class or type as the securities being distributed in the Spin-Off are offered to the public for cash.

(xiii) "*Officer*" means the Chairman of the Board, the Chief Executive Officer, the Chief Financial Officer, the President, any Vice President, the Treasurer or the Secretary of the Corporation.

(xiv) "*Officer's Certificate*" means a certificate signed by two Officers.

(xv) "*Person*" means any individual, corporation, limited liability corporation, partnership, joint venture, trust, unincorporated organization or government or any agency or political subdivision thereof.

(xvi) "*Provisional Conversion Date*" means the date fixed for conversion of shares of Series C Mandatory Convertible Preferred Stock into shares of Common Stock pursuant to Section 18(f) above or, if the Corporation shall default in the cash payment of (1) an amount equal to any accrued and unpaid dividends on the shares of Series C Mandatory Convertible Preferred Stock then outstanding, whether or not declared, and (2) the present value of all remaining dividend payments on the shares of Series C Mandatory Convertible Preferred Stock then outstanding, through and including July 1, 2006, in connection with such conversion on such date, the date the Corporation actually makes such payment.

(xvii) "*Spin-Off*" means a dividend or other distribution of shares of capital stock of any class or series, or similar equity interests, of or relating to a subsidiary or other business unit of the Corporation.

(xviii) "*Subsidiary*" means, with respect to any Person, (1) any corporation, association or other business entity of which more than 50% of the total voting power of shares of Capital Stock entitled (without regard to the occurrence of any contingency) to vote in the election of directors, managers or trustees thereof is at the time owned or controlled, directly or indirectly, by such Person or one or more of the other Subsidiaries of such Person (or a combination thereof) and (2) any partnership (A) the sole general partner or the managing general partner of which is such Person or a Subsidiary of such Person or (B) the only general partners of which are such Person or one or more Subsidiaries of such Person (or any combination thereof).

(xix) "*Trading Day*" means a day on which the Common Stock or any security distributed in a Spin-Off, as the case may be, (1) is not suspended from trading on any national or regional securities exchange or association or over-the-counter market at the close of business and (2) has traded at least once on the national or regional securities exchange or association or over-the-counter market that is the primary market for the trading of such security.

(xx) "*Treasury Yield*" means the yield to maturity at the time of computation of U.S. Treasury securities with a constant maturity (as compiled and published in the most recent Federal Reserve Statistical Release H.15 (519) which has become publicly available at least two Business Days prior to the Provisional Conversion Date (or, if such Statistical Release is no longer published, any publicly available source for similar market data)) most nearly equal to the then remaining term to July 1, 2006; *provided*, *however*, that if the then remaining term to July 1, 2006 is not equal to the constant maturity of a U.S. Treasury security for which a weekly average yield is given, the Treasury Yield shall be obtained by linear interpolation (calculated to the nearest one-twelfth of a year) from the weekly average yields of U.S. Treasury securities for which such yields are given, except that if the then remaining term to July 1, 2006 is less than one year, the weekly average yield on actually traded U.S. Treasury securities adjusted to a constant maturity of one year shall be used.

(xxi) "*Transfer Agent*" means the Equiserve Trust Company, N.A. unless and until a successor is selected by the Corporation, and then such successor.

(k) *Fractional Shares*.

No fractional shares of Common Stock shall be issued to Holders. In lieu of any fraction of a share of Common Stock which would otherwise be issuable in respect of the aggregate number of shares of the Series C Mandatory Convertible Preferred Stock surrendered by the same Holder upon a conversion as described in Section 18(e), (f)(i), (g)(ii) or (h)(i) or which would otherwise be issuable in respect of a stock dividend payment upon a conversion as described in Section 18(e), such Holder shall have the right to receive an amount in cash (computed to the nearest cent) equal to the same fraction of (i) in the case of Section 18(e), the 5-Day Average Market Price or (b) in the case of Section 6(a), 7(b) or 8(c), the Closing Price of the Common Stock determined as of the second Trading Day immediately preceding the effective date of conversion. If more than one share of Series C Mandatory Convertible Preferred Stock shall be surrendered for conversion at one time by or for the same Holder, the number of full shares of Common Stock issuable upon conversion thereof shall be computed on the basis of the aggregate number of shares of the Series C Mandatory Convertible Preferred Stock so surrendered.

(l) *Miscellaneous*.

(i) Procedures for conversion of shares of Series C Mandatory Convertible Preferred Stock, in accordance with Section 18(e), (f), (g) or (h), not held in certificated form will be governed by arrangements among the depositary of the shares of Series C Mandatory Convertible Preferred Stock, its participants and persons that may hold beneficial interests through such participants designed to permit settlement without the physical movement of certificates. Payments, transfers, deliveries, exchanges and other matters relating to beneficial interests in global security certificates may be subject to various policies and procedures adopted by the depositary from time to time.

(ii) The Liquidation Preference and the annual dividend rate set forth in this Section 18 each shall be subject to equitable adjustment whenever there shall occur a stock split, combination, reclassification or other similar event involving the Series C

Mandatory Convertible Preferred Stock. Such adjustments shall be determined in good faith by the Board of Directors and submitted by the Board of Directors to the Transfer Agent.

(iii) For the purposes of Section 18(i), the number of shares of Common Stock at any time outstanding shall not include shares held in the treasury of the Corporation but shall include shares issuable in respect of scrip certificates issued in lieu of fractions of shares of Common Stock.

(iv) If the Corporation shall take any action affecting the Common Stock, other than any action described in Section 18(i), that in the opinion of the Board of Directors would materially adversely affect the conversion rights of the Holders, then the Conversion Rate, the Provisional Conversion Rate and/or the Optional Conversion Rate for the Series C Mandatory Convertible Preferred Stock may be adjusted, to the extent permitted by law, in such manner, and at such time, as the Board of Directors may determine to be equitable in the circumstances.

(v) The Corporation covenants that it will at all times reserve and keep available, free from preemptive rights, out of the aggregate of its authorized but unissued shares of Common Stock for the purpose of effecting conversion of the Series C Mandatory Convertible Preferred Stock, the full number of shares of Common Stock deliverable upon the conversion of all outstanding shares of Series C Mandatory Convertible Preferred Stock not theretofore converted. For purposes of this Section 18(l)(v), the number of shares of Common Stock that shall be deliverable upon the conversion of all outstanding shares of Series C Mandatory Convertible Preferred Stock shall be computed as if at the time of computation all such outstanding shares were held by a single Holder.

(vi) The Corporation covenants that any shares of Common Stock issued upon conversion of the Series C Mandatory Convertible Preferred Stock or issued in respect of a stock dividend payment upon a conversion described in Section 18(e) shall be validly issued, fully paid and non-assessable.

(vii) The Corporation shall use its best efforts to list the shares of Common Stock required to be delivered upon conversion of the Series C Mandatory Convertible Preferred Stock or upon issuance in respect of a stock dividend payment upon a conversion described in Section 18(e), prior to such delivery, upon each national securities exchange or quotation system, if any, upon which the outstanding Common Stock is listed at the time of such delivery.

(viii) Prior to the delivery of any securities that the Corporation shall be obligated to deliver upon conversion of the Series C Mandatory Convertible Preferred Stock or upon issuance in respect of a stock dividend payment upon a conversion described in Section 18(e), the Corporation shall use its best efforts to comply with all federal and state laws and regulations thereunder requiring the registration of such securities with, or any approval of or consent to the delivery thereof by, any governmental authority.

(ix) The Corporation shall pay any and all documentary, stamp or similar issue or transfer taxes payable in respect of the issue or delivery of shares of Common Stock or other securities or property upon conversion of the Series C Mandatory Convertible Preferred Stock pursuant thereto or upon issuance in respect of a stock dividend payment upon a conversion described in Section 18(e); *provided*, *however*, that the Corporation shall not be required to pay any tax that may be payable in respect of any transfer involved in the issue or delivery of shares of Common Stock or other securities or property in a name other than that of the Holder of the Series C Mandatory Convertible Preferred Stock to be converted and no such issue or delivery shall be made unless and until the person requesting such issue or delivery has paid to the Corporation the amount of any such tax or established, to the reasonable satisfaction of the Corporation, that such tax has been paid or is not applicable.

(x) The Series C Senior Mandatory Convertible Preferred Stock is not redeemable.

(xi) The Series C Senior Mandatory Convertible Preferred Stock is not entitled to any preemptive or subscription rights in respect of any securities of the Corporation.

(xii) Whenever possible, each provision hereof shall be interpreted in a manner as to be effective and valid under applicable law, but if any provision hereof is held to be prohibited by or invalid under applicable law, such provision shall be ineffective only to the extent of such prohibition or invalidity, without invalidating or otherwise adversely affecting the remaining provisions hereof. If a court of competent jurisdiction should determine that a provision hereof would be valid or enforceable if a period of time were extended or shortened or a particular percentage were increased or decreased, then such court may make such change as shall be necessary to render the provision in question effective and valid under applicable law.

(xiii) Series C Mandatory Convertible Preferred Stock may be issued in fractions of a share which shall entitle the Holder, in proportion to such Holder’s fractional shares, to exercise voting rights, receive dividends, participate in distributions and have the benefit of all other rights of Holders of Series C Mandatory Convertible Preferred Stock.

(xiv) Subject to applicable escheat laws, any monies set aside by the Corporation in respect of any payment with respect to shares of the Series C Mandatory Convertible Preferred Stock, or dividends thereon, and unclaimed at the end of two years from the date upon which such payment is due and payable shall revert to the general funds of the Corporation, after which reversion the Holders of such shares shall look only to the general funds of the Corporation for the payment thereof. Any interest accrued on funds so deposited shall be paid to the Corporation from time to time.

(xv) Except as may otherwise be required by law, the shares of Series C Mandatory Convertible Preferred Stock shall not have any voting powers, preferences and relative, participating, optional or other special rights, other than those specifically set forth in this Certificate of Incorporation.

(xvi) The headings of the various subdivisions hereof are for convenience of reference only and shall not affect the interpretation of any of the provisions hereof.

(xvii) If any of the voting powers, preferences and relative, participating, optional and other special rights of the Series C Mandatory Convertible Preferred Stock and qualifications, limitations and restrictions thereof set forth herein is invalid, unlawful or incapable of being enforced by reason of any rule of law or public policy, all other voting powers, preferences and relative, participating, optional and other special rights of the Series C Mandatory Convertible Preferred Stock and qualifications, limitations and restrictions thereof set forth herein which can be given effect without the invalid, unlawful or unenforceable voting powers, preferences and relative, participating, optional and other special rights of the Series C Mandatory Convertible Preferred Stock and qualifications, limitations and restrictions thereof shall, nevertheless, remain in full force and effect, and no voting powers, preferences and relative, participating, optional or other special rights of the Series C Mandatory Convertible Preferred Stock and qualifications, limitations and restrictions thereof herein set forth shall be deemed dependent upon any other such voting powers, preferences and relative, participating, optional or other special rights of the Series C Mandatory Convertible Preferred Stock and qualifications, limitations and restrictions thereof unless so expressed herein.

(xviii) Shares of Series C Mandatory Convertible Preferred Stock that (a) have not been issued on or before August 1, 2003 or (b) have been issued and reacquired in any manner, including shares purchased or redeemed or exchanged or converted, shall (upon compliance with any applicable provisions of the laws of New York) have the status of authorized but unissued shares of Cumulative Preferred Stock of the Corporation undesignated as to series and may be designated or redesignated and issued or reissued, as the case may be, as part of any series of preferred stock of the Corporation; *provided*, *however*, that any issuance of such shares as Series C Mandatory Convertible Preferred Stock must be in compliance with the terms hereof.

(xix) If any of the Series C Mandatory Convertible Preferred Stock certificates shall be mutilated, lost, stolen or destroyed, the Corporation shall issue, in exchange and in substitution for and upon cancellation of the mutilated Series C Mandatory Convertible Preferred Stock certificate, or in lieu of and substitution for the Series C Mandatory Convertible Preferred Stock certificate lost, stolen or destroyed, a new Series C Mandatory Convertible Preferred Stock certificate of like tenor and representing an equivalent number of shares of Series C Mandatory Convertible Preferred Stock, but only upon receipt of evidence of such loss, theft or destruction of such Series C Mandatory Convertible Preferred Stock certificate and indemnity, if requested, satisfactory to the Corporation and the Transfer Agent. The Corporation is not required to issue any certificates representing Series C Mandatory Convertible Preferred Stock on or after the Automatic Conversion Date. In place of the delivery of a replacement certificate following the Automatic Conversion Date, the Transfer Agent, upon delivery of the evidence and indemnity described above, will deliver the shares of Common Stock pursuant to the terms of the Series C Mandatory Convertible Preferred Stock evidenced by the certificate."

5. The foregoing amendments of the Certificate of Incorporation of the Corporation were authorized by the Finance Committee of the Board of Directors of the Corporation at a meeting duly called and held on June 19, 2003.

IN WITNESS WHEREOF, the undersigned has signed this Certificate under penalty of perjury on the date set forth.

Date: June 24, 2003

By: /s/ LESLIE F. VARON

Name: Leslie F. Varon
Title: Vice President and Secretary

XEROX CORPORATION

AND

WELLS FARGO BANK

MINNESOTA, NATIONAL ASSOCIATION

TRUSTEE

INDENTURE

DATED AS OF JUNE 25, 2003

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THIS INDENTURE is entered into as of June 25, 2003, between XEROX CORPORATION, a corporation organized and existing under the laws of the State of New York (hereinafter called the "Company"), having its principal executive office at 800 Long Ridge Road, P.O. Box 1600, Stamford, Connecticut 06904-1600, and, a Wells Fargo Bank, Minnesota, National Association, a national banking association, as trustee (hereinafter called the "Trustee"), having its Principal Corporate Trust Office on the date hereof at Wells Fargo Bank Minnesota, N.A, Sixth Street and Marquette Avenue, MAC N9303-120, Minneapolis, Minnesota 55479.

RECITALS OF THE COMPANY

The Company deems it necessary from time to time to issue its unsecured debentures, notes, bonds or other evidences of indebtedness (including instruments in global, temporary or definitive form), to be issued in one or more series (hereinafter called the "Securities") as hereinafter set forth, and to provide therefor the Company has duly authorized the execution and delivery of this Indenture.

All things necessary to make this Indenture a valid agreement of the Company, in accordance with its terms, have been done.

NOW, THEREFORE, THIS INDENTURE WITNESSETH:

For and in consideration of the premises and the purchase of the Securities by the Holders thereof, it is mutually covenanted and agreed, for the equal and proportionate benefit of all Holders of the Securities or any series thereof, as follows:

ARTICLE I

DEFINITIONS AND OTHER PROVISIONS OF GENERAL APPLICATION

SECTION 1.01 Definitions. For all purposes of this Indenture, except as otherwise expressly provided or unless the context otherwise requires:

(1) the term "this Indenture" means this instrument, as originally executed or as it may from time to time be supplemented or amended by one or more indentures supplemental hereto entered into pursuant to the applicable provisions hereof, and shall include the terms of particular series of Securities established as contemplated by Section 3.01;

(2) all references in this instrument to designated "Articles", "Sections" and other subdivisions are to be designated Articles, Sections and other subdivisions of this Indenture. The words "herein", "hereof" and "hereunder" and other words of similar import refer to this Indenture as a whole and not to any particular Article, Section or other subdivision;

(3) the terms defined in this Article have the meanings assigned to them in this Article, and include the plural as well as the singular;

(4) all other terms used herein which are defined in the Trust Indenture Act, either directly or by reference therein, have the meanings assigned to them therein; and

(5) all accounting terms not otherwise defined herein have the meanings assigned to them in accordance with generally accepted accounting principles as in effect on the date of computation.

"Act" when used with respect to any Securityholder, has the meaning specified in Section 1.04.

"Affiliate" of any specified Person means any other Person directly or indirectly controlling or con trolled by or under direct or indirect common control with such specified Person. For the purposes of this definition, "control" when used with respect to any specified Person means the power to direct the management and policies of such Person, directly or indirectly, whether through the ownership of voting securities, by contract or otherwise, and the terms "controlling" and "controlled" have meanings correlative to the foregoing.

"Authenticating Agent" means any Person authorized by the Trustee pursuant to Section 8.10 to act on behalf of the Trustee to authenticate Securities of one or more series.

"Authorized Newspaper" means a newspaper of general circulation in the relevant area, printed in the English language and customarily published on each Business Day, whether or not published on Saturdays, Sundays or holidays. Whenever successive weekly publications in an Authorized Newspaper are authorized hereunder, they may be made (unless otherwise expressly provided herein) on the same or different days of the week and in the same or different Authorized Newspapers.

"Board of Directors" means either the board of directors of the Company or any duly authorized committee of that board.

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

"Business Day" means each day which is neither a Saturday, Sunday or other day on which banking institutions in The City of New York or the pertinent Place of Payment are authorized or required by law or executive order to be closed, except as otherwise provided with respect to a particular issue of Securities as contemplated in Section 3.01.

"Commission" means the Securities and Exchange Commission, as from time to time constituted, created under the Exchange Act, or if at any time after the execution and delivery of this instrument such Commission is not existing and performing the duties now assigned to it under the Trust Indenture Act, then the body performing such duties on such date.

"Company" means the Person named as the "Company" in the first paragraph of this instrument until any successor corporation shall have become such pursuant to the applicable provisions of this Indenture, and thereafter "Company" shall mean any such successor corporation.

"Company Request" and "Company Order" means, respectively, a written request or order signed in the name of the Company by its Chairman of the Board, President or a Vice President, and by its Treasurer, an Assistant Treasurer, Controller, an Assistant Controller, Secretary, or an Assistant Secretary, and delivered to the Trustee or any other Person, as required by this Indenture.

"Consolidated Net Worth" means, at any time, as to a given Person, the sum of (a) the amounts appearing on the latest consolidated balance sheet of such Person and its Subsidiaries, prepared in accordance with generally accepted accounting principles consistently applied, as

(i) the par or stated value of all outstanding capital stock (including preferred stock),

(ii) capital paid-in and earned surplus or earnings retained in the business plus or minus cumulative translation adjustments,

(iii) any unappropriated surplus reserves,

(iv) any net unrealized appreciation of equity investments, and

(v) minorities' interests in equity of Subsidiaries;

less (b) treasury stock; plus (c) in the case of the Company, the sum of $600,000,000.

"Coupon Security" means any Security authenticated and delivered with one or more interest coupons appertaining thereto.

"Debt" means (i) indebtedness for borrowed money or for the deferred purchase price of property or services (excluding trade accounts payable incurred in the ordinary course with a maturity of not greater than 90 days), (ii) obligations as lessee under leases which shall have been or should be, in accordance with generally accepted accounting principles, recorded as capital leases, (iii) obligations under direct or indirect guaranties in respect of, and obligations (contingent or otherwise) to purchase or otherwise acquire, or otherwise to assure a creditor against loss in respect of, indebtedness or obligations of others of the kinds referred to in clause (i) or (ii) above (excluding obligations of the Company from time to time under (1) the Support Agreement dated as of November 1, 1980, between the Company and Xerox Credit Corporation, as amended from time to time, and (2) the Support Agreement dated as of February 6, 1985, between Xerox Canada Inc. and Xerox Canada Finance Inc., as amended from time to time), and (iv) the amount of unfunded benefit liabilities as defined in Section 4001(a)(18) of ERISA under plans covered by Title IV of ERISA.

"Defaulted Interest" has the meaning specified in Section 3.07.

"Depositary" means, with respect to the Securities of any series issuable or issued, in whole or in part, in the form of a Global Security, the Person designated as Depositary by the Company pursuant to Section 3.01 until a successor Depositary shall have become such pursuant to the applicable provisions of this Indenture, and thereafter "Depositary" shall mean or include each Person who is then a Depositary hereunder, and if at any time there is more than one such Person, "Depositary" as used with respect to the Securities of any such series shall mean the Depositary with respect to the Securities of that series.

"ERISA" means the Employee Retirement Income Security Act of 1974, as amended from time to time, and any successor statute or statutes. Section and Title references to ERISA are to ERISA, as in effect at the date of this Indenture and any subsequent amendatory provision thereof.

"Event of Default" has the meaning specified in Section 7.01.

"Exchange Act" means the Securities Exchange Act of 1934, as amended from time to time, and any successor statute or statutes.

"Federal Bankruptcy Code" means Title 11 of the United States Code entitled "Bankruptcy", as amended from time to time, and any successor statute or statutes.

"Fully Registered Security" means any Security registered as to principal and interest.

"Global Security" means a Security issued to evidence all or a part of any series of Securities which is executed by the Company and authenticated by the Trustee and delivered to the Depositary or pursuant to the Depositary's instructions, all in accordance with this Indenture and pursuant to a Company Order, which shall be registered in the name of the Depositary or its nominee and which shall represent the amount of uncertificated Securities of such series as specified therein.

"Holder", when used with respect to any Security, means a Securityholder and, when used with respect to any coupon, means the bearer thereof.

"Interest", when used with respect to an Original Issue Discount Security which by its terms bears interest only after Maturity, means interest payable after Maturity.

"Interest Payment Date", when used with respect to any series of Securities, means the Stated Maturity of an installment of interest on such Securities.

"Maturity", when used with respect to any Security, means the date on which the principal of such Security becomes due and payable as therein or herein provided, whether on a Repayment Date, at the Stated Maturity or by declaration of acceleration, call for redemption or otherwise.

"Mortgage" has the meaning specified in Section 10.03

"Officers' Certificate" means a certificate signed by the Chairman of the Board, the President or a Vice President (as hereinafter defined), and by the Treasurer, an Assistant Treasurer, the Controller, an Assistant Controller, the Secretary or an Assistant Secretary of the Company, and delivered to the Trustee in accordance with Section 314 of the TEA, to the extent applicable.

"Opinion of Counsel" means a written opinion of counsel, who may (except as otherwise expressly provided in this Indenture) be an employee of the Company, and who shall be reasonably satisfactory to the Trustee.

"Original Issue Discount Security" means any Security which provides for an amount less than the principal amount thereof to be due and payable upon a declaration of acceleration of the Maturity thereof pursuant to Section 7.02.

"Outstanding" when used with respect to Securities or Securities of any series, means, as of the date of determination, all such Securities theretofore authenticated and delivered under this Indenture, except:

(a) such Securities theretofore canceled by the Trustee or delivered to the Trustee for cancellation;

(b) such Securities for whose payment or redemption money in the necessary amount has been theretofore deposited with the Trustee or any Paying Agent (other than the Company) in trust or set aside and segregated in trust by the Company (if the Company shall be acting as its own Paying Agent) for the Holders of such Securities, provided that, if such Securities are to be redeemed, notice of such redemption has been duly given pursuant to this Indenture or provision therefor satisfactory to the Trustee has been made; and

(c) such Securities in exchange for or in lieu of which other Securities have been authenticated and delivered pursuant to this Indenture;

provided, however, that in determining whether the Holders of the requisite principal amount of such Securities Outstanding have given any request, demand, authorization, direction, notice, consent or waiver hereunder (i) the principal amount of an Original Issue Discount Security that shall be deemed to be Out standing shall be the amount of the principal thereof that would be due and payable as of the date of such determination upon a declaration of acceleration of the Maturity thereof pursuant to Section 7.02 and (ii) Securities owned by the Company or any other obligor upon the Securities or any Affiliate of the Company or such other obligor shall be disregarded and deemed not to be Outstanding, except that, in deter mining whether the Trustee shall be protected in relying upon any such request, demand, authorization, direction, notice, consent or waiver, only Securities which the Trustee knows to be so owned shall be disregarded. Securities so owned which have been pledged in good faith may be regarded as Outstanding if the pledgee establishes to the satisfaction of the Trustee the pledgee's right so to act with respect to such Securities and that the pledgee is not the Company or any other obligor upon the Securities or any Affiliate of the Company or such other obligor.

"Paying Agent" means any Person authorized by the Company to pay the principal of, premium, if any, or interest on any Securities on behalf of the Company.

"Person" means any individual, corporation (including a business trust), partnership, joint venture, joint-stock company, trust, unincorporated association or other entity, or the United States or a foreign state or a political subdivision of either thereof or any agency of the United States or such state or subdivision.

"Place of Payment" means a city or any political subdivision thereof designated as such in Section 3.01.

“Predecessor Security” of any particular Security means every previous Security evidencing all or a portion of the same debt as that evidenced by such particular Security, and for the purposes of this definition, any Security authenticated and delivered under Section 3.06 in lieu of a lost, destroyed or stolen Security shall be deemed to evidence the same debt as the lost, destroyed or stolen Security.

“Principal Corporate Trust Office” means the principal corporate trust office of the Trustee at which at any particular time its corporate trust business shall be administered, which office at the date of initial execution of this Indenture, is , Attention: [; except that with respect to the presentation of Securities for payment or for registration of transfer or exchange, such term shall mean the office or agency of the Trustee in the Borough of Manhattan, City of New York, which office at the date of initial execution of this Indenture, is located at , Attention:].

“Redemption Date”, when used with respect to any Security to be redeemed, means the date fixed for such redemption by or pursuant to this Indenture.

“Redemption Price”, when used with respect to any Security to be redeemed, means the price specified in such Security at which it is to be redeemed pursuant to this Indenture.

“Registered Coupon Security” means any Coupon Security registered as to principal.

“Registered Holder”, when used with respect to a Registered Security, means the person in whose name such Security is registered in the Security Register.

“Registered Security” means any Security registered in the Security Register.

“Regular Record Date” for the interest payable on any Security on any Interest Payment Date means the date, if any, specified in such Security as the “Regular Record Date”.

“Repayment Date”, when used with respect to any Security to be repaid, means the date fixed for such repayment pursuant to such Security.

“Repayment Price”, when used with respect to any Security to be repaid, means the price at which it is to be repaid pursuant to such Security.

“Responsible Officer”, when used with respect to the Trustee means the chairman or vice chairman of the board of directors, the chairman or vice chairman of the executive committee of the board of directors, the president, any vice president, the secretary, any assistant secretary, the treasurer, any assistant treasurer, the cashier, any assistant cashier, any senior trust officer or trust officer, the controller and any assistant controller or any other officer of the Trustee customarily performing functions similar to those performed by any of the above designated officers and also means, with respect to a particular corporate trust matter, any other officer to whom such matter is referred because of his knowledge of and familiarity with the particular subject.

“Restricted Subsidiary” means any Subsidiary of the Company from time to time having a Consolidated Net Worth of at least $100,000,000; provided, however, that each of Xerox Financial Services, Inc., Xerox Credit Corporation and any other corporation principally engaged in any business or businesses other than development, manufacture and/or marketing of (x)

business equipment (including, without limitation, reprographic, computer (including software) and facsimile equipment), (y) merchandise or (z) services (other than financial services) shall be excluded as a "Restricted Subsidiary" of the Company.

"Securities" has the meaning stated in the first recital of this Indenture and shall mean any Securities authenticated and delivered pursuant to this Indenture.

"Securityholder" means a bearer of an Unregistered Security or a Registered Holder of a Registered Security.

"Security Register" has the meaning specified in Section 3.05.

"Security Registrar" means the Person who keeps the Security Register specified in Section 3.05.

"Special Record Date" for the payment of any Defaulted Interest (as defined in Section 3.07) means the date fixed by the Trustee pursuant to Section 3.07.

"Stated Maturity", when used with respect to any Security, or any installment of principal thereof or interest thereon, means the date specified in such Security as the fixed date on which the principal of such Security, or such installment of principal or interest, is due and payable.

"Subsidiary" means, as to any Person, any corporation of which more than 50% of the outstanding capital stock having ordinary voting power to elect a majority of the board of directors of such corporation (irrespective of whether or not at the time capital stock of any other class or classes of such corporation shall or might have voting power upon the occurrence of any contingency) is at the time directly or indirectly owned by such Person, by such Person and one or more other Subsidiaries of such Person, or by one or more other Subsidiaries of such Person.

"Trust Indenture Act" or "TIA" means the Trust Indenture Act of 1939, as amended by the Trust Indenture Reform Act of 1990, and as in force at the date as of which this instrument was executed, except as provided in Section 9.05.

"Trustee" means the Person named as the "Trustee" in the first paragraph of this instrument until a successor Trustee shall have become such pursuant to the applicable provisions of this Indenture, and thereafter "Trustee" shall mean and include each Person who is then a Trustee hereunder. If at any time there is more than one such Person, "Trustee" as used with respect to the Securities of any series shall mean the Trustee with respect to Securities of that series.

"Unregistered Security" means any Coupon Security, or bearer Security, not registered as to principal.

"Vice President", when used with respect to the Company or the Trustee, means any vice president, whether or not designated by a number or a word or words added before or after the title "vice president".

SECTION 1.02 Compliance Certificates and Opinions. Except as provided by Section 5.04, any certificate required by this Indenture or the TIA to be delivered by the Company to the Trustee shall be signed by the Chairman of the Board, the President or a Vice President and by the Treasurer, an Assistant Treasurer, the Controller, an Assistant Controller, the Secretary or an Assistant Secretary of the Company and be in compliance with Section 314 of the TIA, to the extent applicable.

Any opinion of counsel required by this Indenture or the TIA to be delivered by or on behalf of the Company to the Trustee shall be in compliance with Section 314 of the TIA, to the extent applicable, and be provided by counsel to the Company, who may (except as otherwise expressly provided in this Indenture or in the TIA) be an employee of the Company, and who shall be reasonably satisfactory to the Trustee.

SECTION 1.03 Form of Documents Delivered to Trustee. In any case where several matters are required to be certified by, or covered by an opinion of, any specified Person, it is not necessary that all such matters be certified by, or covered by the opinion of, only one such Person, or that they be so certified or covered by only one document, but one such Person may certify or give an opinion with respect to some matters and one or more other such Persons as to other matters, and any such Person may certify or give an opinion as to such matters in one or several documents.

Any certificate or opinion of an officer of the Company may be based, insofar as it relates to legal matters, upon a certificate or opinion of, or representations by, counsel, unless such officer knows, or in the exercise of reasonable care should know, that the certificate or opinion or representations with respect to the matters upon which his certificate or opinion is based are erroneous. Any such certificate or Opinion of Counsel may be based, insofar as it relates to factual matters, upon a certificate or opinion of, or representations by, an officer or officers of the Company stating that the information with respect to such factual matters is in the possession of the Company, unless such counsel knows, or in the exercise of reasonable care should know, that the certificate or opinion or representations with respect to such matters are erroneous.

Where any Person is required to make, give or execute two or more applications, requests, consents, certificates, statements, opinions or other instruments under this Indenture, they may, but need not, be consolidated and form one instrument.

SECTION 1.04 Acts of Securityholders. (a) Any request, demand, authorization, direction, notice, consent, waiver or other action provided by this Indenture to be given or taken by Securityholders of any series may be embodied in and evidenced by one or more instruments of substantially similar tenor signed by such Securityholders in person or by an agent duly appointed in writing or by the record of the holders of Securities voting in favor thereof at any meeting of such Securityholders duly called and held in accordance with the provisions of Article Thirteen; and, except as herein otherwise expressly provided, such action shall become effective when such instrument or instruments or any such record is delivered to the Trustee, and, where it is hereby expressly required, to the Company. Such instrument or instruments or such record (and the action embodied therein and evidenced thereby) is herein sometimes referred to as the “Act” of the Securityholders signing such instrument or instruments or voting at such meeting. Proof of execution of any such instrument or of a writing appointing

any such agent shall be sufficient for any purpose of this Indenture and (subject to Section 8.01) conclusive in favor of the Trustee and the Company, if made in the manner provided in this Section. The record of any Securityholders' meeting shall be proved in the manner provided in Section 13.07 and the record so proved shall be sufficient for any purpose of this Indenture and (subject to Section 8.01) conclusive in favor of the Trustee and the Company, if made in the manner provided in this Section .

(b) The fact and date of the execution by any Person of any such instrument or writing may be proved by the affidavit of a witness of such execution or by the certificate of any notary public or other officer authorized by law to take acknowledgments of deeds, certifying that the individual signing such instrument or writing acknowledged to him the execution thereof. Where such execution is by or on behalf of any legal entity other than an individual, such certificate or affidavit shall also constitute proof of the authority of the Person executing the same. The fact and date of the execution of any such instrument or writing, or the authority of the Person executing the same, may also be proved in any other manner which the Trustee deems sufficient.

(c) The ownership of Registered Securities shall be proved by the Security Register.

(d) The amount of Unregistered Securities held by any Person executing any such instrument or writing as a Securityholder, and the numbers of such Unregistered Securities, and the date of his holding the same, may be proved by the production of such Securities or by a certificate executed by any trust company, bank, banker or member of a national securities exchange (wherever situated), as depositary, if such certificate is in form satisfactory to the Trustee, showing that at the date therein mentioned such Person had on deposit with such depositary, or exhibited to it, the Unregistered Security therein described; or such facts may be proved by the certificate or affidavit of the Person executing such instrument or writing as a Securityholder, if such certificate or affidavit is in a form satisfactory to the Trustee. The Trustee and the Company may assume that such ownership of any Unregistered Security continues until (i) another certificate bearing a later date issued in respect of the same Unregistered Security is produced, or (ii) such Unregistered Security is produced by some other Person, or (iii) such Unregistered Security is registered as to principal or is surrendered in exchange for a Fully Registered Security, or (iv) such Unregistered Security has been cancelled in accordance with Section 3.09.

(e) Any request, demand, authorization, direction, notice, consent, waiver or other action by the Holder of any Security shall bind the Holder of every Security issued upon the registration of transfer thereof or in exchange therefor or in lieu thereof, in respect of any action taken, suffered or omitted by the Trustee or the Company in reliance

thereon, whether or not notation of such action is made upon such Security.

(f) The Company may, but shall not be obligated to, fix a record date for the purpose of determining the Holders entitled to take any action under this Indenture by vote or consent. Such record date shall be the later of 30 days prior to the first solicitation of such consent or vote or the date of the most recent list of Holders furnished to the Trustee pursuant to Section 6.01 prior to such solicitation. If a record date is fixed, those Persons who were Holders of Securities at such record date (or their duly designated proxies), and only those Persons, shall be entitled to take such action by vote or consent or to revoke any vote or consent previously given, whether or not such Persons continue to be Holders after such record date; provided, however, that unless such vote or consent is obtained from the Holders (or their designated proxies) of the requisite principal amount of Outstanding Securities prior to the date which is the 120th day after such record date, any such vote or consent previously given shall automatically and without further action by any Holder be cancelled and of no further effect.

SECTION 1.05 Notices, etc., to Trustee and Company. Any request, demand, authorization, direction, notice, consent, waiver or Act of Securityholders or other document provided or permitted by this Indenture to be made upon, given or furnished to, or filed with

(1) the Trustee by any Securityholder or by the Company shall be sufficient for every purpose hereunder if made, given, furnished or filed in writing to or with the Trustee at its Principal Corporate Trust Office, or

(2) the Company by the Trustee or by any Securityholder shall be sufficient for every purpose hereunder (except as provided in Section 7.01(4)) if in writing and mailed, first-class, postage pre paid, to the Company addressed to it at the address of its principal office specified in the first paragraph of this Indenture or at any other address previously furnished in writing to the Trustee by the Company.

SECTION 1.06 Notices to Securityholders; Waiver. Where this Indenture or any Security provides for notice to Holders of any event, (1) if any of the Securities affected by such event are Registered Securities, such notice shall be sufficiently given (unless otherwise herein or in such Securities expressly provided) if in writing and mailed, first-class, postage prepaid, to each Registered Holder of such Securities, at his address as it appears in the Security Register, not later than the latest date, and not earlier than the earliest date, prescribed for the giving of such notice and (2) if any of the Securities affected by such event are Unregistered Securities, such notice shall be sufficiently given (unless otherwise herein or in such Securities expressly provided) if published once in an Authorized Newspaper in the Place of Payment or, if such Unregistered Securities are listed on the Luxembourg Stock Exchange and if so requested by such exchange, in Luxembourg, not later than the latest date, and not earlier than the earliest date, prescribed for the giving of such notice. In any case where notice to Securityholders is

given by mail, neither the failure to mail such notice, nor any defect in any notice so mailed, to any particular Securityholder shall affect the sufficiency of such notice with respect to other Securityholders. Where this Indenture provides for notice in any manner, such notice may be waived in writing by the Person entitled to receive such notice, either before or after the event, and such waiver shall be the equivalent of such notice. Waivers of notice by Securityholders shall be filed with the Trustee, but such filing shall not be a condition precedent to the validity of any action taken in reliance upon such waiver.

In case, by reason of the suspension of publication of any Authorized Newspaper or Authorized Newspapers, or by reason of any other cause, it shall be impossible to make publication of any notice in an Authorized Newspaper or Authorized Newspapers as required by any Security or this Indenture, then such method of publication or notification as shall be made with the approval of the Trustee shall constitute a sufficient publication of such notice.

In case, by reason of the suspension of regular mail service as a result of a strike, work stoppage or otherwise, it shall be impracticable to mail notice of any event to the Holders of Securities when such notice is required to be given pursuant to any provision of this Indenture, then any manner of giving such notice as shall be satisfactory to the Trustee and the Company shall be deemed to be a sufficient giving of such notice.

SECTION 1.07 Effect of Headings and Table of Contents. The Article and Section headings herein and the Table of Contents are for convenience only and shall not affect the construction hereof.

SECTION 1.08 Successors and Assigns. All covenants and agreements in this Indenture by the Company shall bind its successors and assigns, whether so expressed or not.

SECTION 1.09 Separability Clause. In case any provision in this Indenture or in the Securities shall be invalid, illegal or unenforceable, the validity, legality and enforceability of the remaining provisions shall not in any way be affected or impaired thereby.

SECTION 1.10 Benefits of Indenture. Nothing in this Indenture or in the Securities, express or implied, shall give to any Person, other than the parties hereto and their successors hereunder, any Paying Agent, the Security Registrar and the Holders, any benefit or any legal or equitable right, remedy or claim under this Indenture.

SECTION 1.11 Legal Holidays. Except as may otherwise be provided with respect to Securities of any series, in any case where the date of any Interest Payment Date or Redemption Date or Repayment Date or the Maturity of any Security or any date on which any Defaulted Interest is proposed to be paid or the date on or by which any other action (including a date for giving notice) is proposed or required to be taken shall not be a Business Day in a Place of Payment, then payment of the principal of, premium, if any, or interest, if any, on any Securities may be made, and such action may be taken, on the next succeeding Business Day with the same force and effect as if made on the nominal date of any such Interest Payment Date or Redemption Date or Repayment Date or Maturity or on the date on which Defaulted Interest is proposed to be paid or taken or the nominal date on or by which such action is proposed or

required to be taken, as the case may be, and no interest shall accrue on the payment so deferred for the period from and after any such nominal date.

SECTION 1.12 GOVERNING LAW. THIS INDENTURE AND THE SECURITIES SHALL BE CONSTRUED IN ACCORDANCE WITH AND GOVERNED BY THE LAWS OF THE STATE OF NEW YORK, WITHOUT GIVING EFFECT TO THE PRINCIPLES THEREOF RELATING TO CONFLICTS OF LAW (OTHER THAN SECTION 5-1401 OF THE GENERAL OBLIGATIONS LAW OF THE STATE OF NEW YORK, AND ANY SUCCESSOR STATUTE OR STATUTES).

SECTION 1.13 Trust Indenture Act. This Indenture is subject to the TIA and if any provision hereof limits, qualifies or conflicts with the TIA, the TIA shall control.

SECTION 1.14 Counterparts. This Indenture may be executed in any number of counterparts, each of which shall be an original; but such counterparts shall together constitute but one and the same instrument.

SECTION 1.15 Securities Denominated in a Currency Other Than United States Dollars. For the purposes of calculating the principal amount of Securities denominated in a currency other than U.S. dollars (including units consisting of multiple currencies) for any purpose under this Indenture the principal amount of such Securities at any time Outstanding shall be deemed to be that amount of U.S. dollars that could be obtained for such principal amount on the basis of the spot rate of exchange for such currency into U.S. dollars as of the date of any such calculation.

ARTICLE II

SECURITY FORMS

SECTION 2.01 Forms Generally. The Securities of each series and the certificates of authentication thereon shall have such appropriate insertions, omissions, substitutions and other variations as are required or permitted by this Indenture, and may have such letters, numbers or other marks of identification and such legends or endorsements placed thereon, as may be required to comply with the rules of any securities exchange, or as may, consistently herewith, be determined by the officers executing such Securities, as evidenced by their execution of such Securities. Any portion of the text of any Security may be set forth on the reverse thereof, with an appropriate reference thereto on the face of the Security.

The definitive Securities, if any, shall be printed, lithographed or engraved or produced by any combination of these methods on steel engraved borders or otherwise or may be produced in any other manner as the Company may elect, to the extent, if such Securities are listed thereon, permitted by the rules of any securities exchange, all as determined by the officers executing such Securities, as evidenced by their execution of such Securities.

SECTION 2.02 Forms of Securities. Each Security shall be in one of the forms approved from time to time by or pursuant to a Board Resolution, or established in one or more indentures supplemental hereto. Prior to the delivery of a Security to the Trustee for

authentication in any form approved by or pursuant to a Board Resolution, the Company shall deliver to the Trustee the Board Resolution by or pursuant to which such form of Security has been approved, which Board Resolution shall have attached thereto a true and correct copy of the form of Security which has been approved by or pursuant thereto, or, if a Board Resolution authorizes a specific officer or officers to approve a form of Security, a certificate of such officer or officers approving the form of Security attached thereto. Any form of Security approved by or pursuant to a Board Resolution must be acceptable as to form to the Trustee, such acceptance to be evidenced by a certificate signed by a Responsible Officer of the Trustee and delivered to the Company or by the execution by the Trustee of the certificate of authentication thereon.

If any Security of a series is issuable as a Global Security (in whole or in part), such Global Security may provide that it shall represent the aggregate amount of Outstanding Securities from time to time endorsed thereon and may also provide that the aggregate amount of Outstanding Securities represented thereby may from time to time be reduced to reflect exchanges or may from time to time be increased to reflect the issuance of additional uncertificated Securities of such series. Any endorsement of a Global Security to reflect the amount, or any increase or decrease in the amount, of Outstanding Securities represented thereby shall be made by the Trustee pursuant to such instructions and in such manner as shall be specified in such Global Security or in or pursuant to the Company Order to be delivered to the Trustee pursuant to Section 3.03.

SECTION 2.03 Form of Trustees Certificate of Authentication. The Trustee's certificate of authentication for any Security issued pursuant to this Indenture shall be substantially in the following form:

TRUSTEE'S CERTIFICATE OF AUTHENTICATION

This is one of the Securities, of the series designated herein, described in the within mentioned Indenture.

_____,
AS TRUSTEE

By

_____
Authorized Signatory

ARTICLE III

THE SECURITIES

SECTION 3.01 Title and Terms. The aggregate principal amount of Securities which may be authenticated and delivered under this Indenture is unlimited. The Securities may be issued up to the aggregate principal amount of Securities from time to time authorized by or pursuant to a Board Resolution.

The Securities may be issued in one or more series. All Securities of each series issued under this Indenture shall in all respects be equally and ratably entitled to the benefits hereof with respect to such series without preference, priority or distinction on account of the actual time or times of the authentication and delivery or Maturity of the Securities of such series. All Securities of any one series need not be issued at the same time, and unless otherwise provided, a series may be reopened for issuance of additional Securities of such series up to the maximum aggregate principal amount authorized at the time the series is reopened. There shall be established in or pursuant to a Board Resolution, and set forth in an Officers' Certificate, or established in one or more indentures supplemental hereto, prior to the issuance of Securities of any series,

(1) the title of the Securities of the series (which shall distinguish the Securities of the series from all other Securities);

(2) any limit upon the aggregate principal amount of the Securities of the series which may be authenticated and delivered under this Indenture (except for Securities authenticated and delivered upon registration of transfer of, or in exchange for, or in lieu of, other Securities of that series pursuant to this Article Three, Article Four or Article Nine);

(3) the date or dates or the periodic intervals on which the principal and premium, if any, of the Securities of such series is payable, or the method of determination thereof;

(4) the rate or rates (which may be fixed or variable), or the method of determination thereof, at which the Securities of such series shall bear interest, if any, which, if so provided in or pursuant to the authority granted by the resolution of the Board of Directors with respect to such series, may be determined by the Company from time to time and set forth in the Securities of such series issued from time to time, the date or dates from which such interest shall accrue, or the method of determination thereof, the Interest Payment Dates on which such interest shall be payable and the record dates, if any, for the determination of Holders to whom interest is payable;

(5) the place or places where the principal of, and premium, if any, and interest, if any, if other than as set forth in Section 3.01, on Securities of such series shall be payable;

(6) the price or prices at which, the period or periods within which and the terms and conditions upon which Securities of such series may be redeemed or repaid, in whole or in part, at the option of the Company or a Holder thereof, pursuant to any sinking fund or otherwise;

(7) the obligation, if any, of the Company to redeem, purchase or repay Securities of such series pursuant to any sinking fund or analogous provisions or at the option of a Holder thereof, and the price or prices at which and the period or periods within which and the terms and conditions upon which Securities of such series shall be redeemed, purchased or repaid, in whole or in part, pursuant to such obligation;

(8) if other than denominations of $1,000 and integral multiples thereof, the denominations in which Securities of such series shall be issuable;

(9) whether the Securities of the series shall be issued (a) as other than Fully Registered Securities or (b) in whole or in part in the form of a Global Security or Securities and, in such case, (i) the terms and conditions, if any, upon which such Global Security or Securities may be exchanged in whole or in part for other definitive Securities, (ii) the Depositary for such Global Security or Securities and (iii) whether such Global Security shall be definitive or temporary;

(10) if other than the principal amount thereof, the portion of the principal amount of an Original Issue Discount Security which shall be payable upon declaration of acceleration of the maturity thereof pursuant to Section 7.02; and

(11) any and all other terms of such series, including denominations of securities in currencies other than U.S. dollars (including units consisting of multiple currencies) and including any election as to any optional provision, which shall be necessary to complete the form of Security for such series, which shall be one of the forms approved or established pursuant to Section 2.02 hereof (which terms shall not be inconsistent with the provisions of this Indenture).

The principal of, premium, if any, and interest on the Securities shall be payable at the office or agency of the Company in the Borough of Manhattan, The City of New York, unless the form of any such Security shall designate a different place of payment (any such office or place of payment being herein called the "Place of Payment"); provided, however, and unless otherwise provided in the form of Security for any series approved or established pursuant to Section 2.02, that payment of interest with respect to Registered Securities may be made at the option of the Company by check mailed to the address of the person entitled thereto as such address shall appear in the Security Register.

SECTION 3.02 Denominations. The Securities of each series shall be issuable in such form and denominations as shall be specified in the form of Security for such series approved or established pursuant to Section 2.02 or in the Officers' Certificate delivered pursuant to Section 3.01. In the absence of any specification with respect to the Securities of any series, the Securities of such series shall be issuable only as Fully Registered Securities without coupons in denominations of $1,000 and any integral multiple thereof.

SECTION 3.03 Execution, Authentication, Delivery and Dating. The Securities shall be executed on behalf of the Company by its Chairman of the Board, its President or one of its Vice Presidents and by its Secretary or one of its Assistant Secretaries. Interest coupons appertaining to a Coupon Security shall be executed on behalf of the Company by its Chairman of the Board, its President or one of its Vice Presidents. The signatures of any or all of these officers on the Securities and the interest coupons may be manual or facsimile.

Securities and any interest coupons bearing the manual or facsimile signatures of individuals who were at any time the proper officers of the Company shall bind the Company, notwithstanding that such individuals or any of them have ceased to hold such offices prior to the

authentication and delivery of such Securities or interest coupons or did not hold such offices at the date of such Securities or interest coupons.

At any time and from time to time after the execution and delivery of this Indenture, the Company may deliver Securities of any series executed by the Company to the Trustee for authentication together with a Company Order for authentication and delivery of such securities; and the Trustee shall authenticate and deliver such Securities as in this Indenture provided and not otherwise, without further action by the Company. If all the Securities of any series are not to be issued at one time and if the Board Resolution or supplemental indenture establishing such series shall so permit, such Company Order may set forth procedures acceptable to the Trustee for the issuance of such Securities and determining the terms of particular Securities of such series such as interest rate, maturity date, date of issuance and date from which interest shall accrue, in which case it shall not be necessary to deliver additional Company Orders with respect to Securities of the same series.

Prior to any such authentication and delivery, the Trustee shall be entitled to receive and shall be fully protected in relying upon:

(1) the Opinion of Counsel to be furnished to the Trustee pursuant to Section 314(c)(2) of the TIA with the Officers' Certificate relating to the issuance of any series of Securities;

(2) a Board Resolution relating thereto, certified by the Secretary or an Assistant Secretary of the Company;

(3) an executed supplemental indenture, if any, relating thereto; and

(4) an Opinion of Counsel which shall state

(a) all instruments furnished to the Trustee conform to the requirements of this Indenture and constitute sufficient authority hereunder for the Trustee to authenticate and deliver such Securities;

(b) all laws and requirements with respect to the form and execution by the Company of the supplemental indenture, if any, have been complied with, the Company has corporate power to execute and deliver any such supplemental indenture and has taken all necessary corporate action for those purposes and any such supplemental indenture has been duly executed and delivered by the Company and constitutes the legal, valid and binding obligation of the Company enforceable in accordance with its terms (subject, as to enforcement of remedies, to applicable bankruptcy, reorganization, insolvency, moratorium or other laws affecting creditors' rights generally from time to time in effect and to general equity principles);

(c) the form and terms or the procedure for determining the terms of such Securities have been established in conformity with the provisions of this Indenture;

(d) subject to such conditions as may be set forth in said Opinion of Counsel, all laws and requirements with respect to the execution and delivery by the Company of such Securities have been complied with, the Company has the corporate power to issue such Securities and such Securities have been duly authorized, by the Company and, assuming due execution by the Company and due authentication and delivery by the Trustee, will constitute legal, valid and binding obligations of the Company enforceable in accordance with their terms, subject to bankruptcy, insolvency, reorganization and other laws of general applicability relating to or affecting the enforcement of creditors' rights and to general equity principles, and will be entitled to the benefits of this Indenture, equally and ratably with all other Securities, if any, of such series Outstanding;

(e) the amount of Securities Outstanding, including such Securities, does not exceed the amount at the time permitted by law or under the terms of this Indenture;

(f) the Indenture is qualified under the Trust Indenture Act; and

(g) subject to such conditions as may be set forth in said Opinion of Counsel, the issuance of the Securities does not contravene the charter or by-laws of the Company and does not violate the terms or provisions of this Indenture or of any indenture, mortgage or other agreement known to such counsel to which the Company is a party.

If all the Securities of any series are not to be issued at one time, it shall not be necessary to deliver the documents specified in (1), (2), (3) and (4) immediately above at the time of issuance of each Security, but such documents, with appropriate modifications, shall be delivered at or prior to the time of issuance of the first Security of such series.

The Trustee shall not be required to authenticate such Securities if the issue thereof will adversely affect the Trustee's own rights, duties or immunities under the Securities and this Indenture or otherwise in a manner which is not reasonably acceptable to the Trustee. The Trustee shall not be required to authenticate Securities denominated in a coin or currency other than U.S. dollars if the Trustee reasonably determines that such Securities impose duties or obligations on the Trustee which the Trustee is not able or reasonably willing to accept.

Unless otherwise provided in the form of Security for any series, all Securities shall be dated the date of their authentication.

Subject to Section 3.11, each Depositary designated pursuant to Section 3.01 or this Section 3.03 for a Global Security must, at the time of its designation and at all times while it serves as Depositary, be a clearing agency registered under the Exchange Act, or any other applicable statute or regulation.

If at any time the Depositary for Global Securities of a series notifies the Company in writing that it is unwilling or unable to continue as Depositary for the Global Securities of such series or if at any time the Depositary for the Global Securities for such series shall no longer be eligible under this Section 3.03 or in good standing under the Exchange Act, or other applicable statute or regulation, the Company shall appoint a successor Depositary with respect to the Securities for such series. If a successor Depositary for the Securities of such series is not appointed by the Company within 90 days after the Company receives such notice or becomes aware of such ineligibility, the Company will execute, and the Trustee, upon receipt of a Company Order for the authentication and delivery of definitive Securities of such series, will authenticate and deliver Securities of such series of like tenor and terms in definitive form in an aggregate principal amount equal to the principal amount of the Global Security or Securities representing such series in exchange for such Global Security or Securities.

The Company may at any time and in its sole discretion determine that the Securities of any series issued in the form of one or more Global Securities shall no longer be represented by such Global Security or Securities. In such event, the Company will execute, and the Trustee, upon receipt of a Company Order for the authentication and delivery of definitive Securities of such series, will authenticate and deliver Securities of such series of like tenor and terms in definitive form in an aggregate principal amount equal to the principal amount of the Global Security or Securities representing such series in exchange for such Global Security or Securities.

If specified by the Company pursuant to Section 3.01 with respect to a series of Securities, the Depositary for such series of Securities may surrender a Global Security for such series of Securities in exchange in whole or in part for Securities of such series of like tenor and terms in definitive form on such terms as are acceptable to the Company, the Trustee and such Depositary. Thereupon, the Company shall execute, and the Trustee, upon receipt of a Company Order, shall authenticate and deliver without service charge to the Holders, (i) to the Depositary or to each Person specified by such Depositary a new Security or Securities of the same series, of like tenor and terms and of any authorized denomination as requested by such person in an aggregate principal amount equal to and in exchange for such Person’s beneficial interest in the Global Security; and (ii) to such Depositary a new Global Security of like tenor and terms and in a denomination equal to the difference, if any, between the principal amount of the surrendered Global Security and the aggregate principal amount of securities delivered pursuant to clause (i) hereof.

No Securities shall be entitled to any benefit under this Indenture or be valid or obligatory for any purpose, unless there appears on such Security a certificate of authentication substantially in the form provided for herein executed by the Trustee by manual signature, and such certificate upon any Security shall be conclusive evidence, and the only evidence, that such Security has been duly authenticated and delivered hereunder.

SECTION 3.04 Temporary Securities. Pending the preparation of definitive Securities of any series, the Company may execute, and upon receipt of the documents required by Sections 3.01 and 3.03, together with a Company Order, the Trustee shall authenticate and deliver, temporary Securities which are printed, lithographed, typewritten, mimeographed or otherwise produced, in any authorized denominations, substantially of the

tenor of the definitive Securities in lieu of which they are issued and with such appropriate insertions, omissions, substitutions and other variations as the officers executing such Securities may determine, as evidenced by their execution of such Securities.

If temporary Securities of any series are issued, the Company will cause definitive Securities of such series to be prepared without unreasonable delay. After the preparation of definitive Securities, the temporary Securities of such series shall be exchangeable for definitive Securities of such series upon surrender of the temporary Securities of such series at the office or agency of the Company in the Place of Payment, without charge to the Holder. Upon surrender for cancellation of any one or more temporary Securities the Company shall execute and the Trustee shall authenticate and deliver in exchange therefor a like principal amount of definitive Securities of such series of authorized denominations and of the same tenor. Until so exchanged the temporary Securities of such series shall in all respects be entitled to the same benefits under this Indenture as definitive Securities of such series.

SECTION 3.05 Registration, Registration of Transfer and Exchange. The Company shall keep or cause to be kept a register (herein sometimes referred to as the "Security Register") in which, subject to such reasonable regulations as it may prescribe, the Company shall provide for the registration of each series of Registered Securities and the registration of transfers of Registered Securities of such series. Any such register shall be in written form or in any other form capable of being converted into written form within a reasonable time. At all reasonable times the information contained in such register or registers shall be available for inspection by the Trustee at the office or agency to be maintained by the Company as provided in Section 5.02.

Upon surrender for registration of transfer of any Registered Security of any series at the office or agency of the Company in the Place of Payment or at the Principal Corporate Trust Office, the Company shall execute, and the Trustee shall authenticate and deliver, in the name of the designated transferee or transferees, one or more new Registered Securities of such series of any authorized denominations and of a like tenor, aggregate principal amount and Stated Maturity.

Notwithstanding any other provision of this Section 3.05, unless and until it is exchanged in whole or in part for Securities in a definitive form, a Global Security representing all or a portion of the Securities of a series may not be transferred except as a whole by the Depositary of such series to a nominee of such Depositary or by a nominee of such Depositary to such Depositary or another nominee of such Depositary or by such Depositary or any such nominee to a successor Depositary of such series or a nominee of such successor Depositary, and any such Global Security shall contain a legend to the following effect: "Unless and until this Global Security is exchanged as a whole or in part for definitive Securities in registered form, this Global Security may not be transferred except as a whole by the Depositary to a nominee thereof or by a nominee thereof to the Depositary or another nominee of the Depositary or by the Depositary or any such nominee to a successor Depositary or a nominee of such successor."

Upon the exchange of a Global Security for Securities in definitive form, such Global Security shall be cancelled by the Trustee. Definitive Securities issued in exchange for a Global Security pursuant to Section 3.03 shall be registered in such names and in such authorized

denominations and delivered to the Depositary or to such addresses as the Depositary for such Global Security, pursuant to instructions from its direct or indirect participants or otherwise, shall instruct the Trustee in writing. The Trustee shall deliver such Securities to the Depositary or to the persons in whose names such Securities are so registered.

At the option of the Holder, Registered Securities of any series may be exchanged for other Registered Securities of such series, of any authorized denominations and of a like tenor, aggregate principal amount and Stated Maturity, upon surrender of the Registered Securities to be exchanged at the office or agency of the Company in the Place of Payment or at the Principal Corporate Trust Office. Whenever any Registered Securities are so surrendered for exchange, the Company shall execute, and the Trustee shall authenticate and deliver, the Registered Securities which the Securityholder making the exchange is entitled to receive.

Upon presentation for registration of any Unregistered Security of any series which by its terms is registrable as to principal at the office or agency of the Company in the Place of Payment or at the Principal Corporate Trust Office, such Security shall be registered as to principal in the name of the Holder thereof and such registration shall be noted on such Security. Any Security so registered shall be transfer able on the Security Register, upon presentation of such Security at such office or agency for similar notation thereon, but such Security may, to the extent and under the circumstances specified pursuant to Section 3.11, be discharged from registration by being in like manner transferred to bearer, whereupon transferability by delivery shall be restored. Unregistered Securities shall continue to be subject to successive registrations and discharges from registration at the option of the Holders thereof.

Coupon Securities shall be transferable by delivery except while registered as to principal. Registration of any Coupon Security shall not affect the transferability by delivery of the coupons appertaining thereto, which shall continue to be payable to bearer and transferable by delivery.

At the option of the Holder thereof, Coupon Securities of any series which by their terms are registrable as to principal and interest may be exchanged for Fully Registered Securities of such series of any authorized denominations and of a like aggregate principal amount and Stated Maturity, upon surrender of the Coupon Securities to be exchanged at such office or agency with all unmatured coupons and all matured coupons in default thereto appertaining, and upon payment, if the Company shall so require, of the charges hereinafter provided. At the option of the Holder thereof and to the extent and under the circumstances specified pursuant to Section 3.11, Fully Registered Securities of any series, which by their terms provide for the issuance of Coupon Securities, may be exchanged for Coupon Securities or Fully Registered Securities of such series, of any authorized denominations and of a like tenor, aggregate principal amount and Stated Maturity, upon surrender of the Securities to be exchanged at such office or agency, and upon payment if the Company shall so require of the charges hereinafter provided. Whenever any Securities are so surrendered for exchange, the Company shall execute, and the Trustee shall authenticate and deliver, the Securities which the Holder making the exchange is entitled to receive.

All Securities issued upon any registration of transfer or exchange of Securities shall be the valid obligations of the Company, evidencing the same debt, and entitled to the same benefits under this Indenture, as the Securities surrendered upon such registration of transfer or exchange.

Every Registered Security presented or surrendered for registration of transfer, exchange, redemption or repayment shall (if so required by the Company or the Trustee) be duly endorsed, or be accompanied by a written instrument of transfer in form satisfactory to the Company and the Trustee duly executed, by the Holder thereof or his attorney duly authorized in writing.

Unless otherwise provided in the Securities to be transferred or exchanged, no service charge shall be made for any registration of transfer or exchange of Securities, but the Company may (unless otherwise provided in such Securities) require payment of a sum sufficient to cover any tax or other governmental charge that may be imposed in connection with any registration of transfer or exchange of Securities, other than exchanges pursuant to Section 3.04, 4.07, or 9.06 not involving any transfer.

The Company shall not be required (i) to issue, register the transfer of or exchange any Securities of any series during a period beginning at the opening of business 15 days before the day of selection of Securities of such series to be redeemed under Section 4.03 and ending at the close of business on the day of the mailing of a notice of redemption of Securities of such series so selected for redemption, or (ii) to register the transfer or exchange of any Securities so selected for redemption in whole or that part of any Security so selected in the case of Securities selected for redemption in part.

SECTION 3.06 Mutilated, Destroyed, Lost and Stolen Securities. If (i) any mutilated Security or any Security to which a mutilated coupon is annexed is surrendered to the Trustee, or if the Company and the Trustee receive evidence to their satisfaction of the destruction, loss or theft of any Security or any coupon appurtenant to a Coupon Security, and (ii) there is delivered to the Company, the Trustee and the Security Registrar such security or indemnity as may be required by them to save each of them harmless, then, in the absence of notice to the Company and the Trustee that such Security or coupon has been acquired by a bona fide purchaser, the Company shall execute and upon its request the Trustee shall authenticate and deliver, in exchange for or in lieu of any such mutilated, destroyed, lost or stolen Security or the Coupon Security to which such mutilated, destroyed, lost or stolen coupon appertains, a new Security of the same series and of like tenor and principal amount, bearing a number not contemporaneously Outstanding.

In case any such mutilated, destroyed, lost or stolen Security or coupon has become or is about to become due and payable, the Company in its discretion may, instead of issuing a new Security, pay such Security or coupon.

Upon the issuance of any new Security under this Section , the Company may require the payment of a sum sufficient to cover any tax or other governmental charge that may be imposed in relation thereto and any other expenses (including the fees and expenses of the Trustee) connected therewith.

Every new Security (and appurtenant coupon) issued pursuant to this Section in lieu of any destroyed, lost or stolen Security or coupon shall constitute an original additional contractual obligation of the Company, whether or not the destroyed, lost or stolen Security or coupon shall be at any time enforce able by anyone, and shall be entitled to all the benefits of this Indenture equally and proportionately with any and all other Securities and coupons of the same series duly issued hereunder.

The provisions of this Section are exclusive and shall preclude (to the extent lawful) all other rights and remedies with respect to the replacement or payment of mutilated, destroyed, lost or stolen Securities or coupons.

SECTION 3.07 Payment of Interest; Interest Rights Preserved. Interest on any Fully Registered Security which is payable, and is punctually paid or duly provided for, on any Interest Payment Date shall unless otherwise provided in such Security be paid to the Person in whose name that Security (or one or more Predecessor Securities) is registered on the Regular Record Date for such interest. Subject to the penultimate paragraph of this Section , interest on any Unregistered Security which is payable, and is punctually paid or duly provided for, on any Interest Payment Date shall be paid to the Holder of such Unregistered Security, or the coupon appertaining thereto, as the case may be.

Any interest on any Fully Registered Security which is payable, but is not punctually paid or duly provided for, on any Interest Payment Date (herein called "Defaulted Interest") shall forthwith cease to be payable to the Holder of such Fully Registered Security, on the relevant Regular Record Date by virtue of his having been such Holder, and such Defaulted Interest shall be paid by the Company, at its election in each case, as provided in Clause (1) or Clause (2) below:

(1) The Company may elect to make payments of any Defaulted Interest to the Persons in whose names any such Fully Registered Securities (or their respective Predecessor Securities) are registered at the close of business on a Special Record Date for the payment of such Defaulted Interest, which shall be fixed in the following manner. The Company shall notify the Trustee in writing of the amount of Defaulted Interest proposed to be paid on each Fully Registered Security and the date of the proposed payment, and at the same time the Company shall deposit with the Trustee an amount of money equal to the aggregate amount proposed to be paid in respect of such Defaulted Interest or shall make arrangements satisfactory to the Trustee for such deposit prior to the date of the proposed payment, such money when deposited to be held in trust for the benefit of the Persons entitled to such Defaulted Interest as in this Clause provided. Thereupon the Trustee shall fix a Special Record Date for the payment of such Defaulted Interest which shall be not more than 15 nor less than 10 days prior to the date of the proposed payment and not less than 10 days after the receipt by the Trustee of the notice of the proposed payment. The Trustee shall promptly notify the Company of such Special Record Date and, in the name and at the expense of the Company, shall cause notice of the proposed payment of such Defaulted Interest and the Special Record Date therefor to be mailed, first-class, postage prepaid, to each Fully Registered Holder at his address as it appears in the Security Register, not less than 10 days prior to such Special Record Date. The Trustee may, in its discretion, in the name and at the expense of the Company, notify Fully Registered Holders by causing a similar notice to be published at least once in an Authorized Newspaper in the Place of

Payment, but such publication shall not be a condition precedent to the establishment of such Special Record Date. Notice of the proposed payment of such Defaulted Interest and the Special Record Date therefor having been mailed as aforesaid, such Defaulted Interest shall be paid to the Persons in whose names such Fully Registered Securities (or their respective Predecessor Securities) are registered on such Special Record Date and shall no longer be payable pursuant to the following Clause (2).

(2) The Company may make payment of any Defaulted Interest in any other lawful manner not inconsistent with the requirements of any securities exchange on which the Securities of that series may be listed, and upon such notice as may be required by such exchange, if, after notice given by the Company to the Trustee of the proposed payment pursuant to this Clause; such payment shall be deemed practicable by the Trustee.

Any Defaulted Interest payable in respect of any Security which is not a Fully Registered Security shall be payable pursuant to such procedures as may be satisfactory to the Trustee in such manner that there is no discrimination as between the Holders of Fully Registered Securities and other Securities of the same series, and notice of the payment date therefor shall be given by the Trustee, in the name and at the expense of the Company, by publication at least once in any Authorized Newspaper in the Place of Payment, subject to Section 1.06.

Subject to the foregoing provisions of this Section , each Security delivered under this Indenture upon registration of transfer of, or in exchange for, or in lieu of, any other Security shall carry the rights to interest accrued and unpaid, and to accrue, which were carried by such other Security.

SECTION 3.08 Persons Deemed Owners. Prior to due presentment for registration of transfer of any Registered Security the Company, the Trustee and any agent of the Company or the Trustee may treat the Person in whose name such Registered Security is registered as the owner of such Registered Security for the purpose of receiving payment of principal of, premium, if any, on, and, if such Registered Security is a Fully Registered Security (subject to Section 3.07) interest on, such Registered Security, and for all purposes whatsoever (except the payment of coupons appertaining to any Registered Coupon Security and the payment of interest payable on presentation of any temporary Security), whether or not such Registered Security be overdue, and neither the Company, the Trustee nor any agent of the Company or the Trustee shall be affected by notice to the contrary. The Company, the Trustee and any agent of the Company or the Trustee may treat the Holder of any Unregistered Security or the Holder of any coupon, whether or not the Security to which such coupon appertains be registered, as the owner of such Unregistered Security or coupon for the purpose of receiving payment thereof and for all other purposes whatsoever, whether or not such Unregistered Security or coupon be overdue, and neither the Company, the Trustee nor any agent of the Company or the Trustee shall be affected by notice to the contrary.

None of the Company, the Trustee, any Paying Agent or the Security Registrar will have any responsibility or liability for any aspect of the records relating to or payments made on account of beneficial ownership interests of a Global Security or for maintaining, supervising or reviewing any records relating to such beneficial ownership interests and they shall be protected in acting or refraining from acting on any such information provided by the Depositary.

SECTION 3.09 Cancellation. All Securities surrendered for payment, registration of transfer, exchange, repayment or redemption, and all coupons surrendered for payment, shall, if surrendered to any Person other than the Trustee, be delivered to the Trustee, and any such Securities and coupons, and Securities and coupons surrendered directly to the Trustee for any such purpose, shall be promptly canceled by it. The Company may at any time deliver to the Trustee for cancellation any Securities previously authenticated and delivered hereunder which the Company may have acquired in any manner whatsoever, and all Securities so delivered shall be promptly cancelled by the Trustee. No Securities shall be authenticated in lieu of or in exchange for any Securities canceled as provided in this Section , except as expressly permitted by this Indenture or such Securities. All canceled Securities and coupons held by the Trustee shall be disposed of in accordance with its standard procedures and the Trustee shall furnish to the Company a certificate of disposition or, at the written request of the Company, the Trustee shall deliver such cancelled Securities to the Company. If the Company shall acquire any of the Securities, however, such acquisition shall not operate as a redemption or satisfaction of the indebtedness represented by such Securities unless and until the same are surrendered to the Trustee for cancellation.

SECTION 3.10 Computation of Interest. Except as otherwise specified in the form of Security for any series approved or established pursuant to Section 2.02 or in the Officers' Certificate delivered pursuant to Section 3.01 with respect to Securities of any series, interest on the Securities of each series shall be computed on the basis of a 360-day year of twelve 30-day months.

SECTION 3.11 Compliance with Certain Laws and Regulations. If any Unregistered Securities are to be issued in any series of Securities, the Company will provide for arrangements and procedures reasonably designed pursuant to then applicable laws and regulations, if any, to ensure that Unregistered Securities are sold or resold (in connection with their original issuance), exchanged, transferred and paid only in compliance with such laws and regulations and without adverse consequences to the Company.

ARTICLE IV

REDEMPTION AND REPAYMENT OF SECURITIES

SECTION 4.01 Applicability of Article. The Company may reserve the right to redeem and pay before Stated Maturity all or any part of the Securities of any series, either by optional redemption, sinking fund or otherwise, by provision therefor in the form of Security for such series approved or established pursuant to Section 2.02 and on such terms as are specified in such form or the Officers' Certificate delivered pursuant to Section 3.01 or the indenture supplemental hereto as provided in Section 3.01 with respect to Securities of such series. Redemption of Securities of any series shall be made in accordance with the terms of such Securities and, to the extent that this Article does not conflict with such terms, in accordance with this Article.

SECTION 4.02 Election to Redeem; Notice to Trustee. The election of the Company to redeem any Securities redeemable at the option of the Company shall be evidenced

by a Board Resolution and/or by an Officers' Certificate made pursuant to a Board Resolution. In the case of any redemption at the election of the Company of less than all the Securities of any series, the Company shall notify the Trustee of such Redemption Date and of the principal amount of Securities of such series to be redeemed not less than 45 nor more than 60 days prior to the Redemption Date (unless a shorter notice shall be satisfactory to the Trustee).

SECTION 4.03 Selection by Trustee of Securities to be Redeemed. To the extent that the Securities of a given series have different terms, the Company in its sole and absolute discretion shall select the Securities to be redeemed if less than all of the series are to be redeemed. If less than all the Securities of a given series having the same terms are to be redeemed, the particular Securities to be redeemed shall be selected not less than 35 nor more than 45 days prior to the Redemption Date by the Trustee from the Outstanding Securities of such series having such terms not previously called for redemption, pro rata or by lot or by such method as the Trustee shall deem fair and appropriate (so long as such method is not prohibited by the rules of any stock exchange on which the Securities may be then listed) and which may provide for the selection for redemption of portions of the principal of Securities of such series of a denomination larger than the minimum authorized denomination for Securities of such series. Unless otherwise provided by the terms of the Securities of any series so selected for partial redemption, the portions of the principal of Securities of such series so selected for partial redemption shall be equal to $1,000 or an integral multiple thereof and the principal amount which remains outstanding shall not be less than the minimum authorized denomination for Securities of such series.

If less than all of the Securities of a given series having different terms are to be redeemed, the Company shall notify the Trustee of the Securities to be redeemed not less than 45 nor more than 60 days prior to the Redemption Date (unless a shorter notice shall be satisfactory to the Trustee. If less than all the Securities of a series having the same terms are to be redeemed, the Trustee shall promptly notify the Company in writing of the Securities selected for redemption and, in the case of any Security selected for partial redemption, the principal amount thereof to be redeemed.

For all purposes of this Indenture, unless the context otherwise requires, all provisions relating to the redemption of Securities shall relate, in the case of any Security redeemed or to be redeemed only in part, to the portion of the principal of such Security which has been or is to be redeemed. The Trustee shall notify the Company promptly of the Securities or portions of Securities to be redeemed.

SECTION 4.04 Notice of Redemption. Notice of redemption shall be given in the manner provided in Section 1.06, not less than 30 nor more than 60 days prior to the Redemption Date, to each Holder of Securities to be redeemed.

All notices of redemption shall state:

(1) the Redemption Date,

(2) the Redemption Price,

(3) the CUSIP number; provided, that such notice shall state to the effect that no representation is made as to the correctness of any such CUSIP number, either as printed on the Security or as contained in any such notice, and that reliance may be placed only on the other identification numbers printed on the Securities and any redemption shall not be affected by any defect in or omission of such numbers,

(4) the name and address of the Paying Agent,

(5) if less than all Outstanding Securities of any series are to be redeemed, the identification (and, in the case of partial redemption, the respective principal amounts) of the Securities to be redeemed,

(6) that on the Redemption Date the Redemption Price will become due and payable upon each such Security or portion thereof, and that interest, if any, thereon shall cease to accrue on and after said date,

(7) the place where such Securities and all coupons, if any, are to be surrendered for payment of the Redemption Price, which shall be the office or agency of the Company in the Place of Payment,

(8) that the redemption is on account of a sinking fund, if that be the case.

Notice of redemption of Securities to be redeemed at the election of the Company shall be given by the Company or, on Company Request, by the Trustee in the name and at the expense of the Company.

SECTION 4.05 Deposit of Redemption Price. On or prior to any Redemption Date, but, in any event, not later than (i) 12:00 noon New York City time on the applicable Redemption Date for Securities payable only in the United States, or (ii) the close of business on the Business Day prior to the applicable Redemption Date for Securities with a Place of Payment outside the United States, the Company shall deposit with the Trustee or with a Paying Agent in immediately available funds (or, if the Company is acting as its own Paying Agent, segregate and hold in trust as provided in Section 5.03) an amount of money sufficient to pay the Redemption Price of, which shall include any premium and interest payable on, all the Securities which are to be redeemed on that date.

SECTION 4.06 Securities Payable on Redemption Date. Notice of redemption having been given as aforesaid, the Securities so to be redeemed shall, on the Redemption Date, become due and pay able at the Redemption Price therein specified and on such date (unless the Company shall default in the payment of the Redemption Price) such Securities shall cease to bear interest. Upon surrender of such Securities for redemption in accordance with said notice, such Securities shall be paid by the Company at the Redemption Price. In the case of Fully Registered Securities, unless otherwise provided in such Securities, installments of interest whose Stated Maturity is on or prior to the Redemption Date shall be payable to the Holders of such Fully Registered Securities registered as such on the relevant Regular Record Dates according to their terms and the provisions of Section 3.07.

If any Security called for redemption shall not be so paid upon surrender thereof for redemption, the principal shall, until paid, bear interest from the Redemption Date at the rate borne by such Security, or as otherwise provided in such Security.

SECTION 4.07 Securities Redeemed in Part. Any Security which is to be redeemed only in part shall be surrendered at the office or agency of the Company in the Place of Payment (with, if the Company or the Trustee so requires, due endorsement by, or a written instrument of transfer in form satisfactory to the Company and the Trustee duly executed by, the Holder of any Registered Security or his attorney duly authorized in writing) and the Company shall execute and the Trustee shall authenticate and deliver to the Holder of such Security without service charge, a new Security or Securities of the same series, tenor and Stated Maturity of any authorized denominations as requested by such Holder, in aggregate principal amount equal to and in exchange for the unredeemed portion of the principal of the Security so surrendered.

SECTION 4.08 Provisions with Respect to any Sinking Funds. If the form or terms of any series of Securities shall provide that, in lieu of making all or any part of any mandatory sinking fund payment with respect to such series of Securities in cash, the Company may at its option (1) deliver to the Trustee for cancellation any Securities of such series theretofore acquired by the Company, or (2) receive credit for any Securities of such series (not previously so credited) acquired by the Company and thereto fore delivered to the Trustee for cancellation or redeemed other than through the mandatory sinking fund, then (i) Securities so delivered, redeemed or credited shall be credited at the applicable sinking fund Redemption Price with respect to Securities of such series, and (ii) on or before the 60th day next preceding each sinking fund Redemption Date with respect to such series of Securities, the Company will deliver to the Trustee (A) an Officers' Certificate specifying the portions of such sinking fund payment to be satisfied by payment of cash and by the delivery or credit of Securities of such series acquired or so redeemed by the Company, and (B) any Securities to be so delivered, to the extent not previously surrendered. Such Officers' Certificate shall also state that the Securities for which the Company elects to receive credit have not been previously so credited and were not acquired by the Company through operation of the mandatory sinking fund, if any, provided with respect to such Securities or are required to be delivered to the Trustee pursuant to Section 3.09 and shall also state that no Event of Default with respect to Securities of such series has occurred and is continuing. All Securities so delivered to the Trustee shall be canceled by the Trustee and no Securities shall be authenticated in lieu thereof.

If the sinking fund payment or payments (mandatory or optional) with respect to any series of Securities made in cash plus any unused balance of any preceding sinking fund payments with respect to Securities of such series made in cash shall exceed $50,000 (or a lesser sum if the Company shall so request), unless otherwise provided by the terms of such series of Securities, said cash shall be applied by the Trustee on the sinking fund Redemption Date with respect to Securities of such series next following the date of such payment to the redemption of Securities of such series at the applicable sinking fund Redemption Price with respect to Securities of such series, together with accrued interest, if any, to the date fixed for redemption, with the effect provided in Section 4.06. The Trustee shall select, in the manner provided in Section 4.03, for redemption on such sinking fund Redemption Date a sufficient principal amount of Securities of such series to utilize said cash and shall thereupon cause notice of

redemption of the Securities of such series for the sinking fund to be given in the manner provided in Section 4.04 (and with the effect provided in Section 4.06) for the redemption of Securities in part at the option of the Company. Any sinking fund moneys not so applied or allocated by the Trustee to the redemption of Securities of such series shall be added to the next cash sinking fund payment with respect to Securities of such series received by the Trustee and, together with such payment, shall be applied in accordance with the provisions of this Section 4.08. Any and all sinking fund moneys with respect to Securities of any series held by the Trustee at the Maturity of Securities of such series, and not held for the payment or redemption of particular Securities of such series, shall be applied by the Trustee, together with other moneys, if necessary, to be deposited sufficient for the purpose, to the payment of the principal of the Securities of such series at Maturity.

On or before each sinking fund Redemption Date provided with respect to Securities of any series, the Company shall pay to the Trustee in cash a sum equal to all accrued interest, if any, to the date fixed for redemption on Securities to be redeemed on such sinking fund Redemption Date pursuant to this Section 4.08.

SECTION 4.09 Applicability of Early Repayment Provisions. Repayment of Securities of any series before their Stated Maturity at the option of Holders thereof shall be made in accordance with the terms of such Securities and (except as otherwise specified as contemplated by Section 3.01 for Securities of any series) in accordance with this Section and Sections 4.10, 4.11, 4.12 and 4.13.

SECTION 4.10 Repayment of Securities. Securities of any series subject to repayment in whole or in part at the option of the Holders thereof will, unless otherwise provided in the terms of such Securities, be repaid at a price equal to the principal amount thereof, together with interest thereon accrued to the Repayment Date specified in the terms of such Securities. On or before the Repayment Date, the Company will deposit with the Trustee or with a Paying Agent (or, if the Company is acting as its own Paying Agent, segregate and hold in trust as provided in Section 5.03) an amount of money sufficient to pay the Repayment Price of all the Securities which are to be repaid on such date.

SECTION 4.11 Exercise of Option. Unless otherwise provided in the terms of such Securities, to be repaid at the option of the Holder, (a) in the case of any definitive Security so providing for such repayment, such Security, together with the "Option to Elect Repayment" form on the reverse thereof duly completed by the Holder, or (b) in the case of any Global Security so providing for such repayment, such notice or notices as may be set forth therein, must be received by the Trustee or any other Person designated by the Company at the Place of Payment therefor specified in the terms of such Security (or at such other place or places of which the Company shall from time to time notify the Holders of such Securities) not earlier than 30 days nor later than 15 days (unless a shorter notice shall be satisfactory to the Trustee) prior to the Repayment Date. If less than the entire principal amount of such Security is to be repaid in accordance with the terms of such Security, the principal amount of such Security to be repaid, in increments of $1,000 unless otherwise specified in the terms of such Security, and the denomination or denominations of the Security or Securities to be issued to the Holder for the portion of the principal amount of such Security surrendered that is not to be repaid must be specified. The principal amount of any Security providing for repayment at the option of the

Holder thereof may not be repaid in part, if, following such repayment, the unpaid principal amount of such Security would be less than the minimum authorized denomination of Securities of the series of which such Security to be repaid is a part. Except as otherwise may be provided by the terms of any Security providing for repayment at the option of the Holder thereof, exercise of the repayment option by the Holder shall be irrevocable unless waived by the Company.

SECTION 4.12 When Securities Presented for Repayment Become Due and Payable. If Securities of any series providing for repayment at the option of the Holders thereof shall have been surrendered as provided in Section 4.11 and as provided by the terms of such Securities, such Securities or the portions thereof, as the case may be, to be repaid shall become due and payable and shall be paid by the Company on the Repayment Date therein specified, and on and after such Repayment Date (unless the Company shall default in the payment of such Securities on such Repayment Date) interest on such Securities or the portions thereof, as the case may be, shall cease to accrue.

SECTION 4.13 Securities Repaid in Part. Upon surrender of any Security which is to be repaid in part only, the Company shall execute and the Trustee shall authenticate and deliver to the Holder of such Security, without service charge and at the expense of the Company, a new Security or Securities of the same series and Stated Maturity, of any authorized denomination specified by the Holder, in an aggregate principal amount equal to and in exchange for the portion of the principal of such Security so surrendered which is not to be repaid.

ARTICLE V

COVENANTS

SECTION 5.01 Payment of Principal, Premium and Interest; Compliance with Terms. With respect to each series of Securities, the Company will duly and punctually pay the principal of, premium, if any, and interest, if any, on the Securities of such series in accordance with the terms of the Securities of such series and this Indenture, and will duly comply with all the other terms, agreements and conditions contained in, or made in the Indenture for the benefit of, the Securities of such series.

SECTION 5.02 Maintenance of Office or Agency. The Company will maintain an office or agency in the Place of Payment where Securities may be presented or surrendered for payment, where Registered Securities may be surrendered for registration of transfer or exchange and where notices and demands to or upon the Company in respect of the Securities and this Indenture may be served. The Company will give prompt written notice to the Trustee of the location, and of any change in the location, of such office or agency. If at any time the Company shall fail to maintain such office or agency or shall fail to furnish the Trustee with the address thereof, such presentations, surrenders, notices and demands may be made or served at the Principal Corporate Trust Office of the Trustee, and the Company hereby appoints the Trustee its agent to receive all such presentations, surrenders, notices and demands.

SECTION 5.03 Money for Security Payments to Be Held in Trust. If the Company shall at any time act as its own Paying Agent for any series of Securities, it will, subject to Section 4.05, on or before each due date of the principal of, premium, if any, or interest on any of the Securities of such series, segregate and hold in trust for the benefit of the Persons entitled thereto a sum sufficient to pay the principal, premium or interest so becoming due until such sums shall be paid to such Persons or otherwise disposed of as herein provided, and will promptly notify the Trustee of its action or failure so to act.

Whenever the Company shall have one or more Paying Agents for any series of Securities, it will, subject to Section 4.05, on or prior to each due date of the principal of, premium, if any, or interest on any Securities of such series, deposit with a Paying Agent a sum sufficient to pay the principal, premium, if any, or interest so becoming due, such sum to be held in trust for the benefit of the Persons entitled to such principal, premium or interest, and (unless such Paying Agent is the Trustee) the Company will promptly notify the Trustee of its action or failure so to act.

The Company will cause each Paying Agent other than the Trustee for any series of Securities to execute and deliver to the Trustee an instrument in which such Paying Agent shall agree with the Trustee subject to the provisions of this Section , that such Paying Agent will

(1) hold all sums held by it for the payment of principal of, premium, if any, or interest on Securities of such series in trust for the benefit of the Persons entitled thereto until such sums shall be paid to such Persons or otherwise disposed of as herein provided;

(2) give the Trustee notice of any default by the Company (or any other obligor upon the Securities of such series) in the making of any payment of principal, premium, if any, or interest on the Securities of such series; and

(3) at any time during the continuance of any such default, upon the written request of the Trustee, forthwith pay to the Trustee all sums so held in trust by such Paying Agent.

The Company may at any time, for the purpose of obtaining the satisfaction and discharge of this Indenture or for any other purpose, pay, or by Company Order direct any Paying Agent to pay, to the Trustee all sums held in trust by the Company or such Paying Agent, such sums to be held by the Trustee upon the same trusts as those upon which such sums were held by the Company or such Paying Agent; and, upon such payment by the Company or such Paying Agent to the Trustee, the Company or such Paying Agent shall be released from all further liability with respect to such money.

Any money deposited with the Trustee or any Paying Agent, or then held by the Company, in trust for the payment of the principal, premium, if any, or interest on any Security of any series and remaining unclaimed for two years after such principal, premium, if any, or interest has become due and payable shall be paid to the Company on Company Request, or (if then held by the Company) shall be discharged from such trust; and the Holder of such Security shall thereafter, as an unsecured general creditor, look only to the Company for payment thereof,

and all liability of the Trustee or such Paying Agent with respect to such trust money, and all liability of the Company as trustee thereof, shall thereupon cease; provided, however, that the Trustee or such Paying Agent, before being required to make any such repayment, may at the expense of the Company cause to be mailed to the Holder at the Holder's last known address or published once, in an Authorized Newspaper in the Place of Payment, notice that such money remains unclaimed and that, after a date specified therein, which shall not be less than 30 days from the date of such mailing or publication, any unclaimed balance of such money then remaining will be repaid to the Company.

SECTION 5.04 Statement as to Compliance. The Company will deliver to the Trustee, within 120 days after the end of each fiscal year, a certificate of the principal executive officer, principal financial officer or principal accounting officer of the Company stating that

(1) a review of the activities of the Company during such year and of performance under this Indenture and under the terms of the Securities has been made under his supervision and

(2) to the best of his knowledge, based on such review, the Company has complied with all conditions and covenants under this Indenture and under the terms of the Securities throughout such year, or, if there has been a default in compliance with such conditions and covenants, specifying each such default known to him and the nature and status thereof.

For purposes of this Section 5.04, such compliance shall be determined without regard to any period of grace or requirement of notice provided under this Indenture.

SECTION 5.05 Corporate Existence. Subject to Article Ten, the Company will do, or cause to be done, all things necessary to preserve and keep in full force and effect its corporate existence.

SECTION 5.06 Limitation on Liens. So long as any of the Securities shall be Outstanding, the Company will not create or suffer to exist, or permit any of its Restricted Subsidiaries to create or suffer to exist, any lien, security interest or other charge or encumbrance, or any other type of preferential arrangement, upon or with respect to any of its properties (other than any "margin stock" as that term is defined in Regulation U issued by the Board of Governors of the Federal Reserve System), whether now owned or hereafter acquired, or assign, or permit any of its Restricted Subsidiaries to assign, any right to receive income, in each case to secure any Debt of any Person without making effective provision whereby all of the Securities of each series (together with, if the Company shall so determine, any other Debt of the Company or such Restricted Subsidiary then existing or thereafter created which is not subordinate to the Securities of each series) shall be equally and ratably secured with the indebtedness or obligations secured by such security; provided, however, that the Company or its Restricted Subsidiaries may create or suffer to exist any lien, security interest, charge, encumbrance or preferential arrangement of any kind in, of or upon any of the properties or assets of the Company or its Restricted Subsidiaries to secure any Debt or Debts in an aggregate amount at any time outstanding not greater than 20% of the Consolidated Net Worth of the

Company; and provided, further, that the foregoing restrictions shall not apply to any of the following:

(i) deposits, liens or pledges to enable the Company or any Restricted Subsidiary to exercise any privilege or license or to secure payments of workers' compensation or unemployment insurance, or to secure the performance of bids, tenders, contracts (other than for the payment of money) or statutory landlords' liens under leases to which the Company or any such Restricted Subsidiary is a party or to secure public or statutory obligations of the Company or any such Restricted Subsidiary or to secure surety, stay or appeal bonds to which the Company or any such Restricted Subsidiary is a party, but as to all of the foregoing only if the same shall arise and continue in the ordinary course of business or other similar deposits or pledges made and continued in the ordinary course of business;

(ii) liens imposed by law, such as mechanic's, materialmen's, workman's, repairman's or carrier's liens but only if arising, and only so long as continuing, in the ordinary course of business or other similar liens arising and continuing in the ordinary course of business or deposits or pledges in the ordinary course of business to obtain the release of such liens;

(iii) liens arising out of judgments or awards against the Company or any Restricted Subsidiary in an aggregate amount not to exceed the greater of (a) 15% of the Consolidated Net Worth of the Company or (b) the minimum amount which, if subtracted from such Consolidated Net Worth would reduce such Consolidated Net Worth below $3.2 billion, and in each case with respect to which the Company or any such Restricted Subsidiary shall in good faith be prosecuting an appeal or proceeding for review or liens incurred by the Company or any such Restricted Subsidiary for the purpose of obtaining a stay or discharge in the course of any legal proceedings to which the Company or any such Restricted Subsidiary is a party;

(iv) liens for taxes if such taxes shall not at the time be delinquent or thereafter can be paid without penalty, or are being contested in good faith and by appropriate proceedings, or minor survey exceptions or minor encumbrances, easements or reservations of or rights of others for rights of way, sewers, electric lines, telegraph and telephone lines and other similar purposes or zoning or other restrictions as to the use of real properties which encumbrances, easements, reservations, rights and restrictions do not in the aggregate materially detract from the value of the said properties or materially impair their use in the operation of the business of the Company or any Restricted Subsidiary owning the same;

(v) liens in favor of any government or any department or agency thereof or in favor of a prime contractor under a government contract and resulting from the acceptance of progress or partial payments under government contracts or sub-contracts thereunder;

(vi) liens, security interests, charges, encumbrances, preferential arrangements and assignments of income in existence on the date hereof;

(vii) purchase money liens or purchase money security interests upon or in any property acquired or held by the Company or any Restricted Subsidiary in the ordinary course of business to secure the purchase price of such property or to secure indebtedness incurred solely for the purpose of financing the acquisition of such property;

(viii) liens or security interests existing on property at the time of its acquisition;

(ix) the rights of Xerox Credit Corporation relating to the reserve account established pursuant to the Operating Agreement, dated as of November 1, 1980, between the Company and Xerox Credit Corporation, as such Operating Agreement is amended from time to time;

(x) the replacement, extension or renewal of any lien, security interest, charge or encumbrance, preferential arrangement or assignment of income permitted by clauses (i) through (ix) above upon or in the same property theretofore subject thereto or the replacement, extension or renewal (without increase of principal amount) of the indebtedness secured thereby; and

(xi) liens on any assets of any Restricted Subsidiary of up to $500,000,000 which may be incurred in connection with the sale or assignment of assets of such Restricted Subsidiary for cash where the proceeds are applied to repayment of Debt of such Restricted Subsidiary and/or invested by such Restricted Subsidiary in assets which would be reflected as receivables on the such Restricted Subsidiary's balance sheet in accordance with generally accepted accounting principles.

SECTION 5.07 Waiver of Covenants. The Company may omit, in respect of any series of Securities, in any particular instance to comply with any covenant or condition set forth in Section 5.06 hereof, if before or after the time for such compliance the Holders of a majority in aggregate principal amount of the Securities at the time Outstanding of such series shall, by Act of such Holders, either waive such compliance in such instance or generally waive compliance with such covenant or condition, but no such waiver shall extend to or affect such covenant or condition except to the extent so expressly waived, and, until such waiver shall

become effective, the obligations of the Company and the duties of the Trustee in respect of any such covenant or condition shall remain in full force and effect.

ARTICLE VI

SECURITYHOLDERS' LISTS AND REPORTS BY TRUSTEE AND COMPANY

SECTION 6.01 Company to Furnish Trustee Names and Addresses of Securityholders. The Company will furnish or cause to be furnished to the Trustee (a) semiannually, not more than 10 days after each and , commencing , a list, in such form as the Trustee may reasonably require, containing all the information in the possession or control of the Company, or any of its Paying Agents other than the Trustee, as to the names and addresses of the Holders of Securities as of such or , and (b) at such other times as the Trustee may request in writing, within 30 days after receipt by the Company of any such request, a list of similar form and con tent as of a date not more than 15 days prior to the time such list is furnished; provided, however, that so long as the Trustee is the Security Registrar and all of the Securities of any series are Registered Securities, no such list shall be required to be furnished in respect of such series, but in any event the Company shall be required to furnish such information concerning the Holders of Unregistered Securities which is known to the Company; provided, however, that the Company shall have no obligation to investigate any matter relating to any Holder of an Unregistered Security.

SECTION 6.02 Preservation of Information; Communications to Securityholders. (a) The Trustee shall preserve, in as current a form as is reasonably practicable, all information furnished to it or received by it in its capacity of Security Registrar pursuant to Section 6.01.

(b) If three or more Holders of Securities of any series (hereinafter referred to as "applicants") apply in writing to the Trustee, accompanied by reasonable proof that each such applicant has owned a Security of such series for a period of at least six months preceding the date of such application and by a copy of the form of proxy or other communication which such applicants propose to transmit, and such application states that the applicants desire to communicate with other Holders of Securities of such series or with the Holders of all Securities with respect to their rights under this Indenture or under such Securities, then the Trustee shall, within five Business Days after receipt of the application, at its election, either (i) afford such applicants access to the information preserved at the time by the Trustee in accordance with Section 6.02(a), or (ii) inform such applicants as to the approximate number of Holders of Securities of such series or all Securities, as the case may be, whose names and addresses appear in the information preserved at the time by the Trustee in accordance with Section 6.02(a), and as to the approximate cost of mailing to such Holders the form of proxy or other communication, if any, specified in such application.

If the Trustee shall elect not to afford such applicants access to such information, the Trustee shall, upon the written request of such applicants, mail to each Holder of a Security of such series or to all Holders, as the case may be, whose names and addresses appear in the information preserved at the time by the Trustee in accordance with Section 6.02(a), a copy of the form of proxy or other communication which is specified in such request, with reasonable promptness after a tender to the Trustee of the material to be mailed and of payment, or provision for the payment, of the reasonable expenses of mailing, unless within five days after such tender, the Trustee shall mail to such applicants and file with the Commission, together with a copy of the material to be mailed, a written statement to the effect that, in the opinion of the Trustee, such mailing would be contrary to the best interests of the Holders of Securities of such series or all Holders, as the case may be, or would be in violation of applicable law. Such written statement shall specify the basis of such opinion. If the Commission, after opportunity for a hearing upon the objections specified in the written statement so filed, shall enter an order refusing to sustain any of such objections or if, after the entry of an order sustaining one or more of such objections, the Commission shall find, after notice and opportunity for hearing, that all the objections so sustained have been met and shall enter an order so declaring, the Trustee shall mail copies of such material to all Holders of such series or all Holders, as the case may be, with reasonable promptness after the entry of such order and the renewal of such tender; otherwise, the Trustee shall be relieved of any obligation or duty to such applicants with respect to their application.

(c) Every Holder of Securities, by receiving and holding the same, agrees with the Company and the Trustee that neither the Company nor the Trustee shall be held accountable by reason of the disclosure of any such information as to the names and address of the Holders of Securities in accordance with Section 6.02(b), regardless of the source from which such information was derived, and that the Trustee shall not be held accountable by reason of mailing any material pursuant to a request made under Section 6.02(b).

SECTION 6.03 Reports by Trustee. Within 60 days after each May 15, commencing May 15, 2004, the Trustee shall transmit to Securityholders a report as provided in Section 313(a) of the TIA if so required by such Section .

SECTION 6.04 Reports by Company. The Company will:

(a) file with the Trustee, within 30 days after the Company is required to file the same with the Commission, copies of the annual reports and of the information, documents and other reports (or copies of such portions of any of the foregoing as the Commission may from time to time by rules and regulations prescribe) which the Company may be required to file with the Commission pursuant to Section 13 or 15(d) of the Exchange Act; or, if the Company is not required to file information, documents and reports pursuant to either of said Sections, then it will file with the Trustee and the Commission, in accordance with rules and regulations prescribed from time to time by the Commission, such of the supplementary and periodic information, documents and reports which

may be required pursuant to Section 13 or 15(d) of the Exchange Act, in respect of a security listed and registered on a national securities exchange as may be prescribed from time to time in such rules and regulations;

(b) file with the Trustee and the Commission, in accordance with rules and regulations prescribed from time to time by the Commission, such additional information, documents and reports with respect to compliance by the Company with the conditions and covenants of this Indenture as may be required from time to time such rules and regulations; and

(c) mail or cause to be mailed to all Securityholders, in the manner and to the extent provided in Section 313(c) of the TIA, such summaries of any information, documents and reports required to be filed by the Company pursuant to clauses (a) and (b) of this Section as may be required by rules and regulations prescribed from time to time by the Commission.

ARTICLE VII

REMEDIES

SECTION 7.01 Events of Default. “Event of Default”, with respect to any series of Securities, wherever used herein, means each one of the following events (whatever the reason for such Event of Default and whether it shall be voluntary or involuntary or be effected by operation of law or pursuant to any judgment, decree or order of any court or any order, rule or regulation of any administrative or governmental body), unless it is either inapplicable to a particular series or it is specifically deleted or modified in the supplemental indenture under which such series of Securities is issued or in the form of Security for such series:

(1) default in the payment of any interest upon any Security of such series when the same becomes due and payable, and continuance of such default for a period of 30 days; or

(2) default in the payment of the principal of or premium, if any, on any Security of such series at its Maturity; or

(3) default in the making or satisfaction of any sinking fund payment or analogous obligation when the same becomes due by the terms of the Securities of such series; or

(4) default in the performance, or breach, of any covenant or warranty of the Company in respect of the Securities of such series (other than a covenant or warranty in respect of the Securities of such series a default in whose performance or whose breach is elsewhere in this Section specifically dealt with), and continuance of such default or breach for a period of 90 days after there has been given, by registered or certified mail, to the Company by the Trustee or to the Company and the Trustee by the Holders of at least 25% in principal

amount of the Outstanding Securities of such series, a written notice specifying such default or breach and requiring it to be remedied and stating that such notice is a "Notice of Default" hereunder; or

(5) the entry of a decree by a court having jurisdiction in the premises adjudging the Company bankrupt or insolvent, or approving as properly filed a petition seeking reorganization, arrangement, adjustment or composition of or in respect of the Company under the Federal Bankruptcy Code or any other applicable Federal or State law, or appointing a receiver, liquidator, assignee, trustee, sequestrate or other similar official of the Company or of any substantial part of its property, or ordering the winding-up or liquidation of its affairs, and the continuance of any such decree or order unstayed and in effect for a period of 60 consecutive days; or

(6) the institution by the Company of proceedings to be adjudicated a bankrupt or insolvent or the consent by it to the institution of bankruptcy or insolvency proceedings against it, or the filing by it of a petition or answer or consent seeking reorganization or relief under the Federal Bankruptcy Code or any other applicable Federal or State law, or the consent by it to the filing of any such petition or to the appointment of a receiver, liquidator, assignee, trustee, sequestrate or other similar official of the Company or of any substantial part of its property, or the making by it of an assignment for the benefit of creditors, or the admission by it in writing of its inability to pay its debts generally as they become due, or the taking of corporate action by the Company in furtherance of any such action; or

(7) any other Event of Default provided in the supplemental indenture under which such series of Securities is issued or in the form of Security for such series.

SECTION 7.02 Acceleration of Maturity; Rescission and Annulment. If an Event of Default with respect to any series of Securities for which there are Securities Outstanding occurs and is continuing, then, and in every such case, the Trustee or the Holders of not less than 25% in principal amount of the Outstanding Securities of such series (each such series acting as a separate class) may declare the principal (or, if the Securities of such series are Original Issue Discount Securities, such portion of the principal amount as may be specified in the terms of the Securities of such series) of all the Securities of such series to be immediately due and payable, by a notice in writing to the Company (and to the Trustee if given by Securityholders), and upon any such declaration the same shall become immediately due and payable.

At any time after such a declaration of acceleration with respect to Securities of any series has been made and before a judgment or decree for payment of the money due has been obtained by the Trustee as hereinafter in this Article provided, the Holders of a majority in principal amount of the Outstanding Securities of such series, by written notice to the Company and the Trustee, may rescind and annul such declaration and its consequences if

(1) the Company has paid or deposited with the Trustee a sum sufficient to pay

(A) all overdue installments of interest on all Securities of such series,

(B) the principal of and premium, if any, on any Securities of such series which have become due otherwise than by such declaration of acceleration, and interest thereon at the rate or rates prescribed therefor by the terms of the Securities of such series, to the extent that payment of such interest is lawful,

(C) to the extent that payment of such interest is lawful, interest upon overdue installments of interest at the rate or rates prescribed therefor by the terms of the Securities of such series, and

(D) all sums paid or advanced by the Trustee hereunder and the reasonable compensation, expenses, disbursements and advances of the Trustee, its agents and counsel; and

(2) all Events of Default with respect to such series of Securities, other than the non-payment of the principal of Securities of such series which have become due solely by such acceleration, have been cured or waived as provided in Section 7.12.

No such rescission shall affect any subsequent default or impair any right consequent thereon.

SECTION 7.03 Collection of Indebtedness and Suits for Enforcement by Trustee. The Company covenants that if

(1) default is made in the payment of any installment of interest on any Security of any series when such interest becomes due and payable and such default continues for a period of 30 days, or

(2) default is made in the payment of the principal of or premium, if any, on any Security of any series at the Maturity thereof, or

(3) default is made in the making or satisfaction of any sinking fund payment or analogous obligation when the same becomes due by the terms of the Securities of any series, the Company will, upon demand of the Trustee, pay to it, for the benefit of the Holder of any such Security (or Holders of Securities of any such series in the case of Clause (3) above), the whole amount then due and payable on any such Security (or Securities of any such series in the case of Clause (3) above) for principal, premium, if any, and interest, with interest upon the overdue principal and premium, if any (to the extent that payment of such interest is lawful), and (to the extent that payment of such interest shall be legally enforceable) upon overdue installments of interest, at the rate or rates prescribed therefor by the terms of any such Security (or Securities of any such series in the case of Clause (3) above); and, in addition thereto, such further amount as shall be sufficient to cover the reasonable costs and expenses of cool lection,

including the reasonable compensation, expenses, disbursements and advances of the Trustee, its agents and counsel.

If the Company fails to pay such amounts forthwith upon such demand, the Trustee, in its own name and as trustee of an express trust, may institute a judicial proceeding for the collection of the sums so due and unpaid, and may prosecute such proceeding to judgment or final decree, and may enforce the same against the Company or any other obligor upon such Securities and collect the moneys adjudged or decreed to be payable in the manner provided by law out of the property of the Company or any other obligor upon such Securities, wherever situated.

If an Event of Default with respect to any series of Securities occurs and is continuing, the Trustee may in its discretion proceed to protect and enforce its rights and the rights of the Holders of Securities of such series by such appropriate judicial proceedings as the Trustee shall deem most effectual to protect and enforce any such rights, whether for the specific enforcement of any covenant or agreement in this Indenture or in aid of the exercise of any power granted herein, or to enforce any other proper remedy.

SECTION 7.04 Trustee May File Proofs of Claim. With respect to any proofs of claims filed by the Trustee pursuant to Section 317 of the TIA, the Trustee shall be entitled to collect and receive any monies or other property payable or deliverable on any such claims and to distribute the same and any receiver, assignee, trustee, liquidator, sequestrate or other similar official in any such judicial proceeding is hereby authorized by each Securityholder to make such payments to the Trustee, and in the event that the Trustee shall consent to the making of such payments directly to the Securityholders, to pay to the Trustee any amount due to it for the reasonable compensation, expenses, disbursements and advances of the Trustee, its agents and counsel, and any other amounts due the Trustee under Section 8.05.

Nothing herein contained shall be deemed to authorize the Trustee to authorize or consent to or accept or adopt on behalf of any Securityholder any plan of reorganization, arrangement, adjustment or composition affecting the Securities or the rights of any Holder thereof, or to authorize the trustee to vote in respect of the claim of any Securityholder in any such proceeding.

SECTION 7.05 Trustee May Enforce Claims Without Possession of Securities. All rights of action and claims under the Indenture or under the Securities of any series may be prosecuted and enforced by the Trustee without the possession of any of the Securities of such series or the related coupons or the production thereof in any proceeding relating thereto, and any such proceeding instituted by the Trustee shall be brought in its own name as trustee of an express trust, and any recovery of judgment shall, after provision for the payment of the reasonable compensation, expenses, disbursements and advances of the Trustee, its agents and counsel, be for the ratable benefit of the Holders of the Securities of such series in respect of which such judgment has been recovered.

SECTION 7.06 Application of Money Collected. Any money collected by the Trustee with respect to a series of Securities pursuant to this Article shall be applied in the following order, at the date or dates fixed by the Trustee, and, in case of the distribution of such money on account of principal, premium or interest, upon presentation of the Securities of such

series or the coupons appertaining thereto, as the case may be, and the notation thereon of the payment if only partially paid and upon surrender thereof if fully paid:

FIRST: To the payment of all amounts due the Trustee under Section 8.05;

SECOND: To the payment of the amounts then due and unpaid upon the Securities of such series for principal, premium, if any, and interest, in respect of which or for the benefit of which such money has been collected, ratably, without preference or priority of any kind, according to the amounts due and pay able on Securities of such series, for principal, premium, and interest, respectively; and

THIRD: To the Company.

SECTION 7.07 Limitation on Suits. No Holder of any Security of any series shall have any right to institute any proceeding, judicial or otherwise, with respect to this Indenture, or for the appointment of a receiver or trustee, or for any other remedy hereunder, unless

(1) such Holder has previously given written notice to the Trustee of a continuing Event of Default with respect to Securities of such series;

(2) the Holders of not less than 25% in principal amount of the Outstanding Securities of such series shall have made written request to the Trustee to institute proceedings in respect of such Event of Default in its own name as Trustee hereunder;

(3) such Holder or Holders have offered to the Trustee reasonable indemnity against the costs, expenses and liabilities to be incurred in compliance with such request;

(4) the Trustee for 60 days after its receipt of such notice, request and offer of indemnity has failed to institute any such proceeding; and

(5) no direction inconsistent with such written request has been given to the Trustee during such 60-day period by the Holders of a majority in principal amount of the Outstanding Securities of such series;

it being understood and intended that no one or more Holders of Securities of such series shall have any right in any manner whatever by virtue of, or by availing of, any provision of this Indenture to affect, disturb or prejudice the rights of any other Holders of Securities of such series or to obtain or to seek to obtain priority or preference over any other such Holders or to enforce any right under this Indenture, except in the manner herein provided and for the equal and ratable benefit of all the Holders of Securities of such series.

SECTION 7.08 Restoration of Rights and Remedies. If the Trustee or any Holder has instituted any proceeding to enforce any right or remedy under this Indenture and such proceeding has been discontinued or abandoned for any reason, or has been determined adversely to the Trustee or to such Holder, then and in every such case the Company, the Trustee and the Holders shall, subject to any determination in such proceeding, be restored severally and

respectively to their former positions hereunder, and there after all rights and remedies of the Trustee and the Holders shall continue as though no such proceeding had been instituted.

SECTION 7.09 Rights and Remedies Cumulative. Except as provided in the last paragraph of Section 3.06, no right or remedy herein conferred upon or reserved to the Trustee or to the Holders is intended to be exclusive of any other right or remedy, and every right and remedy shall, to the extent permitted by law, be cumulative and in addition to every other right and remedy given hereunder or now or hereafter existing at law or in equity or otherwise. The assertion or employment of any right or remedy hereunder, or otherwise, shall not prevent the concurrent assertion or employment of any other appropriate right or remedy.

SECTION 7.10 Delay or Omission Not Waiver. No delay or omission of the Trustee or of any Holder to exercise any right or remedy accruing upon any Event of Default shall impair any such right or remedy or constitute a waiver of any such Event of Default or an acquiescence therein. Every right and remedy given by this Article or by law to the Trustee or to the Holders may be exercised from time to time, and as often as may be deemed expedient, by the Trustee or by the Holders, as the case may be.

SECTION 7.11 Control by Securityholders. The Holders of a majority in principal amount of the Outstanding Securities of any series shall have the right to direct the time, method and place of con ducting any proceeding for any remedy available to the Trustee or exercising any trust or power conferred on the Trustee with respect to the Securities of such series, provided that

(1) such direction shall not be in conflict with any rule of law or with this Indenture,

(2) the Trustee shall have the right to decline to follow any such direction if the Trustee in good faith shall, by a Responsible Officer or Officers of the Trustee, determine that the proceeding so directed would be prejudicial to the Holders of Securities of such series not joining in any such direction or would involve the Trustee in personal liability,

(3) the Trustee may take any other action deemed proper by the Trustee which is not inconsistent with such direction, and

(4) the Trustee has reasonable indemnity against the costs, expenses and liabilities incurred in compliance with such direction.

SECTION 7.12 Waiver of Past Defaults. The Holders of a majority in principal amount of the Outstanding Securities of any series may on behalf of the Holders of all the Securities of such series waive any past default hereunder and its consequences, except a default not theretofore cured

(1) in the payment of the principal of, premium, if any, or interest on any Security of such series, or in the payment of any sinking fund installment or analogous obligation with respect to Securities of such series, or

(2) in respect of a covenant or provision hereof which under Article Nine cannot be modified or amended without the consent of the Holder of each Outstanding Security of such series affected.

Upon any such waiver, such default shall cease to exist, and any Event of Default arising therefrom shall be deemed to have been cured, for every purpose of the Securities of such series under this Indenture; but no such waiver shall extend to any subsequent or other default or impair any right consequent thereon.

SECTION 7.13 Waiver of Stay or Extension Laws. The Company covenants (to the extent that it may lawfully do so) that it will not at any time insist upon, or plead, or in any manner whatsoever claim or take the benefit or advantage of, any stay or extension law wherever enacted, now or at any time here after in force, which may affect the covenants or the performance of this Indenture; and the Company (to the extent that it may lawfully do so) hereby expressly waives all benefit or advantage of any such law, and covenants that it will not hinder, delay or impede the execution of any power herein granted to the Trustee, but will suffer and permit the execution of every such power as though no such law had been enacted.

ARTICLE VIII

THE TRUSTEE

SECTION 8.01 Certain Rights of Trustee. Except as otherwise provided in Section 315 of the TIA:

(a) the Trustee may rely and shall be protected in acting or refraining from acting upon any resolution, certificate, statement, instrument, opinion, report, notice, request, direction, consent, order, bond, note or other paper or document believed by it to be genuine and to have been signed or presented by the proper party or parties;

(b) any request or direction of the Company mentioned herein shall be sufficiently evidenced by a Company Request or Company Order and any resolution of the Board of Directors may be sufficiently evidenced by a Board Resolution;

(c) whenever in the administration of this Indenture the Trustee shall deem it desirable that a matter be proved or established prior to taking, suffering or omitting any action hereunder, the Trustee (unless other evidence be herein specifically prescribed) may, in the absence of bad faith on its part, rely upon an Officers' Certificate;

(d) the Trustee may consult with counsel and the written advice of such counsel or any Opinion of Counsel shall be full and complete authorization and protection in respect of any action taken, suffered or omitted by it hereunder in good faith and in reliance thereon;

(e) the Trustee shall be under no obligation to exercise any of the rights or powers vested in it by this Indenture at the request or direction of any of the Holders pursuant to this Indenture, unless such

Holders shall have offered to the Trustee reasonable security or indemnity against the costs, expenses and liabilities which might be incurred by it in compliance with such request or direction;

(f) the Trustee shall not be bound to make any investigation into the facts or matters stated in any resolution, certificate, statement, instrument, opinion, report, notice, request, direction, consent, order, bond, note or other paper or document, but the Trustee, in its discretion, may make such for their inquiry or investigation into such facts or matters as it may see fit, and, if the Trustee shall determine to make such further inquiry or investigation, it shall be entitled to examine the books, records and premises of the Company, personally or by agent or attorney;

(g) the Trustee may execute any of the trusts or powers hereunder or perform any duties here under either directly or by or through agents or attorneys and the Trustee shall not be responsible for any misconduct or negligence on the part of any agent or attorney appointed with due care by it hereunder;

(h) the Trustee shall not be liable for any action taken, suffered or omitted by it in good faith and believed by it to be authorized or within the discretion or rights or powers conferred upon it by this Indenture; and

(i) no provision of this Indenture shall require the Trustee to expend or risk its own funds or otherwise incur any financial liability in the performance of any of its duties hereunder, or in the exercise of any of its rights or powers, if the Trustee in good faith believes that the repayment of such funds or adequate indemnity against such risk or liability is not reasonably assured to it.

SECTION 8.02 Not Responsible for Recitals or Issuance of Securities. The recitals contained herein and in the Securities, except the certificates of authentication, shall be taken as the statements of the Company, and the Trustee assumes no responsibility for their correctness. The Trustee makes no representations as to the validity or sufficiency of this Indenture or of the Securities. The Trustee shall not be accountable for the use or application by the Company of Securities or the proceeds thereof.

SECTION 8.03 May Hold Securities. The Trustee, any Paying Agent, Security Registrar or any other agent of the Company, in its individual or any other capacity, may become the owner or pledgee of Securities and, subject to Sections 310(b) and 311 of the TIA, may otherwise deal with the Company with the same rights it would have if it were not Trustee, Paying Agent, Security Registrar or such other agent.

[The following indentures shall be excluded from the operation of Section 310(b)(1) of the TIA:]

SECTION 8.04 Money Held in Trust. Money held by the Trustee in trust hereunder need not be segregated from other funds except to the extent required by law. The Trustee shall be under no liability for interest on any money received by it hereunder except as otherwise agreed with the Company.

SECTION 8.05 Compensation and Reimbursement. The Company agrees

(1) to pay to the Trustee from time to time such reasonable compensation for all services rendered by it hereunder as may be agreed upon between the Company and the Trustee (which compensation shall not be limited by any provision of law in regard to the compensation of a trustee of an express trust);

(2) except as otherwise expressly provided herein, to reimburse the Trustee upon its request for all reasonable expenses, disbursements and advances incurred or made by the Trustee in accordance with any provision of this Indenture (including the reasonable compensation and the expenses and disbursements of its agents and counsel) except any such expense, disbursement or advance as may be attributable to its negligence or bad faith; and

(3) to indemnify the Trustee for, and to hold it harmless against, any loss, liability or expense incurred without negligence or bad faith on its part, arising out of or in connection with the acceptance or administration of this trust, including the costs and expenses of defending itself against any claim or liability in connection with the exercise or performance of any of its powers or duties here under. As security for the performance of the obligations of the Company under this Section the Trustee shall have a lien prior to the Securities upon all property and funds held or collected by the Trustee as such, except funds held in trust for the payment of principal of, premium, if any, or interest on particular Securities.

SECTION 8.06 Corporate Trustee Required; Eligibility. The Trustee shall at all times satisfy the eligibility requirements of Section 310 of the TIA and together with its immediate parent maintain a combined capital and surplus of at least $50,000,000. If the Trustee together with its immediate parent publishes a report of condition at least annually, pursuant to law or pursuant to the requirements of any Federal, State, territorial, or District of Columbia supervising or examining authority to which the Trustee is subject, then, for purposes of this section, the combined capital and surplus of the Trustee shall be its combined capital and surplus as set forth in its most recent report of condition so published. If at any time the Trustee with respect to any series of Securities shall cease to be eligible in accordance with the provisions of this Section , it shall resign immediately in the manner and with the effect hereinafter specified in this Article.

SECTION 8.07 Resignation and Removal; Appointment of Successor. (a) No resignation or removal of the Trustee and no appointment of a successor Trustee pursuant to this Article shall become effective until the acceptance of appointment by the successor Trustee under Section 8.08.

(b) The Trustee may resign with respect to any series of Securities at any time by giving written notice thereof to the Company. If

an instrument of acceptance by a successor Trustee shall not have been delivered to the Trustee within 30 days after the giving of such notice of resignation, the resigning Trustee may petition any court of competent jurisdiction for the appointment of a successor Trustee with respect to Securities of such series.

(c) The Trustee may be removed with respect to any series of Securities at any time by Act of the Holders of a majority in principal amount of the Outstanding Securities of such series, delivered to the Trustee and to the Company.

(d) If at any time:

(1) the Trustee shall fail to comply with Section 310(b)(i) of the TIA with respect to any series of Securities after written request therefor by the Company or by any Securityholder who has been a bona fide Holder of a Security of such series for at least six months, or

(2) the Trustee shall cease to be eligible under Section 8.06 hereof or Section 310(a) of the TIA with respect to any series of Securities and shall fail to resign after written request therefor by the Company or by any such Securityholder, or

(3) the Trustee shall become incapable of acting with respect to any series of Securities or shall be adjudged a bankrupt or insolvent or a receiver of the Trustee or of its property shall be appointed or any public officer shall take charge or control of the Trustee or of its property or affairs for the purpose of rehabilitation, conservation or liquidation,

then, in any such case, (i) the Company by or pursuant to a Board Resolution may remove the Trustee with respect to such series, or (ii) subject to Section 315(e) of the TIA, any Securityholder who has been a bona fide Holder of a Security of such series for at least six months may, on behalf of himself and all others similarly situated, petition any court of competent jurisdiction for the removal of the Trustee and the appointment of a successor Trustee with respect to such series.

(e) If the Trustee shall resign, be removed or become incapable of acting with respect to any series of Securities, or if a vacancy shall occur in the office of Trustee with respect to any series of Securities for any cause, the Company, by or pursuant to a Board Resolution, shall promptly appoint a successor Trustee with respect to such series of Securities. If, within one year after such resignation, removal or incapability, or the occurrence of such vacancy, a successor Trustee with respect to such series of Securities shall be appointed by the Act of the

Holders of a majority in principal amount of the Outstanding Securities of such series delivered to the Company and the retiring Trustee with respect to such series, the successor Trustee so appointed shall, forthwith upon its acceptance of such appointment, become the successor Trustee with respect to such series and supersede the successor Trustee appointed by the Company with respect to such series. If no successor Trustee with respect to such series shall have been so appointed by the Company or the Holders of Securities of such series and accepted appointment in the manner hereinafter provided, any Securityholder who has been a bona fide Holder of a Security of such series for at least six months may, on behalf of himself and all others similarly situated, petition any court of competent jurisdiction for the appointment of a successor Trustee with respect to such series.

(f) The Company shall give notice of each resignation and each removal of the Trustee with respect to any series and each appointment of a successor Trustee with respect to any series by mailing written notice of such event by first-class mail, postage prepaid, to Registered Holders of Securities of such series as their names and addresses appear in the Security Register and to all other Holders of Securities of such series by publishing notice of such event once in an Authorized Newspaper in the Place of Payment. Each notice shall include the name of such successor Trustee and the address of its Principal Corporate Trust Office.

SECTION 8.08 Acceptance of Appointment by Successor. Every successor Trustee appointed hereunder shall execute, acknowledge and deliver to the Company and to the retiring Trustee an instrument accepting such appointment, and thereupon the resignation or removal of the retiring Trustee shall become effective with respect to all or any series as to which it is resigning as Trustee, and such successor Trustee, without any further act, deed or conveyance, shall become vested with all the rights, powers, trusts and duties of the retiring Trustee with respect to all or any such series; but, on request of the Company or such successor Trustee, such retiring Trustee shall, upon payment of its charges, execute and deliver an instrument transferring to such successor Trustee all the rights, powers and trusts of such retiring Trustee with respect to all or any such series; and shall duly assign, transfer and deliver to such successor Trustee all property and money held by such retiring Trustee hereunder with respect to all or any such series; subject nevertheless to its lien, if any, provided for in Section 8.05. Upon request of any such successor Trustee, the Company shall execute any and all instruments for more fully and certainly vesting in and confirming to such successor Trustee all such rights, powers and trusts.

In case of the appointment hereunder of a successor Trustee with respect to the Securities of one or more (but not all) series, the Company, the retiring Trustee and each successor Trustee with respect to the Securities of any applicable series shall execute and deliver an indenture supplemental hereto which shall contain such provisions as shall be deemed necessary or desirable to confirm that all the rights, powers, trusts and duties of the retiring Trustee with respect to the Securities of any series as to which the retiring Trustee is not retiring shall

continue to be vested in the retiring Trustee, and shall add to or change any of the provisions of this Indenture as shall be necessary to provide for or facilitate the administration of the trusts hereunder by more than one Trustee, it being understood that nothing herein or in such supplemental indenture shall constitute such Trustees co-trustees of the same trust and that each such Trustee shall be Trustee of a trust or trusts hereunder separate and apart from any trust or trusts hereunder administered by any other such Trustee.

No successor Trustee with respect to a series of Securities shall accept its appointment unless at the time of such acceptance such successor Trustee shall be qualified and eligible with respect to such series under this Article and the TIA.

SECTION 8.09 Merger Conversion, Consolidation or Succession to Business of Trustee. Any corporation into which the Trustee may be merged or converted or with which it may be consolidated, or any corporation resulting from any merger, conversion or consolidation to which the Trustee shall be a party, or any corporation succeeding to all or substantially all of the corporate trust business of the Trustee, shall be the successor of the Trustee hereunder, provided that such corporation shall be otherwise qualified and eligible under this Article and the TIA, without the execution or filing of any paper or any further act on the part of any of the parties hereto. In case any Securities shall have been authenticated, but not delivered, by the Trustee then in office, any successor by merger, conversion or consolidation to such authenticating Trustee may adopt such authentication and deliver the Securities so authenticated with the same effect as if such successor Trustee had itself authenticated such Securities.

SECTION 8.10 Appointment of Authenticating Agent. As of the date of the Indenture and at any time when any of the Securities remain Outstanding the Trustee may appoint an Authenticating Agent or Agents with respect to one or more series of Securities which shall be authorized to act on behalf of the Trustee to authenticate Securities of such series issued upon exchange, registration of transfer, or partial redemption thereof, and Securities so authenticated shall be entitled to the benefits of this Indenture and shall be valid and obligatory for all purposes as if authenticated by the Trustee hereunder.

Wherever reference is made in this Indenture to the authentication and delivery of Securities by the Trustee or the Trustee’s certificate of authentication, such reference shall be deemed to include authentication and delivery on behalf of the Trustee by an Authenticating Agent and a certificate of authentication executed on behalf of the Trustee by an Authenticating Agent. Each Authenticating Agent shall be acceptable to the Company and shall meet the requirements of Section 8.06, unless otherwise agreed to by the Company, as though it were trustee.

An Authenticating Agent may resign at any time by giving written notice thereof to the Trustee and to the Company. The Trustee may at any time terminate the agency of an Authenticating Agent by giving written notice thereof to such Authenticating Agent and to the Company. Upon receiving such a notice of resignation or upon such a termination, or in case at any time such Authenticating Agent shall cease to be eligible in accordance with the provisions of this Section , the Trustee may appoint a successor Authenticating Agent which shall be acceptable to the Company and shall give notice of such appointment in accordance with Section

1.06 to all Holders of Securities of the series with respect to which such Authenticating Agent will serve. Any successor Authenticating Agent upon acceptance of its appointment hereunder shall become vested with all the rights, powers and duties of its predecessor hereunder, with like effect as if originally named as an Authenticating Agent.

The provisions of Sections 3.08, 8.02 and 8.03 shall be applicable to each Authenticating Agent.

The Company agrees to pay to each Authenticating Agent from time to time reasonable compensation for its services under this Section .

The Trustee shall incur no liability for the appointment or for any misconduct or negligence of an Authenticating Agent. In the event the Trustee does incur liability for any such misconduct or negligence of the Authenticating Agent, the Company agrees to indemnify the Trustee for, and hold it harmless against, any such liability, including the costs and expenses of defending itself against any liability in connection with such misconduct or negligence of the Authenticating Agent.

If an appointment with respect to one or more series is made pursuant to this Section , the Securities of such series may have endorsed thereon, in addition to the Trustee's certificate of authentication, an alternate certificate of authentication in the following form:

This is one of the Securities, of the series designated herein, described in the within-mentioned Indenture.

[NAME OF TRUSTEE]
as Trustee

By

As Authenticating Agent

By

Authorized Officer

ARTICLE IX

SUPPLEMENTAL INDENTURES

SECTION 9.01 Supplemental Indentures Without Consent of Securityholders. Without the consent of any Holders of any Securities, the Company, when authorized by or pursuant to a Board Resolution, and the Trustee, at any time and from time to

time, may enter into one or more indentures supple mental hereto, in form satisfactory to the Trustee, for any of the following purposes:

(1) to evidence the succession of another corporation to the Company, and the assumption by any such successor of the covenants of the Company herein and in the Securities contained; or

(2) to evidence and provide for the acceptance of appointment by another corporation as a successor Trustee hereunder with respect to one or more series of Securities and to add to or change any of the provisions of this Indenture as shall be necessary to provide for or facilitate the administration of the trusts hereunder by more than one Trustee, pursuant to Section 8.08; or

(3) to add to the covenants of the Company, for the benefit of the Holders of Securities of all or any series, or to surrender any right or power herein conferred upon the Company, provided that such action shall not adversely affect the interests of the Holders of Securities of any series in any material respect; or

(4) to cure any ambiguity, to correct or supplement any provision in this Indenture or in the Securities which may be inconsistent with any other provision in this Indenture or in such Securities, or to make any other provisions with respect to matters or questions arising under this Indenture or in such Securities; or

(5) to establish the form of any Security, as permitted by Section 2.02, and to provide for the issuance of any series of Securities, as permitted by Section 3.01, and to set forth the terms thereof; or

(6) to make any other amendments, modifications or supplements hereto or to the Securities, provided, that such amendments, modifications or supplements shall only apply to Securities of one or more series to be thereafter issued or shall not adversely affect the rights of any Holder of any Outstanding Security.

SECTION 9.02 Supplemental Indentures with Consent of Securityholders. With the consent of the Holders of not less than a majority in principal amount of the Outstanding Securities of each series affected by such supplemental indenture or indentures (each such series voting separately as a class), by Act of said Holders delivered to the Company and the Trustee, the Company, when authorized by or pursuant to a Board Resolution, and the Trustee may enter into an indenture or indentures supplemental hereto for the purpose of adding any provisions to or changing in any manner or eliminating any of the provisions of this Indenture or such Securities or of modifying in any manner the rights of the Holders of Securities of each such series under this Indenture or such Securities; provided, however, that no such supplemental indenture shall, without the consent of the Holder of each Outstanding Security affected thereby:

(1) change the Maturity of the principal of, or the premium if any, or the Stated Maturity of any installment of interest on, any Security, or reduce the principal amount thereof or any premium thereon or the rate of interest thereon, or change the method of computing the amount of principal thereof on any date or change the coin or currency in which

any Security or any premium or interest thereon is payable, or impair the right to institute suit for the enforcement of any such payment on or after the Maturity or the Stated Maturity, as the case may be, thereof (or, in the case of redemption or repayment, on or after the Redemption Date or the Repayment Date, as the case may be); or

(2) reduce the percentage in principal amount of the Outstanding Securities of any series, the consent of whose Holders is required for any such supplemental indenture or the consent of whose Holders is required for any waiver (of compliance with certain provisions of this Indenture or of certain defaults hereunder and their consequences) provided for in this Indenture; or

(3) modify any of the provisions of this Section , Section 5.07 or Section 7.12, except to increase any such percentage or to provide that certain other provisions of this Indenture cannot be modified or waived without the consent of the Holder of each Outstanding Security affected thereby.

It shall not be necessary for any Act of Securityholders under this Section to approve the particular form of any proposed supplemental indenture, but it shall be sufficient if such Act shall approve the substance thereof.

SECTION 9.03 Execution of Supplemental Indentures. In executing, or accepting the additional trusts created by, any supplemental indenture permitted by this Article or the modifications thereby of the trusts created by this Indenture, the Trustee shall be entitled to receive, and shall be fully protected in relying upon, an Opinion of Counsel in compliance with Section 314 of the TIA stating that the execution of such supplemental indenture is authorized or permitted by and complies with this Indenture. The Trustee may, but shall not be obligated to, enter into any such supplemental indenture which affects the Trustee's own rights, duties or immunities under this Indenture or otherwise.

SECTION 9.04 Effect of Supplemental Indentures. Upon the execution of any supplemental indenture under this Article, this Indenture shall be modified in accordance therewith, and such supplemental indenture shall form a part of this Indenture for all purposes; and every Holder of Securities theretofore or thereafter authenticated and delivered hereunder shall be bound thereby.

SECTION 9.05 Conformity with Trust Indenture Act. Every supplemental indenture executed pursuant to this Article shall conform to the requirements of TIA as then in effect.

SECTION 9.06 Reference in Securities to Supplemental Indentures. Securities authenticated and delivered after the execution of any supplemental indenture pursuant to this Article may, and shall, if required by the Trustee, bear a notation in form approved by the Trustee as to any matter provided for in such supplemental indenture. If the Company shall so determine, new Securities so modified as to conform, in the opinion of the Trustee and the Board of Directors, to any such supplemental indenture may be prepared and executed by the Company and authenticated and delivered by the Trustee in exchange for Outstanding Securities.

ARTICLE X

CONSOLIDATION, MERGER, CONVEYANCE OR TRANSFER

SECTION 10.01 Company May Consolidate, etc., Only on Certain Terms. The Company shall not consolidate with or merge into any other corporation or convey or transfer its properties and assets substantially as an entirety to any Person, unless

(1) the corporation formed by such consolidation or into which the Company is merged or the Person which acquires by conveyance or transfer the properties and assets of the Company substantially as an entirety shall be organized and existing under the laws of the United States of America or any State or the District of Columbia, and shall expressly assume, by an indenture supplemental hereto, executed and delivered to the Trustee, in form satisfactory to the Trustee, the due and punctual payment of the principal of, premium, if any, and interest on all the Securities and the performance of every covenant of this Indenture on the part of the Company to be performed or observed;

(2) immediately after giving effect to such transaction, no Event of Default, and no event which, after notice or lapse of time, or both, would become an Event of Default, shall have happened and be continuing; and

(3) the Company has delivered to the Trustee an Officers' Certificate and an Opinion of Counsel each stating that such consolidation, merger, conveyance or transfer and such supplemental indenture comply with this Article and that all conditions precedent herein provided for relating to such transaction have been complied with.

SECTION 10.02 Successor Corporation Substituted. Upon any consolidation or merger, or any conveyance or transfer of the properties and assets of the Company substantially as an entirety in accordance with Section 10.01, the successor corporation formed by such consolidation or into which the Company is merged or to which such conveyance or transfer is made shall succeed to, and be substituted for, and may exercise every right and power of, the Company under this Indenture with the same effect as if such successor corporation had been named as the Company herein. In the event of any such conveyance or transfer, the Company as the predecessor corporation shall be discharged from its obligations hereunder and may be dissolved, wound up and liquidated at any time thereafter.

SECTION 10.03 Securities to be Secured in Certain Events. If, upon any such consolidation or merger of the Company, or upon any conveyance or transfer of the properties and assets of the Company substantially as an entirety to any other Person, any property, whether now owned or hereafter acquired, or right to receive income of the Company or any Restricted Subsidiary would thereupon become subject to any lien, security interest or other charge or encumbrance, or any other type of preferential arrangement (any such lien, security interest or other charge or encumbrance, or any other type of preferential arrangement being herein called a "Mortgage"), unless the Company could create such Mortgage pursuant to Section 5.06 without equally and ratably securing the Securities, the Company, prior to such consolidation, merger, conveyance or transfer, will secure the Outstanding Securities of each series hereunder, equally and ratably with (or prior to) the Debt secured by such Mortgage.

ARTICLE XI

SATISFACTION AND DISCHARGE

SECTION 11.01 Satisfaction and Discharge of Indenture. This Indenture shall cease to be of further effect (except as to any surviving rights of registration of transfer or exchange of Securities herein expressly provided for and rights to receive payments thereon pursuant to Section 11.02), with respect to a series of Securities, and the Trustee, on demand of and at the expense of the Company, shall execute proper instruments acknowledging satisfaction and discharge of this Indenture with respect to such series of Securities, when

(1) either

(A) all Securities of such series theretofore authenticated and delivered (other than (i) Securities of such series which have been destroyed, lost or stolen and which have been replaced or paid as provided in Section 3.06, and (ii) Securities of such series for whose payment money has theretofore been deposited in trust or segregated and held in trust by the Company and thereafter repaid to the Company or discharged from such trust, as provided in Section 5.03) have been delivered to the Trustee for cancellation; or

(B) all such Securities of such series not theretofore delivered to the Trustee for cancellation

(i) have become due and payable, or

(ii) will become due and payable at their Maturity within one year, or

(iii) are to be called for redemption within one year under arrangements satisfactory to the Trustee for the giving of notice of redemption by the Trustee in the name, and at the expense, of the Company, and the Company, in the case of (i), (ii) or (iii) above, has deposited or caused to be deposited with the Trustee, as trust funds in trust for the purpose, an amount sufficient to pay and discharge the entire indebtedness on such Securities of such series not theretofore delivered to the Trustee for cancellation, for principal, premium, if any, and interest, if any, to the date of such deposit (in the case of Securities of such series which have become due and payable), or to the Maturity or Redemption Date, as the case may be;

(2) the Company has paid or caused to be paid all other sums payable hereunder by the Company with respect to the Securities of such series;

(3) the Company has delivered to the Trustee an Officers' Certificate and an Opinion of Counsel each stating that all conditions precedent herein provided for relating to the satisfaction and discharge of this Indenture with respect to the Securities of such series have been complied with; and

(4) the Company has delivered to the Trustee an Opinion of Counsel stating that (i) the Company has received from, or there has been published by, the Internal Revenue Service a ruling or

(2) since the date of this Indenture there has been a change in the applicable Federal income tax law, in either case to the effect that, and based thereon such Opinion will confirm that, the Holders of the Outstanding Securities of such series will not recognize income, gain or loss for Federal income tax as a result of such satisfaction and discharge and will be subject to the Federal income tax on the same amounts, in the same manner and at the same times as would have been the case if such satisfaction and discharge had not occurred.

Notwithstanding the satisfaction and discharge of the Indenture, the obligations of the Company to the Trustee under Section 8.05 shall survive.

SECTION 11.02 Application of Trust Money. All money deposited with the Trustee pursuant to Section 11.01 shall be held in trust and applied by it, in accordance with the provisions of the Securities and this Indenture, to the payment, either directly or through any Paying Agent (including the Company acting as its own Paying Agent), as the Trustee may determine, to the Persons entitled thereto, of the principal, premium, if any, and interest for whose payment such money has been deposited with the Trustee; but such money need not be segregated from other funds except to the extent required by law.

ARTICLE XII

IMMUNITY OF INCORPORATORS, STOCKHOLDERS, OFFICERS AND DIRECTORS

SECTION 12.01 Exemption from Individual Liability. No recourse under or upon any obligation, covenant or agreement of this Indenture, or of any Security, or for any claim based thereon or otherwise in respect thereof, shall be had against any incorporator, stockholder, officer or director, as such, past, present or future, of the Company or of any successor corporation, either directly or through the Company, whether by virtue of any constitution, statute or rule of law, or by the enforcement of any assessment or penalty or otherwise; it being expressly understood that this Indenture and the obligations issued hereunder are solely corporate obligations of the Company, and that no such personal liability whatever shall attach to, or is or shall be incurred by, the incorporators, stockholders, officers or directors, as such, of the Company or of any successor corporation, or any of them, because of the creation of the indebtedness hereby authorized, or under or by reason of the obligations, covenants or agreements contained in this Indenture or in any of the Securities or implied therefrom; and that any and all such personal liability, either at common law or in equity or by constitution or

statute, of, and any and all such rights and claims against, every such incorporator, stockholder, officer or director, as such, because of the creation of the indebtedness hereby authorized, or under or by reason of the obligations, covenants or agreements contained in this Indenture or in any of the Securities or implied therefrom, are hereby expressly waived and released as a condition of, and as consideration for, the execution of this Indenture and the issuance of the Securities.

ARTICLE XIII

MEETINGS OF HOLDERS OF SECURITIES

SECTION 13.01 Purposes of Meetings. A meeting of Holders of Securities of all or any series may be called at any time and from time to time pursuant to the provisions of this Article for any of the following purposes:

(1) to give any notice to the Company or to the Trustee, or to give any directions to the Trustee, or to waive any default hereunder and its consequences, or to take any other action authorized to be taken by the Holders of Securities pursuant to any of the provisions of Article Seven;

(2) to remove the Trustee and appoint a successor Trustee pursuant to the provisions of Article Eight;

(3) to consent to the execution of an indenture or indentures supplemental hereto pursuant to the provisions of Section 9.02; or

(4) to take any other action authorized to be taken by or on behalf of the Holders of any specified percentage in aggregate principal amount of the Securities of all or any series, as the case may be, under any other provision of this Indenture or under applicable law.

SECTION 13.02 Call of Meetings by Trustee. The Trustee may at any time call a meeting of Holders of Securities of all or any series to take any action specified in Section 13.01 to be held at such time and at such place as the Trustee shall determine or at such other place as may be provided with respect to the Securities of such series. Notice of every meeting of the Holders of Securities of all or any series, setting forth the time and place of such meeting and in general terms the action proposed to be taken at such meeting, shall be given to all holders of Securities of each series that are to be affected by the action proposed to be taken at such meeting by publication at least twice in an Authorized Newspaper in the Borough of Manhattan, The City of New York or in such other place as may be provided with respect to the Securities of such series prior to the date fixed for the meeting, the first publication to be not less than 20 nor more than 180 days prior to the date fixed for the meeting, and the last publication to be not more than five days prior to the date fixed for the meeting, or such notice may be given to Registered Holders by mailing the same by registered mail, postage prepaid, to the Holders of Registered Securities at the time Outstanding, at their address as they shall appear in the Security Register, not less than 20 nor more than 60 days prior to the date fixed for the meeting. Failure to receive such notice or any defect therein shall in no case affect the validity of any action taken at such

meeting. Any meeting of Holders of Securities of all or any series shall be valid without notice if the Holders of all such Securities Outstanding, the Company and the Trustee are present in person or by proxy or shall have waived notice thereof before or after the meeting.

SECTION 13.03 Call of Meetings by Company or Securityholders. In case at any time the Company, by or pursuant to Board Resolution, or the Holders of at least 10% in aggregate principal amount of Securities then Outstanding of each series that may be affected by the action proposed to be taken at the meeting shall have requested the Trustee to call a meeting of Holders of Securities of all series that may be so affected to take any action authorized in Section 13.01 by written request setting forth in reasonable detail the action proposed to be taken at the meeting, and the Trustee shall not have mailed or made the first publication of the notice of such meeting within 30 days after receipt of such request, then the Company or the Holders in the amount above specified may determine the time and the place referred to in Section 13.02 for such meeting and may call such meeting by mailing or publishing notice thereof as provided in Section 13.02.

SECTION 13.04 Qualifications for Voting. To be entitled to vote at any meeting of Securityholders a Person shall (a) be a Holder of one or more Securities of a series affected by the action proposed to be taken, or (b) be a Person appointed by an instrument in writing as proxy by the Holder of one or more such Securities. The right of Securityholders to have their votes counted shall be subject to the proviso in the definition of “Outstanding” in Section 1.01. The only Persons who shall be entitled to be present or to speak at any meeting of Securityholders shall be the Persons entitled to vote at such meeting and their counsel, any representatives of the Trustee and its counsel and any representatives of the Company and its counsel.

SECTION 13.05 Quorum; Adjourned Meetings. At any meeting of Securityholders, the presence of Persons holding or representing Securities in an aggregate principal amount sufficient to take action on the business for the transaction of which such meeting was called shall be necessary to constitute a quorum. No business shall be transacted in the absence of a quorum unless a quorum is represented when the meeting is called to order. In the absence of a quorum within 30 minutes of the time appointed for any such meeting, the meeting shall, if convened at the request of the Holders of Securities (as provided in Section 13.03), be dissolved. In any other case the Persons holding or representing a majority in aggregate principal amount of the Securities represented at the meeting may adjourn such a meeting for a period of not less than 10 days with the same effect, for all intents and purposes, as though a quorum had been present. In the absence of a quorum at any such adjourned meeting, such adjourned meeting may be similarly further adjourned for a period of not less than 10 days. Notice of the reconvening of any such adjourned meeting shall be given as provided in Section 13.02 except that, in the case of publication, such notice need be published only once but must be given not less than five days prior to the date on which the meeting is scheduled to be reconvened, and in the case of mailing, such notice may be mailed not less than five days prior to such date.

Any Holder of a Security who has executed an instrument in writing complying with the provisions of Section 1.04 shall be deemed to be present for the purposes of determining a

quorum and be deemed to have voted; provided, however, that such holder shall be considered as present or voting only with respect to the matters covered by such instrument in writing.

Any resolution passed or decision taken at any meeting of the Holders of Securities of any series duly held in accordance with this Section shall be binding on all Holders of such series of Securities whether or not present or represented at the meeting.

SECTION 13.06 Regulations. Notwithstanding any other provisions of this Indenture, the Trustee may make such reasonable regulations as it may deem advisable for any meeting of Holders of Securities, in regard to proof of the holding of Securities and of the appointment of proxies, and in regard to the appointment and duties of inspectors of votes, the submission and examination of proxies, certificates and other evidence of the right to vote, and such other matters concerning the conduct of the meeting as it shall think fit.

The Trustee shall, by an instrument in writing, appoint a temporary chairman of the meeting, unless the meeting shall have been called by the Company or by Holders of Securities as provided in Section 13.03, in which case the Company or the Holders of Securities calling the meeting, as the case may be, shall in like manner appoint a temporary chairman. A permanent chairman and a permanent secretary of the meeting shall be elected by vote of the Holders of a majority in principal amount of the Securities represented at the meeting.

At any meeting each Holder of a Security of a series entitled to vote at such meeting, or proxy therefor, shall be entitled to one vote for each $1,000 principal amount (in the case of Original Issue Discount Securities, such principal amount to be determined as provided in the definition of “Outstanding”) of Securities of such series held or represented by him; provided, however, that no vote shall be cast or counted at any meeting in respect of any Security challenged as not Outstanding and ruled by the chairman of the meeting to be not Outstanding. The chairman of the meeting shall have no right to vote except as a Holder of Securities of such series or proxy therefor. Any meeting of Holders of Securities duly called pursuant to the provisions of Section 13.02 or 13.03 at which a quorum is present may be adjourned from time to time, and the meeting may be held as so adjourned without further notice.

SECTION 13.07 Voting Procedure. The vote upon any resolution submitted to any meeting of Securityholders shall be by written ballot on which shall be subscribed the signatures of the Holders of Securities entitled to vote at such meeting, or proxies therefor, and on which shall be inscribed an identifying number or numbers or to which shall be attached a list of identifying numbers of the Securities so held or represented by them. The permanent chairman of the meeting shall appoint two inspectors of votes who shall count all votes cast at the meeting for or against any resolution and who shall make and file with the secretary of the meeting their verified written reports in duplicate of all votes cast at the meeting. A record in duplicate of the proceedings of each meeting of Holders of Securities shall be prepared by the secretary of the meeting and there shall be attached to said record the original reports of the inspectors of votes on any vote by ballot taken thereat and affidavits by one or more Persons having knowledge of the facts setting forth a copy of the notice of the meeting and showing that said notice was mailed or published as provided in Section 13.02 and, if applicable, Section 13.05. The record shall be signed and verified by the permanent chairman and secretary of the meeting and one of

the duplicates shall be delivered to the Company and the other to the Trustee to be preserved by the Trustee, the latter to have attached thereto the ballots voted at the meeting.

Any record so signed and verified shall be conclusive evidence of the matters therein stated.

SECTION 13.08 Written Consent in Lieu of Meetings. The written authorization or consent by the Holders of the requisite percentage in aggregate principal amount of Securities of any series herein provided, entitled to vote at any such meeting, evidenced as provided in Section 1.04 and filed with the Trustee, shall be effective in lieu of a meeting of the Holders of Securities of such series, with respect to any matter provided for in this Article Thirteen.

SECTION 13.09 No Delay of Rights by Meeting. Nothing in this Article contained shall be deemed or construed to authorize or permit, by reason of any call of a meeting of Holders of Securities of any or all series or any rights expressly or impliedly conferred hereunder to make such call, any hindrance or delay in the exercise of any right or rights conferred upon or reserved to the Trustee or the Holders of the Securities of any or all such series under any provisions of this Indenture or the Securities.

Wells Fargo Bank Minnesota, National Association hereby accepts the trusts in this Indenture declared and provided, upon the terms and conditions hereinabove set forth.

IN WITNESS WHEREOF, the parties hereto have caused this Indenture to be duly executed, and their respective corporate seals to be hereunto affixed and attested, all as of the day and year first above written.

XEROX CORPORATION

BY /s/ Rhonda L. Seegal

Title: Vice President and Treasurer

Attest:

[CORPORATE SEAL]

Martin S. Wagner

Title: Assistant Secretary

WELLS FARGO BANK MINNESOTA,
NATIONAL ASSOCIATION

BY /s/ Jane Y. Schweiger

Title: Vice President

Attest:

[CORPORATE SEAL]

Title:

Exhibit 4.2

EXECUTION VERSION

XEROX CORPORATION,

as Issuer,

EACH OF THE GUARANTORS FROM TIME TO TIME PARTY HERETO,

as Guarantors

and

WELLS FARGO BANK MINNESOTA, NATIONAL ASSOCIATION,

as Trustee

FIRST SUPPLEMENTAL INDENTURE

Dated as of June 25, 2003

to Indenture dated as of June 25, 2003

$700,000,000 7-1/8% Senior Notes due 2010

and

$550,000,000 7-5/8% Senior Notes due 2013

XEROX CORPORATION

RECONCILIATION AND TIE BETWEEN TRUST INDENTURE ACT OF 1939 AND INDENTURE

Trust Indenture Act Section	Indenture Section
310(a)(1)	707
(a)(2)	707
(a)(3)	N.A.
(a)(4)	N.A.
(a)(5)	N.A.
(b)	704, 708(d)
(c)	N.A.
311(a)	704
(b)	704
(c)	N.A.
312(a)	801
(b)	207, 801
(c)	801
313(a)	201, 802
(b)	802
(c)	206, 701, 802
(d)	802
314(a)	203, 1105, 1114
(b)	N.A.
(c)(1)	203
(c)(2)	203
(c)(3)	N.A.
(d)	N.A.
(e)	203
(f)	N.A.
315(a)	702
(b)	206, 701, 702
(c)	702
(d)	702
(e)	603, 708(d)
316(a)(last sentence)	N.A.
(a)(1)(A)	612
(a)(1)(B)	613
(a)(2)	N.A.
(b)	608
(c)	1102
317(a)(1)	603
(a)(2)	604

Trust Indenture Act Section	Indenture Section
(b)	417
318(a)	213

N.A. means not applicable.

Note: This reconciliation and tie shall not, for any purpose, be deemed to be a part of this Supplemental Indenture.

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FIRST SUPPLEMENTAL INDENTURE, dated as of June 25, 2003 (the "Supplemental Indenture"), by and among XEROX CORPORATION, a corporation duly organized and existing under the laws of the State of New York (herein called, the "Company"), having its principal office at 800 Long Ridge Road, P.O. Box 1600, Stamford, Connecticut 06904, the Guarantors listed on the signature page hereto (the "Guarantors") and WELLS FARGO BANK MINNESOTA, NATIONAL ASSOCIATION, a national banking association, as trustee (herein called, the "Trustee") to the Indenture, dated as of June 25, 2003 between the Company and the Trustee (the "Base Indenture" and as supplemented by this Supplemental Indenture, in respect of the Notes, the "Indenture").

RECITALS OF THE COMPANY

WHEREAS, the Company and the Trustee entered into the Base Indenture to provide for the issuance from time to time of unsecured debentures, notes, bonds or other evidences of indebtedness (including instruments in global, temporary or definitive form) to be issued in one or more series (hereinafter called the "Securities") as the Base Indenture provides;

WHEREAS, Section 9.01 of the Base Indenture provides, among other things, that the Company and the Trustee may enter into indentures supplemental to the Base Indenture, without the consent of any Holders of Securities, to establish the form of any Security, as permitted by Section 2.02 of the Base Indenture, and to provide for the issuance of any series of Securities, as permitted by Section 3.01 of the Base Indenture, and to set forth the terms thereof;

WHEREAS, pursuant to Section 2.02 of the Base Indenture, the Company desires to execute this Supplemental Indenture to establish the form, and pursuant to Section 3.01 of the Base Indenture to provide for the issuance, of two series of its senior notes, one series of its senior notes designated as 7-1/8% Senior Notes due 2010 in an aggregate principal amount of $700,000,000 and referred to herein as the "Seven Year Notes" and one series of its senior notes designated as 7-5/8% Senior Notes due 2013 in an aggregate principal amount of $550,000,000 and referred to herein as the "Ten Year Notes" (together, the "Initial Notes");

WHEREAS, the Company may, if permitted to do so pursuant to the terms of the Indenture, the Initial Notes and the terms of its other indebtedness existing on such future date, authorize the issuance of, if and when issued, additional Seven Year Notes and/or Ten Year Notes which may be offered subsequent to the Issue Date in accordance with this Supplemental Indenture (the "Additional Notes" and, together with the Initial Notes, the "Notes"), pursuant to this Supplemental Indenture and the Company, the Guarantors and the Trustee have agreed that the Company shall issue and deliver, and the Trustee shall authenticate, the Notes pursuant to the terms of the Indenture and substantially in the form set forth as Exhibit B-1, in the case of the Seven Year Notes, and Exhibit B-2, in the case of the Ten Year Notes, attached hereto, in each case with such appropriate insertions, omissions, substitutions and other variations as are required or permitted by the Indenture;

WHEREAS, the Guarantors have duly authorized the execution and delivery of this Supplemental Indenture to provide for the guarantee of the Notes by the Guarantors as evidenced by the notation of guarantee substantially in the form of Exhibit C hereto, with such appropriate insertions, omissions, substitutions and other variations as are required or permitted by the Indenture;

WHEREAS, this Supplemental Indenture shall be subject to and governed by the provisions of the Trust Indenture Act;

WHEREAS, the execution of this Supplemental Indenture has been duly authorized by the Board of Directors of the Company and the Guarantors and all things necessary to make this Supplemental Indenture a valid, binding and legal instrument according to its terms have been done and performed; and

WHEREAS, all things necessary have been done to make the Notes, when executed by the Company and authenticated and delivered hereunder and duly issued by the Company, the valid obligations of the Company, and to make this Supplemental Indenture a valid agreement of the Company, in accordance with their and its terms.

NOW, THEREFORE, THIS SUPPLEMENTAL INDENTURE WITNESSETH:

For and in consideration of the premises and the purchase of the Notes by the Holders thereof, it is mutually covenanted and agreed, for the equal and proportionate benefit of all Holders of the Notes, as follows:

ARTICLE ONE

APPLICATION OF SUPPLEMENTAL INDENTURE AND CREATION OF THE INITIAL NOTES

SECTION 101. Application of This Supplemental Indenture.

Notwithstanding any other provision of this Supplemental Indenture, the provisions of this Supplemental Indenture, including as provided in Section 102 below, are expressly and solely for the benefit of the Holders of the Notes and the Guarantees. The Initial Notes constitute two series of Securities (as defined in the Base Indenture) as provided in Section 3.01 of the Base Indenture. Unless otherwise expressly specified, references in this Supplemental Indenture to specific Article numbers or Section numbers refer to Articles and Sections contained in this Supplemental Indenture, and not the Base Indenture or any other document.

SECTION 102. Effect of Supplemental Indenture.

With respect to the Notes (and any Guarantee endorsed thereon) only, the Base Indenture shall be supplemented pursuant to Section 9.01 thereof to establish the terms of the Notes (and any Guarantee endorsed thereon) as set forth in this Supplemental Indenture, including as follows:

(a) Definitions. The definitions and other provisions of general application set forth in Section 1.01 of the Base Indenture are deleted and replaced in their entirety by the provisions of Section 201 of this Supplemental Indenture;

(b) Provisions of General Application and Security Forms. Sections 1.02 through 1.15 and Article Two of the Base Indenture are deleted and replaced in their entirety by the provisions of Articles Two and Three, respectively (other than Section 201 of this Supplemental Indenture) of this Supplemental Indenture;

(c) Transfer and Exchange. The provisions of Article Three of the Base Indenture are deleted and replaced in their entirety by the provisions of Article Four of this Supplemental Indenture;

(d) Redemption. The provisions of Article Four of the Base Indenture are deleted and replaced in their entirety by the provisions of Article Twelve of this Supplemental Indenture;

(e) Covenants. The provisions of Article Five of the Base Indenture are deleted and replaced in their entirety by the provisions of Article Eleven of this Supplemental Indenture;

(f) Holders Lists and Reports by Trustee and Company. The provisions of Article Six of the Base Indenture are deleted and replaced in their entirety by Article Eight of this Supplemental Indenture;

(g) Remedies. The provisions of Article Seven of the Base Indenture are deleted and replaced in their entirety by the provisions of Article Six of this Supplemental Indenture;

(h) The Trustee. The provisions of Article Eight of the Base Indenture are deleted and replaced in their entirety by the provisions of Article Seven of this Supplemental Indenture;

(i) Amendments and Waivers. The provisions of Article Nine of the Base Indenture are deleted and replaced in their entirety by the provisions of Article Ten of this Supplemental Indenture;

(j) Consolidation, Merger, Sale of Assets. The provisions of Article Ten of the Base Indenture are deleted and replaced in their entirety by the provisions of Article Nine of this Supplemental Indenture;

(k) Satisfaction and Discharge. The provisions of Article Eleven of the Base Indenture are deleted and replaced in their entirety by the provisions of Article Five of this Supplemental Indenture;

(l) Immunity of Incorporators, Stockholders, Officers and Directors. The provisions of Article Twelve of the Base Indenture are deleted in their entirety; and

(m) Meetings of Holders of Securities. The provisions of Article Thirteen of the Base Indenture are deleted in their entirety.

The provisions of Articles Thirteen and Fourteen of this Supplemental Indenture shall supplement the Base Indenture.

To the extent that the provisions of this Supplemental Indenture (including those referred to in clauses (a) through (m) above) conflict with any provision of the Base Indenture, the provisions of this Supplemental Indenture shall govern and be controlling, solely with respect to the Notes (and any Guarantee endorsed thereon).

ARTICLE TWO

DEFINITIONS AND OTHER PROVISIONS OF GENERAL APPLICATION

SECTION 201. Definitions.

For all purposes of this Supplemental Indenture, except as otherwise expressly provided or unless the context otherwise requires:

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

"Act," when used with respect to any Holder, has the meaning specified in Section 205.

"Additional Notes" has the meaning specified the recitals hereto.

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

"Agent Members" has the meaning specified in Section 412.

"Asset Acquisition" means (1) an Investment by the Company or any Restricted Subsidiary of the Company in any other Person pursuant to which such Person shall become a Restricted Subsidiary of the Company or any Restricted Subsidiary of the Company, or shall be merged with or into the Company or any Restricted Subsidiary of the Company or (2) the acquisition by the Company or any Restricted Subsidiary of the Company of the assets of any Person (other than a Restricted Subsidiary of the Company) which constitute all or substantially all of the assets of such Person or comprise any division or line of business of such Person or any other properties or assets of such Person, other than (i) in the ordinary course of business or (ii) any transaction or series of related transactions involving aggregate consideration (other than Qualified Capital Stock) of $100.0 million or less.

"Asset Sale" means any direct or indirect sale, issuance, conveyance, transfer, lease (other than operating leases entered into in the ordinary course of business), assignment or other transfer for value by the Company or any of its Restricted Subsidiaries (including any Sale and Leaseback Transaction) to any Person other than the Company or a Restricted Subsidiary of the Company of: (1) any Capital Stock of any Restricted Subsidiary of the Company (other than directors' qualifying shares or shares required by applicable law to be held by a Person other than the Company or a Restricted Subsidiary) or (2) any other property or assets of the Company or any Restricted Subsidiary of the Company other than in the ordinary course of business; provided, however, that asset sales or other dispositions shall not include: (a) a transaction or series of related transactions for which the Company or its Restricted Subsidiaries receive aggregate consideration of up to $25.0 million, (b) the sale, lease, conveyance, disposition or other transfer of all or substantially all of the assets of the Company in accordance with and as permitted by Section 901, (c) any Restricted Payment permitted by Section 1108 or that constitutes a Permitted Investment, (d) the sale, lease, conveyance, disposition or other transfer of any Capital Stock or other ownership interest in or assets or property of an Unrestricted Subsidiary or a Person which is not a Subsidiary pursuant to any foreclosure of assets or other remedy provided by applicable law to a creditor of the Company or any Subsidiary of the Company with a Lien on such assets, which Lien is permitted under this Supplemental Indenture; provided that such foreclosure or other remedy is conducted in a commercially reasonable manner or in accordance with any bankruptcy law, (e) a disposition of obsolete or worn out property or property that is no longer useful in the conduct of the business of the Company and its Restricted Subsidiaries, (f) the discounting or compromising by the Company or any Restricted Subsidiary for less than the face value thereof of notes or accounts receivable in order to resolve disputes that occur in

the ordinary course of business and not in connection with a factoring or financing transaction and (g) for purposes of clauses (1) and (2) of Section 1109(a) only, any disposition, sale or transfer of property or assets that are part of the Business Effectiveness Actions.

"Asset Sale Agreement" has the meaning specified in Section 1109.

"Bankruptcy Law" means Title 11, United States Bankruptcy Code of 1978, as amended, or any similar United States federal or state law relating to bankruptcy, insolvency, receivership, winding-up, liquidation, reorganization or relief of debtors or any amendment to, succession to or change in any such law.

"Base Indenture" has the meaning provided in the first paragraph hereto.

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

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

"Business Day" means each Monday, Tuesday, Wednesday, Thursday and Friday which is not a day on which banking institutions in The City of New York are authorized or obligated by law or executive order to close.

"Business Effectiveness Actions" means (a) the Third-Party Vendor Financing Program, including the creation and maintenance of joint ventures in furtherance thereof (including Xerox Capital Services, LLC), (b) the outsourcing of manufacturing activities, including transfers and closings of any related manufacturing sites, offices or other real property or assets and the creation and maintenance of joint ventures in furtherance thereof, (c) transfers of assets related to the SOHO business, (d) deployment of, and transition to, a "distributor" model in the "Developing Markets Operations" or other markets outside North America pursuant to which the Company or any of its Subsidiaries' products or services, or any receivables relating to any thereof, would be sold or disposed of to third-party vendors or any other Person, including transfers of offices, equipment and real estate relating to such markets and the creation and maintenance of joint ventures in furtherance thereof, (e) the following types of transactions in respect of research and development and intellectual property of the Company and its Subsidiaries: (i) the creation of IP Companies, whether alone or with third parties, (ii) the transfer of assets of, or Capital Stock in, any IP Company, (iii) the transfer to any IP Company of any offices, real property, equipment or other tangible assets relating to the business of the applicable IP Company and (iv) the transfer to any IP Company of intellectual property; provided that the terms of any such transfer pursuant to this clause (e)(iv) do not restrict in any material manner the ability of the Company and its Subsidiaries to utilize any such intellectual property that is material to the production or office businesses of the Company and its Subsidiaries and, where ownership of

such intellectual property is transferred to any IP Company by the Company or any of its Subsidiaries, all rights (if any) of the Company or any of its Subsidiaries to use such intellectual property are evidenced by a license or other agreement that in no event shall include any transfer of ownership of the "Xerox" name, and (f) to the extent not covered in clause (a), (b), (c), (d) or (e) above, charges relating to cost reduction initiatives or measures relating to workforce reductions.

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

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

"Capital Stock" means:

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

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

"Cash Equivalents" means:

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

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

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

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

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

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

"Certificated Note" means a definitive Note registered in physical certificated form.

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

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

(2) there shall be consummated any share exchange, consolidation or merger of the Company pursuant to which the Company's Common Stock would be converted into cash, securities or other property, or the Company sells, assigns, conveys, transfers, leases or otherwise disposes of all or substantially all of its assets, in each case other than pursuant to a share exchange, consolidation or merger of the Company in which the holders of the Company's Common Stock immediately prior to the share exchange, consolidation or merger have, directly or indirectly, at least a majority of the total voting power in the aggregate of all classes of Capital Stock of the continuing or surviving corporation immediately after the share exchange, consolidation or merger; or

(3) the Company is dissolved or liquidated.

For purposes of this Change of Control definition:

(i) "person" or "group" has the meaning given to it for purposes of Sections 13(d) and 14(d) of the Exchange Act or any successor provisions, and the term "group" includes any group acting for the purpose of acquiring, holding or disposing of securities within the meaning of Rule 13d-5(b)(1) under the Exchange Act or any successor provision;

(ii) a "beneficial owner" will be determined in accordance with Rule 13d-3 under the Exchange Act, as in effect on the date of this Supplemental Indenture; and

(iii) the number of shares of the Company's voting stock outstanding will be deemed to include, in addition to all outstanding shares of the Company's voting stock and unissued shares deemed to be held by the "person" or "group" or other person with respect to which the Change of Control determination is being made, all unissued shares deemed to be held by all other persons.

"Change of Control Offer" has the meaning specified in Section 1106(a).

"Change of Control Payment Date" has the meaning specified in Section 1106(b).

"Code" has the meaning specified in Section 414.

"Commission" means the Securities and Exchange Commission.

"Common Stock" of any Person means any and all shares, interests or other participations in, and other equivalents (however designated and whether voting or non-voting) of such Person's common stock, whether outstanding on January 17, 2002 or issued thereafter, and includes, without limitation, all series and classes of such common stock.

"Company" means the Person named as the "Company" in the first paragraph hereto, until a successor Person shall have become such pursuant to the applicable provisions of this Supplemental Indenture, and thereafter "Company" shall mean such successor Person.

"Company Request" or "Company Order" means a written request or order signed in the name of the Company by its Chairman, any Vice Chairman, its President, any Vice President, its Treasurer or an Assistant Treasurer, and delivered to the Trustee.

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

(1) Consolidated Net Income; and

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

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

(b) Consolidated Fixed Charges; and

(c) Consolidated Non-cash Charges.

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

(1) the incurrence or repayment of any Indebtedness of such Person or any of its Restricted Subsidiaries (and the application of the proceeds thereof) giving rise to the need to make such calculation and any incurrence or repayment of other Indebtedness (and the application of the proceeds thereof), other than the incurrence or repayment of Indebtedness in the ordinary course of business for working capital purposes pursuant to working capital facilities, occurring during the Four Quarter Period or at any time subsequent to the last day of the Four Quarter Period and on or prior to the Transaction Date, as if such incurrence or repayment, as the case may be (and the application of the proceeds thereof), occurred on the first day of the Four Quarter Period; and

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

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

Furthermore, in calculating "Consolidated Fixed Charges":

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

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

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

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

(1) Consolidated Interest Expense; plus

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

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

"Consolidated Net Income" means, with respect to any Person, for any period, the aggregate net income (or loss) of such Person and its Restricted Subsidiaries for such period on a

consolidated basis, determined in accordance with GAAP; provided that there shall be excluded therefrom:

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

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

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

(4) the net income of any other Person, other than a Restricted Subsidiary of the referent Person, joint ventures described in the definition of "Permitted Joint Venture Investments" and any joint ventures in which the Company or any Restricted Subsidiary is a party that exists as of January 17, 2002, except to the extent of cash dividends or distributions paid to the referent Person or to a Restricted Subsidiary of the referent Person by such Person;

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

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

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

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

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

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

"Convertible Trust Preferred Securities" means the $650.0 million aggregate liquidation amount of 8% Convertible Trust Preferred Securities of Xerox Capital Trust I and the $1,035.0 million aggregate liquidation amount of 7½% Convertible Trust Preferred Securities of Xerox Capital Trust II, in each case, as in effect on January 17, 2002.

"Corporate Trust Office" means a corporate trust office of the Trustee, at which at any particular time its corporate trust business shall be administered, which office at the date of execution of this Supplemental Indenture is located at Sixth Street and Marquette Avenue, Minneapolis, MN 55479, Attn: Corporate Trust Services, Jane Schweiger and an office of an agent of the Trustee located at c/o The Depository Trust Company, 1st Floor, TADS Department, 55 Water Street, New York, New York 10041.

"Covenant Defeasance" has the meaning specified in Section 1303.

"Credit Agreement" means the Credit Agreement, dated as of June 19, 2003, among the Company, the lenders party thereto in their capacities as lenders thereunder and the agents named therein, together with the related documents thereto (including, without limitation, any guarantee agreements and security documents), in each case as such agreement may be amended (including any amendment and restatement thereof), supplemented or otherwise modified from time to time, including any agreements extending the maturity of, refinancing, replacing (whether or not contemporaneously) or otherwise restructuring (including increasing the amount of available borrowings thereunder (provided that such increase in borrowings is permitted by Section 1107) or adding Restricted Subsidiaries of the Company as additional borrowers or collateral guarantors thereunder) all or any portion of the Indebtedness under such agreement or any successor or replacement agreements and whether by the same or any other agent, lender or group of lenders or investors and whether such refinancing or replacement is under one or more debt facilities or commercial paper facilities, indenture or other agreements, in each case with banks or other institutional lenders or trustees or investors providing for revolving credit loans, term loans, notes or letters of credit, together with related documents thereto (including, without limitation, any guaranty agreements and security documents).

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

"Custodian" means the Trustee, in its capacity as custodian for the Depository or its nominee.

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

"Defaulted Interest" has the meaning specified in Section 408.

"Depositary" means The Depository Trust Company, its nominees and their respective successors.

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

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

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

"Event of Default" has the meaning specified in Section 601.

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

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

"Finance SPE" means (a) any Receivables SPE and (b) any Restricted Subsidiary that (i) is a special purpose financing vehicle, (ii) was created solely for the purpose of facilitating the incurrence of Capital Markets Debt by the Company or any Restricted Subsidiary or any equity issuance by the Company or any Restricted Subsidiary (including the issuance of any Preferred Stock), (iii) has no business other than the facilitation of such incurrence or issuance and activities incidental thereto and (iv) is capitalized with no more than an amount equal to the cash proceeds received by such Finance SPE from such transaction; provided that such transaction does not constitute or create Indebtedness secured by a Lien that is not permitted by Section 1112.

"Financing Subsidiary" has the meaning specified in Section 1113 of this Supplemental Indenture.

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

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

"Global Note" means each Note in global from issued under this Supplemental Indenture, substantially in the form set forth in Exhibit B-1, in the case of Seven Year Notes, and Exhibit B-2, in the case of Ten Year Notes, attached hereto.

"Global Note Legend" means the legend in the form set forth in Exhibit A attached hereto, which is required to be placed on all Global Notes issued under the Indenture.

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

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

"Holder" with respect to any series of Notes means a Person in whose name a Note of such series is registered in a Security Register.

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

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

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

(3) all Capitalized Lease Obligations of such Person;

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

(5) all indebtedness for the reimbursement of any obligor on any letter of credit, banker's acceptance or similar credit transaction (other than obligations with re-

spect to letters of credit supporting obligations not for money borrowed entered into in the ordinary course of business of such Person to the extent such letters of credit are not drawn upon or, if and to the extent drawn upon, such drawing is reimbursed no later than the fifth business day following payment on the letter of credit);

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

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

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

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

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

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

For purposes of determining compliance with Section 1107, the U.S. dollar-equivalent principal amount of Indebtedness denominated in a foreign currency shall be calculated based on the relevant currency exchange rate in effect on the date such Indebtedness was incurred, in the case of term Indebtedness, or first committed, in the case of revolving credit Indebtedness. Notwithstanding any other provision of Section 1107, the maximum amount of In-

debtedness that the Company or any Restricted Subsidiary may incur pursuant to Section 1107 shall not be deemed to be exceeded solely as a result of fluctuations in the exchange rate of currencies. The principal amount of any Indebtedness incurred to Refinance other Indebtedness, if incurred in a different currency from the Indebtedness being Refinanced, shall be calculated based on the currency exchange rate applicable to the currencies in which such Refinancing Indebtedness is denominated that is in effect on the date of such refinancing.

"Indenture" has the meaning specified in the first paragraph hereto.

"Initial Notes" has the meaning specified in the recitals hereto.

"Interest Payment Date" means June 15 and December 15 of each year, commencing December 15, 2003.

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

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

"Investment Grade Status", with respect to the Company, shall occur when the Notes have both (i) a rating of "BBB-" or higher from S&P and (ii) a rating of "Baa3" or higher from Moody's, and each such rating shall have been published by the applicable agency.

"IP Company" means any Person, whether now existing or hereafter formed, in which the Company or any of its Restricted Subsidiaries owns or acquires any Capital Stock, which Person (a) has as its primary business one or more of the following: (i) research and development, (ii) the generation or management of intellectual property or (iii) the commercialization or maximization of the value of intellectual property developed by or transferred to such Person by one or more of the Company or any of its Restricted Subsidiaries, and activities incidental thereto, and (b) has no other significant business; provided that each of the following Persons and its Subsidiaries shall be deemed to be an IP Company: (i) Palo Alto Research Center Incorporated, (ii) XESystems, Inc., (iii) Integic Corporation, (iv) ScanSoft, Inc., (v) Telesensory Corporation, (vi) Document Sciences Corporation, (vii) dpiX, LLC, (viii) ContentGuard Holdings, Inc., (ix) InXight Software, Inc. and (x) Gyricon, LLC.

"Issue Date" means June 25, 2003, the date of original issuance of the Initial Notes.

"Legal Defeasance" has the meaning specified in Section 1302.

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

"Make-Whole Premium" with respect to a Note means an amount equal to the excess of (a) the present value of the remaining interest, premium and principal payments due on such Note to its final maturity date in the case of the Seven Year Notes or, in the case of the Ten Year Notes, June 15, 2008, computed using a discount rate equal to the Treasury Rate on such date plus 0.50%, over (b) the outstanding principal amount of such Note. For the avoidance of doubt, the Make-Whole Premium shall not be less than zero.

"Maturity Date" means, with respect to any Note, the date on which any principal of such Note becomes due and payable as therein or herein provided, whether at the Stated Maturity with respect to such principal or by declaration of acceleration, call for redemption or purchase or otherwise.

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

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

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

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

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

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

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

"Net Proceeds Offer" has the meaning specified in Section 1109.

"Net Proceeds Offer Amount" has the meaning specified in Section 1109.

"Net Proceeds Offer Payment Date" has the meaning specified in Section 1109.

"Net Proceeds Offer Trigger Date" has the meaning specified in Section 1109.

"Non-Guarantor Subsidiary" means any Subsidiary of the Company that is not a Guarantor.

"Notes" has the meaning specified in the recitals hereto.

"Officers' Certificate" means, with respect to any Person, a certificate signed by the chief executive officer, the president or any vice president and the chief financial officer, the treasurer, any assistant treasurer or the controller of such Person that shall comply with applicable provisions of this Supplemental Indenture and delivered to the Trustee.

"Opinion of Counsel" means a written opinion of counsel, who may be an officer, counsel or employee of the Company, and who shall be reasonably acceptable to the Trustee.

"Outstanding," when used with respect to any series of Notes, means, as of the date of determination, all Notes of such series theretofore authenticated and delivered under the Indenture, except:

(i) Notes of such series theretofore cancelled by the Trustee or delivered to the Trustee for cancellation;

(ii) Notes of such series, or portions thereof, for whose payment or redemption money in the necessary amount has been theretofore deposited with the Trustee or any Paying Agent (other than the Company) in trust or set aside and segregated in trust by the Company (if the Company shall act as its own Paying Agent) for the Holders of such Notes; provided that, if Notes of such series are to be redeemed, notice of such redemption shall have been duly given pursuant to the Indenture or provision therefor satisfactory to the Trustee has been made;

(iii) Notes of such series, except to the extent provided in Sections 1302 and 1303, with respect to which the Company has effected Legal Defeasance and/or Covenant Defeasance as provided in Article Thirteen with respect to such series of Notes; and

(iv) Notes of such series in exchange for or in lieu of which other Notes have been authenticated and delivered pursuant to the Indenture, other than any such Notes in respect of which there shall have been presented to the Trustee proof satisfactory to it that such Notes are held by a bona fide purchaser in whose hands the Notes are valid obligations of the Company; provided, however, that in determining whether the Holders of the requisite principal amount of Outstanding Notes of any series of Notes have given any request, demand, authorization, direction, consent, notice or waiver hereunder, and for the purpose of making the calculations required by Section 313 of the Trust Indenture Act, Notes of such series owned by the Company or any other obligor upon the Notes of such series or any Affiliate of the Company or such other obligor shall be disregarded and deemed not to be Outstanding, except that, in determining whether the Trustee shall be protected in making such calculation or in relying upon any such request, demand, authorization, direction, notice, consent or waiver, only Notes of such series which the Trustee actually knows to be so owned shall be so disregarded. Notes of a series so owned which have been pledged in good faith may be regarded as Outstanding if the pledgee establishes to the satisfaction of the Trustee the pledgee's right so to act with respect to such Notes and that the pledgee is not the Company or any other obligor upon such Notes or any Affiliate of the Company or such other obligor.

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

"Paying Agent" means any Person (including the Company acting as Paying Agent) authorized by the Company to pay the principal of (and premium, if any, on) or interest on any Notes on behalf of the Company.

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

(1) Indebtedness under the Notes (other than Additional Notes) and any Guarantees outstanding on the Issue Date or otherwise required by the Indenture;

(2) Indebtedness of the Company or any Restricted Subsidiary incurred in the ordinary course of business (including, without limitation, in connection with the Business Effectiveness Actions) so long as the proceeds thereof are not used, directly or indirectly, to finance an Asset Acquisition or to make a Restricted Payment (other than a Permitted Investment) or to effect a refinancing of Indebtedness or Capital Stock (other than Refinancing Indebtedness incurred to Refinance any Indebtedness originally permitted to be incurred under this clause (2));

(3) Indebtedness incurred pursuant to the Credit Agreement in an aggregate principal amount at any time outstanding not to exceed $4.75 billion;

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

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

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

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

(8) Indebtedness of the Company to a Restricted Subsidiary of the Company for so long as such Indebtedness is held by a Restricted Subsidiary of the Company and subject to no Lien (other than in favor of a senior secured credit agreement that is permitted to be incurred under clause (3) above); provided that if as of any date any Person

other than a Restricted Subsidiary of the Company owns or holds any such Indebtedness or any Person holds a Lien (other than in favor of a senior secured credit agreement that is permitted to be incurred under clause (3) above) in respect of such Indebtedness, such date shall be deemed the incurrence of Indebtedness not constituting Permitted Indebtedness by the Company;

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

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

(11) Indebtedness incurred in connection with the Third-Party Vendor Financing Program or any Qualified Receivables Transaction; provided that any Liens on such Indebtedness are permitted by Section 1112;

(12) any guarantee by the Company or a Restricted Subsidiary of Indebtedness of the Company or any Restricted Subsidiary so long as the incurrence of such Indebtedness would otherwise be permitted to be incurred under the Indenture and such guarantee is otherwise not prohibited by the Indenture and Section 1113(a), to the extent applicable to such guarantee, is complied with;

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

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

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

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

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

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

(18) Refinancing Indebtedness; and

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

For purposes of determining compliance with Section 1107 of this Supplemental Indenture, in the event that an item of Indebtedness meets the criteria of more than one of the categories of Permitted Indebtedness described in clauses (1) through (19) above or is entitled to be incurred pursuant to the Consolidated Fixed Charge Coverage Ratio provisions of Section 1107(a), the Company shall, in its sole discretion, classify such item of Indebtedness in any manner that complies with Section 1107. In addition, the Company may, at any time, change the classification of an item of Indebtedness (or any portion thereof) to any other clause, and in part under any one or more of the clauses listed above, or to Section 1107(a); provided that the Company would be permitted to incur such item of Indebtedness (or portion thereof) pursuant to such other clause or clauses, as the case may be, or Section 1107(a), as the case may be, at such time of reclassification. Accrual of interest, accretion or amortization of original issue discount or other discounts or premiums, the payment of interest on any Indebtedness in the form of additional Indebtedness with the same terms, and the payment of dividends on Disqualified Capital Stock or Preferred Stock in the form of additional shares of the same class of Disqualified Capital Stock or Preferred Stock and any other changes in reported Indebtedness required by GAAP and other non-cash changes in Indebtedness due to fluctuations in interest rates, will not be deemed to be an incurrence of Indebtedness or an issuance of Disqualified Capital Stock or Preferred Stock for purposes of Section 1107.

"Permitted Investment Intermediate Ratings Condition" means the condition that the Company's senior unsecured debt is rated at least "BB" by S&P and "Ba2" by Moody's.

"Permitted Investments" means:

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

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

(3) Investments in cash in (a) euros or dollars and Cash Equivalents or, to the extent determined by the Company or a Foreign Subsidiary in good faith to be necessary for local working capital requirements and operational requirements of the Foreign Subsidiaries, other cash and cash equivalents denominated in the currency of any jurisdiction which are, as determined in good faith by the Company or such Foreign Subsidiary, necessary or desirable for reasonable business purposes and, in the case of cash equivalents, are otherwise substantially similar to the items specified in the definition of "Cash Equivalents," and (b) cash and Cash Equivalents denominated in the currency of the jurisdiction of organization or place of business of a Foreign Subsidiary that are otherwise substantially similar to items specified in the definition of "Cash Equivalents," except that if such jurisdiction prohibits the repatriation of working capital to the United States, any specific rating required in the definition of "Cash Equivalents" shall be deemed to be satisfied if such Investments have, at the time of the acquisition, the highest rating from any rating agency of any Investments available to be issued in such currency; provided that the aggregate amount of Investments made pursuant to this clause (3)(b) shall not exceed the equivalent of $50.0 million at any time outstanding;

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

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

(6) additional Investments having an aggregate fair market value, taken together with all other Investments made or deemed to be made pursuant to this clause (6) that are at that time outstanding, not to exceed $750.0 million at the time of such Investment (with the fair market value of each Investment being measured at the time made and without giving effect to subsequent changes in value);

(7) Investments in securities of trade creditors or customers received pursuant to any plan of reorganization or similar arrangement upon the bankruptcy, work-out or insolvency of such trade creditors or customers or as a result of a foreclosure by the

Company or any of its Restricted Subsidiaries with respect to any secured Investment or other transfer of title with respect to any secured Investment in default;

(8) Investments made by the Company or its Restricted Subsidiaries as a result of consideration received in connection with any sale or other transfer of assets, to the extent applicable, in compliance with Section 1109 of this Supplemental Indenture;

(9) Permitted Joint Venture Investments;

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

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

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

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

(14) Investments owned by the Company and any Restricted Subsidiary existing on the Issue Date, any extension or renewal thereof that does not increase the principal amount thereof (other than to reflect any accrued interest, dividends or other amounts with respect thereto and any expenses incurred in connection with such extension or renewal) and conversions of any such debt Investments into equity Investments and contributions or other transfers of such Investments to the Company or any of its Restricted Subsidiaries (other than for cash);

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

(16) any Investment by Ridge Re of cash that may legally be made by a Bermuda insurance company; and

(17) Investments made by the Company or any Subsidiary at any time the Permitted Investment Covenant Intermediate Ratings Condition is satisfied; provided that on any Reinstatement Date, Investments made at any time that the Permitted Investment Intermediate Ratings Condition was satisfied that are not of the type described in any of clauses (1) through (5) and (7) through (16) of this definition (such Investments, "Excess Investments") shall be deemed to have been made and shall be applied to reduce (A) the amount of Investments available to be made on and after the Reinstatement Date pursuant to clause (6) of this definition and/or (B) the amount of Restricted Payments available to be made after the Reinstatement Date under clause (iii) of Section 1108(a); provided further that the Company shall have the exclusive right to allocate and choose the order in which Excess Investments are applied under clauses (A) and/or (B) above; provided that such reductions by themselves shall not cause the amount available at any time to be made either as Investments pursuant to clause (6) of this definition or Restricted Payments pursuant to clause (iii) of Section 1108(a) to be reduced to below an amount equal to $75.0 million per calendar year in each case; provided further that such amount shall be prorated only for the number of calendar days between the Reinstatement Date and the earlier of (A) the end of the calendar year in which the Reinstatement Date occurs and (b) June 15, 2013.

"Permitted Joint Venture Investments" means any Investment (A) in a joint venture, partnership or other arrangement with a Person or Persons to the extent necessary or desirable, as determined by the Company, to (x) facilitate, or as contemplated by, the Business Effectiveness Actions or (y) facilitate Qualified Receivables Transactions and (B) in Fuji Xerox Co., Limited.

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

"Predecessor Note" of any particular Note means every previous Note evidencing all or a portion of the same debt as that evidenced by such particular Note; and, for the purposes of this definition, any Note authenticated and delivered under Section 407 in exchange for a mutilated security or in lieu of a lost, destroyed or stolen Note shall be deemed to evidence the same debt as the mutilated, lost, destroyed or stolen Note.

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

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

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

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

"Qualified Receivables Transaction" means any transaction or arrangement or series of transactions or arrangements entered into by the Company or any of its Subsidiaries in order to monetize or otherwise finance, or as a result of which it may receive earlier than otherwise due amounts that will become receivable or be earned in the future in respect of, a discrete pool (which may be fixed or revolving) of receivables, leases or other financial assets, including financing contracts and any transaction or arrangement that is not a sale or transfer but pursuant to and by virtue of which a Person succeeds to, and becomes entitled to, the rights under or in respect of such receivables, leases or other financial assets (in each case whether now existing or arising in the future), and which may include a Lien on (a) receivables, (b) deposit or other accounts (and the funds or investments from time to time credited thereto) established in connection with a Qualified Receivables Transaction to secure obligations of the Company or any of its Subsidiaries arising in connection with or otherwise related to such transaction, (c) any promissory note issued by the Company or any of its Subsidiaries evidencing the repayment of amounts directly or indirectly distributed to the Company or any of its Subsidiaries from any such accounts and (d) any assets of or Capital Stock or any warrants, options or other rights to acquire Capital Stock in each and any Receivables SPE used to facilitate such transaction, provided that such transaction or arrangement does not constitute or create Indebtedness secured by a Lien that is not permitted by Section 1112.

"Receivables SPE" means a Restricted Subsidiary that is a special purpose entity that (a) borrows against receivables or purchases, leases or otherwise acquires receivables or transfers receivables to one or more third-party purchasers or another Receivables SPE in connection with a Qualified Receivables Transaction, (b) engaged in other activities that are necessary or desirable to effectuate the activities described in the definitions of "Qualified Receivables Transaction" or "Third-Party Vendor Financing Program," or (c) is established or then used solely for the purpose of, and has no business other than, owning a Receivables SPE, servicing receivables owned by a Receivables SPE, owning or holding title to the property or assets giving rise to such receivables or any activities incidental thereto (including those described in the definitions of "Qualified Receivables Transaction" or "Third-Party Vendor Financing Program").

"Redemption Date," when used with respect to any Note to be redeemed, in whole or in part, means the date fixed for such redemption by or pursuant to the Indenture.

"Redemption Price," when used with respect to any Note to be redeemed, means the price at which it is to be redeemed pursuant to this Supplemental Indenture.

"Reference Date" has the meaning specified in Section 1108.

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

"Refinancing Indebtedness" means any Refinancing by the Company or any Restricted Subsidiary of the Company of Indebtedness permitted by Section 1107 of this Supplemental Indenture (other than pursuant to clauses (3), (5), (6), (7), (8), (9), (10), (11), (13), (14), (15), (16), (17) or (19) of the definition of "Permitted Indebtedness"), in each case that does not:

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

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

"Regular Record Date" for the interest payable on any Interest Payment Date means the June 1 or December 1 (whether or not a Business Day), as the case may be, next preceding such Interest Payment Date.

"Reinstatement Date" means, after the satisfaction of the Permitted Investment Intermediate Ratings Condition, the first date on which the Permitted Investment Intermediate Ratings Condition is no longer satisfied.

"Replacement Assets" has the meaning specified in Section 1109.

"Responsible Officer", when used with respect to the Trustee, means the chairman or any vice-chairman of the board of directors, the chairman or any vice-chairman of the executive committee of the board of directors, the chairman of the trust committee, the president, any vice president, the secretary, any assistant secretary, the treasurer, any assistant treasurer, the cashier, any assistant cashier, any trust officer or assistant trust officer, the controller or any assistant controller or any other officer of the Trustee customarily performing functions similar to those performed by any of the above-designated officers, and also means, with respect to a par-

ticular corporate trust matter, any other officer to whom such matter is referred because of his knowledge of and familiarity with the particular subject.

"Restricted Payments" has the meaning specified in Section 1108.

"Restricted Payments Basket" has the meaning specified in Section 1108.

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

"Reversion Date" has the meaning set forth in Section 1115 of this Supplemental Indenture.

"Rule 144A" means Rule 144A promulgated under the Securities Act.

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

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

"Securities" has the meaning specified in the recitals to this Supplement Indenture.

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

"Security Register" and "Security Registrar" have the respective meanings specified in Section 405.

"Series B Convertible Preferred Stock" means the 10.0 million shares of Series B Convertible Preferred Stock of the Company issued to the Company's Employee Stock Ownership Plan Trust, as in effect on January 17, 2002.

"Seven Year Note" has the meaning provided in the recitals hereto.

"Significant Subsidiary," with respect to any Person, means any Restricted Subsidiary of such Person that satisfies the criteria for a "significant subsidiary" set forth in Rule 1.02 of Regulation S-X under the Exchange Act as such Regulation is in effect on January 17, 2002.

"Special Record Date" for the payment of any Defaulted Interest means a date fixed by the Trustee pursuant to Section 408.

"Specified Redemption" has the meaning set forth in Section 1201 of this Supplemental Indenture.

"Specified Redemption Date" has the meaning set forth in the definition of "Treasury Rate."

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

"Stated Maturity" when used with respect to any Indebtedness or any installment of interest thereon means the dates specified in such Indebtedness as the fixed date on which the principal of or premiums on such Indebtedness or such installment of interest is due and payable, and shall not include any contingent obligations to repay, redeem or repurchase any such interest or principal prior to the date originally scheduled for the payment thereof.

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

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

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

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

"Supplemental Indenture" has the meaning specified in the first paragraph hereto.

"Surviving Entity" has the meaning specified in Section 901(a) of this Supplemental Indenture.

"Suspended Covenants" means the covenants and provisions contained in Sections 1107, 1108, 1109, 1110 and 1111 of this Supplemental Indenture.

"Suspension Period" has the meaning specified in Section 1115 of this Supplemental Indenture.

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

"Ten Year Note" has the meaning provided in the recitals hereto.

"Third-Party Vendor Financing Program" means any arrangement by the Company or any Restricted Subsidiary of third-party vendor financing directly or indirectly for customers of the Company or any Restricted Subsidiary, including (a) the sale of a financing business, (b) transfers of all or any portion of the business of, and assets relating to the business of, providing billing, collection and other services in respect of finance, lease and other receivables, (c) Qualified Receivables Transactions and (d) other arrangements for the indirect financing of receivables wherein a third-party financier makes loans to Restricted Subsidiaries that are Finance SPEs in respect of receivables generated by the Company or any Restricted Subsidiary, whether generated prior to or during such arrangements and whether the relevant transaction is consolidated balance sheet (including the Program Agreement dated as of October 21, 2002 between General Electric Capital Corporation, the Company, Xerox Lease Funding, LLC and Xerox Lease Equipment LLC as thereafter amended, modified or supplemented from time to time and any Qualified Receivables Transactions and similar arrangements for indirect financings of receivables between the Company or any Restricted Subsidiary and General Electric Capital Corporation or any of its affiliates).

"Treasury Rate," for any date, means the yield to maturity at the time of computation of United States Treasury securities with a constant maturity (as compiled and published in the most recent Federal Reserve Statistical Release H.15(519) that has become publicly available at least two business days prior to the date the redemption is effected pursuant to a Specified Redemption (the "Specified Redemption Date") (or, if such Statistical Release is no longer published, any publicly available source of similar market data) most nearly equal to the period from the Specified Redemption Date to (x) June 15, 2010 in the case of the Seven Year Notes and (y) June 15, 2008 in the case of the Ten Year Notes; provided, however, that if the period from the Specified Redemption Date to either June 15, 2010 or June 15, 2008, as the case may be, is not equal to the constant maturity of a United States Treasury security for which a weekly average yield is given, the Treasury Rate shall be obtained by linear interpolation (calculated to the nearest one-twelfth of a year) from the weekly average yields of United States Treasury securities for which such yields are given, except that if the period from the Specified Redemption Date to (x) June 15, 2008 in the case of the Ten Year Notes and (y) June 15, 2010 in the case of the Seven Year Notes, is less than one year, the weekly average yield on actually traded United States Treasury securities adjusted to a constant maturity of one year shall be used.

"Trust Indenture Act" or "TIA" means the Trust Indenture Act of 1939, as amended.

"Trustee" means the Person named as the Trustee in the first paragraph hereto until a successor Trustee shall have become such pursuant to the applicable provisions of this Supplemental Indenture, and thereafter "Trustee" shall mean such successor Trustee.

"Unrestricted Subsidiary" of any Person means:

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

(2) any Subsidiary of an Unrestricted Subsidiary.

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

(1) the Company certifies to the Trustee that such designation complies with Section 1108 of this Supplemental Indenture, including that the Company would be permitted to make, at the time of such designation, (a) a Permitted Investment or (b) an Investment pursuant to Section 1108(a), in either case, in an amount (the "Designation Amount") equal to the fair market value of the Company's proportionate interest in such Subsidiary on such date; and

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

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

(1) immediately after giving effect to such designation, the Company is able to incur at least $1.00 of additional Indebtedness (other than Permitted Indebtedness) in compliance with Section 1107 of this Supplemental Indenture; and

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

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

"U.S. Government Obligations" means securities that are (i) direct obligations of the United States for the timely payment of which its full faith and credit is pledged or (ii) obligations of a Person controlled or supervised by and acting as an agency or instrumentality of the United States, the timely payment of which is unconditionally guaranteed as a full faith and credit obligation by the United States, which, in either case, are not callable or redeemable at the option of the issuer thereof, and shall also include a depository receipt issued by a bank (as defined in Section 3(a)(2) of the Securities Act) as custodian with respect to any such U.S. Government Obligation or a specific payment of principal of or interest on any such U.S. Government Obligation held by such custodian for the account of the holder of such depository receipt; provided that (except as required by law) such custodian is not authorized to make any deduction from the amount payable to the holder of such depository receipt from any amount received by the custodian in respect of the U.S. Government Obligation or the specific payment of principal of or interest on the U.S. Government Obligation evidenced by such depository receipt.

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

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

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

SECTION 202. Rules of Construction.

Unless the context otherwise requires:

(a) the terms defined in this Article Two have the meanings assigned to them in this Article Two, and include the plural as well as the singular;

(b) all terms used herein which are defined in the Trust Indenture Act or the rules and regulations of the Commission thereunder, either directly or by reference therein, have the meanings assigned to them therein;

(c) all accounting terms not otherwise defined herein have the meanings assigned to them in accordance with GAAP;

(d) the words "herein," "hereof" and "hereunder" and other words of similar import refer to this Supplemental Indenture as a whole and not to any particular Article, Section or other subdivision;

(e) references to any Article, Section or other subdivision in this Supplemental Indenture, unless otherwise described, are references to an Article, Section or subdivision of this Supplemental Indenture;

(f) "or" is not exclusive; and

(g) words used herein implying any gender shall apply to every gender.

SECTION 203. Compliance Certificates and Opinions.

Upon any application or request by the Company to the Trustee to take any action under any provision of this Supplemental Indenture, the Company shall furnish to the Trustee an Officers' Certificate stating that all conditions precedent, if any, provided for in the Indenture (including any covenant compliance with which constitutes a condition precedent) relating to the proposed action have been complied with and an Opinion of Counsel stating that in the opinion of such counsel all such conditions precedent, if any, have been complied with, except that in the case of any such application or request as to which the furnishing of such documents is specifically required by any provision of this Supplemental Indenture relating to such particular application or request, no additional certificate or opinion need be furnished.

Every certificate or opinion with respect to compliance with a condition or covenant provided for in the Indenture (other than pursuant to Section 1105) shall include:

(1) a statement that each individual signing such certificate or opinion has read such covenant or condition and the definitions herein relating thereto;

(2) a brief statement as to the nature and scope of the examination or investigation upon which the statements or opinions contained in such certificate or opinion are based;

(3) a statement that, in the opinion of each such individual, he has made such examination or investigation as is necessary to enable him to express an informed opinion as to whether or not such covenant or condition has been complied with; and

(4) a statement as to whether, in the opinion of each such individual, such condition or covenant has been complied with.

SECTION 204. Form of Documents Delivered to Trustee.

In any case where several matters are required to be certified by, or covered by an opinion of, any specified Person, it is not necessary that all such matters be certified by, or covered by the opinion of, only one such Person, or that they be so certified or covered by only one document, but one such Person may certify or give an opinion with respect to some matters and one or more other such Persons as to other matters, and any such Person may certify or give an opinion as to such matters in one or several documents.

Any certificate or opinion of an officer of the Company may be based, insofar as it relates to legal matters, upon a certificate or opinion of, or representations by, counsel, unless such officer knows, or in the exercise of reasonable care should know, that the certificate or opinion or representations with respect to the matters upon which his certificate or opinion is based are erroneous. In giving such opinion, such counsel may rely upon opinions of local counsel reasonably satisfactory to the Trustee. Any such certificate or Opinion of Counsel may be based, insofar as it relates to factual matters, upon a certificate or opinion of, or representations by, an officer or officers of the Company, unless such counsel knows, or in the exercise of reasonable care should know, that the certificate or opinion or representations with respect to such matters are erroneous.

Where any Person is required to make, give or execute two or more applications, requests, consents, certificates, statements, opinions or other instruments under the Indenture, they may, but need not, be consolidated and form one instrument.

SECTION 205. Acts of Holders.

(a) Any request, demand, authorization, direction, notice, consent, waiver or other action provided by the Indenture to be given or taken by Holders of Notes of a series may be embodied in and evidenced by one or more instruments of substantially similar tenor signed by Holders of notes of such series in person or by agents duly appointed in writing; and, except as herein otherwise expressly provided, such action shall become effective when such instrument or instruments are delivered to the Trustee and, where it is hereby expressly required, to the Company. Such instrument or instruments (and the action embodied therein and evidenced thereby) are herein sometimes referred to as the "Act" of the Holders signing such instrument or instruments. Proof of execution of any such instrument or of a writing appointing any such agent shall be sufficient for any purpose of this Supplemental Indenture and conclusive in favor of the Trustee and the Company, if made in the manner provided in this Section 205.

(b) The fact and date of the execution by any Person of any such instrument or writing may be proved by the affidavit of a witness of such execution or by a certificate of a notary public or other officer authorized by law to take acknowledgments of deeds, certifying that

the individual signing such instrument or writing acknowledged to him the execution thereof. Where such execution is by a signer acting in a capacity other than his individual capacity, such certificate or affidavit shall also constitute sufficient proof of authority. The fact and date of the execution of any such instrument or writing, or the authority of the Person executing the same, may also be proved in any other manner which the Trustee deems sufficient.

(c) The principal amount and serial numbers of Notes, if a Certificated Note held by any Person, and the date of holding the same, shall be proved by the applicable Security Register.

(d) Any request, demand, authorization, direction, notice, consent, waiver or other Act of the Holder of any Note of any series shall bind every future Holder of the same Note and the Holder of every Note issued upon the registration of transfer thereof or in exchange therefor or in lieu thereof in respect of anything done, omitted or suffered to be done by the Trustee or the Company in reliance thereon, whether or not notation of such action is made upon such Note.

SECTION 206. Notices, etc., to Trustee and Company.

Any request, demand, authorization, direction, notice, consent, waiver or Act of Holders of Notes of a series or other document provided or permitted by the Indenture to be made upon, given or furnished to, or filed with,

(1) the Trustee by any Holder or by the Company shall be sufficient for every purpose hereunder if made, given, furnished or filed in writing to or with the Trustee at its Corporate Trust Office, to the attention of its Corporate Trust Department;

(2) the Company by the Trustee or by any Holder shall be sufficient for every purpose hereunder (unless otherwise herein expressly provided) if in writing and mailed, first-class postage prepaid, to the Company addressed to it at the address of its principal office specified in the first paragraph of this Supplemental Indenture, or at any other address previously furnished in writing to the Trustee by the Company.

SECTION 207. Notice to Holders; Waiver.

Where the Indenture provides notice of any event to Holders by the Company or the Trustee, such notice shall be sufficiently given (unless otherwise herein expressly provided) if in writing and mailed, first-class postage prepaid, to each Holder affected by such event, at its address as it appears in the applicable Security Register, not later than the latest date, if any, and not earlier than the earliest date, if any, prescribed for the giving of such notice. In any case where notice to Holders is given by mail, neither the failure to mail such notice, nor any defect in any notice so mailed, to any particular Holder shall affect the sufficiency of such notice with respect to other Holders. Any notice mailed to a Holder in the manner herein prescribed shall be conclusively deemed to have been received by such Holder when so mailed, whether or not such

Holder actually receives such notice. Where the Indenture provides for notice in any manner, such notice may be waived in writing by the Person entitled to receive such notice, either before or after the event, and such waiver shall be the equivalent of such notice. Waivers of notice by Holders shall be filed with the Trustee, but such filing shall not be a condition precedent to the validity of any action taken in reliance upon such waiver.

In case by reason of the suspension of or irregularities in regular mail service or by reason of any other cause, it shall be impracticable to mail notice of any event to Holders when such notice is required to be given pursuant to any provision of the Indenture, then any manner of giving such notice as shall be satisfactory to the Trustee shall be deemed to be a sufficient giving of such notice for every purpose hereunder.

Holders may communicate pursuant to Section 312(b) of the Trust Indenture Act with other Holders with respect to their rights under the Indenture or the series of Notes they hold. The Company, the Trustee, the Registrar and anyone else shall have the protection of Section 312(c) of the Trust Indenture Act.

SECTION 208. Effect of Headings and Table of Contents.

The Article and Section headings herein and the Table of Contents are for convenience only and shall not affect the construction of this Supplemental Indenture.

SECTION 209. Successors.

All agreements of the Company in the Indenture and the Notes shall bind its successors. All agreements of the Trustee in the Indenture shall bind its successors.

SECTION 210. Separability Clause.

In case any provision in the Indenture or in the Notes shall be invalid, illegal or unenforceable, the validity, legality and enforceability of the remaining provisions shall not in any way be affected or impaired thereby.

SECTION 211. Benefits of Indenture.

Nothing in the Indenture, in the Notes, express or implied, shall give to any Person, other than the parties to this Supplemental Indenture, any Paying Agent, any Security Registrar and their successors hereunder and the Holders, any benefit or any legal or equitable right, remedy or claim under the Indenture.

SECTION 212. **GOVERNING LAW.**

THE INDENTURE AND THE NOTES SHALL BE GOVERNED BY, AND CONSTRUED IN ACCORDANCE WITH, THE LAW OF THE STATE OF NEW YORK BUT WITHOUT GIVING EFFECT TO APPLICABLE PRINCIPLES OF CONFLICTS

OF LAW TO THE EXTENT THAT THE APPLICATION OF THE LAW OF ANOTHER JURISDICTION WOULD BE REQUIRED THEREBY.

SECTION 213. Conflict with Trust Indenture Act.

If any provision of this Supplemental Indenture limits, qualifies or conflicts with any provision of the Trust Indenture Act or another provision which is required or deemed to be included in the Indenture by any of the provisions of the Trust Indenture Act, such provision or requirement of the Trust Indenture Act shall control.

If any provision of the Indenture modifies or excludes any provision of the Trust Indenture Act that may be so modified or excluded, the latter provision shall be deemed to apply to the Indenture as so modified or excluded, as the case may be.

SECTION 214. Legal Holidays.

In any case where any Interest Payment Date, Redemption Date, date established for the payment of Defaulted Interest, Stated Maturity, Maturity Date, Change of Control Payment Date or Net Proceeds Offer Payment Date of any Note shall not be a Business Day, then (notwithstanding any other provision of the Indenture or of the Notes) payment of interest or principal (and premium, if any) need not be made on such date, but may be made on the next succeeding Business Day with the same force and effect as if made on the Interest Payment Date, Redemption Date, date established for the payment of Defaulted Interest, Stated Maturity, Maturity Date, Change of Control Payment Date or Net Proceeds Offer Payment Date; provided that no interest shall accrue for the period from and after such Interest Payment Date, Redemption Date, date established for the payment of Defaulted Interest, Stated Maturity, Maturity Date, Change of Control Payment Date or Net Proceeds Offer Payment Date, as the case may be. In such event, no interest shall accrue with respect to such payment for the period from and after such Interest Payment Date, Redemption Date, date established for the payment of Defaulted Interest, Stated Maturity, Maturity Date, Change of Control Payment Date or Net Proceeds Offer Payment Date, as the case may be, to the next succeeding Business Day and, with respect to any Interest Payment Date, interest for the period from and after such Interest Payment Date shall accrue with respect to the next succeeding Interest Payment Date. If a regular record date is a date that is not a Business Day, such record date shall not be affected.

SECTION 215. Unclaimed Money; Prescription.

If money deposited with the Trustee or any applicable agent for the payment of principal of, premium, if any, or interest on the Notes remains unclaimed for two years, the Trustee and such Paying Agent shall return the money to the Company. After that, Holders entitled to the money must look to the Company for payment unless applicable abandoned property law designates another Person and all liability of the Trustee and such Paying Agent shall cease. Other than as set forth in this paragraph, the Indenture does not provide for any periods for the escheatment of the payment of principal of, premium, if any, or interest and on the Notes.

SECTION 216. No Recourse Against Others.

No past, present or future director, officer, employee, promoter, adviser, incorporator or shareholder of the Company, as such, shall have any liability for any obligations of the Company under the Notes or the Indenture or for any claim based on, in respect of, or by reason of, such obligations or their creation. Each Holder of the applicable series of Notes by accepting a Note waives and releases all such liability, to the extent permitted by applicable law. The waiver and release are part of the consideration for issuance of the Notes.

SECTION 217. Multiple Originals.

The parties may sign any number of copies of this Supplemental Indenture. Each signed copy shall be an original, but all of them together represent the same agreement. One signed copy is enough to prove this Supplemental Indenture.

SECTION 218. No Adverse Interpretation of Other Agreements.

This Supplemental Indenture may not be used to interpret another indenture, loan, security or debt agreement of the Company. No such indenture, loan, security or debt agreement may be used to interpret this Supplemental Indenture.

ARTICLE THREE
NOTE FORMS

SECTION 301. Forms Generally.

The Notes shall be known as they are defined in the recitals of this Supplemental Indenture. Each series of Notes shall be treated as a single class for all purposes under the Indenture. The Notes and the Trustee's certificates of authentication shall be in substantially the forms set forth in Exhibit B-1, in the case of Seven Year Notes, and Exhibit B-2, in the case of Ten Year Notes, attached to this Supplemental Indenture, with such appropriate insertions, omissions, substitutions and other variations as are required or permitted by the Indenture, and may have such letters, numbers or other marks of identification and such legends or endorsements placed thereon as may be required to comply with the rules of any securities exchange or as may, consistently herewith, be determined by the officers executing such Notes, as evidenced by their execution of the Notes. Any portion of the text of any Note may be set forth on the reverse thereof, with an appropriate reference thereto on the face of the Note.

The definitive Notes shall be printed, lithographed or engraved on steel-engraved borders or word processed or may be produced in any other manner, all as determined by the officers of the Company executing such Notes, as evidenced by their execution of such Notes; provided, however, that if the Notes are listed on any securities exchange such manner as is permitted by the rules of such securities exchange.

Each Note shall be dated the date of its issuance and shall show the date of its authentication. The terms and provisions contained in the Notes shall constitute, and are expressly made, a part of the Indenture.

ARTICLE FOUR
THE NOTES

SECTION 401. Title and Terms.

The Trustee shall authenticate (i) Seven Year Notes and Ten Year Notes to be authenticated and delivered under this Supplemental Indenture on the Issue Date in an aggregate amount equal to $700,000,000 and $550,000,000, respectively, and, except for Notes authenticated and delivered upon registration or transfer of, or in exchange for, or in lieu of, other Notes pursuant to Section 403, 404, 406, 407, 901, 1106, 1109 or 1208. The Trustee shall authenticate Additional Notes thereafter in unlimited amount for original issue upon a written order of the Company in the form of an Officers' Certificate in aggregate principal amount as specified in such order (so long as permitted by the Indenture, including, without limitation, Section 1107). Any such Officers' Certificate shall also specify the date on which the original issue of Notes is to be authenticated and shall certify that such issuance will not be prohibited by Section 1107.

The Seven Year Notes will mature on June 15, 2010. Interest on the Seven Year Notes will accrue at the rate of 7-1/8% per annum and will be payable semiannually in cash on each June 15 and December 15, commencing on December 15, 2003, to the persons who are registered Holders of Seven Year Notes at the close of business on the June 1 and December 1 immediately preceding the applicable interest payment date. Interest on the Seven Year Notes will accrue from the most recent date to which interest has been paid or, if no interest has been paid, from and including the date of issuance to but excluding the actual interest payment date. Interest will be computed on the basis of a 360-day year comprised of twelve 30-day months.

The Ten Year Notes will mature on June 15, 2013. Interest on the Ten Year Notes will accrue at the rate of 7-5/8% per annum and will be payable semiannually in cash on each June 15 and December 15, commencing on December 15, 2003 to the persons who are registered Holders of Ten Year Notes at the close of business on the June 1 and December 1 immediately preceding the applicable interest payment date. Interest on the Ten Year Notes will accrue from the most recent date to which interest has been paid or, if no interest has been paid, from and including the date of issuance to but excluding the actual interest payment date. Interest will be computed on the basis of a 360-day year comprised of twelve 30-day months.

The Notes shall be redeemable as provided in Article Twelve.

SECTION 402. Denominations.

The Notes shall be issuable only in registered form without coupons and only in denominations of $1,000 and any integral multiple thereof.

SECTION 403. Execution, Authentication, Delivery and Dating.

The Notes shall be executed on behalf of the Company by its chairman, any vice chairman, its president, a vice president, the treasurer or any assistant treasurer, under its corporate seal reproduced thereon and attested by its secretary or an assistant secretary. The signature of any of these officers on the Notes may be manual or facsimile signatures of the present or any future such authorized officer and may be imprinted or otherwise reproduced on the Notes.

Notes bearing the manual or facsimile signatures of individuals who were at any time the proper officers of the Company shall bind the Company, notwithstanding that such individuals or any of them have ceased to hold such offices prior to the authentication and delivery of such Notes.

At any time and from time to time after the execution and delivery of this Supplemental Indenture, the Company may deliver Notes executed by the Company to the Trustee for authentication, together with a Company Order for the authentication and delivery of such Notes, and the Trustee in accordance with such Company Order shall authenticate and deliver such Notes.

Each Note shall be dated the date of its authentication.

No Note shall be entitled to any benefit under the Indenture or be valid or obligatory for any purpose unless there appears on such Note a certificate of authentication substantially in the form provided for herein duly executed by the Trustee by manual signature of a Responsible Officer, and such certificate upon any Note shall be conclusive evidence, and the only evidence, that such Note has been duly authenticated and delivered hereunder and is entitled to the benefits of the Indenture.

For purposes of the Indenture, Holders of each series of Notes issued under the Indenture shall vote and consent together with Holders of Notes of such series on all matters (as to which any Holders of such series of Notes may vote or consent) as a separate class, and Holders of a series of Notes shall not have the right to vote or consent with Holders of another series of Notes on any matter.

SECTION 404. Temporary Notes.

Pending the preparation of definitive Notes, the Company may execute and upon Company Order the Trustee shall authenticate and deliver, temporary Notes of a series which are printed, lithographed, typewritten, word processed or otherwise produced, in any authorized de-

nomination, substantially of the tenor of the definitive Notes of such series in lieu of which they are issued and with such appropriate insertions, omissions, substitutions and other variations as the officers executing such Notes may determine, as conclusively evidenced by their execution of such Notes.

If temporary Notes of a series are issued, the Company shall cause definitive Notes of such series to be prepared without unreasonable delay. After the preparation of definitive Notes of such series, the temporary Notes of such series shall be exchangeable for definitive Notes of such series upon surrender of the temporary Notes of such series at the office or agency of the Company designated for such purpose pursuant to Section 1102, without charge to the Holder. Upon surrender for cancellation of any one or more temporary Notes of a series, the Company shall execute and upon Company Order the Trustee shall authenticate and deliver in exchange therefor a like principal amount of definitive Notes of such series of authorized denominations and the Trustee shall cancel and return, within three (3) Business Days, all such temporary Notes of such series surrendered for cancellation. Until so exchanged, the temporary Notes of a series shall in all respects be entitled to the same benefits under the Indenture as definitive Notes of such series.

SECTION 405. Registrar and Paying Agent.

The Company shall cause to be kept at the Corporate Trust Office of the Trustee a register for each series of Notes issued under the Indenture (each such register maintained in such office and in any other office or agency designated pursuant to Section 1102 being herein sometimes referred to as the "Security Register") in which, subject to such reasonable regulations as it may prescribe, the Company shall provide for the registration of each series of Notes issued under the Indenture and of transfers of each series of Notes issued under the Indenture. Each Security Register shall be in written form or any other form capable of being converted into written form within a reasonable time. At all reasonable times, each Security Register shall be open to inspection by the Trustee. The Trustee is hereby initially appointed as Security Registrar (the "Security Registrar") for the purpose of registering Notes of each series and transfers of Notes of each series as herein provided. The Security Registrar shall not be required to register transfers of Notes of each series or to exchange Notes of each series for a period beginning 15 days before the mailing of a notice of redemption of Notes of such series and ending on the date of such mailing. The Security Registrar shall not be required to exchange or register transfers of any Notes of any series called or being called for redemption in whole or in part, except the unredeemed portion of any Note of such series being redeemed in part.

The Company shall maintain an office or agency within the City and State of New York where Notes of each series may be presented for payment to the Paying Agent. The Company may have one or more Co-Security Registrars and one or more additional paying agents. The term "Paying Agent" includes any additional paying agent.

The Company shall enter into an appropriate agency agreement with any Paying Agent or Co-Security Registrar not a party to the Indenture, which shall incorporate the terms of

the TIA. The agreement shall implement the provisions of the Indenture that relate to such agent. The Company shall notify the Trustee of the name and address of any such agent. Initially, the Trustee will act as Paying Agent in The City of New York and Security Registrar. If the Company fails to maintain a Security Registrar or Paying Agent, the Trustee shall act as such and shall be entitled to appropriate compensation therefor pursuant to Section 706. The Company or any of its Wholly Owned Subsidiaries incorporated in the United States may act as Paying Agent, Security Registrar, Co-Security Registrar or transfer agent.

SECTION 406. Registration of Transfers and Exchanges.

Upon surrender for registration of transfer of any Note of any series at the office or agency of the Company designated pursuant to Section 1102, the Company shall execute and the Trustee shall authenticate and deliver, in the name of the designated transferee or transferees, one or more new Notes of such same series of any authorized denomination or denominations of a like aggregate principal amount.

Furthermore, any Holder of any Global Note shall, by acceptance of such Global Note, agree that transfers of beneficial interests in such Global Note may be effected only through a book-entry system maintained by the Holder of such Global Note (or its agent), and that ownership of a beneficial interest in the Note shall be required to be reflected in a book entry.

All Notes issued upon any registration of transfer or exchange of Notes shall be the valid obligations of the Company, evidencing the same debt, and entitled to the same benefits under the Indenture, as the Notes surrendered upon such registration of transfer or exchange.

Every Note presented or surrendered for registration of transfer or for exchange shall be duly endorsed, or be accompanied by a written instrument of transfer, in form satisfactory to the Company and the Security Registrar, duly executed by the Holder thereof or its attorney duly authorized in writing.

No service charge shall be made for any registration of transfer or exchange or redemption of Notes, but the Company may require payment of a sum sufficient to cover any tax or other governmental charge that may be imposed in connection with any registration of transfer or exchange of Notes, other than exchanges pursuant to Section 403, 404, 901, 1106, 1109 or 1208 not involving any transfer.

The Company shall not be required (i) to issue, register the transfer of or exchange any Note during a period beginning at the opening of business 15 days before the selection of Notes to be redeemed under Section 1204 and ending at the close of business on the day of such mailing of the relevant notice of redemption, or (ii) to register the transfer of or exchange any Note so selected for redemption in whole or in part, except the unredeemed portion of any Note being redeemed in part.

None of the Company, the Trustee or the Depositary shall be liable for any delay by the Security Registrar in identifying the beneficial owners of the Notes and each such Person may conclusively rely on, and shall be protected in relying on, instructions from the Security Registrar for all purposes (including with respect to the registration and delivery, and the respective principal amounts, of any Notes to be issued).

SECTION 407. Mutilated, Destroyed, Lost and Stolen Notes.

(a) If (i) any mutilated Note of any series is surrendered to the Trustee or (ii) the Company and the Trustee receive evidence to their satisfaction of the destruction, loss or theft of any Note, and there is delivered to the Company and the Trustee such security or indemnity as may be required by them to save each of them harmless, then, in the absence of actual notice to the Company or the Trustee that such Note has been acquired by a bona fide purchaser, the Company shall execute and the Trustee shall authenticate and deliver, in exchange for any such mutilated Note of any series or in lieu of any such destroyed, lost or stolen Note of any series, a new Note of the same series of like tenor and principal amount, bearing a number not contemporaneously outstanding.

(b) Upon the issuance of any new Note under this Section 407, the Company may require the payment of a sum sufficient to cover any tax or other governmental charge that may be imposed in relation thereto and any other expenses (including the fees and expenses of the Trustee) connected therewith.

(c) Every new Note issued pursuant to this Section 407 in lieu of any destroyed, lost or stolen Note shall constitute an original additional contractual obligation of the Company, whether or not the destroyed, lost or stolen Note shall be at any time enforceable by anyone, and shall be entitled to all benefits of the Indenture equally and proportionately with any and all other Notes duly issued hereunder.

(d) The provisions of this Section 407 are exclusive and shall preclude (to the extent lawful) all other rights and remedies with respect to the replacement or payment of mutilated, destroyed, lost or stolen Notes.

SECTION 408. Payment of Interest; Interest Rights Preserved.

Interest on any Note which is payable, and is punctually paid or duly provided for, on any Interest Payment Date shall be paid to the Person in whose name such Note (or one or more Predecessor Notes) is registered at the close of business on the Regular Record Date for such interest at the office or agency of the Company maintained for such purpose pursuant to Section 1102; provided, however, at the Company's option, interest may be paid at the Trustee's Corporate Trust Office or by check mailed to the registered address of Holders. Notwithstanding the foregoing, payment of (and premium, if any, on), interest on Notes represented by Global Notes shall be made in accordance with procedures required by the Depositary.

Any interest on a Note of any series which is payable, but is not punctually paid or duly provided for, on any Interest Payment Date shall forthwith cease to be payable to the Holder on the Regular Record Date by virtue of having been such Holder, and such defaulted interest and (to the extent lawful) interest on such defaulted interest at the rate borne by the Notes of such series (such defaulted interest and interest thereon herein collectively called "Defaulted Interest") may be paid by the Company, at its election in each case, as provided in clause (1) or (2) below:

(1) The Company may elect to make payment of any Defaulted Interest to the Persons in whose names the Notes (or their respective Predecessor Notes) are registered at the close of business on a Special Record Date for the payment of such Defaulted Interest, which shall be fixed in the following manner. The Company shall notify the Trustee in writing of the amount of Defaulted Interest proposed to be paid on each of any series of Notes and the date of the proposed payment, and at the same time the Company shall deposit with the Trustee an amount of money equal to the aggregate amount proposed to be paid in respect of such Defaulted Interest or shall make arrangements satisfactory to the Trustee for such deposit prior to the date of the proposed payment, such money when deposited to be held in trust for the benefit of the Persons entitled to such Defaulted Interest as in this clause provided. Thereupon the Trustee shall fix a "Special Record Date" for the payment of such Defaulted Interest which shall be not more than 15 days and not less than 10 days prior to the date of the proposed payment and not less than 10 days after the receipt by the Trustee of the notice of the proposed payment. The Trustee shall promptly notify the Company of such Special Record Date, and in the name and at the expense of the Company, shall cause notice of the proposed payment of such Defaulted Interest and the Special Record Date therefor to be given in the manner provided for in Section 207, not less than 10 days prior to such Special Record Date. Notice of the proposed payment of such Defaulted Interest and the Special Record Date therefor having been so given, such Defaulted Interest shall be paid to the Persons in whose names the Notes (or their respective Predecessor Notes) are registered at the close of business on such Special Record Date.

(2) The Company may make payment of any Defaulted Interest in any other lawful manner not inconsistent with the requirements of any securities exchange on which any series of Notes may be listed, and upon such notice as may be required by such exchange, if, after notice given by the Company to the Trustee of the proposed payment pursuant to this clause, such manner of payment shall be deemed practicable by the Trustee.

Subject to the foregoing provisions of this Section 408, each Note delivered under the Indenture upon registration of transfer of or in exchange for or in lieu of any other Note shall carry the rights to interest accrued and unpaid, and to accrue, which were carried by such other Note.

SECTION 409. Persons Deemed Owners.

Prior to the due presentment of a Note for registration of transfer, the Company the Trustee and any agent of the Company or the Trustee may treat the Person in whose name such Note is registered as the owner of such Note for the purpose of receiving payment of principal of (and premium, if any, on) and (subject to Sections 406 and 408) interest on such Note and for all other purposes whatsoever, whether or not such Note be overdue, and none of the Company, the Trustee or any agent of the Company or the Trustee shall be affected by notice to the contrary.

SECTION 410. Cancellation.

All Notes surrendered for payment, redemption, registration of transfer or exchange shall, if surrendered to any Person other than the Trustee, be delivered to the Trustee and shall be promptly canceled by it. The Company may at any time deliver to the Trustee for cancellation any Notes previously authenticated and delivered hereunder which the Company may have acquired in any manner whatsoever, and may deliver to the Trustee (or to any other Person for delivery to the Trustee) for cancellation any Notes previously authenticated hereunder which the Company has not issued and sold, and all Notes so delivered shall be promptly canceled by the Trustee. Subject to the first sentence of this Section 410, if the Company shall so acquire any of the Notes, however, such acquisition shall not operate as a redemption or satisfaction of the Indebtedness represented by such Notes unless and until the same are surrendered to the Trustee for cancellation. No Notes shall be authenticated in lieu of or in exchange for any Notes canceled as provided in this Section 410, except as expressly permitted by the Indenture. All canceled Notes held by the Trustee shall be disposed of by the Trustee in accordance with its customary procedures and certification of their disposal delivered to the Company.

SECTION 411. Computation of Interest.

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

SECTION 412. Book-Entry Provisions for Global Notes.

(a) The Company shall execute and the Trustee shall, in accordance with this Section 412, authenticate and deliver initially one or more Global Notes that (a) shall be registered in the name of the Depositary for such Global Note or Global Notes or the nominee of such Depositary and (b) shall be delivered by the Trustee to such Depositary or pursuant to such Depositary's instructions or held by the Custodian.

Members of, or participants in the Depositary ("Agent Members") shall have no rights under the Indenture with respect to any Global Note held on their behalf by the Depositary or by the Custodian or under such Global Note, and the Depositary may be treated by the Company, the Trustee and any agent of the Company or the Trustee as the absolute owner of such

Global Note for all purposes whatsoever. Notwithstanding the foregoing, nothing herein shall prevent the Company, the Trustee or any agent of the Company or the Trustee from giving effect to any written certification, proxy or other authorization furnished by the Depositary or impair, as between the Depositary and its Agent Members, the operation of customary practices of such Depositary governing the exercise of the rights of a Holder of a beneficial interest in any Global Note.

(b) Interests of beneficial owners in a Global Note may be transferred in accordance with the applicable rules and procedures of the Depositary. Transfers of a Global Note shall be limited to transfers of such Global Note in whole, but not in part, to the Depositary, its successors or their respective nominees except that Certificated Notes shall be transferred to all beneficial owners in exchange for their beneficial interests in the Global Note only in the following circumstances: (x) the Depositary notifies the Company that it is unwilling or unable to continue as depositary for a global note or ceases to be a "Clearing Agency" registered under the Exchange Act and another despositary is not appointed by the Company within 90 days or (y) an Event of Default has occurred and is continuing with respect to the Notes.

(c) In connection with any transfer or exchange of a portion of the beneficial interest in any Global Note to beneficial owners pursuant to paragraph (b), the Registrar shall (if one or more Certificated Notes are to be issued) reflect on its books and records the date and a decrease in the principal amount of such Global Note in an amount equal to the principal amount of the beneficial interest in such Global Note to be transferred, and the Company shall execute, and the Trustee shall authenticate and deliver, one or more Certificated Notes of like tenor and principal amount of authorized denominations.

(d) In connection with the transfer of Global Notes as an entirety to beneficial owners pursuant to paragraph (b), the Global Notes shall be deemed to be surrendered to the Trustee for cancellation, and the Company shall execute, and the Trustee shall authenticate and deliver, to each beneficial owner identified by the Depositary in exchange for its beneficial interest in the Global Notes, an equal aggregate principal amount of Certificated Notes of like tenor of authorized denominations.

(e) The Holder of any Global Note may grant proxies and otherwise authorize any Person, including Agent Members and Persons that may hold interests through Agent Members, to take any action which a Holder is entitled to take under the Indenture or the applicable series of Notes.

SECTION 413. "CUSIP," "ISIN" and "Common Code" Numbers.

The Company in issuing the Notes shall use "CUSIP," "ISIN" or "Common Code" number(s) and the Trustee shall use the "CUSIP," "ISIN" or "Common Code" number(s), in each case, as applicable, in notices of redemption or exchange as a convenience to Holders; provided that neither the Company nor the Trustee shall have any responsibility for any defect in the "CUSIP," "ISIN" or "Common Code" number, as applicable, that appears on any Note,

check, advice or payment or redemption notice, and any such notice may state that no representation is made as to the correctness or accuracy of the "CUSIP," "ISIN" and "Common Code" number(s), as applicable, printed in the notice or on the Notes, and that reliance may be placed only on the other identification numbers printed on the Notes and any such redemption or exchange shall not be affected by any defect in or omission of such number(s). The Company shall promptly notify the Trustee of any changes in "CUSIP," "ISIN" or "Common Code" numbers, as applicable.

SECTION 414. Issuance of Additional Notes.

The Company shall be entitled to issue Additional Notes of one or more series contemplated under this Supplemental Indenture which shall have substantially identical terms as such Initial Notes, other than with respect to the date of issuance, issue price, amount of interest payable on the first payment date applicable thereto and terms of optional redemption, if any; provided, that (i) such issuance shall be made in compliance with Section 1107 and (ii) the issuance of all Additional Notes under this Supplemental Indenture shall be registered under the Securities Act; provided, however, that no Additional Notes may be issued unless the Additional Notes either (i) are part of the same "issue" as the applicable series of the Initial Notes for purposes of section 1271 through 1275 of the Internal Revenue Code of 1986, as amended (the "Code") or (ii) have an issue price for purposes of section 1273 of the Code equal to the adjusted issue price of the applicable series of Initial Notes, determined as of the issue date of the Additional Notes of such series. Each class of Initial Notes issued on the date of this Supplemental Indenture and any Additional Notes of such class shall be treated as a single class for all purposes under the Indenture.

With respect to any Additional Notes, the Company shall set forth in an Officers' Certificate, a copy of which shall be delivered to the Trustee, the following information:

(1) the aggregate principal amount of the applicable series of Notes outstanding immediately prior to the issuance of such Additional Notes;

(2) the aggregate principal amount of such Additional Notes to be authenticated and delivered pursuant to the Indenture;

(3) the issue price and the issue date of such Additional Notes and the amount of interest payable on the first payment date applicable thereto; and

(4) the "CUSIP," "ISIN" or "Common Code" number, as applicable, of such Additional Notes.

SECTION 415. Deposit of Moneys; Payments.

Prior to 10:00 a.m. New York time on each Interest Payment Date and on the Maturity Date or any other date a payment on a series of Notes is scheduled or required to be made,

the Company shall have deposited with the Paying Agent in immediately available funds U.S. dollars sufficient to make all cash payments due on such Interest Payment Date or the Maturity Date, as the case may be. The principal and interest on Global Notes shall be payable to the Depositary or its nominee, as the case may be, as the sole registered owner and the sole holder of the Global Notes represented thereby. The principal and interest on Certificated Notes shall be payable at the office of the Paying Agents or by check mailed to the registered address of Holders. The Paying Agents shall pay the Company any excess cash remaining on deposit after all payments have been made with respect to a given Interest Payment Date or the Maturity Date, as the case may be. All payments made hereunder shall be in U.S. dollars.

SECTION 416. Paying Agent To Hold Money in Trust.

Each Paying Agent shall hold in trust for the benefit of the Holders or the Trustee all money held by the Paying Agent for the payment of principal of, premium, if any, or interest on the applicable series of Notes, and shall notify the Trustee of any default by the Company in making any such payment. Money held in trust by the Paying Agent need not be segregated except as required by law and except if the Company or any of their respective Affiliates is acting as Paying Agent, and in no event shall the Paying Agent be liable for any interest on any money received by it hereunder. The Company at any time may require the Paying Agent to pay all money held by it to the Trustee and account for any funds disbursed and the Trustee may at any time during the continuance of any Event of Default, upon a Company Order to the Paying Agent, require such Paying Agent to pay forthwith all money so held by it to the Trustee and to account for any funds disbursed. Upon making such payment, the Paying Agent shall have no further liability for the money delivered to the Trustee.

ARTICLE FIVE

SATISFACTION AND DISCHARGE

SECTION 501. Satisfaction and Discharge of Indenture.

The Indenture will be discharged with respect to a particular series of Notes and will cease to be of further effect (except as to surviving rights of transfer or exchange of the applicable Notes, as expressly provided for in the Indenture) solely as to all Outstanding Notes of such series of Notes under the Indenture when with respect to such series of Notes:

(1) either:

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

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

(2) the Company has paid all other sums payable with respect to such series of Notes under the Indenture by the Company; and

(3) the Company has delivered to the Trustee an Officers' Certificate and an Opinion of Counsel stating that all conditions precedent under the Indenture relating to the satisfaction and discharge of the Indenture with respect to such series of Notes as it applies to such series of Notes have been complied with.

Notwithstanding the satisfaction and discharge of the Indenture with respect to a series of Notes, the obligations of the Company to the Trustee under Section 706 and, if money shall have been deposited with the Trustee pursuant to subclause (B) of clause (1) of this Section 501, the obligations of the Trustee under Section 502 and Section 1103 shall survive such satisfaction and discharge, in each case, with respect to a series of Notes.

SECTION 502. Application of Trust Money.

Subject to the provisions of Section 1103, all money deposited with the Trustee pursuant to Section 501 shall be held in trust and applied by it, in accordance with the provisions of the applicable series of Notes and the Indenture, to the payment, either directly or through any Paying Agent (including the Company acting as its own Paying Agent) as the Trustee may determine, to the Persons entitled thereto, of the principal (and premium, if any) and interest for whose payment such money has been deposited with the Trustee; but such money need not be segregated from other funds except to the extent required by law.

ARTICLE SIX

REMEDIES

SECTION 601. Events of Default.

"Event of Default," wherever used herein, means any one of the following events with respect to a series of Notes:

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

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

(3) a default in the observance or performance of any other covenant or agreement contained in the Indenture which default continues for a period of 90 days after the Company receives written notice specifying the default (and demanding that such default be remedied) from the Trustee or the Holders of at least 25% of the outstanding principal amount of the Notes of such series (except in the case of a default with respect to Section 901, which will constitute an Event of Default with such notice requirement but without such passage of time requirement);

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

(5) one or more judgments for the payment of money in an aggregate amount in excess of the lesser of (i) $75.0 million or (ii) the highest amount of one or more judgments that would result in a default or an event of default under any other indenture pursuant to which the Company or any of its Restricted Subsidiaries has issued Capital Markets Debt (in each case excluding any amounts adequately covered by insurance from a solvent and unaffiliated insurance company), shall have been rendered against the Company or any of its Restricted Subsidiaries and such judgments remain undischarged, unpaid or unstayed for a period of 90 days after such judgment or judgments become final and non-appealable;

(6) the entry by a court of competent jurisdiction of (A) a decree or order for relief in respect of the Company or any Significant Subsidiary in an involuntary case or proceeding under any applicable Bankruptcy Law or (B) a decree or order adjudging the Company or any Significant Subsidiary bankrupt or insolvent, or seeking reorganization, arrangement, adjustment or composition of or in respect of the Company or any Significant Subsidiary under any applicable federal or state law, or appointing a custodian, receiver, liquidator, assignee, trustee, sequestrator or other similar official of the Company or any Significant Subsidiary or of any substantial part of its property, or ordering the winding up or liquidation of its affairs, and any such decree or order for relief shall continue to be in effect, or any such other decree or order shall be unstayed and in effect, for a period of 60 consecutive days; or

(7) (A) the commencement by the Company or any Significant Subsidiary of a voluntary case or proceeding under any applicable Bankruptcy Law or any other case or proceeding to be adjudicated bankrupt or insolvent, (B) the Company or any Significant Subsidiary consents to the entry of a decree or order for relief in respect of the Company or such Significant Subsidiary in an involuntary case or proceeding under any applicable Bankruptcy Law or to the commencement of any bankruptcy or insolvency case or proceeding against it, (C) the Company or any Significant Subsidiary files a petition or answer or consent seeking reorganization or relief under any applicable federal or state law, (D) the Company or any Significant Subsidiary (x) consents to the filing of such petition or the appointment of, or taking possession by, a custodian, receiver, liquidator, assignee, trustee, sequestrator or similar official of the Company or such Significant Subsidiary or of any substantial part of its property, (y) makes an assignment for the benefit of creditors or (z) admits in writing its inability to pay its debts generally as they become due or (E) the Company or any Significant Subsidiary takes any corporate action in furtherance of any such actions in this clause (8); or

(8) any Guarantee of any Guarantor ceases to be in full force and effect (other than in accordance with the terms of such Guarantee and the Indenture) or is declared null and void and unenforceable or found to be invalid or any Guarantor denies its liability under its Guarantee (other than by reason of release of a Guarantor from its Guarantee in accordance with the terms of the Indenture and such Guarantee).

SECTION 602. Acceleration of Maturity; Rescission and Annulment.

(a) If an Event of Default (other than an Event of Default specified in clauses (6) or (7) above with respect to the Company) shall occur and be continuing with respect to a series of Notes, the Trustee or the Holders of at least 25% in principal amount of Outstanding Notes of the affected series of Notes under the Indenture may declare the principal of, and premium, if any, and accrued interest on all the Notes of such series under the Indenture to be due and payable by notice in writing to the Company and the Trustee specifying the respective Event of Default and that it is a “notice of acceleration”, and the same shall become immediately due

and payable. If an Event of Default specified in Sections 601(6) or 601(7) with respect to the Company occurs and is continuing, then all unpaid principal of, and premium, if any, and accrued and unpaid interest on all of the Outstanding Notes shall ipso facto become and be immediately due and payable without any declaration or other act on the part of the Trustee or any Holder.

(b) At any time after a declaration of acceleration with respect to a series of Notes as described in paragraph (a) above, the Holders of a majority in principal amount of Notes of such series under the Indenture may rescind and cancel such declaration and its consequences:

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

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

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

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

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

SECTION 603. Collection of Indebtedness and Suits for Enforcement by Trustee.

The Company covenants that if:

(a) default is made in the payment of any installment of interest on any Note of any series when such interest becomes due and payable and such default continues for a period of 30 days, or

(b) default is made in the payment of the principal of (or premium, if any, on) any Note of any series at the maturity thereof,

the Company shall, upon demand of the Trustee, pay to the Trustee for the benefit of the Holders of Notes of such series, the whole amount then due and payable on such Notes for principal (and premium, if any) and interest, and interest on any overdue principal (and premium, if any) and, to the extent that payment of such interest shall be legally enforceable, upon any overdue installment of interest, at the rate borne by the applicable series of Notes, and, in addition thereto, such further amount as shall be sufficient to cover the costs and expenses of collection, including the

reasonable compensation, expenses, disbursements and advances of the Trustee, its agents and counsel.

If the Company fails to pay such amounts forthwith upon such demand, the Trustee, in its own name as trustee of an express trust, may institute a judicial proceeding for the collection of the sums so due and unpaid, may prosecute such proceeding to judgment or final decree and may enforce the same against the Company or any other obligor upon the applicable series of Notes and collect the moneys adjudged or decreed to be payable in the manner provided by law out of the property of the Company or any other obligor upon the applicable series of Notes, wherever situated.

If an Event of Default occurs and is continuing, the Trustee may in its discretion proceed to protect and enforce its rights and the rights of the Holders of the affected series of Notes by such appropriate judicial proceedings as the Trustee shall deem most effectual to protect and enforce any such rights, whether for the specific enforcement of any covenant or agreement in the Indenture or in aid of the exercise of any power granted herein, or to enforce any other proper remedy.

SECTION 604. Trustee May File Proofs of Claim.

In case of the pendency of any receivership, insolvency, liquidation, bankruptcy, reorganization, arrangement, adjustment, composition or other judicial proceeding relative to the Company or any other obligor upon any series of Notes or the property of the Company or of such other obligor or their creditors, the Trustee (irrespective of whether the principal of any series of Notes shall then be due and payable as therein expressed or by declaration or otherwise and irrespective of whether the Trustee shall have made any demand on the Company for the payment of overdue principal, premium, if any, or interest) shall be entitled and empowered, by intervention in such proceeding or otherwise,

(i) to file and prove a claim for the whole amount of principal (and premium, if any) and interest owing and unpaid in respect of any series of Notes and to file such other papers or documents as may be necessary or advisable in order to have the claims of the Trustee (including any claim for the reasonable compensation, expenses, disbursements and advances of the Trustee, its agents and counsel) and of the Holders of such series allowed in such judicial proceeding, and

(ii) to collect and receive any moneys or other property payable or deliverable on any such claims and to distribute the same; and any custodian, receiver, assignee, trustee, liquidator, sequestrator or similar official in any such judicial proceeding is hereby authorized by each Holder with respect to any series of Notes of which it is a Holder, to make such payments to the Trustee and, in the event that the Trustee shall consent to the making of such payments directly to the applicable Holders, to pay the Trustee any amount due it for the reasonable compensation, expenses, disbursements and advances of

the Trustee, its agents and counsel, and any other amounts due the Trustee under Section 706.

Nothing herein contained shall be deemed to authorize the Trustee to authorize or consent to or accept or adopt on behalf of any Holder any plan of reorganization, arrangement, adjustment or composition affecting any series of Notes or the rights of any Holder thereof, or to authorize the Trustee to vote in respect of the claim of any Holder in any such proceeding.

SECTION 605. Trustee May Enforce Claims Without Possession of Notes.

All rights of action and claims under the Indenture or any series of Notes may be prosecuted and enforced by the Trustee without the possession of any of the Notes or the production thereof in any proceeding relating thereto, and any such proceeding instituted by the Trustee shall be brought in its own name and as trustee of an express trust, and any recovery of judgment shall, after provision for the payment of the reasonable compensation, expenses, disbursements and advances of the Trustee, its agents and counsel, be for the ratable benefit of the Holders of affected series of Notes in respect of which such judgment has been recovered.

SECTION 606. Application of Money Collected.

Any money or property collected by the Trustee pursuant to this Article Six shall be applied in the following order, at the date or dates fixed by the Trustee and, in case of the distribution of such money on account of principal (or premium, if any) or interest, upon presentation of the Notes and the notation thereon of the payment if only partially paid and upon surrender thereof if fully paid:

FIRST: To the payment of all amounts due the Trustee under Section 706;

SECOND: To the payment of the amounts then due and unpaid for principal of (and premium, if any, on,) and interest on the Notes of the series in respect of which or for the benefit of which such money has been collected, ratably, without preference or priority of any kind, according to the amounts due and payable on such Notes for principal (and premium, if any) and interest, respectively; and

THIRD: The balance, if any, to the Company.

SECTION 607. Limitation on Suits.

No Holder of any Notes of a series shall have any right to institute any proceeding, judicial or otherwise, with respect to the Indenture, or for the appointment of a receiver or trustee, or for any other remedy hereunder, unless:

(1) such Holder has previously given written notice to the Trustee of a continuing Event of Default;

(2) the Holders of not less than 25% in principal amount of the Outstanding Notes of such series shall have made written request to the Trustee to institute proceedings in respect of such Event of Default with respect to such series of Notes in its own name as Trustee hereunder;

(3) such Holder or Holders have offered to the Trustee indemnity reasonably satisfactory to the Trustee against the costs, expenses and liabilities to be incurred in compliance with such request;

(4) the Trustee, for 60 days after its receipt of such notice, request and offer of reasonably satisfactory indemnity, has failed to institute any such proceeding; and

(5) no direction inconsistent with such written request has been given to the Trustee during such 60-day period by the Holders of a majority or more in principal amount of the Outstanding Notes of such series;

it being understood and intended that no one or more Holders of any series of Notes shall have any right in any manner whatever by virtue of, or by availing of, any provision of the Indenture to affect, disturb or prejudice the rights of any other Holders of the same series of Notes, or to obtain or to seek to obtain priority or preference over any other Holders of the same series of Notes, or to enforce any right under the Indenture, except in the manner herein provided and for the equal and ratable benefit of all the Holders of the same series of Notes.

SECTION 608. Unconditional Right of Holders to Receive Principal, Premium and Interest.

Notwithstanding any other provision in the Indenture, the Holder of any Note shall have the right, which is absolute and unconditional, to receive payment, as provided herein (including, if applicable, Article Thirteen) and in such Note, of the principal of (and premium, if any, on) and (subject to Section 408) interest on, such Note on the respective Stated Maturities expressed in such Note (or, in the case of redemption, on the Redemption Date) and to institute suit for the enforcement of any such payment, and such rights shall not be impaired without the consent of such Holder.

SECTION 609. Restoration of Rights and Remedies.

If the Trustee or any Holder has instituted any proceeding to enforce any right or remedy under the Indenture and such proceeding has been discontinued or abandoned for any reason, or has been determined adversely to the Trustee or to such Holder, then and in every such case, subject to any determination in such proceeding, the Company, the Trustee and the Holders shall be restored severally and respectively to their former positions hereunder and thereafter all rights and remedies of the Trustee and the Holders shall continue as though no such proceeding had been instituted.

SECTION 610. Rights and Remedies Cumulative.

Except as otherwise provided with respect to the replacement or payment of mutilated, destroyed, lost or stolen Notes in Section 407(d), no right or remedy herein conferred upon or reserved to the Trustee or to the Holders is intended to be exclusive of any other right or remedy, and, subject to the provisions of Section 607, every right and remedy shall, to the extent permitted by law, be cumulative and in addition to every other right and remedy given hereunder or now or hereafter existing at law or in equity or otherwise. The assertion or employment of any right or remedy hereunder, or otherwise, shall not prevent the concurrent assertion or employment of any other appropriate right or remedy.

SECTION 611. Delay or Omission Not Waiver.

No delay or omission of the Trustee or of any Holder of any Note to exercise any right or remedy accruing upon any Event of Default shall impair any such right or remedy or constitute a waiver of any such Event of Default or an acquiescence therein. Every right and remedy given by this Article Six or by law to the Trustee or to the Holders may be exercised from time to time, and as often as may be deemed expedient, by the Trustee or by the Holders, as the case may be.

SECTION 612. Control by Holders.

The Holders of not less than a majority in principal amount of the Outstanding Notes of any series of Notes shall have the right to direct the time, method and place of conducting any proceeding for any remedy available to the Trustee or exercising any trust or power conferred on the Trustee with respect to such series of Notes; provided that

(1) such direction shall not be in conflict with any rule of law or with the Indenture,

(2) the Trustee may take any other action deemed proper by the Trustee which is not inconsistent with such direction, and

(3) the Trustee need not take any action which might involve it in personal liability or be unjustly prejudicial to the Holders of such series of Notes not consenting.

SECTION 613. Waiver of Past Defaults.

The Holders of not less than a majority in principal amount of the Outstanding Notes of any series of Notes may on behalf of the Holders of all the Notes of such series waive with respect to such series of Notes only, any past Default or Event of Default hereunder and its consequences, except a Default or Event of Default:

(1) in respect of the payment of the principal of (or premium, if any, on) or interest on any Note of such series, or

(2) in respect of a covenant or provision of this Supplemental Indenture which under Article Ten cannot be modified or amended without the consent of the Holder of each Outstanding Note of such series affected.

Upon any such waiver, such Default or Event of Default shall cease to exist, and any Event of Default arising therefrom shall be deemed to have been cured, for every purpose of the Indenture with respect to such series of Notes; but no such waiver shall extend to any subsequent or other Default or Event of Default or impair any right consequent thereon.

SECTION 614. Waiver of Stay or Extension Laws.

Each of the Company and the Guarantors covenants (to the extent that it may lawfully do so) that it shall not at any time insist upon, or plead, or in any manner whatsoever claim or take the benefit or advantage of, any stay or extension law wherever enacted, now or at any time hereafter in force, which may affect the covenants or the performance of the Indenture; and each of the Company and the Guarantors (to the extent that it may lawfully do so) hereby expressly waives all benefit or advantage of any such law and covenants that it shall not hinder, delay or impede the execution of any power herein granted to the Trustee, but shall suffer and permit the execution of every such power as though no such law had been enacted.

ARTICLE SEVEN

THE TRUSTEE

SECTION 701. Notice of Defaults.

Within 90 days after the occurrence of any Default with respect to a series of Notes under the Indenture, the Trustee shall transmit in the manner and to the extent provided in Section 313(c) of the Trust Indenture Act, notice of such Default hereunder known to the Trustee, to Holders of the affected series of Notes unless such Default shall have been cured or waived; provided, however, that, except in the case of a Default or Event of Default in the payment of the principal of (or premium, if any, on) or interest on any Note, the Trustee shall be protected in withholding such notice if and so long as the Board of Directors, the executive committee or a trust committee of directors and/or Responsible Officers of the Trustee in good faith determines that the withholding of such notice is in the interest of the Holders of such series; and provided further that in the case of any Default or Event of Default of the character specified in Section 601(3), no such notice to Holders shall be given until at least 30 days after the occurrence thereof.

In case an Event of Default has occurred and is continuing, the Trustee shall exercise such of the rights and powers vested in it by the Indenture, and use the same degree of care

and skill in its exercise thereof, as a prudent Person would exercise or use under the circumstances in the conduct of such Person's own affairs.

SECTION 702. Certain Rights of Trustee.

Subject to the provisions of Sections 315(a) through 315(d) of the Trust Indenture Act:

(1) the Trustee may rely and shall be protected in acting or refraining from acting upon any resolution, certificate, statement, instrument, opinion, report, notice, request, direction, consent, order, bond, debenture, note, other evidence of indebtedness or other paper or document believed by it to be genuine and to have been signed or presented by the proper party or parties;

(2) any request or direction of the Company mentioned herein shall be sufficiently evidenced by a Company Request or Company Order and any resolution of the Board of Directors may be sufficiently evidenced by a Board Resolution;

(3) whenever in the administration of the Indenture the Trustee shall deem it desirable that a matter be proved or established prior to taking, suffering or omitting any action hereunder, the Trustee (unless other evidence be herein specifically prescribed) may, in the absence of bad faith on its part, rely upon an Officers' Certificate;

(4) the Trustee may consult with counsel and the written advice of such counsel or any Opinion of Counsel shall be full and complete authorization and protection in respect of any action taken, suffered or omitted by it hereunder in good faith and in reliance thereon;

(5) the Trustee shall be under no obligation to exercise any of the rights or powers vested in it by the Indenture at the request or direction of any of the Holders pursuant to the Indenture, unless such Holders shall have offered to the Trustee security or indemnity reasonably satisfactory to the Trustee against the costs, expenses and liabilities which might be incurred by it in compliance with such request or direction;

(6) the Trustee shall not be bound to make any investigation into the facts or matters stated in any resolution, certificate, statement, instrument, opinion, report, notice, request, direction, consent, order, bond, debenture, note, other evidence of indebtedness or other paper or document, but the Trustee, in its discretion, may make such further inquiry or investigation into such facts or matters as it may see fit, and, if the Trustee shall determine to make such further inquiry or investigation, it shall be entitled at all reasonable times to examine the books, records and premises of the Company personally or by agent or attorney;

(7) the Trustee may execute any of the trusts or powers hereunder or perform any duties hereunder either directly or by or through agents or attorneys and the Trustee shall not be responsible for any misconduct or negligence on the part of any agent or attorney appointed with due care by it hereunder; and

(8) the Trustee shall not be liable for any action taken, suffered or omitted by it in good faith and believed by it to be authorized or within the discretion or rights or powers conferred upon it by the Indenture.

The Trustee shall not be required to expend or risk its own funds or otherwise incur any financial liability in the performance of any of its duties hereunder, or in the exercise of any of its rights or powers if it shall have reasonable grounds for believing that repayment of such funds or adequate indemnity against such risk or liability is not reasonably assured to it.

SECTION 703. Trustee Not Responsible for Recitals or Issuance of Notes.

The recitals contained herein and in the Notes, except for the Trustee's certificates of authentication, shall be taken as the statements of the Company and the Trustee assumes no responsibility for their correctness. The Trustee makes no representations as to the validity or sufficiency of the Indenture or of the Notes, except that the Trustee represents that it is duly authorized to execute and deliver the Indenture, authenticate the Notes and perform its obligations hereunder and that the statements made by it in any Statement of Eligibility of Form T-1 supplied or to be supplied to the Company are or will be, as the case may be, true and accurate, subject to the qualifications set forth therein. The Trustee shall not be accountable for the use or application by the Company of Notes or the proceeds thereof.

SECTION 704. Trustee May Hold Notes.

The Trustee, any Paying Agent, any Security Registrar or any other agent of the Company or of the Trustee, in its individual or any other capacity, may become the owner or pledgee of Notes and, subject to Sections 310(b) and 311 of the Trust Indenture Act, may otherwise deal with the Company with the same rights it would have if it were not Trustee, Paying Agent, Security Registrar or such other agent.

SECTION 705. Money Held in Trust.

Cash in U.S. dollars or U.S. Government Obligations held by the Trustee in trust hereunder need not be segregated from other funds except to the extent required by law. The Trustee shall be under no liability for interest on any such cash or U.S. Government Obligations received by it hereunder except as otherwise agreed in writing with the Company.

SECTION 706. Compensation and Reimbursement.

The Company agrees:

(1) to pay to the Trustee from time to time reasonable compensation for all services rendered by it hereunder (which compensation shall not be limited by any provision of law in regard to the compensation of a trustee of an express trust);

(2) except as otherwise expressly provided herein, to reimburse the Trustee upon its request for all reasonable expenses, disbursements and advances incurred or made by the Trustee in accordance with any provision of the Indenture (including the reasonable compensation and the expenses and disbursements of its agents and counsel), except any such expense, disbursement or advance as may be attributable to its gross negligence or bad faith; and

(3) to indemnify the Trustee for, and to hold it harmless against, any loss, liability or expense incurred without gross negligence or bad faith on its part, arising out of or in connection with the acceptance, administration or enforcement of this trust, including the costs and expenses of defending itself against any claim or liability in connection with the exercise or performance of any of its powers or duties hereunder.

The obligations of the Company under this Section 706 to compensate the Trustee, to pay or reimburse the Trustee for expenses, disbursements and advances and to indemnify and hold harmless the Trustee shall constitute indebtedness and shall survive the satisfaction and discharge of the Indenture. As security for the performance of such obligations of the Company, the Trustee shall have a claim prior to the Notes upon all property and funds held or collected by the Trustee as such, except funds held in trust for the payment of principal of (and premium, if any, on) or interest on particular Notes.

SECTION 707. Corporate Trustee Required; Eligibility.

There shall at all times be a Trustee hereunder which shall be eligible to act as Trustee under Section 310(a)(1) of the Trust Indenture Act and shall have a combined capital and surplus of at least $100.0 million. If such corporation publishes reports of condition at least annually, pursuant to law or to the requirements of federal, state, territorial or District of Columbia supervising or examining authority, then for the purposes of this Section 707, the combined capital and surplus of such corporation shall be deemed to be its combined capital and surplus as set forth in its most recent report of condition so published. If at any time the Trustee shall cease to be eligible in accordance with the provisions of this Section 707, it shall resign immediately with respect to the Notes in the manner and with the effect hereinafter specified in this Article Seven.

SECTION 708. Resignation and Removal; Appointment of Successor.

(a) No resignation or removal of the Trustee and no appointment of a successor Trustee pursuant to this Article Seven shall become effective until the acceptance of appointment by the successor Trustee in accordance with the applicable requirements of Section 709.

(b) The Trustee may resign at any time by giving at least 60 days prior written notice thereof to the Company addressed to the Company. If the instrument of acceptance by a successor Trustee required by Section 709 shall not have been delivered to the Trustee within 90 days after the giving of such notice of resignation, the resigning Trustee may petition any court of competent jurisdiction for the appointment of a successor Trustee.

(c) The Trustee with respect to any series of Notes may be removed at any time by Act of the Holders of not less than a majority in principal amount of the Outstanding Notes of such series, delivered to the Trustee and to the Company addressed to the Company.

(d) If at any time:

(1) the Trustee shall fail to comply with the provisions of Section 310(b) of the Trust Indenture Act after written request therefor by the Company or by any Holder who has been a bona fide Holder of a Note for at least six months, or

(2) the Trustee shall cease to be eligible under Section 707 and shall fail to resign after written request therefor by the Company or by any Holder who has been a bona fide Holder of a Note for at least six months, or

(3) the Trustee shall become incapable of acting or shall be adjudged a bankrupt or insolvent or a receiver of the Trustee or of its property shall be appointed or any public officer shall take charge or control of the Trustee or of its property or affairs for the purpose of rehabilitation, conservation or liquidation,

then, in any such case, (i) the Company may remove the Trustee, or (ii) subject to Section 315(e) of the Trust Indenture Act, any Holder who has been a bona fide Holder of a Note for at least six months may, on behalf of itself and all others similarly situated, petition any court of competent jurisdiction for the removal of the Trustee and the appointment of a successor Trustee.

(e) If the Trustee shall resign, be removed or become incapable of acting, or if a vacancy shall occur in the office of Trustee for any cause with respect to any such series of Notes, the Company shall promptly appoint a successor Trustee for the applicable series of Notes. If, within one year after such resignation, removal or incapability, or the occurrence of such vacancy, a successor Trustee shall be appointed by Act of the Holders of a majority in principal amount of the Outstanding Notes of the applicable series of Notes delivered to the Company and the retiring Trustee, the successor Trustee so appointed shall, forthwith upon its accep-

tance of such appointment, become the successor Trustee of the applicable series of Notes and supersede the successor Trustee appointed by the Company. If no successor Trustee shall have been so appointed by the Company or the Holders of the applicable series of Notes and accepted appointment in the manner hereinafter provided, any Holder who has been a bona fide Holder of a Note for at least six months may, on behalf of itself and all others similarly situated, petition any court of competent jurisdiction for the appointment of a successor Trustee.

(f) The Company shall give notice of each resignation and each removal of the Trustee and each appointment of a successor Trustee to the Holders of Notes of the applicable series of Notes in the manner provided for in Section 207. Each notice shall include the name of the successor Trustee and the address of its Corporate Trust Office.

SECTION 709. Acceptance of Appointment by Successor.

Every successor Trustee appointed hereunder shall execute, acknowledge and deliver to the Company and to the retiring Trustee an instrument accepting such appointment, and, thereupon, the resignation or removal of the retiring Trustee shall become effective and such successor Trustee, without any further act, deed or conveyance, shall become vested with all the rights, powers, trusts and duties of the retiring Trustee; but, on request of the Company or the successor Trustee, such retiring Trustee shall, upon payment of its charges, execute and deliver an instrument transferring to such successor Trustee all the rights, powers and trusts of the retiring Trustee and shall duly assign, transfer and deliver to such successor Trustee all property and money held by such retiring Trustee hereunder. Upon request of any such successor Trustee, the Company shall execute any and all instruments for more fully and certainly vesting in and confirming to such successor Trustee all such rights, powers and trusts. No successor Trustee shall accept its appointment unless at the time of such acceptance such successor Trustee shall be qualified and eligible under this Article Seven.

SECTION 710. Merger, Conversion, Consolidation or Succession to Business.

Any corporation into which the Trustee may be merged or converted or with which it may be consolidated, or any corporation resulting from any merger, conversion or consolidation to which the Trustee shall be a party, or any corporation succeeding to all or substantially all of the corporate trust business of the Trustee, shall be the successor of the Trustee hereunder, provided such corporation shall be otherwise qualified and eligible under this Article Seven, without the execution or filing of any paper or any further act on the part of any of the parties to this Supplemental Indenture. In case any Notes shall have been authenticated, but not delivered, by the Trustee then in office, any successor by merger, conversion or consolidation to such authenticating Trustee may adopt such authentication and deliver the Notes so authenticated with the same effect as if such successor Trustee had itself authenticated such Notes; and in case at that time any of the Notes shall not have been authenticated, any successor Trustee may authenticate such Notes either in the name of any predecessor hereunder or in the name of the successor Trustee; and in all such cases such certificates shall have the full force which it is anywhere in the Notes or in the Indenture provided that the certificate of the Trustee shall have; pro-

vided, however, that the right to adopt the certificate of authentication of any predecessor Trustee or to authenticate Notes in the name of any predecessor Trustee shall apply only to its successor or successors by merger, conversion or consolidation.

ARTICLE EIGHT

HOLDERS' LISTS AND REPORTS BY TRUSTEE AND COMPANY

SECTION 801. Disclosure of Names and Addresses of Holders; Holders' List.

(a) Every Holder of Notes, by receiving and holding the same, agrees with the Company and the Trustee that none of the Company or the Trustee or any agent of either of them shall be held accountable by reason of the disclosure of any such information as to the names and addresses of the Holders in accordance with Section 312 of the Trust Indenture Act, regardless of the source from which such information was derived, and that the Trustee shall not be held accountable by reason of mailing any material pursuant to a request made under Section 312(b) of the Trust Indenture Act.

(b) The Registrar shall preserve in as current a form as is reasonably practicable the most recent list available to it of the names and addresses of Holders. If the Trustee is not the Registrar, the Company shall furnish to the Trustee, in writing no later than the record date for each Interest Payment Date and at such other times as the Trustee may request in writing, a list in such form and as of such date as the Trustee may reasonably require of the names and addresses of Holders.

SECTION 802. Reports by Trustee.

Within 60 days after May 15 of each year commencing with the first May 15 after the Issue Date, the Trustee shall transmit to the Holders, in the manner and to the extent provided in Section 313(c) of the Trust Indenture Act, a brief report dated as of such May 15 if required by Section 313(a) of the Trust Indenture Act.

ARTICLE NINE

MERGER, CONSOLIDATION AND SALE OF ASSETS

SECTION 901. Company May Consolidate, etc., Only on Certain Terms.

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

(1) either:

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

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

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

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

(2) if such transaction or series of related transactions occurs other than during a Suspension Period, immediately after giving effect to such transaction and the assumption contemplated by clause (1)(b)(y) above (including giving effect to any Indebtedness (including Acquired Indebtedness) incurred or anticipated to be incurred in connection with or in respect of such transaction), the Company or such Surviving Entity, as the case may be, shall either (x) be able to incur at least $1.00 of additional Indebtedness (other than Permitted Indebtedness) pursuant to Section 1107(a) of this Supplemental Indenture or (y) shall have a Consolidated Fixed Charge Coverage Ratio immediately after such transaction or series of related transactions equal to or greater than the Company's Consolidated Fixed Charge Coverage Ratio immediately prior to such transaction or series of related transactions;

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

(4) the Company or the Surviving Entity shall have delivered to the Trustee an Officers' Certificate and an Opinion of Counsel, each stating that such consolidation, merger, sale, assignment, transfer, lease, conveyance or other disposition and, if a supplemental indenture is required in connection with such transaction, such supplemental

indenture, comply with the applicable provisions of the Indenture and that all conditions precedent in the Indenture relating to such transaction have been satisfied.

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

(c) Notwithstanding the foregoing, the Company need not comply with clause (2) of paragraph (a) of this Section 901 in connection with (x) a sale assignment, transfer, conveyance or other disposition of assets between or among the Company and any of its Wholly Owned Restricted Subsidiaries or (y) any merger of the Company with or into any Wholly Owned Restricted Subsidiary or (z) a merger by the Company with an Affiliate incorporated or organized solely for the purpose of reincorporating or reorganizing the Company in another jurisdiction.

SECTION 902. Successor Substituted.

Upon any consolidation, merger, sale, assignment, conveyance, transfer, lease or other transaction described in, and complying with the provisions of, Section 901 in which the Company is not the continuing corporation, the Surviving Entity shall succeed to, and be substituted for, and may exercise every right and power of, the Company, as the case may be, under the Indenture and the Notes with the same effect as if such Surviving Entity had been named as such, and the Company shall be discharged from all obligations and covenants under the Indenture and the Notes, provided that, in the case of a transfer by lease, the predecessor shall not be released from its obligations with respect to the payment of principal (premium, if any) and interest on the Notes.

ARTICLE TEN

SUPPLEMENTAL INDENTURES

SECTION 1001. Supplemental Indentures Without Consent of Holders.

Without the consent of any Holders, the Company and the Guarantors, when authorized by a Board Resolution, and the Trustee, at any time and from time to time, may enter into one or more indentures supplemental to this Supplemental Indenture, in form satisfactory to the Trustee, for any of the following purposes:

(1) to evidence the succession of another Person to the Company and complying with Article Nine of this Supplemental Indenture; or

(2) to add to the covenants of the Company for the benefit of the Holders or to surrender any right or power herein conferred upon the Company; or

(3) to add any additional Events of Default; or

(4) to evidence and provide for the acceptance of appointment hereunder by a successor Trustee pursuant to the requirements of Section 709; or

(5) to cure any ambiguity, defect or inconsistency, to correct or supplement any provision herein which may be inconsistent with any other provision herein, or to make clear any other provisions with respect to matters or questions arising under the Indenture; provided that such action shall not adversely affect the interests of the Holders in any material respect; or

(6) to add Guarantors pursuant to Section 1113; or

(7) to secure the Notes pursuant to the requirements of Section 1112 or otherwise; or

(8) to comply with any requirements of the Commission in order to effect and maintain the qualification of the Indenture under the Trust Indenture Act.

SECTION 1002. Supplemental Indentures and Waivers With Consent of Holders.

With the consent of the Holders of not less than a majority in principal amount of the Outstanding Notes of a series of Notes, by Act of said Holders delivered to the Company and the Trustee, the Company and the Guarantors, when authorized by a Board Resolution, and the Trustee may enter into an indenture or indentures supplemental to the Indenture for the purpose of adding any provisions to or changing in any manner or eliminating any of the provisions of the Indenture or of modifying in any manner the rights of the Holders of such series of Notes under the Indenture. However, no such supplemental indenture or waiver (including a waiver pursuant to Section 613) shall, without the consent of the Holder of each Outstanding Note of such series affected thereby,

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

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

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

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

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

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

(7) release of any Guarantor from its Guarantee except as provided in this Supplemental Indenture, or, with respect to Guarantees issued solely pursuant to Section 1113(b) of the Supplemental Indenture, as provided in a supplemental indenture pursuant to which such Guarantee has been issued; or

(8) modify or change any provision of the Indenture or the related definitions, in each case, affecting the ranking of the Notes of such series in a manner which adversely affects the Holders thereof.

It shall not be necessary for any Act of Holders under this Section 1002 to approve the particular form of any proposed supplemental indenture or waiver, but it shall be sufficient if such Act shall approve the substance thereof.

SECTION 1003. Execution of Supplemental Indentures.

In executing, or accepting the additional trusts created by, any supplemental indenture permitted by this Article Ten or the modifications thereby of the trusts created by the Indenture, the Trustee shall be entitled to receive, and shall be fully protected in relying upon, an Opinion of Counsel stating that the execution of such supplemental indenture is authorized or permitted by the Indenture. The Trustee may, but shall not be obligated to, enter into any such

supplemental indenture which affects the Trustee's own rights, duties or immunities under the Indenture or otherwise.

SECTION 1004. Effect of Supplemental Indentures.

Upon the execution of any supplemental indenture with respect to any series of Notes under this Article Ten, the Indenture shall be modified in accordance therewith, and such supplemental indenture shall form a part of the Indenture for all purposes; and every Holder of Notes of such series theretofore or thereafter authenticated and delivered hereunder shall be bound thereby.

SECTION 1005. Conformity with Trust Indenture Act.

Every supplemental indenture executed pursuant to this Article Ten shall conform to the requirements of the Trust Indenture Act as then in effect.

SECTION 1006. Reference in Notes to Supplemental Indentures.

Notes authenticated and delivered after the execution of any supplemental indenture pursuant to this Article Ten may, and shall if required by the Trustee, bear a notation in form approved by the Trustee as to any matter provided for in such supplemental indenture. If the Company shall so determine, new Notes so modified as to conform, in the opinion of the Trustee and the Company, to any such supplemental indenture may be prepared and executed by the Company and authenticated and delivered by the Trustee in exchange for Outstanding Notes.

SECTION 1007. Notice of Supplemental Indentures.

Promptly after the execution by the Company and the Trustee of any supplemental indenture pursuant to the provisions of Sections 1001 and 1002, the Company shall give notice thereof to the Holders of each Outstanding Note affected, in the manner provided for in Section 207, setting forth in general terms the substance of such supplemental indenture; provided, however, that the Company shall not be required to give notice of any indenture supplemental to this Supplemental Indenture entered into solely for the purpose specified in Section 1001(5) or (8), notice with respect to which shall be given by the Company when it is next required to give notice pursuant to this Section 1007.

SECTION 1008. Record Date.

The Company may, but shall not be obligated to, fix a record date for the purpose of determining the Holders entitled to consent to any supplemental indenture, agreement or instrument or any waiver, and, if a record date is fixed, shall promptly notify the Trustee of any such record date. If a record date is fixed, those Persons who were Holders at such record date (or their duly designated proxies), and only those Persons, shall be entitled to consent to such

supplemental indenture, agreement or instrument or waiver or to revoke any consent previously given, whether or not such Persons continue to be Holders after such record date. No such consent shall be valid or effective with respect to such supplemental indenture, agreement or instrument or waiver which is entered into more than 120 days after such record date.

ARTICLE ELEVEN

COVENANTS

SECTION 1101. Payment of Principal, Premium, if any, and Interest.

The Company shall pay the principal of (and premium, if any, on) and interest on each series of the Notes in accordance with the terms of the Notes of such series and the Indenture. Principal, premium, if any, interest shall be considered paid on the date due if on such date the Trustee or the relevant Paying Agent hold in accordance with the Indenture money sufficient to pay all principal, premium and interest then due and the Trustee or such Paying Agent, as the case may be, are not prohibited from paying such money to the Holders of such series of Notes on that date.

SECTION 1102. Maintenance of Office or Agency.

The Company shall maintain, in the Borough of Manhattan in the City of New York, State of New York, an office or agency where Notes may be presented or surrendered for payment, where Notes may be surrendered for registration of transfer or exchange and where notices and demands to or upon the Company in respect of the Notes and the Indenture may be served. The Corporate Trust Office of the Trustee shall be such office or agency of the Company, unless the Company shall designate and maintain some other office or agency for one or more of such purposes. The Company shall give prompt written notice to the Trustee of any change in the location of any such office or agency. If at any time the Company shall fail to maintain any such required office or agency or shall fail to furnish the Trustee with the address thereof, such presentations, surrenders, notices and demands may be made or served at the Corporate Trust Office of the Trustee, and the Company hereby appoints the Trustee as its agent to receive all such presentations, surrenders, notices and demands. Unless otherwise specified with respect to the Notes as contemplated by Section 401, the Company hereby designates as a place of payment for the Notes the office or agency of the Trustee, and initially appoints the Trustee as Paying Agent to receive all such presentations, surrenders, notices and demands. The Company may also from time to time designate one or more other offices or agencies where the Notes may be presented or surrendered for any or all such purposes and may from time to time rescind any such designation. The Company shall give prompt written notice to the Trustee of any such designation or rescission and any change in the location of any such other office or agency but shall not be required to give notice of such designation, rescission or change to the Holders.

SECTION 1103. Money for Note Payments to Be Held in Trust.

(a) If the Company shall at any time act as its own Paying Agent, it shall, on or before each due date of the principal of (and premium, if any, on) or interest on any of the Notes, segregate and hold in trust for the benefit of the Persons entitled thereto a sum sufficient to pay the principal (and premium, if any) or interest so becoming due until such sums shall be paid to such Persons or otherwise disposed of as herein provided and shall promptly notify the Trustee of its action or failure so to act. Whenever the Company shall have one or more Paying Agents for the Notes, it shall, on or before each due date of the principal of (and premium, if any, on), or interest on, any Notes, deposit with a Paying Agent a sum sufficient to pay the principal (and premium, if any) or interest so becoming due, such sum to be held in trust for the benefit of the Persons entitled to such principal, premium or interest, and (unless such Paying Agent is the Trustee) the Company shall promptly notify the Trustee of such action or any failure so to act. The Company shall cause each Paying Agent (other than the Trustee) to execute and deliver to the Trustee an instrument in which such Paying Agent shall agree with the Trustee, subject to the provisions of this Section 1103, that such Paying Agent will:

(1) hold all sums held by it for the payment of the principal of (and premium, if any, on) or interest on Notes in trust for the benefit of the Persons entitled thereto until such sums shall be paid to such Persons or otherwise disposed of as herein provided;

(2) give the Trustee notice of any default by the Company (or any other obligor upon the Notes) in the making of any payment of principal (and premium, if any) or interest; and

(3) at any time during the continuance of any such default, upon the written request of the Trustee, forthwith pay to the Trustee all sums so held in trust by such Paying Agent.

SECTION 1104. Corporate Existence.

Subject to Article Nine of this Supplemental Indenture, the Company shall do or cause to be done all things necessary to preserve and keep in full force and effect its corporate existence and its material rights (charter and statutory), licenses and franchises; provided that the Company shall not be required to preserve any such right, license or franchise if the Board of Directors of the Company shall determine that the preservation thereof is no longer desirable in the conduct of the business of the Company and its Restricted Subsidiaries, taken as a whole.

SECTION 1105. Statement by Officers as to Compliance.

The Company shall deliver to the Trustee, within 120 days after the end of each fiscal year, an Officers' Certificate stating that in the course of the performance by the signer of its duties as an officer of the Company he would normally have knowledge of any Default or Event of Default and whether or not the signer knows of any Default or Event of Default that oc-

curred during such period and if any specifying such Default or Event of Default, its status and what action the Company is taking or proposed to take with respect thereto. The Company shall provide an Officers' Certificate to the Trustee promptly upon any such officer obtaining knowledge of any Default or Event of Default that has occurred and, if applicable, describe such Default or Event of Default and the status thereof. For purposes of this Section 1105, such compliance shall be determined without regard to any period of grace or requirement of notice under the Indenture. The Company shall comply with Section 314(a)(4) of the Trust Indenture Act.

SECTION 1106. Purchase of Notes Upon a Change of Control.

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

(b) Within 30 days following the date upon which the Change of Control occurred, the Company shall send, or cause the Trustee to send, by first class mail, a notice to each Holder, with a copy to the Trustee stating:

(i) that a Change of Control has occurred and that such Holder has the right to require the Company to purchase such Holder's Notes at a purchase price in cash equal to 101% of the principal amount thereof plus accrued and unpaid interest to the date of purchase;

(ii) the repurchase date (which shall be no earlier than 30 days nor later than 45 days from the date such notice is mailed, other than as required by law) (the "Change of Control Payment Date");

(iii) the procedures determined by the Company, consistent with the Indenture, that a Holder must follow in order to have its Notes purchased;

(iv) that the Change of Control Offer is being made pursuant to this Section 1106 and that all Notes properly tendered into the Change of Control Offer and not withdrawn will be accepted for payment; and that the Change of Control Offer shall remain open for a period of 20 Business Days or such longer period as may be required by applicable law;

(v) the purchase price (including the amount of accrued interest, if any) for each Note and the date on which the Change of Control Offer expires;

(vi) that any Note not tendered for payment will continue to accrue interest in accordance with the terms thereof;

(vii) that, unless the Company shall default in the payment of the purchase price, any Note accepted for payment pursuant to the Change of Control Offer shall cease to accrue interest after the Change of Control Payment Date;

(viii) that Holders electing to have Notes purchased pursuant to a Change of Control Offer will be required to surrender their Notes to the Paying Agent at the address specified in the notice prior to 5:00 p.m., New York City time, on the third Business Day prior to the Change of Control Payment Date and must complete the form entitled "Option of Holder to Elect Purchase" on the reverse of the Note;

(ix) that Holders of Notes will be entitled to withdraw their election if the Paying Agent receives, not later than 5:00 p.m., New York City time, on the third Business Day prior to the Change of Control Payment Date, a facsimile transmission or letter setting forth the name of the Holders, the principal amount of Notes the Holders delivered for purchase, the Note certificate number (if any) and a statement that such Holder is withdrawing his election to have such Notes purchased;

(x) that Holders whose Notes are purchased only in part will be issued Notes of like tenor equal in principal amount to the unpurchased portion of the Notes surrendered; provided, however, that each Note purchased and each new Note issued shall be in denominations of $1,000 or integral multiples thereof; and

(xi) a description of the circumstances and relevant facts regarding such Change of Control.

On the Change of Control Payment Date, the Company shall (i) accept for payment Notes or portions thereof in integral multiples of $1,000 validly tendered and not withdrawn pursuant to the Change of Control Offer, (ii) deposit with the Paying Agent money, in immediately available funds, sufficient to pay the purchase price of all Notes or portions thereof validly tendered and accepted and (iii) deliver to the Trustee the Notes so accepted together with an Officers' Certificate setting forth the Notes or portions thereof tendered to and accepted for payment by the Company. The Paying Agent shall promptly mail or deliver to the Holders of Notes so accepted payment in an amount equal to the purchase price, and the Trustee shall promptly authenticate and mail or cause to be transferred by book-entry to such Holders a new Note of the same series of like tenor equal in principal amount to any unpurchased portion of the Note surrendered. Any Notes not so accepted shall be promptly mailed or delivered by the Company to the Holder thereof. Upon the payment of the purchase price for the Notes accepted for purchase, the Trustee shall cancel the Notes purchased by the Company. Any monies remaining after the purchase of all Notes validly tendered pursuant to a Change of Control Offer shall be returned within three (3) Business Days by the Paying Agent to the Company. The Company shall publicly announce the results of the Change of Control Offer as soon as practicable following the Change of Control Payment Date.

(c) The Company is not required to make a Change of Control Offer upon a Change of Control if a third party makes the Change of Control Offer in the manner, at the times and otherwise in compliance with the requirements of this Section 1106 applicable to a Change of Control Offer made by the Company and purchases all Notes validly tendered and not withdrawn under such Change of Control Offer.

(d) The Company will comply with the requirements of Rule 14e-1 under the Exchange Act and any other securities laws and regulations thereunder to the extent such laws and regulations are applicable in connection with the repurchase of Notes pursuant to a Change of Control Offer. To the extent that the provisions of any securities laws or regulations conflict with this Section 1106 the Company shall comply with the applicable securities laws and regulations and shall not be deemed to have breached its obligations under this Section 1106 by virtue thereof.

SECTION 1107. Limitation on Incurrence of Additional Indebtedness.

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

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

SECTION 1108. Limitation on Restricted Payments.

(a) The Company will not, and will not cause or permit any of its Restricted Subsidiaries to, directly or indirectly:

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

tions payable to the other equity holders of such Restricted Subsidiary on a pro rata basis);

(2) purchase, redeem or otherwise acquire or retire for value any Capital Stock of the Company or any Restricted Subsidiary (other than (x) in exchange for Qualified Capital Stock of the Company or (y) Capital Stock of a Restricted Subsidiary held by the Company or another Restricted Subsidiary) or any warrants, rights or options to purchase or acquire shares of any class of such Capital Stock or make any payments with respect to Synthetic Purchase Agreements;

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

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

(each of the foregoing actions set forth in clauses (1), (2), (3) and (4) being referred to as a "Restricted Payment") (and for the avoidance of doubt, Permitted Investments shall not be Restricted Payments) if at the time of such Restricted Payment or immediately after giving effect thereto,

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

(ii) the Company is not able to incur at least $1.00 of additional Indebtedness (other than Permitted Indebtedness) in compliance with Section 1107(a); or

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

(u) 50% of the cumulative Consolidated Net Income (or if cumulative Consolidated Net Income shall be a loss, minus 100% of such loss) of the Company earned subsequent to December 31, 2001 and on or prior to the date the Restricted Payment occurs (the "Reference Date") (treating such period as a single accounting period); plus

(v) 100% of the aggregate Net Cash Proceeds received by the Company from any Person (other than a Subsidiary of the Company) from the issuance and sale subsequent to December 31, 2001 and on or prior to the Reference Date

of Qualified Capital Stock of the Company or warrants, options or other rights to acquire Qualified Capital Stock of the Company (but excluding any debt security that is convertible into, or exchangeable for, Qualified Capital Stock); plus

(w) 100% of the aggregate Net Cash Proceeds of any equity contribution received by the Company from a holder of the Company's Capital Stock; plus

(x) 100% of the aggregate settlement value of Qualified Capital Stock issued by the Company in respect of the settlement of pending or threatened litigation; plus

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

(z) without duplication, the sum of:

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

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

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

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

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

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

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

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

(4) (x) the repurchase or other acquisition of shares of Qualified Capital Stock of the Company or any warrants, rights or options to purchase or acquire shares of any such Qualified Capital Stock, from employees, former employees, directors or former directors of the Company or any of its Subsidiaries (or permitted transferees of such employees, former employees, directors or former directors), pursuant to the terms of the agreements (including employment agreements) or plans (or amendments thereto) approved by the Board of Directors under which such individuals purchase or sell, or are granted the option to purchase or sell, shares of such Qualified Capital Stock or (y) the redemption or repayment of any outstanding de minimis Subordinated Indebtedness; provided that the aggregate amount paid under clauses (x) and (y) combined does not exceed $25.0 million since January 17, 2002;

(5) the declaration and payment of dividends or distributions by the Company or any of its Restricted Subsidiaries on Preferred Stock so long as (a) no Event of Default has occurred and is continuing, (b) such Preferred Stock is otherwise permitted to be issued under this Supplemental Indenture and (c) such dividends or distributions are included in Consolidated Fixed Charges;

(6) the redemption of Preferred Stock of the Company or any Restricted Subsidiary (other than the Convertible Trust Preferred Securities) outstanding as of the Issue Date at any final scheduled or other mandatory redemption date thereof as in effect on the Issue Date;

(7) any repurchase of the Convertible Trust Preferred Securities upon the exercise by the holders thereof of any right to require such Restricted Subsidiary to purchase such securities through the application of the net proceeds of a substantially con-

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

(8) the redemption of the Company's Series B Convertible Preferred Stock as and when required by the terms of the Xerox Corporation Employee Stock Ownership Plan, 2000 Restatement dated March 17, 2000, as amended, provided that the aggregate amount paid pursuant to this clause (8) since the Issue Date does not exceed $50.0 million;

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

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

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

(12) the transactions with any Person (including any Affiliate of the Company) described in Section 1111(c)(1) and the funding of any obligations in connection therewith;

(13) (a) the repurchase or redemption by any Restricted Subsidiary of its own Capital Stock or the purchase by the Company of the Capital Stock of any Restricted Subsidiary in order to acquire all or a portion of the minority interest in such Restricted Subsidiary and (b) Investments in a Restricted Subsidiary that is not a Wholly Owned Restricted Subsidiary, in order to (i) maintain the Company's present direct or indirect ownership percentage in such Restricted Subsidiary in the event of a mandatory capital call or (ii) acquire all or a portion of the minority interest in such Restricted Subsidiary; provided that the amount of all Restricted Payments made pursuant to this clause (13) in

Restricted Subsidiaries that have not at any time become 100% directly or indirectly owned by the Company does not exceed $75.0 million in the aggregate since the Issue Date;

(14) mandatory prepayments of Subordinated Indebtedness;

(15) payments in respect of Subordinated Indebtedness the payment of which has been accelerated, in an amount taken together with all other payments made pursuant to this clause (15) since the Issue Date not to exceed $75.0 million; and

(16) other Restricted Payments in an aggregate amount which, when taken together with all other Restricted Payments pursuant to this clause (16), does not exceed $35.0 million.

(c) In determining the aggregate amount of Restricted Payments made subsequent to January 1, 2002 in accordance with clause (iii) of the second preceding paragraph, amounts expended pursuant to clauses (1), (4), (13), (14) and (15) of the immediately preceding paragraph shall be included in such calculation. No issuance and sale of Qualified Capital Stock pursuant to clause (2) or (3) of the immediately preceding paragraph shall increase the Restricted Payments Basket, except to the extent the proceeds thereof exceed the amounts used to effect the transactions described therein.

SECTION 1109. Limitation on Asset Sales.

(a) The Company will not, and will not permit any of its Restricted Subsidiaries to, consummate an Asset Sale unless:

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

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

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

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

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

(C) a combination of prepayment and Investment permitted by the foregoing clauses (3)(A) and (3)(B);

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

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

(ii) after the date of such Asset Sale Agreement and within 365 days immediately prior to the consummation of the Asset Sale(s) pursuant thereto, has applied any cash or Cash Equivalents (other than Net Cash Proceeds from any other Asset Sale) ("Applied Cash") in any manner permitted by subclause 3(A), 3(B) or 3(C) above,

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

(b) Pending the application of any Net Cash Proceeds required by this Section 1109, the Company or such Restricted Subsidiary may temporarily reduce any short-term loans or any Indebtedness under the revolving portion of any credit facility, including, without limitation, under the Credit Agreement, and such temporary reductions shall not result in any permanent reduction in the availability under the revolving portion of such credit facility.

(c) On the 366th day after an Asset Sale or such earlier date, if any, as the Board of Directors of the Company or of such Restricted Subsidiary determines not to apply the Net Cash Proceeds relating to such Asset Sale as set forth in subclauses (3)(A), (3)(B) and (3)(C) of paragraph (a) (each, a "Net Proceeds Offer Trigger Date"), such aggregate amount of Net Cash Proceeds which have not been applied on or before such Net Proceeds Offer Trigger Date as permitted in subclauses (3)(A), (3)(B) and (3)(C) of paragraph (a) above or deemed to have been applied pursuant to the proviso to clause (a)(3) above (each a "Net Proceeds Offer Amount") shall be applied by the Company or such Restricted Subsidiary to make an offer to purchase (the "Net Proceeds Offer") to all Holders (and holders of other Pari Passu Indebtedness of the Company to the extent required by the terms thereof) of Notes of each series on a date (the "Net Proceeds Offer Payment Date") not less than 30 nor more than 60 days following the applicable Net Proceeds Offer Trigger Date, from all Holders (and holders of other Pari Passu Indebtedness of the Company to the extent required by the terms thereof) on a pro rata basis, that amount of Notes (and other Pari Passu Indebtedness) equal to the Net Proceeds Offer Amount at a price equal to 100% of the principal amount thereof, plus accrued and unpaid interest thereon, if any, to the date of purchase; provided, however, that if at any time any non-cash consideration received by the Company or any Restricted Subsidiary of the Company, as the case may be, in connection with any Asset Sale is converted into or sold or otherwise disposed of for cash (other than interest received with respect to any such non-cash consideration), then such conversion or disposition shall be deemed to constitute an Asset Sale hereunder and the Net Cash Proceeds thereof shall be applied in accordance with this Section 1109.

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

(e) Notwithstanding paragraphs (a), (b) and (c) of this Section 1109, the Company and its Restricted Subsidiaries will be permitted to consummate an Asset Sale without complying with such paragraphs to the extent that:

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

(2) such Asset Sale is for fair market value; provided that any cash or Cash Equivalents received by the Company or any of its Restricted Subsidiaries in connection with any Asset Sale permitted to be consummated under this paragraph shall constitute Net Cash Proceeds subject to the provisions of paragraphs (a), (b) and (c) of this Section 1109.

(f) Each Net Proceeds Offer will be mailed to the record Holders as shown on all registers of Holders within 45 days following the Net Proceeds Offer Trigger Date, with a copy to the Trustee and the Paying Agent. The Net Proceeds Offer shall remain open from the time of mailing for at least 20 Business Days or such longer period as may be required by applicable law and until 5:00 p.m., New York City time, on the last day of the period (the "Net Proceeds Offer Payment Date"). The notice, which shall govern the terms of the Net Proceeds Offer, shall include such disclosures as are required by law and shall state:

(i) that the Net Proceeds Offer is being made pursuant to this Section 1109 and that all Notes in integral multiples of $1,000 validly tendered into the Net Proceeds Offer shall be accepted for payment; provided, however, that if the aggregate principal amount of Notes and other Pari Passu Indebtedness properly tendered in the Net Proceeds Offer exceeds the Net Proceeds Offer Amount, the Company shall select the Notes and other Pari Passu Indebtedness will be purchased on a pro rata basis (subject to Section 402) based upon the amount of such Notes and other Pari Passu Indebtedness tendered; and that the Net Proceeds Offer shall remain open for a period of 20 Business Days or such longer period as may be required by law;

(ii) the purchase price (including the amount of accrued interest and, if any) for each Note, the Net Proceeds Offer Payment Date and the date on which the Net Proceeds Offer expires;

(iii) that any Note not tendered for payment shall continue to accrue interest in accordance with the terms thereof;

(iv) that, unless the Company shall default in the payment of the purchase price, any Note accepted for payment pursuant to the Net Proceeds Offer shall cease to accrue interest after the Net Proceeds Offer Payment Date;

(v) that Holders electing to have Notes purchased pursuant to a Net Proceeds Offer shall be required to surrender their Notes to the Paying Agent at the address specified in the notice prior to 5:00 p.m., New York City time, on three (3) Business Days prior to the Net Proceeds Offer Payment Date and must complete any form letter of transmittal proposed by the Company and acceptable to the Trustee and the Paying Agent;

(vi) that any Holder of Notes shall be entitled to withdraw its election if the Paying Agent receives, not later than 5:00 p.m., New York City time, on three (3) Busi-

ness Days prior to the Net Proceeds Offer Payment Date, a facsimile transmission or letter setting forth the name of such Holder, the principal amount of Notes the Holder delivered for purchase, the Note certificate number (if any) and a statement that such Holder is withdrawing its election to have such Notes purchased;

(vii) that Holders whose Notes are purchased only in part shall be issued Notes of like tenor equal in principal amount to the unpurchased portion of the Notes surrendered;

(viii) the instructions that Holders must follow in order to tender their Notes; and

(ix) a description of the circumstances and relevant facts regarding such Asset Sale and Net Proceeds Offer.

On the Net Proceeds Offer Payment Date, the Company shall (i) accept for payment (subject to pro ration as described in under Section 1109(c)) Notes or portions thereof in integral multiples of $1,000 validly tendered pursuant to the Net Proceeds Offer, (ii) deposit with the Paying Agent money, in immediately available funds, sufficient to pay the purchase price of all Notes or portions thereof so tendered and accepted and (iii) deliver to the Trustee the Notes so accepted together with an Officers' Certificate setting forth the Notes or portions thereof tendered to and accepted for payment by the Company. The Paying Agent shall promptly mail or deliver to the Holders of Notes so accepted payment in an amount equal to the purchase price, and the Trustee shall promptly authenticate and mail or deliver to such Holders a new Note of the same series of like tenor equal in principal amount to any unpurchased portion of the Note surrendered. Any Notes not so accepted shall be promptly mailed or delivered by the Company to the Holder thereof. Upon the payment of the purchase price for the Notes accepted for purchase, the Trustee shall cancel and return the Notes purchased to the Company. Any monies remaining after the purchase of all Notes validly tendered pursuant to a Net Proceeds Offer shall be returned within three Business Days by the Paying Agent to the Company. The Company shall publicly announce the results of the Net Proceeds Offer as soon as practicable following the Net Proceeds Offer Payment Date.

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

(h) The Company will comply with the requirements of Rule 14e-1 under the Exchange Act and any other securities laws and regulations thereunder to the extent such laws and regulations are applicable in connection with the repurchase of Notes pursuant to a Net Proceeds Offer. To the extent that the provisions of any securities laws or regulations conflict with the provisions of this Section 1109, the Company shall comply with the applicable securities laws and regulations and shall not be deemed to have breached its obligations under the provisions of this Section 1109 by virtue thereof.

SECTION 1110. Limitation on Dividend and Other Payment Restrictions Affecting Restricted Subsidiaries.

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

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

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

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

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

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

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

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

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

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

(f) the Credit Agreement;

(g) Purchase Money Indebtedness incurred in compliance with Section 1107 of this Supplemental Indenture that impose restrictions of the nature described in clause (3) of this Section 1110 on the property acquired;

(h) any agreement relating to Indebtedness of a Restricted Subsidiary permitted to be incurred under Section 1107 of this Supplemental Indenture;

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

(j) any encumbrance or restriction existing under or by reason of contractual requirements in connection with the Third-Party Vendor Financing Program or any Qualified Receivables Transaction;

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

(l) in the case of clause (3) of this Section 1110, any encumbrance or restriction (a) that restricts in a customary manner the subletting, assignment or transfer of any property or asset that is subject to a lease, license, or similar contract, (b) by virtue of any transfer of, agreement to transfer, option or right with respect to, or Lien on, any property or assets of the Company or any Restricted Subsidiary not otherwise prohibited by the Indenture, or (c) contained in security agreements securing Indebtedness of any Restricted Subsidiary to the extent permitted by the Indenture and such encumbrance or restrictions restrict the transfer of the property subject to such security agreements;

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

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

SECTION 1111. Limitations on Transactions with Affiliates.

(a) The Company will not, and will not permit any of its Restricted Subsidiaries to, directly or indirectly, enter into or permit to exist any transaction or series of related transactions (including, without limitation, the purchase, sale, lease or exchange of any property or

the rendering of any service) with any of its Affiliates (each an "Affiliate Transaction"), other than (x) Affiliate Transactions permitted under paragraph (c) of this Section 1111 and (y) Affiliate Transactions on terms that are no less favorable in any material respect than those that might reasonably have been obtained, in the good faith judgment of the Board of Directors of the Company or the Restricted Subsidiary, as the case may be, in a comparable transaction at such time on an arm's-length basis from a Person that is not an Affiliate of the Company or such Restricted Subsidiary.

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

(c) The foregoing paragraphs shall not apply to:

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

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

(3) any agreement, instrument or arrangement as in effect as of the Issue Date or any amendment thereto or any transaction contemplated thereby (including pursuant to any amendment thereto) in any replacement agreement thereto so long as any such amendment or replacement agreement is not more disadvantageous to the Holders in any material respect than the original agreement as in effect on the Issue Date as determined by the Company;

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

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

(6) Permitted Joint Venture Investments and any other transactions contemplated by or to facilitate the Business Effectiveness Actions.

SECTION 1112. Limitation on Liens.

(a) The Company will not create or suffer to exist, or permit any of its Specified Subsidiaries to create or suffer to exist, any Lien, or any other type of preferential arrangement, upon or with respect to any of its properties (other than "margin stock" as that term is defined in Regulation U issued by the Board of Governors of the Federal Reserve System), whether now owned or hereafter acquired, or assign, or permit any of its Specified Subsidiaries to assign, any right to receive income, in each case to secure any Indebtedness (other than Indebtedness described in clauses (5) and (8) of the definition of "Indebtedness" herein) without making effective provision whereby all of the Notes (together with, if the Company shall so determine, any other Indebtedness of the Company or such Specified Subsidiary then existing or thereafter created which is not subordinate to the Notes) shall be equally and ratably secured with the Indebtedness secured by such security (provided that any Lien created for the benefit of the Holders of the Notes pursuant to this sentence shall provide by its terms that such Lien shall be automatically and unconditionally released and discharged upon the release and discharge of the Lien that resulted in such provision becoming applicable, unless a Default or Event of Default shall then be continuing); provided, however, that the Company or its Specified Subsidiaries may create or suffer to exist any Lien or preferential arrangement of any kind in, of or upon any of the properties or assets of the Company or its Specified Subsidiaries to secure Indebtedness if upon creation of such Lien or arrangement and after giving effect thereto, the aggregate principal amount of Indebtedness secured by Liens would not exceed the greater of (i) $2.0 billion and (ii) 20% of the Consolidated Net Worth of the Company; and provided, further, that the foregoing restrictions or limitations shall not apply to any of the following:

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

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

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

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

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

(6) Liens existing on December 1, 1991;

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

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

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

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

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

(b) In addition, if after January 17, 2002 any Capital Markets Debt of the Company or any Restricted Subsidiary becomes secured by a Lien pursuant to any provision

similar to the covenant in the immediately preceding paragraph, then, for so long as such Capital Markets Debt of the Company is secured by such Lien (provided that any Lien created for the benefit of the Holders of the Notes pursuant to this sentence shall be automatically and unconditionally released and discharged upon the release and discharge of the Lien that resulted in the imposition of the Lien hereunder):

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

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

SECTION 1113. Subsidiary Guarantees.

(a) If on or after January 17, 2002:

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

(2) any one or more Wholly Owned Domestic Restricted Subsidiaries (singly or in the aggregate) would at the end of any fiscal quarter constitute a Significant Subsidiary (which term for the purposes of this Section 1113 shall be limited to any Person that satisfies only the asset criteria set forth in clauses (1) and (2) of paragraph (w) of Rule 1.02 of Regulation S-X under the Exchange Act) (other than (i) Xerox Financial Services, Inc. and each of its Subsidiaries (other than Xerox Credit Corporation) for so long as its respective business is conducted in a manner similar to that on January 17, 2002, (ii) Xerox Credit Corporation or any other Restricted Subsidiary of the Company, in each case so long as it is primarily a special purpose financing vehicle of the Company or its Restricted Subsidiaries (a "Financing Subsidiary") or any holding company whose principal asset is Capital Stock of a Financing Subsidiary or (iii) any Domestic Restricted Subsidiary so long as its primary asset is Capital Stock of one or more Foreign Subsidiaries and/or its primary asset is Indebtedness of one or more Foreign Subsidiaries or any combination of the foregoing),

then, if such Restricted Subsidiary is not already a Guarantor, the Company shall cause, in the case of (1), such Restricted Subsidiary that is guaranteeing Company Capital Markets Debt, and, in the case of (2), such Domestic Restricted Subsidiary(ies), to execute and deliver to the Trustee a supplemental indenture in form reasonably satisfactory to the Trustee pursuant to which such Person shall fully and unconditionally guarantee all of the Company's obligations under the Notes and the Indenture, including the prompt payment in full when due of the principal of, premium on, if any, interest and, without duplication, Defaulted Interest, if any, on the Notes and all other amounts payable by the Company thereunder and hereunder, subject to any applicable

grace period, whether at maturity, by acceleration or otherwise, and interest on any overdue principal and any overdue interest on the Notes and all other obligations of the Company to the Holders or the Trustee hereunder or under the Notes on the terms set forth in Article 14.

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

SECTION 1114. Reports to Holders.

Whether or not required by the rules and regulations of the Commission, so long as any Notes are outstanding, the Company will file a copy of the following information and reports with the Commission for public availability within the time periods specified in the Commission's rules and regulations (unless the Commission will not accept such a filing, in which case the Company shall furnish such information and reports to Holders):

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

(2) all current reports that would be required to be filed with the Commission on Form 8-K if the Company were required to file such reports;

in each case within the time periods specified in the Commission's rules and regulations.

SECTION 1115. Suspension Period.

For purposes of this Article Eleven, during a Suspension Period with respect to a series of Notes, the Suspended Covenants will not apply with respect to such series of Notes. The remaining provisions and covenants of this Article Eleven will continue to apply at all times so long as any Notes remain Outstanding.

"Suspension Period" means with respect to a series of Notes any period (a) beginning on the date that:

(1) the applicable series of Notes has Investment Grade Status, provided that prior to the assignment of the ratings contemplated by the definition of In-

vestment Grade Status, the Company has advised Moody's and S&P that the Suspended Covenants will not apply during such Suspension Period;

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

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

and (b) ending on the date (the "Reversion Date") that the applicable series of Notes ceases to have the applicable ratings from both Moody's and S&P specified in the definition of "Investment Grade Status."

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

For purposes of calculating the amount available to be made as Restricted Payments under clause (iii) of paragraph (a) of Section 1108, calculations under that clause will be made with reference to December 31, 2001 as set forth in that clause. Accordingly, (x) Restricted Payments made during the Suspension Period not otherwise permitted pursuant to any of clauses (1) through (15) under paragraph (b) of Section 1108 will reduce the amount available to be made as Restricted Payments under clause (iii) of paragraph (a) such Section; provided, that such reduction by itself shall not cause the amount available to be made as Restricted Payments under clause (iii) of paragraph (a) of such Section on the Reversion Date to be reduced to below an amount equal to $75.0 million per calendar year; provided further that such amount shall be prorated only for the number of calendar days between the Reversion Date and the earlier of (A) the end of the calendar year in which the Reversion Date occurs and (B) the Ten Year Note maturity date and (y) the items specified in subclauses (v) through (z) of clause (iii) of Section 1108 that occur during the Suspension Period will increase the amount available to be made as Restricted Payments under clause (iii) of Section 1108. Any Restricted Payments made during the Suspension Period that (i) are of the type described in clause (4), (8), (13) or (14) under Section 1108(b) or (ii) that would have been made pursuant to clause (15) of Section 1108(b) if such covenant were then applicable, shall reduce the amounts permitted to be incurred under such clause (4), (8), (13), (14) or (15), as the case may be, on the Reversion Date.

For purposes of Section 1109, on the Reversion Date, the unutilized Net Proceeds Offer Amount will be reset to zero.

ARTICLE TWELVE

REDEMPTION OF NOTES

SECTION 1201. Right of Redemption.

Except as set forth in this Section 1201, the Notes are not redeemable.

The Company may, at any time and from time to time, at its option, redeem the outstanding Seven Year Notes (in whole or in part) at a redemption price equal to 100% of the principal amount thereof plus accrued and unpaid interest, if any, on the Seven Year Notes to the applicable redemption date, plus the applicable Make-Whole Premium (a "Seven Year Note Redemption"); provided that in the case of any such redemption in part, at least 50% of the original principal amount of the Seven Year Notes remains outstanding after giving effect to such redemption. The Company shall give not less than 30 nor more than 60 days' notice of such redemption.

Prior to June 15, 2008, the Company may, at any time and from time to time, at its option, redeem the outstanding Ten Year Notes (in whole or in part) at a redemption price equal to 100% of the principal amount thereof plus accrued and unpaid interest, if any, on the Ten Year Notes to the applicable redemption date, plus the applicable Make Whole Premium (a "Ten Year Note Redemption" and along with a Seven Year Note Redemption, each a "Specified Redemption"); provided that in the case of any such redemption in part, at least 50% of the original principal amount of the Ten Year Notes remains outstanding after giving effect to such redemption. The Company shall give not less than 30 nor more than 60 days' notice of such redemption.

On and after June 15, 2008, the Company may redeem the Ten Year Notes, at its option, in whole or in part from time to time, at the following redemption prices, expressed as percentages of the principal amount thereof plus accrued and unpaid interest, if any, to the redemption date, if redeemed during the twelve-month period commencing on June 15 of any year set forth below:

Year	Percentage
2008	103.563%
2009	102.375%
2010	101.188%
2011 and thereafter	100.000%

SECTION 1202. Applicability of Article.

Redemption of Notes at the election of the Company or otherwise, as permitted or required by any provision of the Indenture, shall be made in accordance with such provision and this Article.

SECTION 1203. Election to Redeem; Notice to Trustee.

The election of the Company to redeem any Notes pursuant to Section 1204 shall be evidenced by an Officers' Certificate. In case of any redemption at the election of the Company, the Company shall, at least 60 days prior to the Redemption Date fixed by the Company (unless a shorter notice shall be satisfactory to the Trustee), notify the Trustee of such Redemption Date, the applicable series of Notes and of the principal amount of such Notes to be redeemed and shall deliver to the Trustee such documentation and records as shall enable the Trustee to select the Notes to be redeemed pursuant to Section 1204.

SECTION 1204. Selection by Trustee of Notes to Be Redeemed.

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

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

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

The Trustee shall promptly notify the Company in writing of the Notes selected for redemption and, in the case of any Notes selected for partial redemption, the principal amount thereof to be redeemed.

For all purposes of the Indenture, unless the context otherwise requires, all provisions relating to redemption of Notes shall relate, in the case of any Note redeemed or to be redeemed only in part, to the portion of the principal amount of such Note which has been or is to be redeemed.

SECTION 1205. Notice of Redemption.

Notice of redemption shall be given in the manner provided for in Section 207 not less than 30 nor more than 60 days prior to the Redemption Date, to each Holder of Notes to be redeemed.

All notices of redemption shall state:

(1) the Redemption Date,

(2) the Redemption Price,

(3) if less than all Outstanding Notes of the applicable series are to be redeemed, the identification by "CUSIP," "ISIN" or "Common Code" Numbers, if any (and, in the case of a partial redemption, the principal amounts) and, as applicable, of the particular Notes to be redeemed,

(4) if any Note is to be redeemed in part only, the portion of the principal amount thereof to be redeemed,

(5) that on the Redemption Date, the Redemption Price (together with accrued interest to the Redemption Date payable as provided in Section 1207) will become due and payable upon each such Note, or the portion thereof, to be redeemed, and that interest thereon will cease to accrue on and after said date, and

(6) the place or places where such Notes are to be surrendered for payment of the Redemption Price.

Notice of redemption of Notes to be redeemed at the election of the Company shall be given by the Company or, at the Company's request, by the Trustee in the name and at the expense of the Company.

SECTION 1206. Deposit of Redemption Price.

On or prior to any Redemption Date, the Company shall deposit with the Trustee or with a Paying Agent (or, if the Company is acting as its own Paying Agent, segregate and hold in trust as provided in Section 1103) an amount of money sufficient to pay the Redemption Price of, and accrued interest on, any Notes, or any portions thereof, to be redeemed on that date.

SECTION 1207. Notes Payable on Redemption Date.

Notice of redemption having been given as aforesaid, the Notes so to be redeemed shall, on the Redemption Date, become due and payable at the Redemption Price therein specified (together with accrued interest, if any, to the Redemption Date), and from and after such date (unless the Company shall default in the payment of the Redemption Price and accrued interest, if any) such Notes, or portions thereof, shall cease to bear interest. Upon surrender of any such Note for redemption in accordance with said notice, such Note shall be paid by the Company at the Redemption Price, together with accrued interest to the Redemption Date; provided, however, that installments of interest whose Stated Maturity is on or prior to the Redemption Date shall be payable to the Holders of such Notes, or one or more Predecessor Notes, registered as such at the close of business on the relevant Record Dates according to their terms and the provisions of Section 408.

If any Note called for redemption shall not be so paid upon surrender thereof for redemption, the principal (and premium and interest) shall, until paid, bear interest from the Redemption Date at the rate borne by the Notes.

SECTION 1208. Notes Redeemed in Part.

Any Note which is to be redeemed only in part pursuant to the provisions of this Article Twelve shall be surrendered at the office or agency of the Company maintained for such purpose pursuant to Section 1102 (with, if the Company or the Trustee so requires, due endorsement by, or a written instrument of transfer in form satisfactory to the Company and the Trustee duly executed by, the Holder thereof or such Holder's attorney duly authorized in writing), and the Company shall execute, and the Trustee shall authenticate and deliver to the Holder of such Note without service charge, a new Note or Notes of the same series, of any authorized denomination as requested by such Holder, in an aggregate principal amount equal to and in exchange for the unredeemed portion of the principal of the Note so surrendered.

ARTICLE THIRTEEN

LEGAL DEFEASANCE AND COVENANT DEFEASANCE

SECTION 1301. Company's Option to Effect Legal Defeasance or Covenant Defeasance.

The Company may, at its option and at any time, with respect to any series of Notes, elect to have either Section 1302 or Section 1303 be applied to all Outstanding Notes of such series upon compliance with the conditions set forth below in this Article Thirteen.

SECTION 1302. Legal Defeasance and Discharge.

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

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

(2) the Company's obligations with respect to Sections 404, 406, 407 and 1102;

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

(4) the provisions of this Article Thirteen of this Supplemental Indenture.

SECTION 1303. Covenant Defeasance.

The Company may, at its option and at any time, elect to have the obligations of the Company released with respect to any series of Notes with respect to Sections 1106 through and including 1115 and Section 901(a)(2) ("Covenant Defeasance") and thereafter any omission to comply with such obligations shall not constitute a Default or Event of Default with respect to such series of Notes. In the event Covenant Defeasance occurs, clauses (4) and (5) in Section 601 will no longer constitute Events of Default with respect to such Notes. The Company may exercise its Legal Defeasance option notwithstanding its prior exercise of its Covenant Defeasance option.

SECTION 1304. Conditions to Legal Defeasance or Covenant Defeasance.

The following shall be the conditions to application of either Section 1302 or Section 1303:

In order to exercise either Legal Defeasance or Covenant Defeasance:

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

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

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

(b) since the date of the Indenture, there has been a change in the applicable federal income tax law,

in either case to the effect that, and based thereon such Opinion of Counsel shall confirm that, the applicable Holders will not recognize income, gain or loss for federal income tax purposes as a result of such Legal Defeasance and will be subject to federal income tax on the same amounts, in the same manner and at the same times as would have been the case if such Legal Defeasance had not occurred;

(3) in the case of Covenant Defeasance, the Company shall have delivered to the Trustee an Opinion of Counsel in the United States reasonably acceptable to the Trustee confirming that the applicable Holders will not recognize income, gain or loss for

federal income tax purposes as a result of such Covenant Defeasance and will be subject to federal income tax on the same amounts, in the same manner and at the same times as would have been the case if such Covenant Defeasance had not occurred;

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

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

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

(7) the Company shall have delivered to the Trustee an Officers' Certificate and an Opinion of Counsel, each stating that all conditions precedent provided for or relating to the Legal Defeasance or the Covenant Defeasance have been complied with; and

(8) No event or condition shall exist that would prevent the Company from making payments of the principal of, premium, if any, and interest on the Notes on the date of such deposit on the date of such deposit.

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

SECTION 1305. Deposited Money and U.S. Government Obligations to Be Held in Trust; Other Miscellaneous Provisions.

Subject to the provisions of Section 1103, all money and U.S. Government Obligations (including the proceeds thereof) deposited with the Trustee (or other qualifying trustee, collectively, for purposes of this Section 1305, the "Trustee") pursuant to Section 1304 in respect of the Outstanding Notes shall be held in trust and applied by the Trustee, in accordance with the provisions of such Notes and the Indenture, to the payment, either directly or through any Paying Agent (including the Company acting as its own Paying Agent) as the Trustee may determine, to the Holders of such Notes of all sums due and to become due thereon in respect of principal (and

premium, if any) and interest, but such money need not be segregated from other funds except to the extent required by law.

The Company shall pay and indemnify the Trustee against any tax, fee or other charge imposed on or assessed against the U.S. Governmental Obligations deposited pursuant to Section 1304 or the principal and interest received in respect thereof other than any such tax, fee or other charge which by law is for the account of the Holders of the Outstanding Notes.

Anything in this Article Thirteen to the contrary notwithstanding, the Trustee shall deliver or pay to the Company from time to time upon Company Request any money or U.S. Government Obligations held by it as provided in Section 1304 which, in the opinion of a nationally recognized firm of independent public accountants expressed in a written certification thereof delivered to the Trustee, are in excess of the amount thereof which would then be required to be deposited to effect an equivalent Legal Defeasance or Covenant Defeasance, as applicable, in accordance with this Article Thirteen.

SECTION 1306. Reinstatement.

If the Trustee or any Paying Agent is unable to apply any money in accordance with Section 1305 by reason of any order or judgment of any court or governmental authority enjoining, restraining or otherwise prohibiting such application, then the Company's obligations under the Indenture and the Notes shall be revived and reinstated as though no deposit had occurred pursuant to Section 1302 or 1303, as the case may be, until such time as the Trustee or Paying Agent is permitted to apply all such money in accordance with Section 1305, and the Company shall execute all documents reasonably satisfactory to the Trustee evidencing such revival and reinstatement; provided, however, that if the Company makes any payment of principal of (or premium, if any, on) or interest on any Note following the reinstatement of its obligations, the Company shall be subrogated to the rights of the Holders of such Notes to receive such payment from the money held by the Trustee or Paying Agent.

ARTICLE FOURTEEN
GUARANTEE OF NOTES

SECTION 1401. Guarantee.

Subject to the provisions of this Article Fourteen, each Guarantor in respect of any series of Notes hereby jointly and severally unconditionally guarantees, on a senior unsecured basis, to each Holder of a Note of such series authenticated and delivered by the Trustee and to the Trustee and its successors, irrespective of (i) the validity and enforceability of the Indenture, the Notes of such series or the obligations of the Company or any other Guarantors to the Holders of the applicable series of Notes or the Trustee hereunder or thereunder or (ii) the absence of any action to enforce the same or any other circumstance which might otherwise constitute a legal or equitable discharge or default of a Guarantor, that: (a) the principal of, premium,

if any, interest and Defaulted Interest with respect to the Notes of such series shall be duly and punctually paid in full when due, whether at maturity, by acceleration or otherwise, and interest on the overdue principal and (to the extent permitted by law) interest or Defaulted Interest with respect to the applicable series of Notes and all other obligations of the Company or any Guarantor to the Holders of the applicable series of Notes or the Trustee hereunder or thereunder (including amounts due the Trustee under Section 706 of this Supplemental Indenture) and all other obligations under the Indenture with respect to such series of Notes or the applicable series of Notes shall be promptly paid in full or performed, all in accordance with the terms of this Supplemental Indenture and thereof and (b) in case of any extension of time of payment or renewal of any Notes of any series or any of such other obligations, the same shall be promptly paid in full when due or performed in accordance with the terms of the extension or renewal, whether at stated maturity, by acceleration or otherwise. Failing payment when due of any amount so guaranteed, or failing performance of any other obligation of the Company to the Holders of the applicable series of Notes, for whatever reason, each Guarantor shall be obligated to pay, or to perform or cause the performance of, the same immediately. An Event of Default under the Indenture or the applicable series of Notes shall constitute an event of default under the Guarantee, and shall entitle the Holders of any affected series of Notes or the Trustee to accelerate the obligations of the Guarantors of such series of Notes hereunder in the same manner and to the same extent as the obligations of the Company.

Each Guarantor, by execution of the Guarantee, waives the benefit of diligence, presentment, demand for payment, filing of claims with a court in the event of insolvency or bankruptcy of the Company, any right to require a proceeding first against the Company, protest, notice and all demands whatsoever and covenant that such Guarantee shall not be discharged except by complete performance of the obligations contained in the Notes, this Indenture and such Guarantee. The Guarantee is a guarantee of payment and not of collection. If any Holder or the Trustee is required by any court or otherwise to return to the Company or to any Guarantor, or any custodian, trustee, liquidator or other similar official acting in relation to the Company or such Guarantor, any amount paid by the Company or such Guarantor to the Trustee or such Holder of the applicable series of Notes, the Guarantee, to the extent theretofore discharged, shall be reinstated in full force and effect. Each Guarantor further agrees that, as between it, on the one hand, and the Holders of the applicable series of Notes and the Trustee, on the other hand, (a) subject to this Article Fourteen, the maturity of the obligations guaranteed hereby may be accelerated as provided in Article Six of this Supplemental Indenture for the purposes of the Guarantee, notwithstanding any stay, injunction or other prohibition preventing such acceleration in respect of the obligations guaranteed hereby and (b) in the event of any acceleration of such obligations as provided in Article Six of this Supplemental Indenture, such obligations (whether or not due and payable) shall forthwith become due and payable by the Guarantors for the purpose of such Guarantee.

The Guarantee shall remain in full force and effect and continue to be effective should any petition be filed by or against the Company for liquidation or reorganization, should the Company become insolvent or make an assignment for the benefit of creditors or should a

receiver or trustee be appointed for all or any significant part of the Company's assets, and shall, to the fullest extent permitted by law, continue to be effective or be reinstated, as the case may be, if at any time payment and performance of the applicable series of Notes are pursuant to applicable law, rescinded or reduced in amount, or must otherwise be restored or returned by any obligee on the applicable series of Notes, whether as a "voidable preference," "fraudulent transfer" or otherwise, all as though such payment or performance had not been made. In the event that any payment, or any part thereof, is rescinded, reduced, restored or returned, the applicable series of Notes shall, to the fullest extent permitted by law, be reinstated and deemed reduced only by such amount paid and not so rescinded, reduced, restored or returned.

No shareholder, officer, director, employee or incorporator, past, present or future, or any Guarantor, as such, shall have any personal liability under this Guarantee by reason of his, her or its status as such shareholder, officer, director, employee or incorporator.

SECTION 1402. Execution and Delivery of Guarantee**.**

To further evidence the Guarantee set forth in Section 1401 of this Supplemental Indenture, each Guarantor hereby agrees that a notation of such Guarantee, substantially in the form included in Exhibit C to this Supplemental Indenture, shall be endorsed on each Note authenticated and delivered by the Trustee after this Article Fourteen with respect to such Guarantor becomes effective in accordance with Section 1404 of this Supplemental Indenture and such Guarantee shall be executed by either manual or facsimile signature of an officer of each Guarantor. The validity and enforceability of any Guarantee shall not be affected by the fact that it is not affixed to any particular Note.

Each of the Guarantors hereby agrees that its Guarantee set forth in Section 1401 of this Supplemental Indenture shall remain in full force and effect notwithstanding any failure to endorse on each Note a notation of such Guarantee.

If an officer of a Guarantor whose signature is on the Indenture or a Guarantee no longer holds that office at the time the Trustee authenticates the Note on which such Guarantee is endorsed or at any time thereafter, such Guarantor's Guarantee of such Note shall be valid nevertheless.

The delivery of any Note by the Trustee, after the authentication thereof hereunder, shall constitute due delivery of any Guarantee set forth in this Supplemental Indenture on behalf of the Guarantor.

SECTION 1403. Limitation of Guarantee.

The obligations of each Guarantor are limited to the maximum amount as shall, after giving effect to all other contingent and fixed liabilities of such Guarantor and after giving effect to any collections from or payments made by or on behalf of any other Guarantor in respect of the obligations of such other Guarantor under its Guarantee or pursuant to its contribu-

tion obligations under the Indenture, result in the obligations of such Guarantor under the Guarantee not constituting a fraudulent conveyance or fraudulent transfer under federal or state law. Each Guarantor that makes a payment or distribution under a Guarantee shall be entitled to a contribution from each other Guarantor in a pro rata amount based on the net assets of each Guarantor, determined in accordance with GAAP.

SECTION 1404. Waiver of Subrogation.

Each Guarantor, by execution of its Guarantee, waives to the extent permitted by law any claim or other rights which it may now or hereafter acquire against the Company that arise from the existence, payment, performance or enforcement of such Guarantor's obligations under such Guarantee and the Indenture, including, without limitation, any right of subrogation, reimbursement, exoneration, indemnification, and any right to participate in any claim or remedy of any Holder of the applicable series of Notes against the Company, whether or not such claim, remedy or right arises in equity, or under contract, statute or common law, including, without limitation, the right to take or receive from the Company, directly or indirectly, in cash or other property or by set-off or in any other manner, payment on account of such claim or other rights. If any amount shall be paid to any Guarantor in violation of the preceding sentence and the Notes shall not have been paid in full, such amount shall have been deemed to have been paid to such Guarantor for the benefit of, and held in trust for the benefit of, the Holders of the applicable series of Notes, and shall forthwith be paid to the Trustee for the benefit of such Holders to be credited and applied upon the applicable series of Notes, whether matured or unmatured, in accordance with the terms of the Indenture. Each Guarantor, by execution of its Guarantee, shall acknowledge that it shall receive direct and indirect benefits from the financing arrangements contemplated by the Indenture and that the waiver set forth in this Section 1404 is knowingly made in contemplation of such benefits.

SECTION 1405. Release of Guarantee.

Any Guarantee executed pursuant to clause (1) of paragraph (a) of Section 1113 of this Supplemental Indenture (including, without limitation, any Guarantee of the Notes issued as of the Issue Date), shall be automatically and unconditionally released upon the release of the guarantee that resulted in such clause (1) of paragraph (a) of Section 1113 of this Supplemental Indenture becoming applicable (other than by reason of payment under such guarantee) so long as such Restricted Subsidiary is not at such time guaranteeing any other Capital Markets Debt of the Company and no Default or Event of Default is then continuing. In addition, any Guarantee executed pursuant either to clause (1) or clause (2) of paragraph (a) of Section 1113 of this Supplemental Indenture shall provide by its terms that such Guarantee shall be automatically and unconditionally released upon: (i) the designation of the Restricted Subsidiary that gave such Guarantee as an Unrestricted Subsidiary in compliance with the provisions of the Indenture or (ii) any transaction, including without limitation, any sale, exchange or transfer, to any Person not an Affiliate of the Company, of the Company's Capital Stock in, or all or substantially all the property of, such Restricted Subsidiary, which transaction is in compliance with the terms of the

Indenture, and which results in the Restricted Subsidiary that gave such Guarantee ceasing to be a Subsidiary of the Company and, in the case of either clause (i) or clause (ii), such Restricted Subsidiary is released from all guarantees, if any, by it of other Capital Markets Debt of the Company.

[Signature Page to Follow]

IN WITNESS WHEREOF, the parties hereto have caused this Supplemental Indenture to be duly executed, and attested, all as of the day and year first above written.

XEROX CORPORATION

Attest: /s/ MARTIN S. WAGNER

Name: Martin S. Wagner
Title: Assistant Secretary

By: /s/ RHONDA L. SEEGAL

Name: Rhonda L. Seegal
Title: Vice President and Treasurer

WELLS FARGO BANK MINNESOTA, NATIONAL ASSOCIATION,
as Trustee

By: /s/ JANE Y. SCHWEIGER

Jane Y. Schweiger
Vice President

Guarantors:

XEROX INTERNATIONAL JOINT MARKETING, INC.:

By: /s/ JAMES FIRESTONE

Name: James Firestone
Title: President and Treasurer

INTELLIGENT ELECTRONICS, INC:

By: /s/ ROBERT HOPE

Name: Robert Hope
Title: Treasurer

EXHIBIT A
[Form of Global Note Legend]

UNLESS THIS CERTIFICATE IS PRESENTED BY AN AUTHORIZED REPRESENTATIVE OF THE DEPOSITORY TRUST COMPANY, A NEW YORK CORPORATION ("DTC"), TO THE ISSUER OR ITS AGENT FOR REGISTRATION OF TRANSFER, EXCHANGE, OR PAYMENT, AND ANY CERTIFICATE ISSUED IS REGISTERED IN THE NAME OF CEDE & CO. OR IN SUCH OTHER NAME AS IS REQUESTED BY AN AUTHORIZED REPRESENTATIVE OF DTC (AND ANY PAYMENT IS MADE TO CEDE & CO. OR TO SUCH OTHER ENTITY AS IS REQUESTED BY AN AUTHORIZED REPRESENTATIVE OF DTC), ANY TRANSFER, PLEDGE OR OTHER USE HEREOF FOR VALUE OR OTHERWISE BY OR TO ANY PERSON IS WRONGFUL INASMUCH AS THE REGISTERED OWNER HEREOF, CEDE & CO., HAS AN INTEREST HEREIN.

TRANSFERS OF THIS GLOBAL NOTE SHALL BE LIMITED TO TRANSFERS IN WHOLE, BUT NOT IN PART, TO NOMINEES OF DTC OR TO A SUCCESSOR THEREOF OR SUCH SUCCESSOR'S NOMINEE AND TRANSFERS OF PORTIONS OF THIS GLOBAL NOTE SHALL BE LIMITED TO TRANSFERS MADE IN ACCORDANCE WITH THE RESTRICTIONS SET FORTH IN THE INDENTURE REFERRED TO ON THE REVERSE HEREOF.

EXHIBIT B-1

[Form of Seven Year Note]

(FACE OF NOTE)

XEROX CORPORATION

7-1/8% SENIOR NOTE DUE 2010

No._____ $ _____

Xerox Corporation, a New York corporation (herein called the "Company," which term includes any successor Person under the Indenture hereinafter referred to), for value received, hereby promises to pay to _____ or registered assigns, the principal sum of _____ U.S. Dollars on June 15, 2010, at the office or agency of the Company referred to below, and to pay interest thereon from June 25, 2003, or from the most recent Interest Payment Date to which interest has been paid or duly provided for, semiannually on June 15 and December 15 of each year, commencing December 15, 2003, at the rate of 7-1/8% per annum, until the principal hereof is paid or duly provided for, and (to the extent lawful) to pay on demand interest on any overdue interest at the rate borne by the Notes from the date on which such overdue interest becomes payable to the date payment of such interest has been made or duly provided for.

The interest so payable, and punctually paid or duly provided for, on any Interest Payment Date will, as provided in the Indenture, be paid to the Person in whose name this Note (or one or more Predecessor Notes) is registered at the close of business on the Regular Record Date for such interest, which shall be the June 1 or December 1 (whether or not a Business Day), as the case may be, next preceding such Interest Payment Date. Any such interest not so punctually paid or duly provided for shall forthwith cease to be payable to the Holder on such Regular Record Date, and such Defaulted Interest, and (to the extent lawful) interest on such Defaulted Interest at the rate borne by the Notes, may be paid to the Person in whose name this Note (or one or more Predecessor Notes) is registered at the close of business on a Special Record Date for the payment of such Defaulted Interest to be fixed by the Trustee, notice whereof shall be given to Holders of Notes not less than 10 days prior to such Special Record Date, or may be paid at any time in any other lawful manner not inconsistent with the requirements of any securities exchange on which the Notes may be listed, and upon such notice as may be required by such exchange, all as more fully provided in the Indenture. Interest on this Note shall be computed on the basis of a 360-day year of twelve 30-day months.

Payment of the principal of (and premium, if any), or interest on this Note will be made at the office or agency of the Company maintained for that purpose in (which initially will be the office of the Trustee maintained at Sixth and Marquette, MAC N9 303-120, Minneapolis, MN 55479, or at such other office or agency of the Company as may be maintained for such purpose, in such coin or currency of the United States of America as at the time of payment is

legal tender for payment of public and private debts; provided, however, that payment of interest may be made at the option of the Company by check mailed to the address of the Person entitled thereto as such address shall appear on the Security Register related to this Note. Notwithstanding the foregoing, payment of interest in respect of Notes represented by Global Notes shall be made in accordance with procedures required by the Depositary.

Reference is hereby made to the further provisions of this Note set forth on the reverse hereof, which further provisions shall for all purposes have the same effect as if set forth at this place.

Unless the certificate of authentication hereon has been duly executed by the Trustee referred to on the reverse hereof by manual signature, this Note shall not be entitled to any benefit under the Indenture, or be valid or obligatory for any purpose.

IN WITNESS WHEREOF, the Company has caused this instrument to be duly executed.

Dated:

XEROX CORPORATION

By: _____

Name:
Title:

By: _____

Name:
Title:

Certificate of Authentication, dated .

This is one of the Notes referred to in the within-mentioned Indenture.

WELLS FARGO BANK MINNESOTA,
National Association, as Trustee

By: _____

(REVERSE OF NOTE)

1. Indenture. This Note is one of a duly authorized issue of securities of the Company designated as its 7-1/8% Senior Notes due 2010 (herein called the "Notes"), issued under an indenture (herein called the "Base Indenture") dated as of June 25, 2003, between the Company and Wells Fargo Bank Minnesota, National Association, as trustee (herein called the "Trustee," which term includes any successor trustee under the Indenture), as supplemented by the supplemental indenture dated as of June 25, 2003 among the Company, the guarantors party thereto and the Trustee (the "Supplemental Indenture" and, together with the Base Indenture, the "Indenture") to which Indenture and all indentures supplemental thereto reference is hereby made for a statement of the respective rights, limitations of rights, duties, obligations and immunities thereunder of the Company, the Trustee and the Holders of the Notes, and of the terms upon which the Notes are, and are to be, authenticated and delivered.

Capitalized terms used herein but not otherwise defined herein shall have the meaning assigned to such terms in the Indenture.

The terms of the Notes include those stated in the Indenture and those made part of the Indenture by reference to the Trust Indenture Act of 1939 (15 U.S.C. §§ 77aaa-77bbbb) (the "TIA"), as in effect on the date of the Indenture. Notwithstanding anything to the contrary herein, the Notes are subject to all such terms, and Holders of Notes are referred to the Indenture and the TIA for a statement of such terms.

No reference herein to the Indenture and no provisions of this Note or of the Indenture shall alter or impair the obligation of the Company, which is absolute and unconditional, to pay the principal of, premium, if any, and interest on this Note at the times, place, and rate, and in the coin or currency, herein prescribed.

2. Redemption. Except as set forth in this paragraph, the Notes are not redeemable.

(a) The Company may, at any time and from time to time, at its option, redeem the Outstanding Notes (in whole or in part) at a redemption price equal to 100% of the principal amount thereof plus accrued and unpaid interest, if any, on the Notes to the applicable redemption date, plus the Make-Whole Premium; provided that in the case of any such redemption in part, at least 50% of the original principal amount of the Notes remains outstanding after giving effect to such redemption. The Company shall give not less than 30 nor more than 60 days' notice of such redemption.

The Trustee shall promptly notify the Company in writing of the Notes selected for redemption and, in the case of any Notes selected for partial redemption, the principal amount thereof to be redeemed.

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

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

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

(b) In the case of any redemption of Notes, interest installments whose Stated Maturity is on or prior to the Redemption Date will be payable to the Holders of such Notes, or one or more Predecessor Notes, of record at the close of business on the relevant Record Date referred to on the face hereof. Notes (or portions thereof) for whose redemption and payment provision is made in accordance with the Indenture shall cease to bear interest from and after the Redemption Date.

(c) In the event of redemption of this Note in part only, a new Note or Notes for the unredeemed portion hereof shall be issued in the name of the Holder hereof upon the cancellation hereof.

3. Offers to Purchase. Sections 1106 and 1109 of the Supplemental Indenture provide that upon the occurrence of a Change of Control and following certain Asset Sales, and subject to certain conditions and limitations contained therein, the Company shall make an offer to purchase all or a portion of the Notes in accordance with the procedures set forth in the Indenture.

4. Defaults and Remedies. If an Event of Default occurs and is continuing, the principal of and premium, if any, on all of the Outstanding Notes of this series, plus all accrued and unpaid interest, if any, to and including the date the Notes are paid, may be declared due and payable in the manner and with the effect provided in the Indenture.

5. Defeasance. The Indenture contains provisions for defeasance at any time of (a) the entire Indebtedness of the Company on this Note and (b) certain restrictive covenants and the related Defaults and Events of Default, upon compliance by the Company with certain conditions set forth therein, which provisions apply to this Note.

6. Amendment and Waivers. The Indenture permits, with certain exceptions as therein provided, the amendment thereof and the modification of the rights and obligations of the Company and the rights of the Holders under the Indenture at any time by the Company and the Trustee with the consent of the Holders of a majority in aggregate principal amount of the Notes at the time Outstanding. The Indenture also contains provisions permitting the Holders of a majority in aggregate principal amount of the Notes at the time Outstanding, on behalf of the Holders of all the Notes, to waive compliance by the Company with certain provisions of the Indenture and certain past Defaults or Events of Default under the Indenture and their consequences. Any such consent or waiver by or on behalf of the Holder of this Note shall be conclusive and binding upon such Holder and upon all future Holders of this Note and of any Note issued upon the registration of transfer hereof or in exchange herefor or in lieu hereof whether or not notation of such consent or waiver is made upon this Note.

7. Denominations, Transfers and Exchanges. The Notes are issuable only in registered form without coupons in denominations of $1,000 and any integral multiple thereof.

As provided in the Indenture and subject to certain limitations therein set forth, the transfer of this Note is registerable on the applicable Security Register of the Company, upon surrender of this Note for registration of transfer at the office or agency of the Company, maintained for such purpose, duly endorsed by, or accompanied by a written instrument of transfer in form satisfactory to the Company and the Security Registrar duly executed by, the Holder hereof or his attorney duly authorized in writing, and thereupon one or more new Notes, of authorized denominations and for the same aggregate principal amount, will be issued to the designated transferee or transferees.

No service charge shall be made for any registration of transfer or exchange of Notes, but the Company may require payment of a sum sufficient to cover any tax or other governmental charge payable in connection therewith.

8. Persons Deemed Owners. Prior to and at the time of due presentment of this Note for registration of transfer, the Company, the Trustee and any agent of the Company or the Trustee may treat the Person in whose name this Note is registered as the owner hereof for all purposes, whether or not this Note be overdue, and neither the Company, the Trustee nor any such agent shall be affected by notice to the contrary.

9. Unclaimed Money. If money deposited with the Trustee or any applicable agent for the payment of principal of, premium, if any, or interest on, the Notes remains unclaimed for two years, the Trustee and such paying agent shall return the money to the Company. After that, Holders entitled to the money must look to the Company for payment unless applicable abandoned property law designates another Person and all liability of the Trustee and such paying agent shall cease. Other than as set forth in this paragraph and Section 1115 of the Supplemental Indenture, the Notes and the Indenture, respectively, do not provide for any periods for the escheatment of the payment of principal of, premium, if any, or interest on the Notes.

10. GOVERNING LAW. THIS NOTE SHALL BE GOVERNED BY, AND CONSTRUED IN ACCORDANCE WITH, THE LAW OF THE STATE OF NEW YORK BUT WITHOUT GIVING EFFECT TO APPLICABLE PRINCIPLES OF CONFLICTS OF LAW TO THE EXTENT THAT THE APPLICATION OF THE LAW OF ANOTHER JURISDICTION WOULD BE REQUIRED THEREBY.

The Company will furnish to any Holder of a Note upon written request and without charge a copy of the Indenture. Requests may be made to: Xerox Corporation, 800 Long Ridge Road, Stamford, Connecticut 06904, Attention: Chief Financial Officer.

ASSIGNMENT FORM

If you, the Holder, want to assign this Note, fill in the form below and have your signature guaranteed:

I or we assign and transfer this Note to

(Insert assignee's social security or tax ID number)

(Print or type assignee's name, address and zip code) and irrevocably appoint

agent to transfer this Note on the books of the Company. The agent may substitute another to act for such agent.

OPTION OF HOLDER TO ELECT PURCHASE

If you wish to have this Note purchased by the Company pursuant to Section 1106 or 1109 of the Supplemental Indenture, check the appropriate box:

Section 1106 Section 1109

If you wish to have a portion of this Note purchased by the Company pursuant to Section 1106 or 1109 of the Supplemental Indenture, state the amount:

$_____

Date: _____ Your signature: _____

(Sign exactly as your name appears on the other side of this Note)

By: _____

NOTICE: To be executed by an executive officer

Signature Guarantee: _____

EXHIBIT B-2

[Form of Ten Year Note]

(FACE OF NOTE)

XEROX CORPORATION

7-5/8% SENIOR NOTE DUE 2013

No._____ $ _____

Xerox Corporation, a New York corporation (herein called the "Company", which term includes any successor Person under the Indenture hereinafter referred to), for value received, hereby promises to pay to _____ or registered assigns, the principal sum of _____ U.S. Dollars on June 15, 2013, at the office or agency of the Company referred to below, and to pay interest thereon from June 25, 2003, or from the most recent Interest Payment Date to which interest has been paid or duly provided for, semiannually on June 15 and December 15 of each year, commencing December 15, 2003, at the rate of 7-5/8% per annum, until the principal hereof is paid or duly provided for, and (to the extent lawful) to pay on demand interest on any overdue interest at the rate borne by the Notes from the date on which such overdue interest becomes payable to the date payment of such interest has been made or duly provided for.

The interest so payable, and punctually paid or duly provided for, on any Interest Payment Date will, as provided in the Indenture, be paid to the Person in whose name this Note (or one or more Predecessor Notes) is registered at the close of business on the Regular Record Date for such interest, which shall be the June 1 or December 1 (whether or not a Business Day), as the case may be, next preceding such Interest Payment Date. Any such interest not so punctually paid or duly provided for shall forthwith cease to be payable to the Holder on such Regular Record Date, and such Defaulted Interest, and (to the extent lawful) interest on such Defaulted Interest at the rate borne by the Notes, may be paid to the Person in whose name this Note (or one or more Predecessor Notes) is registered at the close of business on a Special Record Date for the payment of such Defaulted Interest to be fixed by the Trustee, notice whereof shall be given to Holders of Notes not less than 10 days prior to such Special Record Date, or may be paid at any time in any other lawful manner not inconsistent with the requirements of any securities exchange on which the Notes may be listed, and upon such notice as may be required by such exchange, all as more fully provided in the Indenture. Interest on this Note shall be computed on the basis of a 360-day year of twelve 30-day months.

Payment of the principal of (and premium, if any), or interest on this Note will be made at the office or agency of the Company maintained for that purpose in (which initially will be the office of the Trustee maintained at Sixth and Marquette, MAC N9 303-120, Minneapolis, MN 55479, or at such other office or agency of the Company as may be maintained for such purpose, in such coin or currency of the United States of America as at the time of payment is

legal tender for payment of public and private debts; provided, however, that payment of interest may be made at the option of the Company by check mailed to the address of the Person entitled thereto as such address shall appear on the Security Register related to this Note. Notwithstanding the foregoing, payment of interest in respect of Notes represented by Global Notes shall be made in accordance with procedures required by the Depositary.

Reference is hereby made to the further provisions of this Note set forth on the reverse hereof, which further provisions shall for all purposes have the same effect as if set forth at this place.

Unless the certificate of authentication hereon has been duly executed by the Trustee referred to on the reverse hereof by manual signature, this Note shall not be entitled to any benefit under the Indenture, or be valid or obligatory for any purpose.

IN WITNESS WHEREOF, the Company has caused this instrument to be duly executed.

Dated:

XEROX CORPORATION

By: _____

Name:
Title:

By: _____

Title:
Name:

Certificate of Authentication, dated .

This is one of the Notes referred to in the within-mentioned Indenture.

WELLS FARGO BANK MINNESOTA,
National Association, as Trustee

By: _____

(REVERSE OF NOTE)

1. Indenture. This Note is one of a duly authorized issue of securities of the Company designated as its 7-5/8% Senior Notes due 2013 (herein called the "Notes"), issued under an indenture (herein called the "Base Indenture") dated as of June 25, 2003, between the Company and Wells Fargo Bank Minnesota, National Association, as trustee (herein called the "Trustee", which term includes any successor trustee under the Indenture), as supplemented by the supplemental indenture dated as of June 25, 2003 among the Company, the guarantors party thereto and the Trustee (the "Supplemental Indenture" and together with the Base Indenture, the "Indenture") to which Indenture and all indentures supplemental thereto reference is hereby made for a statement of the respective rights, limitations of rights, duties, obligations and immunities thereunder of the Company, the Trustee and the Holders of the Notes, and of the terms upon which the Notes are, and are to be, authenticated and delivered.

Capitalized terms used herein but not otherwise defined herein shall have the meaning assigned to such terms in the Indenture.

The terms of the Notes include those stated in the Indenture and those made part of the Indenture by reference to the Trust Indenture Act of 1939 (15 U.S.C. §§ 77aaa-77bbbb) (the "TIA"), as in effect on the date of the Indenture. Notwithstanding anything to the contrary herein, the Notes are subject to all such terms, and Holders of Notes are referred to the Indenture and the TIA for a statement of such terms.

No reference herein to the Indenture and no provisions of this Note or of the Indenture shall alter or impair the obligation of the Company, which is absolute and unconditional, to pay the principal of, premium, if any, and interest on this Note at the times, place, and rate, and in the coin or currency, herein prescribed.

2. Redemption. Except as set forth in this paragraph, the Notes are not redeemable.

(a) Prior to June 15, 2008, the Company may, at any time and from time to time, at its option, redeem the Outstanding Notes (in whole or in part) at a redemption price equal to 100% of the principal amount thereof plus accrued and unpaid interest, if any, on the Ten Year Notes to the applicable redemption date, plus the applicable Make Whole Premium (a "Specified Redemption"); provided that in the case of any such redemption in part, at least 50% of the original principal amount of the Notes remains outstanding after giving effect to such redemption. The Company shall give not less than 30 nor more than 60 days' notice of such redemption.

On and after June 15, 2008, the Company may redeem the Notes, at its option, in whole or in part from time to time, at the following redemption prices, expressed as percentages of the principal amount thereof plus accrued and unpaid interest, if any, to the redemption date, if redeemed during the twelve-month period commencing on June 15 of any year set forth below:

Year	Percentage
2008	103.563%
2009	102.375%
2010	101.188%
2011 and thereafter	100.000%

The Trustee shall promptly notify the Company in writing of the Notes selected for redemption and, in the case of any Notes selected for partial redemption, the principal amount thereof to be redeemed.

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

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

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

(b) In the case of any redemption of Notes, interest installments whose Stated Maturity is on or prior to the Redemption Date will be payable to the Holders of such Notes, or one or more Predecessor Notes, of record at the close of business on the relevant Record Date referred to on the face hereof. Notes (or portions thereof) for whose redemption and payment provision is made in accordance with the Indenture shall cease to bear interest from and after the Redemption Date.

(c) In the event of redemption of this Note in part only, a new Note or Notes for the unredeemed portion hereof shall be issued in the name of the Holder hereof upon the cancellation hereof.

3. Offers to Purchase. Sections 1106 and 1109 of the Supplemental Indenture provide that upon the occurrence of a Change of Control and following certain Asset Sales, and subject to certain conditions and limitations contained therein, the Company shall make an offer to purchase all or a portion of the Notes in accordance with the procedures set forth in the Indenture.

4. Defaults and Remedies. If an Event of Default occurs and is continuing, the principal of and premium, if any, on all of the Outstanding Notes, plus all accrued and unpaid interest, if any, to and including the date the Notes are paid, may be declared due and payable in the manner and with the effect provided in the Indenture.

5. Defeasance. The Indenture contains provisions for defeasance at any time of (a) the entire Indebtedness of the Company on this Note and (b) certain restrictive covenants

and the related Defaults and Events of Default, upon compliance by the Company with certain conditions set forth therein, which provisions apply to this Note.

6. Amendment and Waivers. The Indenture permits, with certain exceptions as therein provided, the amendment thereof and the modification of the rights and obligations of the Company and the rights of the Holders under the Indenture at any time by the Company and the Trustee with the consent of the Holders of a majority in aggregate principal amount of the Notes at the time Outstanding. The Indenture also contains provisions permitting the Holders of a majority in aggregate principal amount of the Notes at the time Outstanding, on behalf of the Holders of all the Notes, to waive compliance by the Company with certain provisions of the Indenture and certain past Defaults or Events of Default under the Indenture and their consequences. Any such consent or waiver by or on behalf of the Holder of this Note shall be conclusive and binding upon such Holder and upon all future Holders of this Note and of any Note issued upon the registration of transfer hereof or in exchange herefor or in lieu hereof whether or not notation of such consent or waiver is made upon this Note.

7. Denominations, Transfers and Exchanges. The Notes are issuable only in registered form without coupons in denominations of $1,000 and any integral multiple thereof.

As provided in the Indenture and subject to certain limitations therein set forth, the transfer of this Note is registerable on the applicable Security Register of the Company, upon surrender of this Note for registration of transfer at the office or agency of the Company, maintained for such purpose, duly endorsed by, or accompanied by a written instrument of transfer in form satisfactory to the Company and the Security Registrar duly executed by, the Holder hereof or his attorney duly authorized in writing, and thereupon one or more new Notes, of authorized denominations and for the same aggregate principal amount, will be issued to the designated transferee or transferees.

No service charge shall be made for any registration of transfer or exchange of Notes, but the Company may require payment of a sum sufficient to cover any tax or other governmental charge payable in connection therewith.

8. Persons Deemed Owners. Prior to and at the time of due presentment of this Note for registration of transfer, the Company, the Trustee and any agent of the Company or the Trustee may treat the Person in whose name this Note is registered as the owner hereof for all purposes, whether or not this Note be overdue, and neither the Company, the Trustee nor any such agent shall be affected by notice to the contrary.

9. Unclaimed Money. If money deposited with the Trustee or any applicable agent for the payment of principal of, premium, if any, or interest on, the Notes remains unclaimed for two years, the Trustee and such paying agent shall return the money to the Company. After that, Holders entitled to the money must look to the Company for payment unless applicable abandoned property law designates another Person and all liability of the Trustee and such paying agent shall cease. Other than as set forth in this paragraph and Section 215 of the Sup-

plemental Indenture, the Notes and the Indenture, respectively, do not provide for any periods for the escheatment of the payment of principal of, premium, if any, or interest on the Notes.

10. **GOVERNING LAW. THIS NOTE SHALL BE GOVERNED BY, AND CONSTRUED IN ACCORDANCE WITH, THE LAW OF THE STATE OF NEW YORK BUT WITHOUT GIVING EFFECT TO APPLICABLE PRINCIPLES OF CONFLICTS OF LAW TO THE EXTENT THAT THE APPLICATION OF THE LAW OF ANOTHER JURISDICTION WOULD BE REQUIRED THEREBY.**

The Company will furnish to any Holder of a Note upon written request and without charge a copy of the Indenture. Requests may be made to: Xerox Corporation, 800 Long Ridge Road, Stamford, Connecticut 06904, Attention: Chief Financial Officer.

ASSIGNMENT FORM

If you, the Holder, want to assign this Note, fill in the form below and have your signature guaranteed:

I or we assign and transfer this Note to

(Insert assignee's social security or tax ID number)

(Print or type assignee's name, address and zip code) and irrevocably appoint

agent to transfer this Note on the books of the Company. The agent may substitute another to act for such agent.

OPTION OF HOLDER TO ELECT PURCHASE

If you wish to have this Note purchased by the Company pursuant to Section 1106 or 1109 of the Supplemental Indenture, check the appropriate box:

Section 1106 Section 1109

If you wish to have a portion of this Note purchased by the Company pursuant to Section 1106 or 1109 of the Supplemental Indenture, state the amount:

$_____

DATE:_____ Your signature:_____

(Sign exactly as your name appears on the other side of this Note)

By: _____

NOTICE: To be executed by an executive officer

Signature Guarantee:_____

EXHIBIT C

[FORM OF NOTE GUARANTEE]

Each of the undersigned (the "Guarantors") hereby jointly and severally unconditionally guarantees, to the extent set forth in the First Supplemental Indenture dated as of June [ ], 2003, by and between Xerox Corporation, as issuer, the Guarantors and Wells Fargo Bank Minnesota, National Association, as Trustee, to the Indenture, dated as of June 25, 2003 between the Company and the Trustee (the "Base Indenture" and as supplemented by the Supplemental Indenture, the "Indenture"), and subject to the provisions of the Indenture, (a) the due and punctual payment of the principal of, and premium, if any, and interest on the applicable series of Notes, when and as the same shall become due and payable, whether at maturity, by acceleration or otherwise, the due and punctual payment of interest on overdue principal of, and premium and, to the extent permitted by law, interest, and the due and punctual performance of all other obligations of the Company to the Holders of the applicable series of Notes or the Trustee, all in accordance with the terms set forth in Article Fourteen of the Supplemental Indenture and (b) in case of any extension of time of payment or renewal of any Notes or any of such other obligations, that the same shall be promptly paid in full when due or performed in accordance with the terms of the extension or renewal, whether at stated maturity, by acceleration or otherwise.

The obligations of the Guarantors to the Holders of the applicable series of and to the Trustee pursuant to this Guarantee and the Indenture are expressly set forth in Article Fourteen of the Supplemental Indenture and reference is hereby made to the Supplemental Indenture for the precise terms and limitations of this Guarantee.

[This Guarantee has been executed and issued pursuant to the requirements of clause (1) of paragraph (a) of Section 1113 of the Supplemental Indenture.][1] This Guarantee is subject to automatic and unconditional release as set forth in Section 1405 of the Supplemental Indenture.

[Signatures on Following Pages]

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[1] To be included in Guarantees issed on the Issue Date.

IN WITNESS WHEREOF, each of the Guarantors has caused this Guarantee to be signed by a duly authorized officer.

The Guarantors:

[GUARANTORS]

Form of Seven Year Note

UNLESS THIS CERTIFICATE IS PRESENTED BY AN AUTHORIZED REPRESENTATIVE OF THE DEPOSITORY TRUST COMPANY, A NEW YORK CORPORATION ("DTC"), TO THE ISSUER OR ITS AGENT FOR REGISTRATION OF TRANSFER, EXCHANGE, OR PAYMENT, AND ANY CERTIFICATE ISSUED IS REGISTERED IN THE NAME OF CEDE & CO. OR IN SUCH OTHER NAME AS IS REQUESTED BY AN AUTHORIZED REPRESENTATIVE OF DTC (AND ANY PAYMENT IS MADE TO CEDE & CO. OR TO SUCH OTHER ENTITY AS IS REQUESTED BY AN AUTHORIZED REPRESENTATIVE OF DTC), ANY TRANSFER, PLEDGE OR OTHER USE HEREOF FOR VALUE OR OTHERWISE BY OR TO ANY PERSON IS WRONGFUL INASMUCH AS THE REGISTERED OWNER HEREOF, CEDE & CO., HAS AN INTEREST HEREIN.

TRANSFERS OF THIS GLOBAL NOTE SHALL BE LIMITED TO TRANSFERS IN WHOLE, BUT NOT IN PART, TO NOMINEES OF DTC OR TO A SUCCESSOR THEREOF OR SUCH SUCCESSOR'S NOMINEE AND TRANSFERS OF PORTIONS OF THIS GLOBAL NOTE SHALL BE LIMITED TO TRANSFERS MADE IN ACCORDANCE WITH THE RESTRICTIONS SET FORTH IN THE INDENTURE REFERRED TO ON THE REVERSE HEREOF.

(FACE OF NOTE)

XEROX CORPORATION

7-1/8% SENIOR NOTE DUE 2010

No._____ $ _____

Xerox Corporation, a New York corporation (herein called the "Company," which term includes any successor Person under the Indenture hereinafter referred to), for value received, hereby promises to pay to _____ or registered assigns, the principal sum of _____ U.S. Dollars on June 15, 2010, at the office or agency of the Company referred to below, and to pay interest thereon from June 25, 2003, or from the most recent Interest Payment Date to which interest has been paid or duly provided for, semiannually on June 15 and December 15 of each year, commencing December 15, 2003, at the rate of 7-1/8% per annum, until the principal hereof is paid or duly provided for, and (to the extent lawful) to pay on demand interest on any overdue interest at the rate borne by the Notes from the date on which such overdue interest becomes payable to the date payment of such interest has been made or duly provided for.

The interest so payable, and punctually paid or duly provided for, on any Interest Payment Date will, as provided in the Indenture, be paid to the Person in whose name this Note (or one or more Predecessor Notes) is registered at the close of business on the Regular Record Date for such interest, which shall be the June 1 or December 1 (whether or not a Business Day), as the case may be, next preceding such Interest Payment Date. Any such interest not so punctually paid or duly provided for shall forthwith cease to be payable to the Holder on such Regular Record Date, and such Defaulted Interest, and (to the extent lawful) interest on such Defaulted Interest at the rate borne by the Notes, may be paid to the Person in whose name this Note (or one or more Predecessor Notes) is registered at the close of business on a Special Record Date for the payment of such Defaulted Interest to be fixed by the Trustee, notice whereof shall be given to Holders of Notes not less than 10 days prior to such Special Record Date, or may be paid at any time in any other lawful manner not inconsistent with the requirements of any securities exchange on which the Notes may be listed, and upon such notice as may be required by such exchange, all as more fully provided in the Indenture. Interest on this Note shall be computed on the basis of a 360-day year of twelve 30-day months.

Payment of the principal of (and premium, if any), or interest on this Note will be made at the office or agency of the Company maintained for that purpose in (which initially will be the office of the Trustee maintained at Sixth and Marquette, MAC N9 303-120, Minneapolis, MN 55479, or at such other office or agency of the Company as may be maintained for such purpose, in such coin or currency of the United States of America as at the time of payment is

legal tender for payment of public and private debts; provided, however, that payment of interest may be made at the option of the Company by check mailed to the address of the Person entitled thereto as such address shall appear on the Security Register related to this Note. Notwithstanding the foregoing, payment of interest in respect of Notes represented by Global Notes shall be made in accordance with procedures required by the Depositary.

Reference is hereby made to the further provisions of this Note set forth on the reverse hereof, which further provisions shall for all purposes have the same effect as if set forth at this place.

Unless the certificate of authentication hereon has been duly executed by the Trustee referred to on the reverse hereof by manual signature, this Note shall not be entitled to any benefit under the Indenture, or be valid or obligatory for any purpose.

IN WITNESS WHEREOF, the Company has caused this instrument to be duly executed.

Dated:

XEROX CORPORATION

By: _____

Name:
Title:

By: _____

Name:
Title:

Certificate of Authentication, dated .

This is one of the Notes referred to in the within-mentioned Indenture.

WELLS FARGO BANK MINNESOTA,
National Association, as Trustee

By: _____

(REVERSE OF NOTE)

1. Indenture. This Note is one of a duly authorized issue of securities of the Company designated as its 7-1/8% Senior Notes due 2010 (herein called the "Notes"), issued under an indenture (herein called the "Base Indenture") dated as of June 25, 2003, between the Company and Wells Fargo Bank Minnesota, National Association, as trustee (herein called the "Trustee," which term includes any successor trustee under the Indenture), as supplemented by the supplemental indenture dated as of June 25, 2003 among the Company, the guarantors party thereto and the Trustee (the "Supplemental Indenture" and, together with the Base Indenture, the "Indenture") to which Indenture and all indentures supplemental thereto reference is hereby made for a statement of the respective rights, limitations of rights, duties, obligations and immunities thereunder of the Company, the Trustee and the Holders of the Notes, and of the terms upon which the Notes are, and are to be, authenticated and delivered.

Capitalized terms used herein but not otherwise defined herein shall have the meaning assigned to such terms in the Indenture.

The terms of the Notes include those stated in the Indenture and those made part of the Indenture by reference to the Trust Indenture Act of 1939 (15 U.S.C. §§ 77aaa-77bbbb) (the "TIA"), as in effect on the date of the Indenture. Notwithstanding anything to the contrary herein, the Notes are subject to all such terms, and Holders of Notes are referred to the Indenture and the TIA for a statement of such terms.

No reference herein to the Indenture and no provisions of this Note or of the Indenture shall alter or impair the obligation of the Company, which is absolute and unconditional, to pay the principal of, premium, if any, and interest on this Note at the times, place, and rate, and in the coin or currency, herein prescribed.

2. Redemption. Except as set forth in this paragraph, the Notes are not redeemable.

(a) The Company may, at any time and from time to time, at its option, redeem the Outstanding Notes (in whole or in part) at a redemption price equal to 100% of the principal amount thereof plus accrued and unpaid interest, if any, on the Notes to the applicable redemption date, plus the Make-Whole Premium; provided that in the case of any such redemption in part, at least 50% of the original principal amount of the Notes remains outstanding after giving effect to such redemption. The Company shall give not less than 30 nor more than 60 days' notice of such redemption.

The Trustee shall promptly notify the Company in writing of the Notes selected for redemption and, in the case of any Notes selected for partial redemption, the principal amount thereof to be redeemed.

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

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

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

(b) In the case of any redemption of Notes, interest installments whose Stated Maturity is on or prior to the Redemption Date will be payable to the Holders of such Notes, or one or more Predecessor Notes, of record at the close of business on the relevant Record Date referred to on the face hereof. Notes (or portions thereof) for whose redemption and payment provision is made in accordance with the Indenture shall cease to bear interest from and after the Redemption Date.

(c) In the event of redemption of this Note in part only, a new Note or Notes for the unredeemed portion hereof shall be issued in the name of the Holder hereof upon the cancellation hereof.

3. Offers to Purchase. Sections 1106 and 1109 of the Supplemental Indenture provide that upon the occurrence of a Change of Control and following certain Asset Sales, and subject to certain conditions and limitations contained therein, the Company shall make an offer to purchase all or a portion of the Notes in accordance with the procedures set forth in the Indenture.

4. Defaults and Remedies. If an Event of Default occurs and is continuing, the principal of and premium, if any, on all of the Outstanding Notes of this series, plus all accrued and unpaid interest, if any, to and including the date the Notes are paid, may be declared due and payable in the manner and with the effect provided in the Indenture.

5. Defeasance. The Indenture contains provisions for defeasance at any time of (a) the entire Indebtedness of the Company on this Note and (b) certain restrictive covenants and the related Defaults and Events of Default, upon compliance by the Company with certain conditions set forth therein, which provisions apply to this Note.

6. Amendment and Waivers. The Indenture permits, with certain exceptions as therein provided, the amendment thereof and the modification of the rights and obligations of the Company and the rights of the Holders under the Indenture at any time by the Company and the Trustee with the consent of the Holders of a majority in aggregate principal amount of the Notes at the time Outstanding. The Indenture also contains provisions permitting the Holders of a majority in aggregate principal amount of the Notes at the time Outstanding, on behalf of the Holders of all the Notes, to waive compliance by the Company with certain provisions of the Indenture and certain past Defaults or Events of Default under the Indenture and their consequences. Any such consent or waiver by or on behalf of the Holder of this Note shall be conclusive and binding upon such Holder and upon all future Holders of this Note and of any Note issued upon the registration of transfer hereof or in exchange herefor or in lieu hereof whether or not notation of such consent or waiver is made upon this Note.

7. Denominations, Transfers and Exchanges. The Notes are issuable only in registered form without coupons in denominations of $1,000 and any integral multiple thereof.

As provided in the Indenture and subject to certain limitations therein set forth, the transfer of this Note is registerable on the applicable Security Register of the Company, upon surrender of this Note for registration of transfer at the office or agency of the Company, maintained for such purpose, duly endorsed by, or accompanied by a written instrument of transfer in form satisfactory to the Company and the Security Registrar duly executed by, the Holder hereof or his attorney duly authorized in writing, and thereupon one or more new Notes, of authorized denominations and for the same aggregate principal amount, will be issued to the designated transferee or transferees.

No service charge shall be made for any registration of transfer or exchange of Notes, but the Company may require payment of a sum sufficient to cover any tax or other governmental charge payable in connection therewith.

8. Persons Deemed Owners. Prior to and at the time of due presentment of this Note for registration of transfer, the Company, the Trustee and any agent of the Company or the Trustee may treat the Person in whose name this Note is registered as the owner hereof for all purposes, whether or not this Note be overdue, and neither the Company, the Trustee nor any such agent shall be affected by notice to the contrary.

9. Unclaimed Money. If money deposited with the Trustee or any applicable agent for the payment of principal of, premium, if any, or interest on, the Notes remains unclaimed for two years, the Trustee and such paying agent shall return the money to the Company. After that, Holders entitled to the money must look to the Company for payment unless applicable abandoned property law designates another Person and all liability of the Trustee and such paying agent shall cease. Other than as set forth in this paragraph and Section 1115 of the Supplemental Indenture, the Notes and the Indenture, respectively, do not provide for any periods for the escheatment of the payment of principal of, premium, if any, or interest on the Notes.

10. GOVERNING LAW. THIS NOTE SHALL BE GOVERNED BY, AND CONSTRUED IN ACCORDANCE WITH, THE LAW OF THE STATE OF NEW YORK BUT WITHOUT GIVING EFFECT TO APPLICABLE PRINCIPLES OF CONFLICTS OF LAW TO THE EXTENT THAT THE APPLICATION OF THE LAW OF ANOTHER JURISDICTION WOULD BE REQUIRED THEREBY.

The Company will furnish to any Holder of a Note upon written request and without charge a copy of the Indenture. Requests may be made to: Xerox Corporation, 800 Long Ridge Road, Stamford, Connecticut 06904, Attention: Chief Financial Officer.

ASSIGNMENT FORM

If you, the Holder, want to assign this Note, fill in the form below and have your signature guaranteed:

I or we assign and transfer this Note to

(Insert assignee's social security or tax ID number)

(Print or type assignee's name, address and zip code) and irrevocably appoint

agent to transfer this Note on the books of the Company. The agent may substitute another to act for such agent.

OPTION OF HOLDER TO ELECT PURCHASE

If you wish to have this Note purchased by the Company pursuant to Section 1106 or 1109 of the Supplemental Indenture, check the appropriate box:

Section 1106 Section 1109

If you wish to have a portion of this Note purchased by the Company pursuant to Section 1106 or 1109 of the Supplemental Indenture, state the amount:

$_____

Date: _____ Your signature: _____

(Sign exactly as your name appears on the other side of this Note)

By: _____

NOTICE: To be executed by an executive officer

Signature Guarantee: _____

Form of Ten Year Note

UNLESS THIS CERTIFICATE IS PRESENTED BY AN AUTHORIZED REPRESENTATIVE OF THE DEPOSITORY TRUST COMPANY, A NEW YORK CORPORATION ("DTC"), TO THE ISSUER OR ITS AGENT FOR REGISTRATION OF TRANSFER, EXCHANGE, OR PAYMENT, AND ANY CERTIFICATE ISSUED IS REGISTERED IN THE NAME OF CEDE & CO. OR IN SUCH OTHER NAME AS IS REQUESTED BY AN AUTHORIZED REPRESENTATIVE OF DTC (AND ANY PAYMENT IS MADE TO CEDE & CO. OR TO SUCH OTHER ENTITY AS IS REQUESTED BY AN AUTHORIZED REPRESENTATIVE OF DTC), ANY TRANSFER, PLEDGE OR OTHER USE HEREOF FOR VALUE OR OTHERWISE BY OR TO ANY PERSON IS WRONGFUL INASMUCH AS THE REGISTERED OWNER HEREOF, CEDE & CO., HAS AN INTEREST HEREIN.

TRANSFERS OF THIS GLOBAL NOTE SHALL BE LIMITED TO TRANSFERS IN WHOLE, BUT NOT IN PART, TO NOMINEES OF DTC OR TO A SUCCESSOR THEREOF OR SUCH SUCCESSOR'S NOMINEE AND TRANSFERS OF PORTIONS OF THIS GLOBAL NOTE SHALL BE LIMITED TO TRANSFERS MADE IN ACCORDANCE WITH THE RESTRICTIONS SET FORTH IN THE INDENTURE REFERRED TO ON THE REVERSE HEREOF.

(FACE OF NOTE)

XEROX CORPORATION

7-5/8% SENIOR NOTE DUE 2013

No._____ $ _____

Xerox Corporation, a New York corporation (herein called the "Company", which term includes any successor Person under the Indenture hereinafter referred to), for value received, hereby promises to pay to _____ or registered assigns, the principal sum of _____ U.S. Dollars on June 15, 2013, at the office or agency of the Company referred to below, and to pay interest thereon from June 25, 2003, or from the most recent Interest Payment Date to which interest has been paid or duly provided for, semiannually on June 15 and December 15 of each year, commencing December 15, 2003, at the rate of 7-5/8% per annum, until the principal hereof is paid or duly provided for, and (to the extent lawful) to pay on demand interest on any overdue interest at the rate borne by the Notes from the date on which such overdue interest becomes payable to the date payment of such interest has been made or duly provided for.

The interest so payable, and punctually paid or duly provided for, on any Interest Payment Date will, as provided in the Indenture, be paid to the Person in whose name this Note (or one or more Predecessor Notes) is registered at the close of business on the Regular Record Date for such interest, which shall be the June 1 or December 1 (whether or not a Business Day), as the case may be, next preceding such Interest Payment Date. Any such interest not so punctually paid or duly provided for shall forthwith cease to be payable to the Holder on such Regular Record Date, and such Defaulted Interest, and (to the extent lawful) interest on such Defaulted Interest at the rate borne by the Notes, may be paid to the Person in whose name this Note (or one or more Predecessor Notes) is registered at the close of business on a Special Record Date for the payment of such Defaulted Interest to be fixed by the Trustee, notice whereof shall be given to Holders of Notes not less than 10 days prior to such Special Record Date, or may be paid at any time in any other lawful manner not inconsistent with the requirements of any securities exchange on which the Notes may be listed, and upon such notice as may be required by such exchange, all as more fully provided in the Indenture. Interest on this Note shall be computed on the basis of a 360-day year of twelve 30-day months.

Payment of the principal of (and premium, if any), or interest on this Note will be made at the office or agency of the Company maintained for that purpose in (which initially will be the office of the Trustee maintained at Sixth and Marquette, MAC N9 303-120, Minneapolis, MN 55479, or at such other office or agency of the Company as may be maintained for such purpose, in such coin or currency of the United States of America as at the time of payment is

legal tender for payment of public and private debts; provided, however, that payment of interest may be made at the option of the Company by check mailed to the address of the Person entitled thereto as such address shall appear on the Security Register related to this Note. Notwithstanding the foregoing, payment of interest in respect of Notes represented by Global Notes shall be made in accordance with procedures required by the Depositary.

Reference is hereby made to the further provisions of this Note set forth on the reverse hereof, which further provisions shall for all purposes have the same effect as if set forth at this place.

Unless the certificate of authentication hereon has been duly executed by the Trustee referred to on the reverse hereof by manual signature, this Note shall not be entitled to any benefit under the Indenture, or be valid or obligatory for any purpose.

IN WITNESS WHEREOF, the Company has caused this instrument to be duly executed.

Dated:

XEROX CORPORATION

By: _____

Name:
Title:

By: _____

Title:
Name:

Certificate of Authentication, dated .

This is one of the Notes referred to in the within-mentioned Indenture.

WELLS FARGO BANK MINNESOTA,
National Association, as Trustee

By: _____

(REVERSE OF NOTE)

1. Indenture. This Note is one of a duly authorized issue of securities of the Company designated as its 7-5/8% Senior Notes due 2013 (herein called the "Notes"), issued under an indenture (herein called the "Base Indenture") dated as of June 25, 2003, between the Company and Wells Fargo Bank Minnesota, National Association, as trustee (herein called the "Trustee", which term includes any successor trustee under the Indenture), as supplemented by the supplemental indenture dated as of June 25, 2003 among the Company, the guarantors party thereto and the Trustee (the "Supplemental Indenture" and together with the Base Indenture, the "Indenture") to which Indenture and all indentures supplemental thereto reference is hereby made for a statement of the respective rights, limitations of rights, duties, obligations and immunities thereunder of the Company, the Trustee and the Holders of the Notes, and of the terms upon which the Notes are, and are to be, authenticated and delivered.

Capitalized terms used herein but not otherwise defined herein shall have the meaning assigned to such terms in the Indenture.

The terms of the Notes include those stated in the Indenture and those made part of the Indenture by reference to the Trust Indenture Act of 1939 (15 U.S.C. §§ 77aaa-77bbbb) (the "TIA"), as in effect on the date of the Indenture. Notwithstanding anything to the contrary herein, the Notes are subject to all such terms, and Holders of Notes are referred to the Indenture and the TIA for a statement of such terms.

No reference herein to the Indenture and no provisions of this Note or of the Indenture shall alter or impair the obligation of the Company, which is absolute and unconditional, to pay the principal of, premium, if any, and interest on this Note at the times, place, and rate, and in the coin or currency, herein prescribed.

2. Redemption. Except as set forth in this paragraph, the Notes are not redeemable.

(a) Prior to June 15, 2008, the Company may, at any time and from time to time, at its option, redeem the Outstanding Notes (in whole or in part) at a redemption price equal to 100% of the principal amount thereof plus accrued and unpaid interest, if any, on the Ten Year Notes to the applicable redemption date, plus the applicable Make Whole Premium (a "Specified Redemption"); provided that in the case of any such redemption in part, at least 50% of the original principal amount of the Notes remains outstanding after giving effect to such redemption. The Company shall give not less than 30 nor more than 60 days' notice of such redemption.

On and after June 15, 2008, the Company may redeem the Notes, at its option, in whole or in part from time to time, at the following redemption prices, expressed as percentages of the principal amount thereof plus accrued and unpaid interest, if any, to the redemption date, if redeemed during the twelve-month period commencing on June 15 of any year set forth below:

Year	Percentage
2008	103.563%
2009	102.375%
2010	101.188%
2011 and thereafter	100.000%

The Trustee shall promptly notify the Company in writing of the Notes selected for redemption and, in the case of any Notes selected for partial redemption, the principal amount thereof to be redeemed.

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

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

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

(b) In the case of any redemption of Notes, interest installments whose Stated Maturity is on or prior to the Redemption Date will be payable to the Holders of such Notes, or one or more Predecessor Notes, of record at the close of business on the relevant Record Date referred to on the face hereof. Notes (or portions thereof) for whose redemption and payment provision is made in accordance with the Indenture shall cease to bear interest from and after the Redemption Date.

(c) In the event of redemption of this Note in part only, a new Note or Notes for the unredeemed portion hereof shall be issued in the name of the Holder hereof upon the cancellation hereof.

3. Offers to Purchase. Sections 1106 and 1109 of the Supplemental Indenture provide that upon the occurrence of a Change of Control and following certain Asset Sales, and subject to certain conditions and limitations contained therein, the Company shall make an offer to purchase all or a portion of the Notes in accordance with the procedures set forth in the Indenture.

4. Defaults and Remedies. If an Event of Default occurs and is continuing, the principal of and premium, if any, on all of the Outstanding Notes, plus all accrued and unpaid interest, if any, to and including the date the Notes are paid, may be declared due and payable in the manner and with the effect provided in the Indenture.

5. Defeasance. The Indenture contains provisions for defeasance at any time of (a) the entire Indebtedness of the Company on this Note and (b) certain restrictive covenants

and the related Defaults and Events of Default, upon compliance by the Company with certain conditions set forth therein, which provisions apply to this Note.

6. Amendment and Waivers. The Indenture permits, with certain exceptions as therein provided, the amendment thereof and the modification of the rights and obligations of the Company and the rights of the Holders under the Indenture at any time by the Company and the Trustee with the consent of the Holders of a majority in aggregate principal amount of the Notes at the time Outstanding. The Indenture also contains provisions permitting the Holders of a majority in aggregate principal amount of the Notes at the time Outstanding, on behalf of the Holders of all the Notes, to waive compliance by the Company with certain provisions of the Indenture and certain past Defaults or Events of Default under the Indenture and their consequences. Any such consent or waiver by or on behalf of the Holder of this Note shall be conclusive and binding upon such Holder and upon all future Holders of this Note and of any Note issued upon the registration of transfer hereof or in exchange herefor or in lieu hereof whether or not notation of such consent or waiver is made upon this Note.

7. Denominations, Transfers and Exchanges. The Notes are issuable only in registered form without coupons in denominations of $1,000 and any integral multiple thereof.

As provided in the Indenture and subject to certain limitations therein set forth, the transfer of this Note is registerable on the applicable Security Register of the Company, upon surrender of this Note for registration of transfer at the office or agency of the Company, maintained for such purpose, duly endorsed by, or accompanied by a written instrument of transfer in form satisfactory to the Company and the Security Registrar duly executed by, the Holder hereof or his attorney duly authorized in writing, and thereupon one or more new Notes, of authorized denominations and for the same aggregate principal amount, will be issued to the designated transferee or transferees.

No service charge shall be made for any registration of transfer or exchange of Notes, but the Company may require payment of a sum sufficient to cover any tax or other governmental charge payable in connection therewith.

8. Persons Deemed Owners. Prior to and at the time of due presentment of this Note for registration of transfer, the Company, the Trustee and any agent of the Company or the Trustee may treat the Person in whose name this Note is registered as the owner hereof for all purposes, whether or not this Note be overdue, and neither the Company, the Trustee nor any such agent shall be affected by notice to the contrary.

9. Unclaimed Money. If money deposited with the Trustee or any applicable agent for the payment of principal of, premium, if any, or interest on, the Notes remains unclaimed for two years, the Trustee and such paying agent shall return the money to the Company. After that, Holders entitled to the money must look to the Company for payment unless applicable abandoned property law designates another Person and all liability of the Trustee and such paying agent shall cease. Other than as set forth in this paragraph and Section 215 of the Sup-

plemental Indenture, the Notes and the Indenture, respectively, do not provide for any periods for the escheatment of the payment of principal of, premium, if any, or interest on the Notes.

10. **GOVERNING LAW. THIS NOTE SHALL BE GOVERNED BY, AND CONSTRUED IN ACCORDANCE WITH, THE LAW OF THE STATE OF NEW YORK BUT WITHOUT GIVING EFFECT TO APPLICABLE PRINCIPLES OF CONFLICTS OF LAW TO THE EXTENT THAT THE APPLICATION OF THE LAW OF ANOTHER JURISDICTION WOULD BE REQUIRED THEREBY.**

The Company will furnish to any Holder of a Note upon written request and without charge a copy of the Indenture. Requests may be made to: Xerox Corporation, 800 Long Ridge Road, Stamford, Connecticut 06904, Attention: Chief Financial Officer.

ASSIGNMENT FORM

If you, the Holder, want to assign this Note, fill in the form below and have your signature guaranteed:

I or we assign and transfer this Note to

(Insert assignee's social security or tax ID number)

(Print or type assignee's name, address and zip code) and irrevocably appoint

agent to transfer this Note on the books of the Company. The agent may substitute another to act for such agent.

OPTION OF HOLDER TO ELECT PURCHASE

If you wish to have this Note purchased by the Company pursuant to Section 1106 or 1109 of the Supplemental Indenture, check the appropriate box:

Section 1106 Section 1109

If you wish to have a portion of this Note purchased by the Company pursuant to Section 1106 or 1109 of the Supplemental Indenture, state the amount:

$_____

DATE:_____ Your signature:_____

(Sign exactly as your name appears on the other side of this Note)

By: _____

NOTICE: To be executed by an executive officer

Signature Guarantee:_____

FORM OF NOTE GUARANTEE

Each of the undersigned (the "Guarantors") hereby jointly and severally unconditionally guarantees, to the extent set forth in the First Supplemental Indenture dated as of June [ ], 2003, by and between Xerox Corporation, as issuer, the Guarantors and Wells Fargo Bank Minnesota, National Association, as Trustee, to the Indenture, dated as of June 25, 2003 between the Company and the Trustee (the "Base Indenture" and as supplemented by the Supplemental Indenture, the "Indenture"), and subject to the provisions of the Indenture, (a) the due and punctual payment of the principal of, and premium, if any, and interest on the applicable series of Notes, when and as the same shall become due and payable, whether at maturity, by acceleration or otherwise, the due and punctual payment of interest on overdue principal of, and premium and, to the extent permitted by law, interest, and the due and punctual performance of all other obligations of the Company to the Holders of the applicable series of Notes or the Trustee, all in accordance with the terms set forth in Article Fourteen of the Supplemental Indenture and (b) in case of any extension of time of payment or renewal of any Notes or any of such other obligations, that the same shall be promptly paid in full when due or performed in accordance with the terms of the extension or renewal, whether at stated maturity, by acceleration or otherwise.

The obligations of the Guarantors to the Holders of the applicable series of and to the Trustee pursuant to this Guarantee and the Indenture are expressly set forth in Article Fourteen of the Supplemental Indenture and reference is hereby made to the Supplemental Indenture for the precise terms and limitations of this Guarantee.

[This Guarantee has been executed and issued pursuant to the requirements of clause (1) of paragraph (a) of Section 1113 of the Supplemental Indenture.][1] This Guarantee is subject to automatic and unconditional release as set forth in Section 1405 of the Supplemental Indenture.

Signatures on Following Pages

[1] To be included in Guarantees issed on the Issue Date.

IN WITNESS WHEREOF, each of the Guarantors has caused this Guarantee to be signed by a duly authorized officer.

The Guarantors:

[GUARANTORS]

Exhibit 4.6

CREDIT AGREEMENT

dated as of

June 19, 2003

among

XEROX CORPORATION
and

THE OVERSEAS BORROWERS PARTY HERETO
as Borrowers
and

THE LENDERS PARTY HERETO
and

JPMORGAN CHASE BANK
as Administrative Agent, Collateral Agent and LC Issuing Bank
and

DEUTSCHE BANK SECURITIES INC.
as Syndication Agent
and

CITICORP NORTH AMERICA, INC.
MERRILL LYNCH, PIERCE, FENNER & SMITH INCORPORATED
UBS SECURITIES LLC
as Co-Documentation Agents

Arranged By

J.P. MORGAN SECURITIES INC. and DEUTSCHE BANK SECURITIES INC.,
as Co-Lead Arrangers and Joint Bookrunners
and

CITICORP NORTH AMERICA, INC.
GOLDMAN SACHS CREDIT PARTNERS L.P.
MERRILL LYNCH, PIERCE, FENNER & SMITH INCORPORATED
UBS SECURITIES LLC
as Arrangers

TABLE OF CONTENTS

SCHEDULES:

EXHIBITS:

CREDIT AGREEMENT dated as of June 19, 2003 (this "**Agreement**") among XEROX CORPORATION, a New York corporation ("**Xerox**"), the Overseas Borrowers from time to time party hereto, the LENDERS party hereto, JPMORGAN CHASE BANK, as Administrative Agent, Collateral Agent and LC Issuing Bank, DEUTSCHE BANK SECURITIES, INC., as Syndication Agent and CITICORP NORTH AMERICA, INC., MERRILL LYNCH, PIERCE, FENNER & SMITH INCORPORATED and UBS SECURITIES LLC, as Co-Documentation Agents.

WHEREAS, Xerox, the Overseas Borrowers (as this and other capitalized terms are defined in Section 1.01 below) party thereto and certain financial institutions are parties to an Amended and Restated Credit Agreement dated as of June 21, 2002 (the "**Existing Credit Agreement**");

WHEREAS, Xerox proposes to terminate the Existing Credit Agreement and the loans outstanding thereunder, using the proceeds of the initial Borrowing hereunder and certain other funds;

WHEREAS, Xerox is willing to guarantee the obligations of the Overseas Borrowers;

WHEREAS, Xerox is willing to secure (i) its obligations under this Agreement, including its guarantee of the obligations of the Overseas Borrowers hereunder, (ii) on a junior basis in certain circumstances to the obligations described in clause (i), its obligations under certain interest rate hedging arrangements and (iii) certain other obligations, by granting Liens on substantially all of its assets to the Collateral Agent as provided in the Security Documents;

WHEREAS, Xerox is willing to cause each of its Wholly Owned Material Domestic Subsidiaries to guarantee the foregoing obligations of the Borrowers and, with the exception of XCC, to secure its guarantee thereof and to secure its obligations under certain interest rate hedging arrangements by granting Liens on substantially all of its assets to the Collateral Agent as provided in the Security Documents;

WHEREAS, the Lenders and the LC Issuing Banks are not willing to make loans or issue or participate in letters of credit hereunder, unless (i) the foregoing obligations of the Borrowers are secured and guaranteed as described above and (ii) each guarantee thereof (other than the guarantee provided by XCC) is secured by Liens on assets of the relevant Guarantor as provided in the Security Documents;

NOW, THEREFORE, the parties hereto agree as follows:

ARTICLE 1
DEFINITIONS

Section 1.01. *Defined Terms.* As used in this Agreement, the following terms have the meanings specified below:

"**Adjusted LIBO Rate**" means, with respect to any Eurodollar Borrowing for any Interest Period, an interest rate per annum (rounded upwards, if necessary, to the next 1/100 of 1%) equal to (a) in the case of Borrowings in Dollars, (i) the LIBO Rate for such Interest Period multiplied by (ii) the Statutory Reserve Adjustment or (b) in the case of Borrowings in an Alternative Currency, the LIBO Rate for such Interest Period.

"**Administrative Agent**" means JPMorgan Chase Bank, in its capacity as administrative agent under the Loan Documents.

"**Administrative Questionnaire**" means an Administrative Questionnaire in a form supplied by the Administrative Agent.

"**Affiliate**" means, with respect to a specified Person, another Person that directly, or indirectly through one or more intermediaries, Controls or is Controlled by or is under common Control with such specified Person.

"**Agreement**" has the meaning specified in the preamble.

"**Agents**" means the Administrative Agent, the Syndication Agent and the Co-Documentation Agents.

"**Alternate Base Rate**" means, for any day, a rate per annum equal to the greatest of (a) the Prime Rate in effect on such day, (b) the Base CD Rate in effect on such day plus 1% and (c) the Federal Funds Effective Rate in effect on such day plus ½ of 1%. Any change in the Alternate Base Rate due to a change in the Prime Rate, the Base CD Rate or the Federal Funds Effective Rate will be effective from and including the effective date of such change in the Prime Rate, the Base CD Rate or the Federal Funds Effective Rate, respectively.

"**Alternative Currency**" means Euro or Canadian dollars.

"**Alternative Currency Loan**" means a Eurodollar Revolving Loan that is made in an Alternative Currency pursuant to the applicable Borrowing Request.

"**Alternative Currency Sublimit**" means $300,000,000.

"**Applicable Law**" means (a) all provisions of statutes, rules, regulations, judicial decisions and administrative rulings, (b) all orders of a Governmental Authority applicable to the Person in question and (c) all orders and decrees of all courts and arbitrators in proceedings or actions in which the Person in question is a party or to which such Person is otherwise subject.

"**Applicable Lending Office**" means, as to each Lender, its office, branch or affiliate located at its address set forth in its Administrative Questionnaire (or identified in its Administrative Questionnaire as its lending office) or such other office, branch or affiliate of such Lender as it may hereafter designate as its Applicable Lending Office by notice to Xerox and the Administrative Agent, *provided* that any Lender may from time to time by notice to Xerox and the Administrative Agent designate separate lending offices for its Loans in different currencies or for Borrowers in different jurisdictions, in which case all references herein to the Applicable Lending Office of such Lender shall be deemed to refer to any or all of such offices, as the context may require.

"**Applicable Rate**" means (a) with respect to any Loan, a percentage per annum as set forth below for Base Rate Loans and Eurodollar Loans in the row opposite such term and (b) with respect to commitment fees, a percentage per annum as set forth below, in each case in the column corresponding to the Level that applies on such day:

	Level I	Level II	Level III	Level IV	Level V
Base Rate	0.75%	1.25%	1.50%	1.75%	2.00%
Eurodollar	1.75%	2.25%	2.50%	2.75%	3.00%
Commitment Fees	0.25%	0.375%	0.50%	0.50%	0.50%

Level I applies at any date if the Leverage Ratio is less than or equal to 0.5x.

Level II applies at any date if the Leverage Ratio is greater than 0.5x but less than or equal to 1.0x.

Level III applies at any date if the Leverage Ratio is greater than 1.0x but less than or equal to 1.5x.

Level IV applies at any date if the Leverage Ratio is greater than 1.5x but less than or equal to 2.0x.

Level V applies at any date if the Leverage Ratio is greater than 2.0x.

For purposes of this definition, (x) the Leverage Ratio shall be determined (i) as of the Effective Date, based on Xerox's consolidated financial statements delivered pursuant to Section 3.04(a)(ii) and (ii) thereafter, as of the end of each Fiscal Quarter based on Xerox's consolidated financial statements delivered pursuant to Section 5.01(a) or 5.01(b) and (y) each change in an Applicable Rate resulting from a change in the Leverage Ratio shall be effective during the period from and including the day when the Administrative Agent receives the financial statements indicating such change to but excluding the effective date of the next such change, *provided* that (a) if Xerox shall fail to provide any of such financial

statements or the accompanying certificate of a Financial Officer at the time required pursuant to Section 5.01(a), 5.01(b) or 5.01(c) or (b) at any time an Event of Default has occurred and is continuing and the Administrative Agent, at the direction of the Required Lenders, has delivered to Xerox a notice of the Required Lenders' election to increase the Applicable Rate, Level V shall apply and in the case of a failure to provide such financial statements or the accompanying certificate of a Financial Officer, shall continue until such time as such financial statements and certificates are provided, whereupon the Level shall be adjusted based on such financial statements.

"**Arrangers**" means J.P. Morgan Securities Inc. and Deutsche Bank Securities Inc., in their capacities as Co-Lead Arrangers, and Citicorp North America, Inc., Goldman Sachs Credit Partners L.P., Merrill Lynch, Pierce, Fenner & Smith Incorporated and UBS Securities LLC, in their capacities as Arrangers.

"**Assessment Rate**" means, for any day, the annual assessment rate in effect on such day that is payable by a member of the Bank Insurance Fund classified as "well-capitalized" and within supervisory subgroup "B" (or a comparable successor risk classification) within the meaning of 12 C.F.R. Part 327 (or any successor provision) to the Federal Deposit Insurance Corporation for insurance by such Corporation of time deposits made in Dollars at the offices of such member in the United States, *provided* that if, as a result of any change in any law, rule or regulation, the Assessment Rate cannot be determined as aforesaid, then the Assessment Rate shall be such annual rate as the Administrative Agent shall determine to be representative of the cost of such insurance to the Lenders.

"**Asset Transfer**" means any Transfer of any property, which shall include any Transfer of assets pursuant to a Qualified Receivables Transaction, any Sale and Leaseback Transaction and any sale of any Equity Interest owned by a Xerox Company or the issuance of additional Equity Interests by any Subsidiary other than to any Xerox Company, in each case other than (a) a transaction or series of related transactions in which the Xerox Companies receive aggregate consideration of $25,000,000 or less, (b) Transfers of Intellectual Property in the ordinary course of business or to settle pending or threatened litigation, (c) Transfers of inventory or used, obsolete, worn out, surplus or otherwise no longer useful equipment or other assets, in each case in the ordinary course of business, (d) abandonments or failures to maintain registrations or applications for Intellectual Property that any Xerox Company determines in good faith, in the exercise of its reasonable business judgment, to be unlikely to issue, not material to the business or not economically feasible to pursue or maintain, (e) Transfers to a Xerox Company, *provided* that with respect to any Transfer from Xerox or a Guarantor to a Subsidiary that is not a Guarantor, to the extent that the assets Transferred have a fair value (as determined by the Xerox Company that is the transferor in good faith) in excess of the aggregate consideration received by such Xerox Company in respect of such Transfer, the Transfer of the amount equal to such excess shall comply with Section 6.06(a) (without relying on Section

6.06(a)(xx)), (f) Transfers of Permitted Investments and any Transfer that constitutes an Investment permitted by Section 6.06 or a Restricted Payment permitted by Section 6.09, (g) the discounting or compromising by any Xerox Company for less than the face value thereof of notes or accounts receivable in order to resolve disputes that occur in the ordinary course of business and not in connection with a factoring or financing transaction, (h) the Transfer of Equity Interests of any Subsidiary in order to qualify members of the governing body of such Subsidiary if required by Applicable Law, (i) Liens permitted hereunder and (j) the Transfer or issuance of Equity Interests in, or the Transfer of other assets to, IP Companies, Business Effectiveness Program Subsidiaries and Third-Party Vendor Financing Subsidiaries, and other issuances of Equity Interests and Transfers of assets as part of any transaction described in the definition of "Business Effectiveness Program".

"**Assignment**" means an assignment and assumption agreement entered into by a Lender and an assignee (with the consent of any party whose consent is required by Section 9.05), and accepted by the Administrative Agent, in the form of Exhibit A or any other form approved by the Administrative Agent.

"**Automatic Business Effectiveness Program Subsidiary**" means any Subsidiary (other than a Third-Party Vendor Financing Subsidiary) that (a) is acquired or created in connection with the Business Effectiveness Program after the date hereof and is not a Wholly Owned Subsidiary, or (b) ceases to be a Wholly Owned Subsidiary after the date hereof in connection with the Business Effectiveness Program, and in each case, the Equity Interests in such Subsidiary that are owned by any Credit Party are not prohibited from being pledged to the Collateral Agent as part of the Collateral by any agreement entered into with or for the benefit of any other Person owning or acquiring Equity Interests in such Subsidiary (it being understood that legally valid contractual restrictions imposed on the owner of Equity Interests in such Subsidiary in connection with the Business Effectiveness Program that do not prohibit any Xerox Company's Equity Interests in such Subsidiary from being so pledged, but that otherwise restrict the Transfer by the Collateral Agent of, or other rights and remedies of the Collateral Agent with respect to, such Equity Interests, are permitted).

"**Base CD Rate**" means the sum of (a) the Three-Month Secondary CD Rate multiplied by the Statutory Reserve Adjustment plus (b) the Assessment Rate.

"**Base Rate**", when used with respect to any Loan or Borrowing, refers to whether such Loan, or the Loans comprising such Borrowing, are bearing interest at a rate determined by reference to the Alternate Base Rate.

"**Basket Lien Available Amount**" means at any time an amount equal to (a) the maximum amount of "indebtedness" or "debt" (whichever is used in each Reference Indenture, as defined in such Reference Indenture when used in this definition) that, in reliance solely upon the Reference Basket Lien Provisions,

could be outstanding and secured by a Lien or other arrangement on the properties and assets referred to therein without requiring such Lien or other arrangement to equally and ratably secure indebtedness (or debt) outstanding under any of the Reference Indentures (such determination to be made assuming that at least one dollar of indebtedness (or debt) remains outstanding under at least one Reference Indenture, even if all such indebtedness (or debt) has actually been repaid in full), *less* (b) the principal amount of all outstanding indebtedness (or debt) (other than the Loans, the LC Exposure and the XCFI Debentures) that is secured by any Lien or other arrangement that is permitted solely in reliance on any of the Reference Basket Lien Provisions (such determination to be made assuming that at least one dollar of indebtedness (or debt) remains outstanding under at least one Reference Indenture, even if all such indebtedness (or debt) has been repaid in full), *provided* that (x) on any day an Event of Default described in Sections 7.01(h), 7.01(i) or 7.01(j) has occurred, the Basket Lien Available Amount shall be fixed at an amount never less than the amount in effect on such day and shall no longer be subject to decrease below such amount (but shall remain subject to increase and subsequent decrease down to such amount) and (y) if at any time there is no Reference Indenture with a Reference Basket Lien Provision (or other Indenture with a provision substantially identical to any Reference Basket Lien Provision) under which any indebtedness (or debt) is outstanding (other than the XCFI Debentures), the Basket Lien Available Amount shall thereafter be an unlimited amount.

"**Basket Lien Certificate**" has the meaning specified in Section 5.01(f).

"**Basket Lien Excess Amount**" means at any time, the amount, if any, by which the Basket Lien Available Amount at such time exceeds the product of (a) 1.25 and (b) the sum of the Facility and the outstanding principal amount of the XCFI Debentures at such time.

"**Basket Lien Principal Amount**" means at any time the Basket Lien Available Amount multiplied by a fraction, the numerator of which is the sum of the outstanding principal amount of the Loans and the LC Exposure and the denominator of which is the sum of the outstanding principal amount of the Loans, the LC Exposure and the outstanding principal amount of the XCFI Debentures.

"**Board of Directors**" means, with respect to any Person, the board of directors of such Person, including any committee thereof, and any reference in this Agreement to a "director" means, unless the context otherwise requires, a member of the relevant Board of Directors.

"**Borrowers**" means Xerox and the Overseas Borrowers.

"**Borrowing**" means Loans which are of the same Class and Interest Type and are made, converted or continued on the same day and, in the case of

Eurodollar Loans of the same currency, for which the same Interest Period is in effect.

"**Borrowing Request**" means a request by a Borrower for a Borrowing in accordance with Section 2.03.

"**Business Acquisition**" means (a) an Investment by any Xerox Group Company in any other Person other than a Xerox Company (including an Investment by way of acquisition of securities of any such Person) pursuant to which such Person shall become a Subsidiary or shall be merged into or consolidated with any Xerox Group Company or (b) an acquisition by any Xerox Group Company of the property and assets of any Person (other than any Xerox Company) that constitute substantially all the assets of such Person or any division or other business unit of such Person, *provided* that any such transaction or series of related transactions described in clause (a) or (b) hereof in which the Xerox Group Companies pay an aggregate consideration (not including any consideration that is Qualified Capital Stock) of $100,000,000 or less shall not be considered a Business Acquisition.

"**Business Day**" means any day that is not a Saturday, Sunday or other day on which commercial banks in New York City, or, with respect to the obligations of any Overseas Borrower, Toronto, Ontario or London, England, as applicable, are authorized or required by law to remain closed, *provided* that (a) when used in connection with a Eurodollar Loan, the term "Business Day" shall also exclude any day on which banks are not open for dealings in Dollar deposits in the London interbank market, (b) when used in connection with an Alternative Currency Loan or LC Exposure denominated in an Alternative Currency, the term "Business Day" shall also exclude any day on which banks are not open for dealings in deposits in the applicable Alternative Currency in the London interbank market and (c) when used in connection with any Loan or LC Exposure denominated in Euro, the term "Business Day" shall also exclude any day on which the TARGET payment system is not open for the settlement of payment in Euro.

"**Business Effectiveness Program**" means (a) the Third-Party Vendor Financing Program, including the creation and maintenance of joint ventures in furtherance thereof (including Xerox Capital Services, LLC), (b) the outsourcing of manufacturing activities, including Transfers and closings of any related manufacturing sites, offices or other real property or assets and the creation and maintenance of joint ventures in furtherance thereof, (c) Transfers of assets related to the SOHO (Small Office, Home Office) business, (d) deployment of, and transition to, a "distributor" model in the "Developing Markets Operations" or other markets outside North America pursuant to which a Xerox Company's products or services, or any receivables relating to any thereof, would be sold or disposed of to third-party vendors or any other Person, including Transfers of offices, equipment and real estate relating to such markets and the creation and maintenance of joint ventures in furtherance thereof and (e) the following types of

transactions in respect of research and development and Intellectual Property of the Xerox Companies: (i) the creation of IP Companies, whether alone or with third-parties; (ii) the Transfer of assets of, or Equity Interests in, any IP Company, (iii) the Transfer to any IP Company of any offices, real property, equipment or other tangible assets relating to the business of the applicable IP Company and (iv) the Transfer to any IP Company of Intellectual Property, *provided* that the terms of any such Transfer pursuant to this clause (e)(iv) do not restrict in any material manner the ability of the Xerox Companies to utilize any such Intellectual Property that is material to the production or office businesses of the Xerox Companies and, where ownership of such Intellectual Property is Transferred to an IP Company by any Xerox Company, all rights (if any) of the Xerox Companies to so use such Intellectual Property are evidenced by a license or other agreement that, in the case of any such right of a Credit Party, may be included in the Collateral subject to the Security Documents (unless the Qualification Requirements have been satisfied with respect thereto), *provided* that in no event shall the foregoing include any Transfer of ownership of the "Xerox" name.

"**Business Effectiveness Program Subsidiaries**" means each Automatic Business Effectiveness Program Subsidiary and each Qualified Business Effectiveness Program Subsidiary.

"**Business Plan**" means the financial plan, as supplemented prior to the date hereof, previously provided to the Lenders by Xerox.

"**Capital Expenditures**" means, for any period, (a) the additions to land, buildings and equipment of Xerox and its Subsidiaries that are (or would be) set forth as "additions to land, buildings and equipment" (or under any successor caption or line item) in a consolidated statement of cash flows of Xerox and its Subsidiaries for such period prepared in accordance with GAAP (other than such additions made with insurance or condemnation proceeds in respect of a Casualty Event) and (b) without duplication, any Capital Lease Obligations incurred by Xerox and its Subsidiaries during such period, other than Capital Lease Obligations incurred in connection with Sale and Leaseback Transactions.

"**Capital Lease Obligations**" of any Person means obligations of such Person to pay rent or other amounts under any lease of (or other arrangement conveying the right to use) real or personal property, or a combination thereof, which obligations are required under GAAP to be classified and accounted for as capital leases on a balance sheet of such Person. The amount of such obligations will be the capitalized amount thereof determined in accordance with GAAP.

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

commercial loans) that is sold or subject to resale pursuant to a registration statement under the Securities Act.

"**Carry Over Amount**" means, with respect to any Fiscal Year, the amount (if any), by which (x) the amount of Capital Expenditures permitted for the immediately preceding Fiscal Year (including any Carry Over Amount from any prior Fiscal Year) exceeded (y) the amount of Capital Expenditures actually made during such immediately preceding Fiscal Year.

"**Cash Balance**" means, at any time of determination with reference to any Subsidiary, the sum of the amount of all money, currency and cash equivalents held or carried in any deposit, custody or other account maintained by such Subsidiary.

"**Cash Collateral Account**" means the "Collateral Account" as defined in the Security Agreement.

"**Casualty Event**" means any casualty or other insured damage to any property, or any taking of any property under power of eminent domain or by condemnation or similar proceeding, or any transfer of any property in lieu of a condemnation or similar taking thereof.

"**Change in Control**" means (a) the acquisition of ownership, directly or indirectly, beneficially or of record, by any Person or group (within the meaning of the Securities Exchange Act of 1934 and the rules of the SEC thereunder as in effect on the date hereof), other than any Xerox Company or any Xerox Company's employee benefit plans, of Equity Interests representing more than 35% of either the aggregate ordinary voting power or the aggregate equity value represented by the issued and outstanding Equity Interests in Xerox; (b) occupation of a majority of the seats (other than vacant seats) on the Board of Directors of Xerox by Persons who were neither (i) on the Board of Directors on the Effective Date, (ii) nominated by the Board of Directors of Xerox nor (iii) appointed by directors so nominated; or (c) the occurrence of a "Change of Control" as defined in any Indenture.

"**Change in Law**" means (a) the adoption of any law, rule or regulation after the date of this Agreement, (b) any change in any law, rule or regulation or in the interpretation or application thereof by any Governmental Authority after the date of this Agreement or (c) compliance by any Lender or LC Issuing Bank (or, for purposes of Section 2.13(b), by any Applicable Lending Office of such Lender or by such Lender's or LC Issuing Bank's holding company, if any) with any request, guideline or directive (whether or not having the force of law) of any Governmental Authority made or issued after the date of this Agreement.

"**Class**" (a) when used with respect to Lenders, refers to whether such Lenders are Revolving Lenders or Term Lenders, and (b) when used with respect

to Loans or a Borrowing, refers to whether such Loans, or the Loans comprising such Borrowing, are Revolving Loans or Term Loans.

"**Co-Documentation Agents**" means Citicorp North America, Inc., Merrill Lynch, Pierce, Fenner & Smith Incorporated and UBS Securities LLC, in their capacities as co-documentation agents.

"**Collateral**" means any and all "Collateral", as defined in any Security Document.

"**Collateral Agent**" means JPMorgan Chase Bank, in its capacity as Collateral Agent under the Security Documents.

"**Collateral and Guarantee Requirement**" means the requirement that:

(a) the Administrative Agent shall have received from Xerox, XCC and each Wholly Owned Material Domestic Subsidiary that is not a Finance SPE a counterpart of the Security Agreement duly executed and delivered on behalf of such Credit Party;

(b) all outstanding Equity Interests directly owned by any Domestic Credit Party (other than XCC) in each Domestic Subsidiary and each Material Foreign Subsidiary shall have been pledged to the extent required by the Security Agreement and the Administrative Agent shall have received all certificates or other instruments representing such Equity Interests, together with stock powers or other instruments of transfer with respect thereto endorsed in blank;

(c) all documents and instruments, including UCC financing statements, all other similar filings, registrations and notices, and documents related to Intellectual Property, in each case required by law or reasonably requested by the Administrative Agent to be executed, filed, registered or recorded to create the Liens intended to be created by the Security Documents and to perfect or record such Liens (including in the United States Patent and Trademark Office and the United States Copyright Office) to the extent, and with the priority, required by the Security Documents, shall have been executed and filed, registered or recorded or delivered to the Administrative Agent for filing, registration or recording;

(d) each Domestic Credit Party shall have obtained all consents and approvals required to be obtained by it in connection with the execution and delivery of all Security Documents described in clause (a) and (b) of this definition to which it is a party, the performance of its obligations thereunder and the granting of the Liens granted by it thereunder;

(e) Xerox and each other relevant Domestic Credit Party shall (i) deliver, with respect to each of the Mortgaged Properties, (A) a Mortgage, duly executed and delivered by the record owner of such Mortgaged Property, (B) a policy or policies of title insurance issued by a nationally recognized title insurance company insuring the Lien of each such Mortgage as a valid first Lien on the Mortgaged Property described therein, free of any other Liens except Permitted Liens, Liens permitted by Section 6.01 and other liens and matters otherwise reasonably acceptable to the Administrative Agent, in amounts set forth on Schedule 1.01M together with such endorsements as are specified on Schedule 1.01M and such coinsurance as is reasonably requested by the Administrative Agent, (C) a survey (which may be an existing survey) in a form reasonably acceptable to the Administrative Agent and (D) a favorable written opinion of local counsel for the Credit Parties in each jurisdiction where a Mortgaged Property is located, in form and substance reasonably satisfactory to the Administrative Agent, and (ii) make arrangements reasonably satisfactory to the Administrative Agent for the payment of mortgage recording and other similar taxes and charges and title insurance premiums in respect of the policies of title insurance described above; and

(f) each Domestic Credit Party shall have taken all other action required under this Agreement or under the Security Documents to be undertaken on or prior to the Effective Date to create, perfect, register and/or record the Liens granted by it thereunder.

"**Commitments**" means, with respect to each Lender, the Revolving Commitment plus the Term Commitment of such Lender.

"**Consolidated EBITDA**" means, for any period, determined on a consolidated basis without duplication, the sum of the amounts for such period of (a) Consolidated Net Income, (b) Consolidated Interest Expense, (c) income tax expense, (d) total depreciation expense, (e) total amortization expense, and (f) any losses or expenses from any unusual, extraordinary or otherwise non-recurring items, including but not limited to (i) aggregate foreign exchange losses included in "other expense", (ii) equity losses in affiliates, (iii) losses from minority interest, (iv) net restructuring charges (determined in accordance with GAAP), (v) losses attributable to asset sales or other transfers of assets and (vi) write-downs of assets, *less* (x) Consolidated Interest and Financing Income and (y) the sum of the amounts for such period of any income tax benefits and any income or gains from any unusual, extraordinary or otherwise non-recurring items (excluding interest income), including but not limited to (A) aggregate foreign exchange gains included in "other income", (B) equity income in affiliates, (C) income from minority interest, and (D) gains attributable to asset sales or other transfers of assets. All of the foregoing shall be determined on a consolidated basis for Xerox and its Subsidiaries in conformity with GAAP, and in the case of items (b)-(f) and items (x) and (y), to the extent such amounts were included in the calculation of Consolidated Net Income.

"**Consolidated Interest and Financing Income**" means, for any period, for Xerox and its Subsidiaries on a consolidated basis, interest, fees, commissions and other income, arising from investments in cash and cash equivalents or finance receivables, included in Consolidated Net Income for such period, determined in conformity with GAAP.

"**Consolidated Interest Expense**" means, for any period and to the extent deducted in the calculation of Consolidated Net Income, total interest expense (including that portion attributable to capital leases in accordance with GAAP) of Xerox and its Subsidiaries for such period, determined on a consolidated basis in conformity with GAAP.

"**Consolidated Net Income**" means, for any period, the net income (or loss) of Xerox and its Subsidiaries on a consolidated basis for such period taken as a single accounting period determined in conformity with GAAP, *provided* that there shall be excluded (A) the income (or loss) of any Person accrued prior to the date it becomes a Subsidiary of Xerox or is merged into or consolidated with Xerox or any of its Subsidiaries or that Person's assets are acquired by Xerox or any of its Subsidiaries and (B) (to the extent not included in clause (A) above) any gains or losses arising from operations identified as discontinued in the consolidated financial statements of Xerox and its Subsidiaries for such period.

"**Consolidated Net Worth**" means at any date (a "**determination date**") the sum of the amounts that would, in accordance with GAAP, be included on the consolidated balance sheet of Xerox and its Subsidiaries as of such date as (a) "common shareholders' equity", (b) "preferred stock" and (c) if not treated as indebtedness for purposes of GAAP, "company-obligated, mandatorily redeemable preferred securities of subsidiary trust holding solely subordinated debentures of the Company" (or, in each case, under any successor caption or line item), determined without giving effect to any changes therein on or after January 1, 2003 as a result of currency translation adjustment effects or the effects of compliance with FAS 133 and related GAAP pronouncements, *provided* that notwithstanding the treatment thereof under GAAP, Consolidated Net Worth shall always (A) include (without duplication) any amount shown on such balance sheet in respect of any Trust Preferred Securities or other Preferred Stock outstanding on the date hereof, (B) include (without duplication) any amount shown on such balance sheet in respect of securities that are Qualified Equity Securities on such determination date and (C) exclude (without duplication) any amount shown on such balance sheet in respect of any Disqualified Capital Stock issued after the date hereof.

"**Control**" means possession, directly or indirectly, of the power to direct or cause the direction of the management or policies of a Person, whether through the ability to exercise voting power, by contract or otherwise. "**Controlling**" and "**Controlled**" have meanings correlative thereto.

"**Credit Parties**" means the Borrowers and the Guarantors.

"**Debt**" of any Person means, without duplication, (a) all obligations of such Person for borrowed money, (b) all obligations of such Person evidenced by bonds, debentures, notes or similar instruments, (c) all obligations of such Person under conditional sale or other title retention agreements relating to property acquired by such Person, (d) all obligations of such Person in respect of the deferred purchase price of property or services (excluding current accounts payable incurred in the ordinary course of business), (e) all Debt of others secured by (or for which the holder of such Debt has an existing right, contingent or otherwise, to be secured by) any Lien on property owned or acquired by such Person, whether or not the Debt secured thereby has been assumed, (f) all Guarantees by such Person of Debt of others, (g) all Capital Lease Obligations of such Person, (h) all obligations, contingent or otherwise, of such Person as an account party in respect of letters of credit and letters of guaranty (other than letters of credit and letters of guaranty which support obligations other than obligations for borrowed money to the extent not drawn upon and, if drawn upon, to the extent not reimbursed within 5 business days following payment on such letter of credit or letter or guaranty), and (i) all obligations, contingent or otherwise, of such Person in respect of bankers' acceptances. The Debt of any Person shall include the Debt of any other entity (including any partnership in which such Person is a general partner) to the extent that such Person is liable therefor as a result of such Person's ownership interest in or other relationship with such entity, except to the extent that contractual provisions binding on the holder of such Debt provide that such Person is not liable therefor.

For purposes of determining compliance with this Agreement, the U.S. dollar-equivalent principal amount of Debt (other than the amount of any obligation under this Agreement or any other Loan Document) denominated in a foreign currency shall be calculated based on the relevant currency exchange rate in effect on the date such Debt was incurred, in the case of term Debt, or first committed, in the case of revolving credit Debt, and in the case of Debt existing on the Effective Date, the rate in effect on December 31, 2002. Notwithstanding any other provision of Section 6.05, the maximum amount of Debt that the Company or any Subsidiary may incur pursuant to Section 6.05 shall not be deemed to be exceeded solely as a result of fluctuations in the exchange rate of currencies. The principal amount of any Permitted Refinancing Debt, if incurred in a different currency from the Debt being refinanced, shall be calculated based on the currency exchange rate applicable to the currencies in which such Permitted Refinancing Debt is denominated that is in effect on the date of such refinancing.

"**Default**" means any event or condition which constitutes an Event of Default or which upon notice, lapse of time or both would, unless cured or waived, become an Event of Default.

"**Disclosed Matters**" means SEC Filings made prior to the date hereof.

"**Disqualified Capital Stock**" means that portion of any Equity Interest (other than such Equity Interest that is solely redeemable, or at the election of Xerox (not subject to any condition), may be redeemed, with Qualified Capital Stock) which, by its terms (or by the terms of any security into which it is convertible or for which it is exchangeable at the option of the holder thereof), or upon the happening of any event (other than an event that would constitute an Asset Transfer or Change in Control), matures or is mandatorily redeemable, pursuant to a sinking fund obligation or otherwise, or is redeemable at the sole option of the holder thereof (except, in each case, upon the occurrence of an Asset Transfer or Change in Control) on or prior to March 31, 2009.

"**Dollar Amount**" means, at any time:

(a) with respect to any Dollar-Denominated Loan, the principal amount thereof then outstanding;

(b) with respect to any Alternative Currency Loan, the principal amount thereof then outstanding in the relevant Alternative Currency, converted to Dollars in accordance with Section 2.20(a); and

(c) with respect to any Letter of Credit or LC Disbursement, (A) if denominated in Dollars, the amount thereof and (B) if denominated in an Alternative Currency, the amount thereof converted to Dollars in accordance with Section 2.20(b).

"**Dollar-Denominated**" when used together with Loan or Borrowing, means a Loan or Borrowing that is made in Dollars.

"**Dollars**" or "**$**" refers to lawful money of the United States.

"**Domestic Credit Parties**" means Xerox and the Guarantors.

"**Domestic Subsidiary**" means a Subsidiary that is not a Foreign Subsidiary.

"**Effective Date**" means the date on which each of the conditions specified in Section 4.01 is satisfied (or waived in accordance with Section 9.02).

"**Election to Participate**" means an Election to Participate substantially in the form of Exhibit E hereto.

"**Election to Terminate**" means an Election to Terminate substantially in the form of Exhibit F hereto.

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

"**Environmental Laws**" means all laws, rules, regulations, codes, ordinances, orders, decrees, judgments, injunctions, notices or binding agreements issued, promulgated or entered into by any Governmental Authority, relating in any way to the environment, the preservation or reclamation of natural resources, the management, release or threatened release of any Hazardous Material or health and safety matters.

"**Environmental Liability**" means any liability, contingent or otherwise (including any liability for damages, costs of remediation, fines, penalties or indemnities), of any Credit Party directly or indirectly resulting from or based on (a) violation of any Environmental Law, (b) the generation, use, handling, transportation, storage, treatment or disposal of any Hazardous Material, (c) exposure to any Hazardous Material, (d) the release or threatened release of any Hazardous Material into the environment or (e) any contract, agreement or other consensual arrangement pursuant to which liability is assumed or imposed with respect to any of the foregoing.

"**Equity Interests**" means (a) shares of capital stock, partnership interests, membership interests in a limited liability company, beneficial interests in a trust or other equity ownership interests in a Person or (b) any warrants, options or other rights to acquire such shares or interests.

"**Equity Issuance**" means any issuance of any Equity Interests by Xerox, other than any such issuance to directors, officers or employees pursuant to employee benefit plans in the ordinary course of business.

"**ERISA**" means the Employee Retirement Income Security Act of 1974, as amended from time to time.

"**ERISA Affiliate**" means any trade or business (whether or not incorporated) that, together with Xerox, is treated as a single employer under Section 414(b) or (c) of the Internal Revenue Code or, solely for purposes of Section 302 of ERISA and Section 412 of the Internal Revenue Code, is treated as a single employer under Section 414 of the Internal Revenue Code.

"**ERISA Event**" means (a) any "reportable event", as defined in Section 4043 of ERISA or the regulations issued thereunder with respect to a Plan (except an event for which the 30-day notice period is waived or an event under Section 4043(c)(3) of ERISA relating to a reduction in the number of active participants in a Plan), (b) the existence with respect to any Plan of an "accumulated funding deficiency" (as defined in Section 412 of the Internal Revenue Code or Section 302 of ERISA), whether or not waived, (c) the filing pursuant to Section 412(d) of the Internal Revenue Code or Section 303(d) of ERISA of an application for a waiver of the minimum funding standard with respect to any Plan, (d) the incurrence by Xerox or any ERISA Affiliate of any liability under Title IV of ERISA with respect to the termination of any Plan, (e) the receipt by Xerox or any ERISA Affiliate from the PBGC or a plan administrator of any notice relating to

an intention to terminate any Plan or Plans or to appoint a trustee to administer any Plan, (f) the incurrence by Xerox or any ERISA Affiliate of any liability with respect to withdrawal or partial withdrawal from any Plan or Multiemployer Plan or (g) the receipt by Xerox or any ERISA Affiliate of any notice, or the receipt by any Multiemployer Plan from Xerox or any ERISA Affiliate of any notice, concerning the imposition of Withdrawal Liability or a determination that a Multiemployer Plan is, or is expected to be, insolvent or in reorganization, within the meaning of Title IV of ERISA.

"**ESOP Plan**" means the Xerox Corporation Employee Stock Ownership Plan, 2000 Restatement dated March 17, 2000, as amended by Amendment Nos. 1-4, a Xerox-sponsored employee benefit plan, subject to ERISA.

"**ESOP Preferred Shares**" means the Series B Convertible Preferred shares issued pursuant to the Restated Certificate of Incorporation of Xerox dated October 17, 1996, as amended by a Certificate of Amendment dated May 21, 1999, each of which shares are convertible into six shares of Xerox common stock.

"**Euro**" means the single currency of the Participating Member States.

"**Eurodollar**", when used with respect to any Loan or Borrowing, refers to whether such Loan, or the Loans comprising such Borrowing, are bearing interest at a rate determined by reference to the Adjusted LIBO Rate.

"**Events of Default**" has the meaning specified in Section 7.01.

"**Excluded Taxes**" means, with respect to any Lender Party or other recipient of a payment made by or on account of any obligation of any Borrower hereunder:

(a) income or franchise taxes imposed on (or measured by) such Lender Party's net income by the United States or by a Lender Party Jurisdiction;

(b) any branch profits taxes imposed by the United States or any similar tax or capital tax imposed by any other jurisdiction described in clause (a) above;

(c) in the case of a Foreign Lender, any withholding tax imposed on any such payment by the United States to the extent that it is determined on the basis of laws in effect and tax rates applicable to such Foreign Lender at the time such Foreign Lender becomes a party to this Agreement or designates a new Applicable Lending Office;

(d) in the case of any such payment made by reason of an assignment by a Lender Party to a Lender Affiliate of such Lender Party,

any withholding tax to the extent attributable to any excess as of the date of such assignment of (i) such tax determined on the basis of laws in effect and tax rates applicable to such Lender Affiliate over (ii) such tax determined on the basis of laws in effect and the tax rates applicable to the assignor;

(e) in the case of any such payment made to a Lender Party by reason of designation of a new Applicable Lending Office, any withholding tax to the extent attributable to any excess as of the date of such designation of (i) such tax determined on the basis of laws in effect and tax rates applicable to the Lender Party after the designation over (ii) such tax determined on the basis of laws in effect and the tax rates applicable to the Lender Party immediately prior to the designation; and

(f) any withholding tax to the extent attributable to a Lender's failure to comply with Section 2.15(e) or 2.15(g), as applicable.

Notwithstanding subsections (a)-(e) above, a withholding tax will not be an "Excluded Tax" to the extent that (x) it is imposed on any such payment made to a Lender Party that becomes a party to this Agreement by an assignment after the Effective Date at Xerox's request pursuant to Section 2.17(b), (y) it is imposed on any such payment made to a Lender Party that becomes a party to this Agreement by an assignment after the Effective Date, and does not exceed the amount for which the assignor would have been indemnified pursuant to Section 2.15(a), or (z) in the case of designation of a new Applicable Lending Office, it does not exceed the amount for which such Lender Party would have been indemnified if it had not designated a new Applicable Lending Office. In the case of any payment made to the Administrative Agent for the account of any other Lender Party, no Tax shall be characterized as an Excluded Tax with respect to such other Lender Party by reason of applying the foregoing definition with reference to the Administrative Agent.

"**Existing Credit Agreement**" has the meaning specified in the recitals in this Agreement.

"**Existing Letters of Credit**" means the letters of credit previously issued by Bank One, NA under the Existing Credit Agreement and listed on Schedule 2.04.

"**Facility**" means, at any time, the aggregate amount of all Lender Shares at such time.

"**Federal Funds Effective Rate**" means, for any day, the weighted average (rounded upwards, if necessary, to the next 1/100 of 1%) of the rates on overnight Federal funds transactions with members of the Federal Reserve System arranged by Federal funds brokers, as published on the next succeeding Business Day by the Federal Reserve Bank of New York, or, if such rate is not so published

on such Business Day, the average (rounded upwards, if necessary, to the next 1/100 of 1%) of the quotations for such day for such transactions received by the Administrative Agent from three Federal funds brokers of recognized standing selected by it.

"**Federal Reserve Board**" means the Board of Governors of the Federal Reserve System of the United States.

"**Finance SPE**" means (a) any Receivables SPE and (b) any Subsidiary that (i) is a special purpose financing vehicle, (ii) was created solely for the purpose of facilitating the incurrence of Capital Markets Debt by any Xerox Company or any Equity Issuance by any Xerox Company (including the issuance of any Trust Preferred Securities), (iii) has no business other than the facilitation of such incurrence or issuance and activities incidental thereto and (iv) is capitalized with no more than an amount equal to the cash proceeds received by such Finance SPE from such transaction, *provided* that such transaction does not constitute or create indebtedness secured by a Lien that is not permitted by Section 6.01.

"**Financial Officer**" means the chief financial officer, treasurer or any assistant treasurer of Xerox, each as elected by the Board of Directors as an officer of Xerox.

"**Fiscal Quarter**" means a fiscal quarter of Xerox.

"**Fiscal Year**" means a fiscal year of Xerox.

"**Foreign Lender**" means any Lender that is organized under the laws of a jurisdiction outside the United States.

"**Foreign Subsidiary**" means a Subsidiary (which may be a corporation, limited liability company, partnership or other legal entity) organized under the laws of a jurisdiction outside the United States.

"**GAAP**" means generally accepted accounting principles as in effect from time to time in the United States, applied on a basis consistent (except for changes concurred in by Xerox's independent public accountants) with the most recent audited consolidated financial statements of Xerox and its consolidated Subsidiaries delivered to the Administrative Agent pursuant to Section 5.01(a).

"**Governmental Authority**" means the government of the United States, any other nation or any political subdivision thereof, whether state, provincial or local, and any agency, authority, instrumentality, regulatory body, court, central bank or other entity exercising executive, legislative, judicial, taxing, regulatory or administrative powers or functions of or pertaining to government.

"**Guarantee**" by any Person (the "**guarantor**") means any obligation, contingent or otherwise, of the guarantor guaranteeing any Debt or other monetary obligation of any other Person (the "**primary obligor**") in any manner, whether directly or indirectly, and including any obligation of the guarantor, direct or indirect, (a) to purchase or pay (or advance or supply funds for the purchase or payment of) such Debt or other obligation or to purchase (or advance or supply funds for the purchase of) any security for the payment thereof, (b) to purchase or lease property, securities or services for the purpose of assuring the owner of such Debt or other obligation of the payment thereof, (c) to maintain working capital, equity capital or any other financial statement condition or liquidity of the primary obligor so as to enable the primary obligor to pay such Debt or other obligation or (d) as an account party in respect of any letter of credit or letter of guaranty issued to support such Debt or other obligation, *provided* that the term "Guarantee" shall not include endorsements for collection or deposit in the ordinary course of business.

The amount of any Guarantee shall be equal to the amount of the primary obligation so guaranteed or otherwise supported, if any, or, if less, the amount to which such Guarantee is specifically limited, unless such primary obligation and the amount for which such guaranteeing Person may be liable are not stated or determinable, in which case the amount of such Guarantee shall be such guaranteeing Person's maximum reasonably anticipated liability in respect thereof as determined by such Person in good faith.

"**Guarantors**" means Xerox, each Subsidiary that is a party to the Security Agreement as of the Effective Date and each other Domestic Subsidiary that has become a Guarantor pursuant to Section 5.11(b).

"**Hazardous Materials**" means all explosive or radioactive substances or wastes and all hazardous or toxic substances, wastes or other pollutants, including petroleum or petroleum distillates, asbestos or asbestos-containing materials, polychlorinated biphenyls, radon gas, infectious or medical wastes and all other substances or wastes of any nature regulated pursuant to any Environmental Law.

"**Hedging Agreement**" means any interest rate protection agreement, foreign currency exchange agreement, commodity price protection agreement or other interest rate, currency exchange rate or commodity price hedging arrangement.

"**High Yield Indenture**" means that certain Indenture dated as of January 17, 2002 among Xerox and Wells Fargo Bank Minnesota, National Association, as Trustee, with respect to the 9¾% Senior Notes due 2009 (denominated in Dollars).

"**Identified Indentures**" means each Indenture identified on Schedule 1.01I as replaced from time to time pursuant to Section 5.01(f).

"**Indemnified Taxes**" means all Taxes except Excluded Taxes.

"**Indenture**" means any indenture or similar agreement governing Capital Markets Debt of any Xerox Company.

"**Intellectual Property**" has the meaning specified in the Security Agreement.

"**Interest Election**" means an election by a Borrower to change or continue the Interest Type of a Borrowing in accordance with Section 2.06.

"**Interest Payment Date**" means (a) with respect to any Base Rate Loan, the last day of each March, June, September and December and (b) with respect to any Eurodollar Loan, the last day of the Interest Period applicable to the Borrowing of which such Loan is a part and, if such Interest Period is longer than three months, each day during such Interest Period that occurs at intervals of three months' duration after the first day of such Interest Period.

"**Interest Period**" means, with respect to any Eurodollar Borrowing, the period beginning on the date of such Borrowing and ending on the numerically corresponding day in the calendar month that is one, two, three or six months thereafter, as the relevant Borrower may elect or such shorter period as the relevant Borrower and the Administrative Agent may agree if such shorter period is available from all of the Lenders, *provided* that (a) if any Interest Period would end on a day other than a Business Day, such Interest Period shall be extended to the next succeeding Business Day unless such next succeeding Business Day would fall in the next calendar month, in which case such Interest Period shall end on the next preceding Business Day, (b) any Interest Period that commences on the last Business Day of a calendar month (or on a day for which there is no numerically corresponding day in the last calendar month of such Interest Period) shall end on the last Business Day of the last calendar month of such Interest Period and (c) any Interest Period that would end after the Maturity Date shall end on the Maturity Date. For purposes hereof, the date of a Borrowing initially shall be the date on which such Borrowing is made and thereafter shall be deemed to be the effective date of the most recent conversion or continuation of such Borrowing.

"**Interest Type**", when used with respect to any Loan or Borrowing, refers to whether the rate of interest on such Loan, or on the Loans comprising such Borrowing, is determined by reference to the Adjusted LIBO Rate or the Alternate Base Rate.

"**Internal Revenue Code**" means the Internal Revenue Code of 1986, as amended from time to time.

"**Investment**" means any investment in any Person, whether by means of share purchase, capital contribution, loan, Guarantee, time deposit, merger or

otherwise. The amount of any Investment shall be the original principal or capital amount thereof less all returns of principal or equity thereon (and without adjustment by reason of the financial condition of such other Person) and shall, if made by the transfer or exchange of property other than cash, be deemed to have been made in an original principal or capital amount equal to the fair market value of such property at the time of such transfer or exchange as determined in good faith by the Person making such Investment. Investments shall not include intercompany mergers permitted by Section 6.02(a) or extensions of trade credit made by any Xerox Company to any Person that is not an Affiliate of Xerox in the ordinary course of business consistent in all material respects with past practice. "Invest" means the making of an Investment.

"**Investment Covenant Intermediate Ratings Condition**" means (a) the condition that Xerox's senior unsecured debt is rated at least "BB" by S&P and "Ba2" by Moody's, and in addition, (b) for purposes of determining whether the Investment Covenant Intermediate Ratings Condition is initially achieved, (i) no Default or Event of Default has occurred and is continuing and (ii) Xerox has delivered a certificate of a Responsible Officer to the effect of the items in the foregoing clauses (a) and (b)(i).

"**IP Company**" means any Person, whether now existing or hereafter formed, in which any Xerox Company owns or acquires any Equity Interests, which Person (a) has as its primary business one or more of the following: (i) research and development, (ii) the generation or management of Intellectual Property or (iii) the commercialization or maximization of the value of Intellectual Property developed by or Transferred to such Person by one or more Xerox Companies, and activities incidental thereto and (b) has no other significant business, *provided* that each of the following Persons and its subsidiaries shall be deemed to be an IP Company: (i) PARC, (ii) XESystems, Inc., (iii) Integic Corporation, (iv) ScanSoft, Inc., (v) Telesensory Corporation, (vi) Placeware, Inc., (vii) Document Sciences Corporation, (viii) dpiX, LLC, (ix) ContentGuard Holdings, Inc., (x) InXight Software, Inc. and (xi) Gyricon, LLC.

"**LC Disbursement**" means a payment made by an LC Issuing Bank in respect of a drawing under a Letter of Credit.

"**LC Exposure**" means, at any time, the sum of (a) the aggregate undrawn amount of all Letters of Credit outstanding at such time plus (b) the aggregate amount of all LC Disbursements that have not yet been reimbursed by the Borrowers at such time. The LC Exposure of any Revolving Lender at any time will be its Revolving Percentage of the total LC Exposure at such time.

"**LC Issuing Banks**" means JPMorgan Chase Bank and Bank One, NA as the issuers of Letters of Credit hereunder, and each Lender that, at the request of Xerox and with the consent of the Administrative Agent (such consent not to be unreasonably withheld, it being understood that in any particular instance the Administrative Agent may take into account the absolute number of LC Issuing

Banks), agrees to become an LC Issuing Bank after the Effective Date, and their respective successors in such capacity as provided in Section 2.04(i). An LC Issuing Bank may, in its discretion, arrange for one or more Letters of Credit to be issued by its Affiliates, in which case the term "LC Issuing Banks" shall include each such Affiliate with respect to Letters of Credit issued by it.

"**LC Reimbursement Obligations**" means, at any time, all obligations of the Borrowers to reimburse the LC Issuing Banks for amounts paid by them in respect of drawings under Letters of Credit, including any portion of such obligations to which Lenders have become subrogated by making payments to the LC Issuing Banks pursuant to Section 2.04(e).

"**Lender Affiliate**" means, (a) with respect to any Lender, (i) an Affiliate of such Lender or (ii) any entity (whether a corporation, partnership, trust or otherwise) that is engaged in making, purchasing, holding or otherwise investing in bank loans and similar extensions of credit in the ordinary course of its business and is administered or managed by such Lender or an Affiliate of such Lender and (b) with respect to any Lender that is a fund which invests in bank loans and similar extensions of credit, any other fund that invests in bank loans and similar extensions of credit and is managed by the same investment advisor as such Lender or by an Affiliate of such investment advisor.

"**Lender Parties**" means the Lenders, the LC Issuing Banks and the Agents.

"**Lender Party Jurisdiction**" means, with respect to any Lender Party:

(a) the jurisdiction under the laws of which such Lender Party is organized or in which its principal office is located,

(b) in the case of any Lender, the jurisdiction in which its Applicable Lending Office is located, and

(c) in the case of any Lender, any jurisdiction in which it is treated as resident for purposes of income or franchise taxes imposed on (or measured by) net income (or is otherwise subject to such taxes) by reason of its business activities and operations that are unrelated to this Agreement, the Existing Credit Agreement and the loans hereunder and thereunder.

"**Lender Share**" means, with respect to any Lender, the aggregate amount of such Lender's Term Commitments (or, if the Term Commitments have terminated or expired, the aggregate outstanding amount of such Lender's Term Loans) and Revolving Commitments (or, if the Revolving Commitments shall have been terminated, the aggregate outstanding amount of such Lender's Revolving Loans and LC Exposure).

"**Lenders**" means the Persons listed in Appendix I and any other Person that shall have become a party hereto pursuant to an Assignment, other than any such Person that ceases to be a party hereto pursuant to an Assignment.

"**Letter of Credit**" means any letter of credit issued pursuant to this Agreement.

"**Leverage Ratio**" means, as of the last day of any Fiscal Quarter, the ratio of (a) Total Debt as of such day minus (i) 90% of the amount of net finance receivables that are, in accordance with GAAP, included on the consolidated balance sheet of Xerox and its Subsidiaries as of such day and (ii) the amount of cash and cash equivalents as reflected on the consolidated balance sheet of Xerox and its Subsidiaries as of such day (it being understood that such amounts shall not include any cash or cash equivalents that are subject to any Lien, are maintained as cash collateral or are subject to other escrow or restricted account arrangements, but shall include cash or cash equivalents that are subject to ordinary set-off rights in favor of the depository institution) to (b) Consolidated EBITDA for the period of four consecutive Fiscal Quarters ended on such day, *provided* that for purposes of calculating the Leverage Ratio, (x) if any Xerox Company has consummated any Business Acquisition after the Effective Date during the relevant period for determining Consolidated EBITDA, Consolidated EBITDA for the relevant period shall be calculated after giving pro forma effect thereto, as if any such Business Acquisition (and any related incurrence, repayment or assumption of Debt, with any new Debt being deemed to be amortized over the relevant period in accordance with its terms) had occurred on the first day of the relevant period for determining Consolidated EBITDA and (y) if any Xerox Company has consummated any Asset Transfer (other than Transfers to a Xerox Company or Transfers that are part of the Third-Party Vendor Financing Program) after the Effective Date pursuant to which assets that generated Consolidated EBITDA of $50,000,000 or more during the period of four Fiscal Quarters most recently ended before such Asset Transfer, Consolidated EBITDA for the relevant period shall be calculated after giving pro forma effect thereto, as if any such Transfer (and any related incurrence, repayment or assumption of Debt, with any new Debt being deemed to be amortized over the relevant period in accordance with its terms) had occurred on the first day of the relevant period for determining Consolidated EBITDA, *provided* that pro forma calculations shall not be required pursuant to clause (y) if Xerox determines in good faith that the relevant information is not ascertainable without unreasonable effort or expense.

"**LIBO Rate**" means, with respect to any Eurodollar Borrowing for any Interest Period, the rate appearing on the Screen at approximately 11:00 a.m., London, England time, two Business Days before the beginning of such Interest Period, as the rate for deposits in Dollars or the relevant Alternative Currency with a maturity comparable to such Interest Period. If such rate is not available at such time for any reason, then the "LIBO Rate" with respect to such Eurodollar Borrowing for such Interest Period shall be the rate at which Dollar deposits of

$5,000,000 and for a maturity comparable to such Interest Period are offered by the principal London, England office of the Administrative Agent in immediately available funds in the London interbank market at approximately 11:00 a.m., London, England time, two Business Days before the beginning of such Interest Period.

"**Lien**" means, with respect to any asset, (a) any mortgage, deed of trust, lien, pledge, hypothecation, encumbrance, charge or security interest in, on or of such asset or any agreement to provide any of the foregoing, (b) the interest of a vendor or a lessor under any conditional sale agreement, capital lease or title retention agreement (or any financing lease having substantially the same economic effect as any of the foregoing) relating to such asset and (c) in the case of securities, any purchase option, call or similar right of a third party with respect to such securities which, if exercised, would not constitute a Transfer permitted by this Agreement, it being understood that a license or assignment of Intellectual Property, a lease or sublease of assets to another Person or the filing of a precautionary financing statement (or similar filing) in connection with an operating lease or consignment does not constitute a "Lien".

"**Loan Documents**" means this Agreement, any Notes and the Security Documents.

"**Loans**" means loans made by the Lenders to the Borrowers pursuant to this Agreement.

"**Material Adverse Effect**" means a material adverse effect on (a) the business, assets, operations or condition, financial or otherwise, of the Xerox Companies taken as a whole, (b) the ability of the Credit Parties to perform their monetary obligations under any Loan Document or (c) the rights of and benefits available to any Lender Party under any Loan Document.

"**Material Debt**" means Debt (other than obligations in respect of the Loans and Letters of Credit) of any one or more Xerox Companies in an aggregate principal amount exceeding the lesser of $75,000,000 and either (a) for purposes of Section 7.01(f) and Section 7.01(g)(i), the dollar amount set forth in Section 501(4) of the High Yield Indenture (or, if all of the Debt issued under the High Yield Indenture has been repaid in full, the lowest dollar amount set forth in any other equivalent provision (if any) of any other Indenture of Xerox) or (b) for purposes of Section 7.01(g)(ii), the dollar amount set forth in any equivalent provision of any Indenture of Xerox, it being understood that as of the date hereof, none of the Indentures of Xerox has such an equivalent provision, *provided* that if at any time there is no applicable provision under any Indenture of Xerox for purposes of clause (a) or (b) hereof, the dollar amount for such clause, at that time, shall be deemed to be $75,000,000.

"**Material Domestic Subsidiary**" means any Domestic Subsidiary that as of the end of the most recently completed Fiscal Quarter had Consolidated Net

Worth (determined applying such definition *mutatis mutandis* to just such Domestic Subsidiary and its subsidiaries) of $100,000,000 or more, with any change in a Person's status as a Material Domestic Subsidiary becoming effective as of the date of delivery of the financial statements for such Fiscal Quarter (in the case of the first three Fiscal Quarters of each Fiscal Year) or the Fiscal Year (in the case of the last Fiscal Quarter of each Fiscal Year) pursuant to Section 5.01, *provided* that any such Person will cease to be a Material Domestic Subsidiary only if its Consolidated Net Worth does not meet or exceed the required threshold for two consecutive Fiscal Quarters.

"**Material Foreign Subsidiary**" means any Foreign Subsidiary that as of the end of the most recently completed Fiscal Quarter had Consolidated Net Worth (determined applying such definition *mutatis mutandis* to just such Foreign Subsidiary and its subsidiaries) of $100,000,000 or more, with any change in a Person's status as a Material Foreign Subsidiary becoming effective as of the date of delivery of the financial statements for such Fiscal Quarter (in the case of the first three Fiscal Quarters of each Fiscal Year) or the Fiscal Year (in the case of the last Fiscal Quarter of each Fiscal Year) pursuant to Section 5.01, *provided* that any such Person will cease to be a Material Foreign Subsidiary only if its Consolidated Net Worth does not meet or exceed the required threshold for two consecutive Fiscal Quarters.

"**Material Subsidiaries**" means the Material Domestic Subsidiaries and the Material Foreign Subsidiaries.

"**Material Xerox Group Company**" means, at any date, Xerox and any Xerox Group Company that is a Material Domestic Subsidiary or a Material Foreign Subsidiary.

"**Maturity Date**" means September 30, 2008 or, if such day is not a Business Day, the next preceding Business Day.

"**Moody's**" means Moody's Investors Service, Inc.

"**Mortgage**" means a mortgage, deed of trust, assignment of leases and rents or other security document granting a Lien on any Mortgaged Property to secure any of the Secured Obligations. Each Mortgage covering property located in the states of Oklahoma, Oregon or New York must be substantially in the form of Exhibit D-1, D-2 or D-3, respectively. Each Mortgage covering property located in any other jurisdiction must be substantially in the form of Exhibit D-1 (for mortgage states) or Exhibit D-2 (for deed of trust states) (appropriately modified to address the local law requirements of the applicable state) or otherwise reasonably satisfactory in form and substance to the Administrative Agent.

"**Mortgaged Property**" means each parcel of real property and improvements thereto owned by a Domestic Credit Party that is either (a)

identified on Schedule 1.01M as a Mortgaged Property or (b) subject to a Transaction Lien granted after the Effective Date pursuant to Section 5.12(c).

"**Multiemployer Plan**" means a "multiemployer plan" as defined in Section 4001(a)(3) of ERISA.

"**Notes**" has the meaning specified in Section 2.08(f).

"**Operating Agreement**" means the Amended and Restated Operating Agreement dated as of November 1, 1980, between Xerox and XCC, as amended, supplemented or otherwise modified prior to the date hereof.

"**Ordinary Course Needs**" means as of any date of determination with reference to any Subsidiary that is not a Guarantor, the cash working capital and other needs of such Subsidiary and its subsidiaries in the ordinary course of business (net of other sources of funds available or expected to be available to it from any source other than a Xerox Company), determined in good faith by a Financial Officer consistent in all material respects with past practice (subject to appropriate adjustment to the extent past practice has been modified to reflect changes in the nature of the business and operations of the Foreign Subsidiaries), including reasonably anticipated needs for repaying Debt and other obligations and making investments in its business, *provided* that in determining the Ordinary Course Needs of any Subsidiary, Xerox may take into account its ordinary course of business cash management practices whereby amounts that would otherwise constitute Cash Balances of one or more Subsidiaries are managed by being concentrated in a single other Subsidiary.

"**Other Taxes**" means any and all present or future recording, stamp, documentary, excise, transfer, sales or property taxes, charges or levies arising from any payment made under any Loan Document or from the execution, delivery or enforcement of, any Loan Document and any similar taxes.

"**Overseas Borrowers**" means (a) XCE, (b) XCD and (c) any other Qualified Foreign Subsidiary as to which an Election to Participate shall have been delivered to the Administrative Agent in accordance with Section 2.18, *provided* that the status of any of the foregoing as an Overseas Borrower shall terminate if and when an Election to Terminate is delivered to the Administrative Agent in accordance with Section 2.18.

"**PARC**" means Palo Alto Research Center, Incorporated, a Delaware corporation and, as of the Effective Date, a Wholly Owned Subsidiary of Xerox.

"**Participating Member States**" means those members of the European Union from time to time that adopt a single, shared currency.

"**Participants**" has the meaning specified in Section 9.05(e).

"**PBGC**" means the Pension Benefit Guaranty Corporation referred to and defined in ERISA and any successor entity performing similar functions.

"**Perfection Certificate**" means a certificate in the form of Exhibit A to the Security Agreement or any other form approved by the Administrative Agent.

"**Permitted Investments**" means investments in:

(a) marketable direct obligations of, or obligations the principal of and interest on which are unconditionally guaranteed by, the United States or the government of any Eligible Jurisdiction (or by any agency thereof to the extent such obligations are backed by the full faith and credit of the such government), in each case maturing within one year from the date of acquisition thereof;

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

(c) commercial paper maturing within one year from the date of acquisition thereof and having, at such date of acquisition, at least the second highest credit rating obtainable from S&P or from Moody's;

(d) certificates of deposit, banker's acceptances and time deposits maturing within one year from the date of acquisition thereof issued or guaranteed by or placed with, and money market deposit accounts issued or offered by, any bank organized under the laws of the United States or any State thereof or the District of Columbia or any Eligible Jurisdiction or any U.S. branch of a foreign bank which has at the date of acquisition thereof a combined capital and surplus of at least $100,000,000;

(e) repurchase agreements with a term of not more than 7 days for securities described in clause (a) above and entered into with a financial institution satisfying the criteria described in clause (d) above;

(f) Investments in money market funds that invest substantially all their assets in securities of the types described in clauses (a)-(e) above;

(g) Investments in cash in Euro or Dollars or, to the extent determined by Xerox or a Foreign Subsidiary in good faith to be necessary for local working capital requirements and operations requirements of such Foreign Subsidiary, other cash and cash equivalents denominated in the currency of the jurisdiction of organization or place of business of such

Foreign Subsidiary or such other currency as determined in good faith by Xerox or such Foreign Subsidiary to be necessary or desirable for reasonable business purposes that are, in the case of cash equivalents, otherwise substantially similar to the items specified in clauses (a)-(f), above; and

(h) Investments in cash and cash equivalents denominated in the currency of the jurisdiction of organization or place of business of a Foreign Subsidiary that are otherwise substantially similar to the items specified in clauses (a)-(f) above, except that if such jurisdiction prohibits the repatriation of working capital to the United States, any specific rating required in clauses (a)-(f) above shall be deemed to be satisfied if such Investments have, at the time of the acquisition, the highest rating from any rating agency of any Investments available to be issued in such currency, *provided* that the aggregate amount of Investments made pursuant to this clause (h) shall not exceed the equivalent of $50,000,000 (calculated according to the provisions of the second paragraph of the definition of "Debt", *mutatis mutandis*) at any time outstanding;

provided that in the case of Ridge Re, "Permitted Investments" shall also include an investment that may legally be made by a Bermuda insurance company.

"**Permitted Joint Ventures**" means (a) Fuji Xerox Co., Limited, (b) Xerox Capital Services, LLC and (c) any joint venture, partnership or other arrangement in connection with the Third-Party Vendor Financing Program or any Qualified Receivables Transaction.

"Permitted Liens" means:

(a) Liens imposed by law for Taxes that are not yet required to be paid pursuant to Section 5.05(a);

(b) carriers', warehousemen's, landlord's, mechanics', materialmen's, repairmen's and other like Liens imposed by law, arising in the ordinary course of business or similar deposits or pledges in the ordinary course of business, including those made to obtain the release of such Lien;

(c) pledges and deposits made and other Liens arising in the ordinary course of business in compliance with workers' compensation, unemployment insurance and other social security laws or regulations or to secure payments of workers' compensation or unemployment insurance;

(d) Liens (except for Liens on the Collateral) or deposits to secure the performance of bids, trade contracts, leases, statutory obligations, performance bonds and other obligations of a like nature, in

each case in the ordinary course of business, or to secure surety and appeal bonds and other obligations of a like nature;

(e) judgment liens in respect of judgments that do not constitute an Event of Default under Section 7.01(k);

(f) easements, zoning restrictions, rights-of-way and similar encumbrances on real property imposed by law or arising in the ordinary course of business that do not secure any monetary obligation and do not materially detract from the value of the affected property or materially interfere with the ordinary conduct of business of Xerox or any Subsidiary;

(g) with respect to each Mortgaged Property, Permitted Encumbrances (as defined in the applicable Mortgage); and

(h) security given in the ordinary course of business consistent with past practice to any public utility or Governmental Authority in connection with the operation of the business, other than security for borrowed money;

provided that the term "Permitted Liens" shall not include any Lien that secures Debt.

"**Permitted Refinancing Debt**" means any Debt the proceeds of which a Financial Officer certifies are intended to be, and actually are, applied within 180 days of the date such Debt is issued, to extend, renew, refinance or replace Debt of any Xerox Company, *provided* that (i) (x) a Subsidiary (other than a Finance SPE) that is not a Guarantor cannot be substituted as an obligor for Xerox, and (y) a Subsidiary (other than a Finance SPE) that is a Domestic Subsidiary cannot be substituted for an obligor that is a Foreign Subsidiary, (ii) the principal amount thereof is not increased (other than to finance accrued interest, premiums, fees and other amounts outstanding in respect thereof and fees and expenses incurred in connection with such refinancing), (iii) such refinancing does not result in an earlier maturity date or decreased Weighted Average Life thereof, (iv) if the Debt that is being refinanced is Restricted Debt, then such Permitted Refinancing Debt shall be Restricted Debt that is subordinated at least to the same extent and in substantially the same manner as the Debt being Refinanced and (v) with respect to any such refinancing with the proceeds of newly incurred Debt in an aggregate principal amount exceeding $100,000,000 in a single transaction or a series of related transactions, such refinancing shall not be permitted unless Xerox shall be in compliance with the covenants in Sections 6.03 and 6.04 and, to the extent applicable at the time of such refinancing, Sections 6.13 and 6.14, in all cases as of the most recent date for compliance prior to the date of the refinancing and after giving effect on a pro forma basis to the refinancing and the newly incurred Debt, and Xerox shall have delivered to the Administrative Agent, on or prior to the date of the incurrence of such Debt, a report of a Financial Officer of Xerox

showing calculations in reasonable detail demonstrating such compliance. As used in this definition, "refinancing" means an extension, renewal, refinancing or replacement of Debt and "refinance" has the meaning correlative thereto.

"**Permitted Refinancing Preferred Stock**" means any Preferred Stock issued by Xerox or a Finance SPE the proceeds of which a Financial Officer certifies are intended to be, and actually are, applied within 180 days of the date such Preferred Stock is issued, to extend, renew, refinance or replace Preferred Stock or Debt of any Xerox Company, *provided* that (i) (x) a Subsidiary (other than a Finance SPE) that is not a Guarantor cannot be substituted as an issuer or obligor for Xerox, and (y) a Subsidiary (other than a Finance SPE) that is a Domestic Subsidiary cannot be substituted for an issuer or obligor that is a Foreign Subsidiary, (ii) the principal or liquidation preference amount thereof is not increased (other than to finance accrued dividends, interest, premiums, fees and other amounts outstanding in respect thereof and fees and expenses incurred in connection with such refinancing), (iii) such refinancing does not result in an earlier mandatory redemption date or, if the Preferred Stock being refinanced does not have a mandatory redemption date, such refinanced Preferred Stock shall not have a mandatory redemption date and (iv) with respect to any such refinancing with the proceeds of newly issued Preferred Stock in an aggregate principal amount exceeding $100,000,000 in a single transaction or a series of related transactions, such refinancing shall not be permitted unless Xerox shall be in compliance with the covenants in Sections 6.03 and 6.04 and, to the extent applicable at the time of such refinancing, Sections 6.13 and 6.14, in all cases as of the most recent date for compliance prior to the date of the refinancing and after giving effect on a pro forma basis to the refinancing and the newly issued Preferred Stock, and Xerox shall have delivered to the Administrative Agent, on or prior to the date of the issuance of such Preferred Stock, a report of a Financial Officer of Xerox showing calculations in reasonable detail demonstrating such compliance. As used in this definition, "refinancing" means an extension, renewal, refinancing or replacement of Preferred Stock or Debt and "refinance" has the meaning correlative thereto.

"**Permitted Third-Party Liens**" means Liens that are (a) Liens on property of any Credit Party that (i) are junior in priority to the Liens securing the Senior Secured Obligations, (ii) provide that the holder of such Lien will not exercise remedies with respect to the Collateral so long as the Senior Secured Obligations remain outstanding and provide for a waiver of marshalling, (iii) are released at any time the Ratings Condition is satisfied or the Liens on the Collateral securing the Senior Secured Obligations are otherwise released pursuant hereto (other than as a result of satisfaction of the Release Conditions or termination of this Agreement) and (iv) only secure, at any time, an amount of Debt not to exceed the Third-Party Basket Lien Available Amount, (b) Liens on property of any non-Credit Party that only secure, at any time, an amount of Debt not to exceed the Third-Party Basket Lien Available Amount or (c) Liens on property that is not Collateral securing Debt incurred to monetize or otherwise

finance a discrete asset or assets that do not apply to any other property of any Xerox Company, *provided* that the aggregate principal amount of Debt secured by such Liens in reliance on this clause (c) shall not exceed $50,000,000 at any time outstanding.

"**Person**" means any natural person, corporation, limited liability company, trust, joint venture, association, company, partnership, Governmental Authority or other entity.

"**Plan**" means any employee pension benefit plan (except a Multiemployer Plan) subject to the provisions of Title IV of ERISA or Section 412 of the Internal Revenue Code or Section 302 of ERISA, and in respect of which Xerox or any ERISA Affiliate is (or, if such plan were terminated, would under Section 4069 of ERISA be deemed to be) a "contributing sponsor" as defined in Section 4001(a)(13) of ERISA.

"**Pledged Securities**" has the meaning specified in the Security Agreement.

"**Preferred Stock**" of any Person shall mean capital stock or other ownership interests of or in such Person of any class or classes (however designated) that ranks prior, as to the payment of dividends and/or as to the distribution of assets upon any voluntary or involuntary liquidation, dissolution or winding up of such Person, to shares of capital stock or other ownership interests of or in any other class of such person, *provided* that the XCI Class B Shares shall not constitute Preferred Stock.

"**Prime Rate**" means the rate of interest per annum publicly announced from time to time by JPMorgan Chase Bank as its prime rate in effect at its principal office in New York City. Each change in the Prime Rate will be effective for purposes hereof from and including the date such change is publicly announced as being effective.

"**Purchase Money Debt**" means Debt incurred to finance the acquisition, construction or improvement of any fixed or capital assets, including Capital Lease Obligations and any Debt assumed in connection with the acquisition of any such assets or secured by a Lien on any such assets before the acquisition thereof, and extensions, renewals, refinancings and replacements of any such Debt, in whole or in part, that do not increase the outstanding principal amount thereof (other than to finance accrued interest, fees and other amounts outstanding in respect thereof and fees and expenses incurred in connection with such extension, renewal, refinancing or replacement) or result in an earlier maturity date or decreased Weighted Average Life thereof, *provided* that (a) such Debt (other than any extension, renewal, refinancing or replacement thereof) is incurred before or within 120 days after such acquisition or the completion of such construction or improvement and (b) the Debt secured thereby does not exceed

100% of the cost of acquiring, constructing or improving such fixed or capital assets.

"**Qualification Requirements**" means (a) Xerox has delivered a notice to the Administrative Agent (a copy of which the Administrative Agent shall promptly deliver to each Lender) proposing a transaction that would result in (i) the acquisition or creation of a Wholly Owned Subsidiary (other than a Third-Party Vendor Financing Subsidiary) in connection with the Business Effectiveness Program, (ii) both (A) any Person other than a Xerox Company acquiring Equity Interests in any Subsidiary (other than a Third-Party Vendor Financing Subsidiary) and (B) such Subsidiary failing to qualify as an Automatic Business Effectiveness Program Subsidiary immediately after giving effect thereto, (iii) any Equity Interests of a Subsidiary being prohibited from being pledged to the Collateral Agent as part of the Collateral by any agreement entered into in connection with the Business Effectiveness Program with or for the benefit of any other Person owning or acquiring Equity Interests in such a Subsidiary or (iv) any Intellectual Property interest retained by a Credit Party as set forth in clause (e)(iv) of the definition of "Business Effectiveness Program" being prohibited from being pledged to the Collateral Agent as part of the Collateral by any agreement entered into in connection with the Business Effectiveness Program and (b) the Super-Majority Lenders have not notified the Administrative Agent within 45 days of Xerox's delivery of such notice to the Administrative Agent that they disapprove of such transaction (the Administrative Agent agreeing to promptly notify Xerox if it has received such notice of disapproval from the Super-Majority Lenders); any notice delivered by Xerox pursuant to clause (a) shall set forth in reasonable detail a description of such transaction and Xerox agrees to provide such additional information concerning such transaction as any Lender, through the Administrative Agent, shall reasonably request, it being understood that failure to comply with such requirements in any instance shall not affect satisfaction of the Qualification Requirements in such instance if the Super-Majority Lenders do not disapprove pursuant to clause (b) of this definition.

"**Qualified Business Effectiveness Program Subsidiary**" means any Subsidiary (other than a Third-Party Vendor Financing Subsidiary) (a) that is acquired or created, or ceases to be directly or indirectly Wholly Owned by Xerox, after the date hereof in connection with the Business Effectiveness Program and that does not qualify as an Automatic Business Effectiveness Program Subsidiary but (b) with respect to which Xerox has satisfied the Qualification Requirements.

"**Qualified Capital Markets Security**" means Capital Markets Debt, Preferred Stock or other Equity Interests.

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

"**Qualified Equity Security**" means a security (or portion thereof), other than Disqualified Capital Stock, to the extent that it causes an increase in Xerox's "Consolidated Net Worth" (as defined in the Reference Indentures) on a dollar-for-dollar basis.

"**Qualified Foreign Subsidiary**" means XCI or any of its subsidiaries or any other Subsidiary of Xerox, each of which satisfies the following criteria: (a) the principal place of business and jurisdiction of organization or incorporation of such Subsidiary is located outside the United States, (b) all or, in the case of XCI or any of its subsidiaries, at least 97%, of the shares of capital stock or other ownership interests of such Subsidiary (except directors' qualifying shares) are at the time directly or indirectly owned by Xerox and (c) except in the case of XCI or any of its subsidiaries, such Subsidiary is not a "Specified Subsidiary" under the High Yield Indenture and does not fall within an equivalent category under any other Reference Indenture.

"**Qualified Receivables Transaction**" means any transaction or arrangement or series of transactions or arrangements entered into by Xerox or any of its Subsidiaries in order to monetize or otherwise finance, or as a result of which it may receive earlier than otherwise due amounts that will become receivable or be earned in the future in respect of, a discrete pool (which may be fixed or revolving) of Receivables, leases or other financial assets including financing contracts and any transaction or arrangement that is not a sale or transfer but pursuant to and by virtue of which a Person succeeds to, and becomes entitled to, the rights under or in respect of such Receivables, leases or other financial assets (in each case whether now existing or arising in the future), and which may include a Lien on (a) Receivables, (b) deposit or other accounts (and the funds or investments from time to time credited thereto) established in connection with a Qualified Receivables Transaction to secure obligations of any Xerox Company arising in connection with or otherwise related to such transaction, (c) any promissory note issued by any Xerox Company evidencing the repayment of amounts directly or indirectly distributed to such Xerox Company from any such accounts and (d) any assets of or Equity Interests in each and any Receivables SPE used to facilitate such transaction, *provided* that such transaction or arrangement does not constitute or create indebtedness secured by a Lien that is not permitted by Section 6.01.

"**Ratings Condition**" means (a) the condition that Xerox's senior unsecured debt is rated at least "BBB-" by S&P and "Baa3" by Moody's, and in addition, (b) for purposes of determining whether the Ratings Condition is initially achieved, (i) no Default or Event of Default has occurred and is continuing and (ii) Xerox has delivered a certificate of a Responsible Officer to the effect of the foregoing clauses (a) and (b)(i).

"**Receivables**" means "accounts" (as such term is defined in the UCC (or the Personal Property Security Act in effect in each of the provinces or territories in Canada (other than Quebec) to the extent applicable), including the proceeds of

inventory to the extent it also constitutes an account), "claims" as such term is defined in the Civil Code of Quebec to the extent applicable, book debts and any other existing or hereafter arising accounts receivable, lease receivables, finance receivables, service receivables and supply receivables and any property or assets (including equipment, inventory, software, leases and servicing contracts) related thereto.

"**Receivables SPE**" means a Subsidiary that is a special purpose entity that (a) borrows against Receivables or purchases, leases or otherwise acquires Receivables or Transfers Receivables to one or more third party purchasers or another Receivables SPE in connection with a Qualified Receivables Transaction or (b) engages in other activities that are necessary or desirable to effectuate the activities described in the definitions of Qualified Receivables Transaction or the Third-Party Vendor Financing Program, or (c) is established or then used solely for the purpose of, and has no business other than, owning a Receivables SPE, servicing Receivables owned by a Receivables SPE, owning or holding title to the property or assets giving rise to such Receivables or any activities incidental thereto (including those described in the definitions of Qualified Receivables Transaction or the Third-Party Vendor Financing Program).

"**Reference Basket Lien Provisions**" means the first proviso (not in a parenthetical) to Section 1012(a) of the High Yield Indenture and any equivalent provisions in the other Reference Indentures.

"**Reference Indentures**" means (a) initially, the High Yield Indenture and the Identified Indentures and (b) if all of the Debt issued under all of the High Yield Indenture and the Identified Indentures has been repaid in full, from time to time thereafter such other Indenture governing outstanding Debt of Xerox (which must have a provision governing the creation of liens securing Debt of Xerox and its Subsidiaries that, to the reasonable satisfaction of the Administrative Agent, is substantially identical to the comparable provision in the High Yield Indenture) as shall have been designated by Xerox in a notice to the Administrative Agent (with a copy of such Indenture attached thereto), it being understood that even if all of the Debt issued under the Indentures described in clause (a) have been repaid in full, such Indentures shall remain as the Reference Indentures until Xerox has so designated another Indenture pursuant to this clause (b).

"**Register**" has the meaning specified in Section 9.05(c).

"**Reinstatement Basket Minimum Amount**" means the product of (a) $75,000,000 *times* (b) a fraction the numerator of which is the number of calendar days until the Maturity Date and the denominator of which is 365.

"**Reinstatement Methodology**" means the application of the following principles to Debt or Preferred Stock incurred or Restricted Payments made at a time the Ratings Condition was satisfied, or Investments made at a time the Investment Covenant Intermediate Ratings Condition was satisfied, for purposes

of determining treatment of such transactions at any subsequent time (i) the Ratings Condition is not satisfied, in the case of Debt, Preferred Stock and Restricted Payments, or (ii) the Investment Covenant Intermediate Ratings Condition is not satisfied, in the case of Investments:

(a) Any Debt or Preferred Stock incurred while the Ratings Condition is satisfied shall be deemed to have been outstanding on the date hereof and shall be deemed permitted under Section 6.05(b).

(b) Any Investments made while the Investment Covenant Intermediate Ratings Condition is satisfied that are of the type described in clause (h) of the definition of "Permitted Investments" or Section 6.06(a)(v)(B) shall reduce (but not below zero), to the extent such Investments continue to be outstanding, the amounts permitted to be Invested thereunder.

(c) Any Investments (other than Investments of the type described in clause (b) above) made while the Investment Covenant Intermediate Ratings Condition is satisfied that, if the Investment Covenant Intermediate Ratings Condition was not satisfied at the time such Investment was made would have been permitted only pursuant to Sections 6.06(a)(xii) or 6.06(a)(xix), shall be applied to reduce, to the extent such Investments continue to be outstanding, at Xerox's election, either the amount permitted to be Invested under Section 6.06(a)(xii) or the Restricted Payments Basket Amount (and accordingly the amount permitted to be Invested under Section 6.06(a)(xix)), or a combination thereof, *provided* that (x) the amount permitted to be Invested under Section 6.06(a)(xii) shall not be reduced below an amount equal to the Reinstatement Basket Minimum Amount and (y) if the Restricted Payments Basket Amount exceeded the Reinstatement Basket Minimum Amount immediately prior to giving effect to such reduction, the Restricted Payments Basket Amount shall not be reduced below an amount equal to the Reinstatement Basket Minimum Amount solely as a result of such Investments. If the amount permitted to be Invested under Section 6.06(a)(xii) after giving effect to the first sentence of this clause (c) would have been below the Reinstatement Basket Minimum Amount but for clause (x) of the proviso to such sentence, no more than $75,000,000 of outstanding Investments shall be permitted to be made pursuant to Section 6.06(a)(xii) in any calendar year (or pro rata for any portion of a calendar year) following the date on which the Investment Covenant Intermediate Ratings Condition ceased to be satisfied. If the amount permitted to be Invested under Section 6.06(a)(xix) after giving effect to the first sentence of this clause (c) would have been below the Reinstatement Basket Minimum Amount but for clause (y) of the proviso to such sentence, no more than $75,000,000 of Investments and Restricted Payments that apply against the Restricted Payments Basket Amount shall be permitted to be made pursuant to Section 6.06(a)(xix) in any calendar

year (or pro rata for any portion of a calendar year) following the date on which the Investment Covenant Intermediate Ratings Condition ceased to be satisfied.

(d) Any Restricted Payments made while the Ratings Condition is satisfied that are of the type described in Section 6.09(k) or Section 6.09(n) shall reduce the amount of Restricted Payments permitted to be made thereunder.

(e) Any Restricted Payments (other than Restricted Payments of the type described in clause (d) above) made while the Ratings Condition is satisfied that, if the Ratings Condition was not satisfied at the time such Restricted Payment was made would have been permitted only pursuant to Section 6.09(u), shall reduce the Restricted Payments Basket Amount, *provided* that if the Restricted Payments Basket Amount exceeded the Reinstatement Basket Minimum Amount immediately prior to giving effect to such reduction, the Restricted Payments Basket Amount shall not be reduced below an amount equal to the Reinstatement Basket Minimum Amount solely as a result of such Restricted Payments. If the Restricted Payments Basket Amount would have been reduced below the Reinstatement Basket Minimum Amount pursuant to the immediately preceding sentence but for the proviso to such sentence, no more than $75,000,000 of outstanding Investments or Restricted Payments that apply against the Restricted Payments Basket Amount, taken together, shall be permitted to be made in any calendar year (or pro rata for any portion of a calendar year) following the date on which the Ratings Condition ceased to be satisfied. If the Ratings Condition and the Investment Covenant Intermediate Ratings Condition cease to be satisfied at the same time, the provisions of this clause (e) shall be given effect prior to giving effect to the provisions of clause (c) above.

(f) Any Business Acquisition, Asset Transfer, Hedging Agreement, transaction entered into with an Affiliate, restrictive agreement, transaction or activity of XFI described in Section 6.12(b) or any other transaction, agreement or action consummated while the Ratings Condition is satisfied that would have been prohibited under Section 6.06(b), Section 6.07, Section 6.08, Section 6.10, Section 6.11 or Section 6.12(b), respectively, shall be deemed permitted under those respective Sections.

Promptly and in no event later than 60 days after the Ratings Condition ceases to be satisfied, Xerox will deliver to the Administrative Agent a certificate of a Financial Officer setting forth (i) a schedule of Debt outstanding on such date the Ratings Condition ceased to be satisfied (other than Debt that individually has an outstanding principal amount of $10,000,000 or less) indicating which Debt, if any, was incurred prior to the Ratings Condition being satisfied solely in reliance on Section 6.05(g), Section 6.05(m) or Section 6.05(p), (ii) the amount of

Restricted Payments that reduce the Restricted Payments Basket Amount or that reduce the amount of Restricted Payments permitted to be made under the Sections referred to in clause (d) above and (iii) the Restricted Payments Basket Amount and calculations in reasonable detail demonstrating such amount.

Promptly and in no event later than 60 days after the Investment Covenant Intermediate Ratings Condition ceases to be satisfied, Xerox will deliver to the Administrative Agent a certificate of a Financial Officer setting forth (i) the amount of Investments that reduce the amount of Investments permitted to be made under the Sections referred to in clauses (b) and (c) above and (ii) the Restricted Payments Basket Amount and calculations in reasonable detail demonstrating such amount.

"**Related Parties**" means, with respect to any specified Person, such Person's Affiliates and the respective directors, officers, employees, agents and advisors of such Person and its Affiliates.

"**Release Conditions**" has the meaning specified in the Security Agreement.

"**Required Lenders**" means, at any time, Lenders having Revolving Exposures, outstanding Term Loans and unused Commitments representing at least a majority of the sum of all Revolving Exposures, outstanding Term Loans and unused Commitments at such time.

"**Required Revolving Lenders**" means, at any time, Revolving Lenders holding at least a majority of the aggregate amount of the Revolving Commitments or, if the Revolving Commitments have been terminated, the Revolving Exposures.

"**Responsible Officers**" means the chief executive officer, any Financial Officer and the general counsel of Xerox, and solely for the purpose of Section 3.11, shall also include each individual considered an "officer" of Xerox for purposes of Section 16 of the Securities Exchange Act of 1934, as amended.

"**Restricted Debt**" means Debt that is subordinated to the Senior Secured Obligations.

"**Restricted Payment**" means (a) any dividend or other distribution (whether in cash, securities or other property) with respect to any Equity Interest in any Xerox Group Company, (b) any payment (whether in cash, securities or other property), including any sinking fund or similar deposit, on account of the purchase, redemption, retirement, acquisition, cancellation or termination of any Equity Interest in any Xerox Group Company (including, for this purpose, any payment in respect of any Equity Interest in any Xerox Group Company under a Synthetic Purchase Agreement) or (c) any payment or other distribution (whether in cash, securities or other property) of or in respect of principal of or interest on

any Restricted Debt, or any payment or other distribution (whether in cash, securities or other property), including any sinking fund or similar deposit, on account of the purchase, redemption, defeasance or termination of any Restricted Debt (including any payment in respect of Restricted Debt under a Synthetic Purchase Agreement).

"**Restricted Payments Basket Amount**" means at any time, the sum of (a) $35,000,000 *plus*, if positive, the sum, without duplication, of (b) (i) an amount equal to 100% of the aggregate cash proceeds received by Xerox on or after the date hereof from capital contributions or the issuance by Xerox of Qualified Capital Stock, to the extent such proceeds have not been used to make a Restricted Payment pursuant to Section 6.09(a), (ii) 100% of the aggregate settlement value of Qualified Capital Stock issued by Xerox in respect of the settlement of pending or threatened litigation, (iii) an amount equal to 50% of Xerox's cumulative Consolidated Net Income (or minus 100% of Xerox's cumulative Consolidated Net Income, if it is a loss) earned since December 31, 2001, (iv) an amount equal to the aggregate amount of Debt of the Xerox Group Companies that has been repaid, redeemed, converted, exchanged or replaced with, into or for Qualified Capital Stock since December 31, 2001 and (v) returns of all or a portion of the principal amount invested with respect to Investments (other than Investments in any Subsidiary) made after the date hereof and net cash dividends, interest or other returns on Investments (other than Investments in any Subsidiary) made after December 31, 2001, in each case excluding any such amounts described in this clause (v) that have been applied by Xerox to increase the amount of Investments permitted to be made under Section 6.06(a)(xii), *less* (c) the sum of all Investments, Restricted Payments and Capital Expenditures previously made pursuant to Section 6.06(a)(xix), 6.09(u) and the proviso in Section 6.13, respectively.

"**Revolving**" when used in reference to a Loan or a Borrowing, means that such Loan or Borrowing is a Loan or Borrowing made pursuant to Section 2.01(a)(ii).

"**Revolving Availability Period**" means the period from and including the Effective Date to but excluding the Maturity Date (or, if earlier, the date on which all outstanding Revolving Commitments terminate).

"**Revolving Commitment**" means, with respect to each Lender, the commitment, if any, of such Lender to make Revolving Loans and to acquire participations in Letters of Credit hereunder, expressed as an amount representing the maximum aggregate amount of such Lender's potential Revolving Exposure hereunder, as such commitment may be (a) reduced from time to time pursuant to Section 2.07(b) and (b) reduced or increased from time to time pursuant to assignments by or to such Lender pursuant to Section 9.05. The initial amount of each Lender's Revolving Commitment is set forth on Appendix I or in the Assignment pursuant to which such Lender shall have assumed its initial

Revolving Commitment, as applicable. The initial aggregate amount of the Revolving Commitments is $700,000,000.

"**Revolving Exposure**" means, with respect to any Lender at any time, the sum of the aggregate outstanding principal amount of such Lender's Revolving Loans and its LC Exposure at such time.

"**Revolving Lender**" means a Lender with a Revolving Commitment or, if the Revolving Commitments have terminated or expired, a Lender with a Revolving Exposure.

"**Revolving Percentage**" means, with respect to any Revolving Lender, the percentage of the total Revolving Commitments represented by such Lender's Revolving Commitment. If the Revolving Commitments have terminated or expired, the Revolving Percentages will be determined based on Revolving Exposures.

"**Ridge Re**" means Ridge Reinsurance Limited, a Bermuda corporation, and a Wholly Owned Subsidiary of Xerox Financial Services, Inc., itself a Wholly Owned Subsidiary of Xerox.

"**S&P**" means Standard & Poor's.

"**Sale and Leaseback Transaction**" means any arrangement with any Person providing for the leasing by Xerox or any of its Subsidiaries of any property that has been or is to be sold or transferred by Xerox or such Subsidiary to such Person, other than (a) leases between Xerox and a Subsidiary or between Subsidiaries of Xerox and (b) leases of property executed by the time of, or within 120 days after the latest of, the acquisition, the completion of construction or improvement of such property, or the commencement of commercial operation, of such property.

"**Screen**" means (a) with respect to Dollar-Denominated Loans, the Dow Jones Market Service Page 3750 and (b) with respect to Alternative Currency Loans, the Dow Jones Market Service Page selected by the Administrative Agent that displays rates for interbank deposits in the appropriate Alternative Currency or, in the case of either (a) or (b), any successor or substitute Telerate Page or any successor to or substitute source for such rates, providing rate quotations comparable to those currently provided on such Telerate Page, as determined by the Administrative Agent from time to time for purposes of providing quotations of interest rates applicable to deposits in the London interbank market.

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

"**SEC Filings**" means public filings with the Securities and Exchange Commission on Form S-3, Form S-4, Form 8-K, Form 10-Q or Form 10-K, and any filed amendments to any of the foregoing.

"**Secured Guarantee**" means "**Guarantee**" defined in the Security Agreement.

"**Secured Obligations**" means "**Secured Obligations**" and the "**Secured Guarantees**" each as defined in the Security Agreement.

"**Secured Parties**" has the meaning specified in the Security Agreement.

"**Securities Act**" means the Securities Act of 1933, as amended.

"**Security Agreement**" means the Guarantee and Security Agreement among the Domestic Credit Parties and the Collateral Agent, substantially in the form of Exhibit C.

"**Security Documents**" means the Security Agreement, the Mortgages and each other security agreement, guarantee agreement, instrument or document executed and delivered pursuant to Section 5.11 to secure or guarantee any of the Secured Obligations.

"**Senior Secured Obligations**" means the Secured Obligations other than the "Hedging Secured Obligations" as defined in the Security Agreement.

"**Spot Rate**" means, for any Alternative Currency on any day, the average of the Administrative Agent's spot buying and selling rates for the exchange of such Alternative Currency and Dollars as of approximately 11:00 a.m. (London, England time) on such day.

"**Statutory Reserve Adjustment**" means a fraction (expressed as a decimal), the numerator of which is the number one and the denominator of which is the number one minus the aggregate of the maximum reserve percentages (including any marginal, special, emergency or supplemental reserves) expressed as a decimal established by the Federal Reserve Board to which the Administrative Agent (or, if the Administrative Agent is not a "member bank" of the Federal Reserve System, JPMorgan Chase Bank) is subject with respect to (a) for purposes of determining the Base CD Rate, new negotiable nonpersonal time deposits in Dollars of over $100,000 with maturities approximately equal to three months and (b) for purposes of determining the Adjusted LIBO Rate, eurocurrency funding (currently referred to as "Eurocurrency Liabilities" in Regulation D of the Federal Reserve Board). Such reserve percentages will include those imposed pursuant to such Regulation D. Eurodollar Loans will be deemed to constitute eurocurrency funding and to be subject to such reserve requirements without benefit of or credit for proration, exemptions or offsets that may be available from time to time to any Lender under such Regulation D or any comparable regulation. The Statutory Reserve Adjustment will be adjusted automatically on and as of the effective date of any change in any applicable reserve percentage.

"**subsidiary**" means, with respect to any Person (the "**parent**") at any date, any corporation, limited liability company, partnership or other entity of which securities or other ownership interests representing more than 50% of the ordinary voting power or, in the case of a partnership, more than 50% of the general partnership interests are, as of such date, owned, Controlled or held by the parent and/or one or more of its subsidiaries.

"**Subsidiary**" means any subsidiary of Xerox.

"**Super-Majority Lenders**" means, at any time, Lenders having Revolving Exposures, outstanding Term Loans and unused Revolving Commitments representing at least $66^{2}/3$ % of the sum of all Revolving Exposures, outstanding Term Loans and unused Revolving Commitments at such time.

"**Support Agreement**" means the Support Agreement dated as of November 1, 1980, between Xerox and XCC, as amended, supplemented or otherwise modified prior to the date hereof.

"**Syndication Agent**" means Deutsche Bank Securities Inc., in its capacity as syndication agent under the Loan Documents.

"**Synthetic Purchase Agreement**" means any swap, derivative or combination of similar agreements pursuant to which Xerox or a Subsidiary is or may become obligated to make (a) any payment in connection with the purchase by any third party, from a Person other than Xerox or a Subsidiary, of any Equity Interest or Restricted Debt or (b) any payment (other than on account of a permitted purchase by it of any Equity Interest or Restricted Debt) the amount of which is determined by reference to the price or value at any time of any Equity Interest or Restricted Debt, *provided* that no phantom stock or similar plan providing for payments only to current or former directors, officers or employees of Xerox or its Subsidiaries (or their heirs or estates) will be deemed to be a Synthetic Purchase Agreement.

"**Taxes**" means any and all present or future taxes, levies, imposts, duties, deductions or similar charges (whether imposed directly or through withholdings) imposed by any Governmental Authority, together with any interest, penalties and additions to tax.

"**Term**" when used in reference to a Loan or a Borrowing means that such Loan or Borrowing is a Loan or Borrowing arising pursuant to Section 2.01(a)(i).

"**Term Commitment**" means, with respect to each Lender, the commitment, if any, of such Lender to make a Term Loan on the Effective Date, expressed as an amount representing the maximum principal amount of such Term Loan. The amount of each Lender's Term Commitment is set forth on Appendix I. The initial aggregate amount of the Term Commitments is $300,000,000.

"**Term Lender**" means a Lender with a Term Commitment, or, if the Term Commitments have terminated or expired, a Lender with an outstanding Term Loan.

"**Third-Party Basket Lien Available Amount**" means at any time an amount equal to (a) the maximum amount of "indebtedness" or "debt" (whichever is used in each Reference Indenture, as defined in such Reference Indenture when used in this definition) that, in reliance solely upon the Reference Basket Lien Provisions, could be outstanding and secured by a Lien or other arrangement on the properties and assets referred to therein without requiring such Lien or other arrangement to equally and ratably secure indebtedness (or debt) outstanding under any of the Reference Indentures (such determination to be made assuming that at least one dollar of indebtedness (or debt) remains outstanding under at least one Reference Indenture, even if all such indebtedness (or debt) has actually been repaid in full), *less* (b) the principal amount of all outstanding indebtedness (or debt) (other than Debt secured by Liens of the type described in clauses (a) and (b) of the definition of Permitted Third-Party Liens) that is secured by any Lien or other arrangement that is permitted solely in reliance on any of the Reference Basket Lien Provisions (such determination to be made assuming that at least one dollar of indebtedness (or debt) remains outstanding under at least one Reference Indenture, even if all such indebtedness (or debt) has been repaid in full), *provided* that (x) on any day an Event of Default described in Sections 7.01(h), 7.01(i) or 7.01(j) has occurred, the Third Party Basket Lien Available Amount shall be fixed at an amount never less than the amount in effect on such day and shall no longer be subject to decrease below such amount (but shall remain subject to increase and subsequent decrease down to such amount) and (y) if at any time there is no Reference Indenture with a Reference Basket Lien Provision (or other Indenture with a provision substantially identical to any Reference Basket Lien Provision) under which any indebtedness (or debt) is outstanding (other than the XCFI Debentures), the Third-Party Basket Lien Available Amount shall thereafter be an unlimited amount.

"**Third-Party Vendor Financing Program**" means each and any arrangement by Xerox or any Subsidiary of third-party vendor financing directly or indirectly for customers of the Xerox Companies, including (a) the sale of a financing business, (b) Transfers of all or any portion of the business of, and assets relating to the business of, providing billing, collection and other services in respect of finance, lease and other Receivables, (c) Qualified Receivables Transactions and (d) other arrangements for the indirect financing of Receivables wherein a third-party financier makes loans to Subsidiaries that are Finance SPEs in respect of Receivables generated by Xerox Companies, whether generated prior to or during such arrangements and whether the relevant transaction is treated as on or off Xerox's consolidated balance sheet (including the Program Agreement dated as of October 21, 2002 between General Electric Capital Corporation, Xerox, Xerox Lease Funding, LLC and Xerox Lease Equipment LLC as thereafter amended, modified or supplemented from time to time and any other

Qualified Receivables Transactions and similar arrangements for indirect financings of Receivables between Xerox or any Subsidiary and General Electric Capital Corporation or any of its Affiliates).

"**Third-Party Vendor Financing Subsidiaries**" means (a) Xerox Lease Funding, LLC, Xerox Lease Equipment LLC and Xerox Finance Limited and (b) any other Subsidiary then used primarily, acquired or created in connection with the Third-Party Vendor Financing Program.

"**Three-Month Secondary CD Rate**" means, for any day, the secondary market rate for three-month certificates of deposit reported as being in effect on such day (or, if such day is not a Business Day, the next preceding Business Day) by the Federal Reserve Board through the public information telephone line of the Federal Reserve Bank of New York (which rate will, under the current practices of the Federal Reserve Board, be published in Federal Reserve Statistical Release H.15(519) during the week following such day) or, if such rate is not so reported for such day or such next preceding Business Day, the average of the secondary market quotations for three-month certificates of deposit of major money center banks in New York City received at approximately 10:00 a.m., New York City time, on such day (or, if such day is not a Business Day, on the next preceding Business Day) by the Administrative Agent from three negotiable certificate of deposit dealers of recognized standing selected by it.

"**Total Debt**" means, as of any date, the sum of (a) the aggregate principal amount of debt of Xerox and its Subsidiaries outstanding as of such date, in the amount that would be reflected as debt on a balance sheet prepared as of such date on a consolidated basis in accordance with GAAP and (b) (without duplication) the aggregate LC Exposure, adjusted in accordance with the second paragraph of the definition of "Debt", *provided* that notwithstanding the treatment thereof under GAAP, Total Debt shall always exclude (without duplication) (A) any amount shown on such balance sheet in respect of any Trust Preferred Securities or other Preferred Stock outstanding on the date hereof and (B) any amount shown on such balance sheet in respect of any securities issued on or prior to the Effective Date that are Qualified Equity Securities on such determination date.

"**Transactions**" means the execution, delivery and performance by each Credit Party of the Loan Documents to which it is to be a party, the borrowing of Loans, the use of the proceeds thereof and the issuance of Letters of Credit hereunder.

"**Transaction Liens**" means the Liens on Collateral granted by the Credit Parties under the Security Documents.

"**Transfer**" means any sale, disposition, assignment, lease, license, conveyance or other transfer of any property.

"**Trust Preferred Securities**" means the $650.0 million aggregate liquidation amount of 8% Capital Securities of Xerox Capital Trust I, the $1,035.0 million aggregate liquidation amount of 7½% Convertible Trust Preferred Securities of Xerox Capital Trust II and the Deferred Preferred Shares, Series A, of Xerox Capital LLC, and any other similar preferred securities issued by any Xerox Company after the date hereof.

"**UCC**" has the meaning specified in the Security Agreement.

"**United Kingdom Syndication Manager**" has the meaning specified in Section 8.01.

"**United States**" means the United States of America.

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

"**Wholly Owned**" when used in reference to any Subsidiary (including a Domestic Subsidiary, Foreign Subsidiary, Material Subsidiary, Material Domestic Subsidiary or a Material Foreign Subsidiary) means a Subsidiary more than 80% (or, in the case of PARC, 90%) of the voting Equity Interests of which are owned, directly or indirectly, by Xerox.

"**Withdrawal Liability**" means liability to a Multiemployer Plan as a result of a complete or partial withdrawal from such Multiemployer Plan, as such terms are defined in Part I of Subtitle E of Title IV of ERISA.

"**XCC**" means Xerox Credit Corporation, a Delaware corporation.

"**XCD**" means Xerox Canada Capital Ltd., a Canadian corporation.

"**XCE**" means Xerox Capital (Europe) plc, a company incorporated in England and Wales.

"**XCFI Debentures**" means (a) the 10.70% Sinking Fund Debentures due 2006 issued pursuant to that certain Trust Indenture dated as of December 15, 1986, as supplemented and amended by the First through Fourth Supplemental Trust Indentures, among Xerox Canada Finance Inc., Xerox Canada Inc., Xerox Canada Holdings Inc. and National Trust Company, as Trustee and (b) the 12.15% Sinking Fund Debentures due 2007 issued pursuant to that certain Trust Indenture dated as of October 27, 1987, as supplemented and amended by the

First through Fourth Supplemental Trust Indentures, among Xerox Canada Finance Inc., Xerox Canada Inc., Xerox Canada Holdings Inc. and National Trust Company, as Trustee.

"**XCFI Indentures**" has the meaning specified in the Security Agreement.

"**XCI**" means Xerox Canada Inc., a company organized under the laws of the Province of Ontario, Canada.

"**XCI Class B Shares**" means the Non-Voting Class B Exchangeable Shares of XCI.

"**Xerox**" has the meaning specified in the preamble.

"**Xerox Austria**" means Xerox (Austria) Holdings GmbH, a company organized under the laws of Austria.

"**Xerox Companies**" means Xerox and the Subsidiaries.

"**Xerox Group Companies**" means each Xerox Company except (a) any Subsidiary existing on the date hereof that is not a Wholly Owned Subsidiary, (b) any Business Effectiveness Program Subsidiary or (c) any Subsidiary that (i) is not a Wholly Owned Subsidiary and (ii) is formed or acquired pursuant to Section 6.06(a)(xii), (xix) or (xx).

"**XFI**" means Xerox Finance, Inc., a Delaware corporation.

Section 1.02. *Accounting Terms; Changes in GAAP.* Except as otherwise expressly provided herein, all terms of an accounting or financial nature shall be construed in accordance with GAAP as in effect from time to time, *provided* that, if Xerox notifies the Administrative Agent that Xerox requests an amendment of any provision hereof to eliminate the effect of any change occurring after the date hereof in GAAP or in the application thereof (or if the Administrative Agent notifies Xerox that the Required Lenders request an amendment of any provision hereof for such purpose), regardless of whether such notice is given before or after such change in GAAP or in the application thereof, then such provision shall be applied on the basis of GAAP as in effect and applied immediately before such change shall have become effective until such notice shall have been withdrawn or such provision amended in accordance herewith, except that this proviso shall not be available for any such changes occurring after the date hereof in GAAP or in the application thereof with respect to the treatment of Trust Preferred Securities or other Preferred Stock, Qualified Equity Securities or Disqualified Capital Stock for purposes of the definitions of "Consolidated Net Worth" and "Total Debt."

Section 1.03. *Classification of Loans and Borrowings.* For purposes of this Agreement, Loans may be classified and referred to by Class (*e.g.*, a

"Revolving Loan") or by Interest Type (*e.g.*, a "Eurodollar Loan") or by Class and Interest Type (*e.g.*, a "Eurodollar Revolving Loan"). Borrowings also may be classified and referred to by Class (*e.g.*, a "Revolving Borrowing") or by Interest Type (*e.g.*, a "Eurodollar Borrowing") or by Class and Interest Type (*e.g.*, a "Eurodollar Revolving Borrowing").

Section 1.04. *Terms Generally.* The definitions of terms herein (including those incorporated by reference to another document) apply equally to the singular and plural forms of the terms defined. Whenever the context may require, any pronoun includes the corresponding masculine, feminine and neuter forms. The words "**include**", "**includes**" and "**including**" shall be deemed to be followed by the phrase "**without limitation**". The word "**will**" shall be construed to have the same meaning and effect as the word "**shall**". Unless the context requires otherwise, (a) any definition of or reference to any agreement, instrument or other document herein shall be construed as referring to such agreement, instrument or other document as from time to time amended, supplemented or otherwise modified (subject to any restrictions on such amendments, supplements or modifications set forth herein), (b) any reference herein to any Person shall be construed to include such Person's successors and assigns, (c) the words "**herein**", "**hereof**" and "**hereunder**", and words of similar import, shall be construed to refer to this Agreement in its entirety and not to any particular provision hereof, (d) all references herein to Articles, Sections, Exhibits and Schedules shall be construed to refer to Articles and Sections of, and Exhibits and Schedules to, this Agreement and (e) the word "**property**" shall be construed to refer to any and all tangible and intangible assets and properties, including cash, securities, accounts and contract rights. Whenever in this Agreement an amount or other circumstance is to be as determined in the good faith judgment of any Xerox Company (including as determined by a Financial Officer), or any comparable criterion, such reference shall be construed to require that (a) such determination be reasonable in fact or based on reasonable assumptions under the circumstances and (b) the Xerox Company in question shall be required to provide such internally generated information, including reasonably detailed financial data and calculations, as shall be reasonably requested by the Administrative Agent to demonstrate that there is a reasonable basis for such determination. In addition, whenever any provision of this Agreement requires a certificate of a Financial Officer or any other Person, such provision shall be deemed to be satisfied by the delivery of a certificate of Xerox executed, on behalf of Xerox, by a Financial Officer or such other Person.

ARTICLE 2
THE CREDITS

Section 2.01. *Revolving and Term Commitments.* (a) Subject to the terms and conditions set forth herein:

(i) each Term Lender agrees to make a Term Loan denominated in Dollars to Xerox on the Effective Date in a principal amount equal to its Term Commitment; and

(ii) each Revolving Lender agrees to make Revolving Loans denominated in Dollars or in an Alternative Currency as the Borrowers elect pursuant to Section 2.03 to the Borrowers from time to time during the Revolving Availability Period in an aggregate principal amount in Dollars that will not, after giving effect to the making of such Loans and any simultaneous repayment of the Revolving Loans (or reimbursement of any LC Disbursement or cancellation of any Letter of Credit) and the provisions of Section 2.05(b), at any time result in (A) such Lender's Revolving Exposure exceeding its Revolving Commitment or (B) the aggregate Dollar Amount of Alternative Currency Loans exceeding the Alternative Currency Sublimit.

Within such limits and subject to the terms and conditions set forth herein, the Borrowers may borrow, repay and reborrow Revolving Loans. Amounts repaid in respect of any Term Loans may not be reborrowed.

(b) The Revolving Commitments of the Revolving Lenders are several, *i.e.*, the failure of any Revolving Lender to make any Revolving Loan required to be made by it shall not relieve any other Revolving Lender of its obligations hereunder, and no Lender shall be responsible for any other Lender's failure to make Loans as and when required hereunder.

Section 2.02. *Revolving and Term Loans.* (a) Each Revolving Loan and Term Loan shall be made as part of a Borrowing made by the Lenders ratably in accordance with their respective Commitments as the relevant Borrower may request (subject to Section 2.12) in accordance herewith. Subject to Section 2.17, each Lender at its option may make any Eurodollar Loan by causing any domestic or foreign branch or Affiliate of such Lender to make such Loan. Any exercise of such option shall not affect the relevant Borrower's obligation to repay such Loan as provided herein.

(b) At the beginning of each Interest Period for any Eurodollar Borrowing, the aggregate amount of such Borrowing shall be an integral multiple of $5,000,000 and not less than $25,000,000. When each Base Rate Borrowing is made, the aggregate amount of such Borrowing shall be an integral multiple of $5,000,000 and not less than $25,000,000, *provided* that a Base Rate Revolving Borrowing may be in an aggregate amount that is equal to the entire unused balance of the Revolving Commitments. Borrowings of more than one Class and Interest Type may be outstanding at the same time, *provided* that there shall not at any time be more than a total of 20 Eurodollar Borrowings outstanding.

(c) Notwithstanding any other provision hereof, no Borrower will be entitled to request, or to elect to convert or continue, any Eurodollar Borrowing if

the Interest Period requested with respect thereto would end after the Maturity Date.

Section 2.03. *Requests to Borrow Revolving or Term Loans.* To request a Revolving Borrowing (including Borrowings made as described in Section 2.05(b), whether or not the repayment and the corresponding Borrowing are equal in amount) or Term Borrowing, the relevant Borrower shall notify the Administrative Agent of such request by telephone (a) in the case of a Eurodollar Borrowing denominated in Dollars, not later than 12:00 noon, New York City time, three Business Days before the date of the proposed Borrowing, (b) in the case of a Eurodollar Borrowing in Canadian dollars, not later than 12:00 noon, New York City time or in the case of a Eurodollar Borrowing denominated in Euro, at its London, England office not later than 12:00 noon, London, England time, in each case four Business Days before the date of the proposed Borrowing, or (c) in the case of a Base Rate Borrowing, not later than 10:30 a.m., New York City time, on the date of the proposed Borrowing, *provided* that any such notice of a Base Rate Revolving Borrowing to finance the reimbursement of an LC Disbursement as contemplated by Section 2.04(e) may be given not later than 10:00 a.m., New York City time, on the date of the proposed Borrowing. Each such telephonic Borrowing Request shall be irrevocable and shall be confirmed promptly by hand delivery or telecopy to the Administrative Agent of a written Borrowing Request in a form approved by the Administrative Agent and signed by Xerox and the relevant Borrower. Each such telephonic and written Borrowing Request shall specify the following information in compliance with Section 2.02:

(i) whether the requested Borrowing is to be a Revolving Borrowing or Term Borrowing;

(ii) in the case of a Revolving Borrowing, the currency;

(iii) the aggregate amount (in the applicable currency) of such Borrowing;

(iv) the date of such Borrowing, which shall be a Business Day;

(v) whether such Borrowing is to be a Base Rate Borrowing or a Eurodollar Borrowing;

(vi) in the case of a Eurodollar Borrowing, the initial Interest Period to be applicable thereto, which shall be a period contemplated by the definition of “Interest Period”; and

(vii) the location and number of the Borrower’s account to which funds (if any) are to be disbursed, which shall comply with the requirements of Section 2.05.

If no election as to the Interest Type of a Borrowing is specified, the requested Borrowing will be a Base Rate Borrowing. If no Interest Period with respect to a requested Eurodollar Borrowing is specified, the relevant Borrower will be deemed to have selected an Interest Period of one month's duration. If no currency is specified, the requested Borrowing shall be in Dollars. Promptly after it receives a Borrowing Request in accordance with this Section 2.03, the Administrative Agent shall advise each Revolving Lender or Term Lender, as the case may be, as to the details of such Borrowing Request and the amount of such Lender's Loan to be made pursuant thereto.

Section 2.04. *Letters of Credit*. (a) *General*. Subject to the terms and conditions set forth herein, any Borrower may request the issuance of Letters of Credit denominated in Dollars or in an Alternative Currency for its own benefit or the benefit of any Xerox Company, in a form reasonably acceptable to the Administrative Agent and the relevant LC Issuing Bank, from time to time during the Revolving Availability Period, *provided* that unless Bank One, NA otherwise agrees with Xerox, it shall not be obligated to issue any Letters of Credit other than the Existing Letters of Credit or to amend, renew or extend any Existing Letter of Credit. On the Effective Date, each Existing Letter of Credit shall be deemed, without further action by any party hereto, to be a Letter of Credit issued under this Agreement for all purposes of this Agreement and the other Loan Documents. If the terms and conditions of any form of letter of credit application or other agreement submitted by a Borrower to, or entered into by a Borrower with, any LC Issuing Bank relating to any Letter of Credit are not consistent with the terms and conditions of this Agreement, the terms and conditions of this Agreement shall control.

(b) *Notice of Issuance, Amendment, Renewal or Extension; Certain Conditions*. To request the issuance of a Letter of Credit (or the amendment, renewal or extension of an outstanding Letter of Credit), the relevant Borrower shall hand deliver or telecopy (or transmit by electronic communication, if arrangements for doing so have been approved by the relevant LC Issuing Bank) to the relevant LC Issuing Bank and the Administrative Agent (reasonably in advance of the requested date of issuance, amendment, renewal or extension) a notice requesting the issuance of a Letter of Credit, or identifying the Letter of Credit to be amended, renewed or extended, and specifying the requested date of issuance, amendment, renewal or extension (which shall be a Business Day), the date on which such Letter of Credit is to expire (which shall comply with Section 2.04(c)), the amount of such Letter of Credit, the name and address of the beneficiary thereof and such other information as shall be necessary to prepare, amend, renew or extend such Letter of Credit. If requested by the relevant LC Issuing Bank, the relevant Borrower also shall submit a letter of credit application on such LC Issuing Bank's standard form in connection with any request for a Letter of Credit. A Letter of Credit shall be issued, amended, renewed or extended only if (and upon issuance, amendment, renewal or extension of each Letter of Credit the relevant Borrower shall be deemed to represent and warrant

that), after giving effect to such issuance, amendment, renewal or extension, (i) the LC Exposure will not exceed $200,000,000 and (ii) the total Revolving Exposures will not exceed the total Revolving Commitments.

(c) *Expiration Date*. Each Letter of Credit shall expire at or before the close of business on the earlier of (i) the date that is one year after such Letter of Credit is issued (or, in the case of any renewal or extension thereof, one year after such renewal or extension) and (ii) the date that is five Business Days before the Maturity Date.

(d) *Participations*. Effective upon the issuance of a Letter of Credit (or an amendment to a Letter of Credit increasing the amount thereof) and without any further action on the part of any LC Issuing Bank or the Revolving Lenders, the LC Issuing Banks grant to each Revolving Lender, and each Revolving Lender acquires from the relevant LC Issuing Bank, a participation in such Letter of Credit equal to such Lender's Revolving Percentage of the aggregate amount available to be drawn thereunder. Pursuant to such participations, each Revolving Lender agrees to pay to the Administrative Agent, for the account of the relevant LC Issuing Bank, such Lender's Revolving Percentage of (i) each LC Disbursement made by such LC Issuing Bank and not reimbursed by the relevant Borrower on the date due as provided in Section 2.04(e) and (ii) any reimbursement payment required to be refunded to the relevant Borrower for any reason. Each Lender's obligation to acquire participations and make payments pursuant to this Section 2.04(d) is absolute and unconditional and shall not be affected by any circumstance whatsoever, including any amendment, renewal or extension of any Letter of Credit or the occurrence and continuance of a Default or any reduction or termination of the Revolving Commitments, and each such payment shall be made without any offset, abatement, withholding or reduction whatsoever.

(e) *Reimbursement*. If any LC Issuing Bank makes any LC Disbursement under a Letter of Credit, the relevant Borrower shall reimburse such LC Disbursement by paying an amount equal to such LC Disbursement in the currency of such LC Disbursement to the Administrative Agent not later than 1:00 p.m., New York City time (or not later than 1:00 p.m., London, England time, in the case of an LC Disbursement denominated in Euro), on the day after Xerox receives notice of such LC Disbursement, *provided* that, if such LC Disbursement is at least $5,000,000 or the entire unused balance of the Revolving Commitments, the relevant Borrower may, without regard to the conditions to borrowing set forth herein, request in accordance with Section 2.03 that such payment be made with the proceeds of (i) in the case of LC Disbursements denominated by Dollars, a Base Rate Revolving Borrowing in an equivalent Dollar amount and (ii) in the case of LC Disbursements denominated in an Alternative Currency, a Eurodollar Revolving Borrowing for an equivalent amount in such currency and, to the extent so requested, the relevant Borrower's obligation to make such payment shall be discharged and replaced by the resulting Revolving Borrowing. If the relevant Borrower fails to make such payment when

due, the Administrative Agent shall notify each Revolving Lender of the applicable LC Disbursement, the payment then due from such Borrower in respect thereof and such Lender's Revolving Percentage thereof. Promptly after it receives such notice, each Revolving Lender shall pay to the Administrative Agent its Revolving Percentage of the payment then due from the relevant Borrower, in the same manner as is provided in Section 2.05 with respect to Loans made by such Lender (and Section 2.05(c) shall apply, *mutatis mutandis*, to such payment obligations of the Revolving Lenders), and the Administrative Agent shall promptly pay to the relevant LC Issuing Bank the amounts so received by it from the Revolving Lenders. If a Revolving Lender makes a payment pursuant to this Section 2.04(e) to reimburse an LC Issuing Bank for any LC Disbursement (other than by funding Revolving Loans as contemplated above), (i) such payment will not constitute a Loan and will not relieve the relevant Borrower of its obligation to reimburse such LC Disbursement and (ii) such Revolving Lender will be subrogated to its pro rata share of such LC Issuing Bank's claim against such Borrower for such reimbursement. Promptly after the Administrative Agent receives any payment from a Borrower pursuant to this Section 2.04(e), the Administrative Agent will distribute such payment to the relevant LC Issuing Bank or, if Revolving Lenders have made payments pursuant to this Section 2.04(e) to reimburse an LC Issuing Bank, then to such Lenders and such LC Issuing Bank as their interests may appear.

(f) *Obligations Absolute*. Each Borrower's obligation to reimburse LC Disbursements as provided in Section 2.04(e) shall be absolute, unconditional and irrevocable, and shall be performed strictly in accordance with the terms of this Agreement under any and all circumstances whatsoever and irrespective of (i) any lack of validity or enforceability of any Letter of Credit or this Agreement, or any term or provision therein, (ii) any draft or other document presented under a Letter of Credit proving to be forged, fraudulent or invalid in any respect or any statement therein being untrue or inaccurate in any respect, (iii) payment by any LC Issuing Bank under a Letter of Credit against presentation of a draft or other document that does not comply with the terms of such Letter of Credit or (iv) any other event or circumstance whatsoever, whether or not similar to any of the foregoing, that might, but for the provisions of this Section 2.04(f), constitute a legal or equitable discharge of, or provide a right of setoff against, such Borrower's obligations hereunder. None of the Administrative Agent, the Lenders, the LC Issuing Banks and their respective Related Parties shall have any liability or responsibility by reason of or in connection with the issuance or transfer of any Letter of Credit or any payment or failure to make any payment thereunder (irrespective of any of the circumstances referred to in the preceding sentence), or any error, omission, interruption, loss or delay in transmission or delivery of any draft, notice or other communication under or relating to any Letter of Credit (including any document required to make a drawing thereunder), any error in interpretation of technical terms or any consequence arising from causes beyond the control of the relevant LC Issuing Bank, *provided* that the foregoing shall not excuse the LC Issuing Banks from liability to the relevant

Borrower to the extent of any direct damages (as opposed to consequential damages, claims in respect of which are waived by the Borrowers to the extent permitted by Applicable Law) suffered by the Borrowers that are caused by such LC Issuing Bank's failure to exercise care when determining whether drafts and other documents presented under a Letter of Credit comply with the terms thereof. In the absence of gross negligence or willful misconduct on the part of an LC Issuing Bank (as finally determined by a court of competent jurisdiction), such LC Issuing Bank shall be deemed to have exercised care in each such determination. Without limiting the generality of the foregoing, the parties agree that, with respect to documents presented which appear on their face to be in substantial compliance with the terms of a Letter of Credit, the relevant LC Issuing Bank may, in its sole discretion, either (A) accept and make payment upon such documents without responsibility for further investigation, regardless of any notice or information to the contrary, or (B) refuse to accept and make payment upon such documents if such documents do not strictly comply with the terms of such Letter of Credit.

(g) *Disbursement Procedures*. The relevant LC Issuing Bank shall, promptly after its receipt thereof, examine all documents purporting to represent a demand for payment under a Letter of Credit. The relevant LC Issuing Bank shall promptly notify the Administrative Agent and Xerox by telephone (confirmed by telecopy) of such demand for payment and whether such LC Issuing Bank has made or will make an LC Disbursement pursuant thereto, *provided* that any failure to give or delay in giving such notice will not relieve the relevant Borrower of its obligation to reimburse the relevant LC Issuing Bank and the Revolving Lenders with respect to any such LC Disbursement.

(h) *Interim Interest*. Unless the relevant Borrower reimburses an LC Disbursement in full on the day it is made, the unpaid amount thereof shall bear interest, for each day from and including the day on which such LC Disbursement is made but excluding the day on which such Borrower reimburses such LC Disbursement, (i) if such amount is denominated in Dollars, at the rate per annum then applicable to Base Rate Revolving Loans and (ii) if such amount is denominated in an Alternative Currency, at the rate per annum equal to the sum of the Applicable Rate with respect to Eurodollar Loans plus the rate per annum at which one-day deposits in the relevant currency in an amount approximately equal to such unpaid amount are offered by the principal London, England office of the Administrative Agent in the London interbank market for such day, *provided* that, if such Borrower fails to reimburse such LC Disbursement when due pursuant to Section 2.04(e), then Section 2.11(c) and Section 2.11(d) shall apply. Interest accrued pursuant to this Section 2.04(h) shall be for the account of the LC Issuing Banks, except that a pro rata share of interest accrued on and after the day that any Revolving Lender reimburses an LC Issuing Bank for a portion of such LC Disbursement pursuant to Section 2.04(e) shall be for the account of such Lender.

(i) *Replacement of LC Issuing Banks*. Any LC Issuing Bank may be replaced at any time by written agreement among Xerox, the Administrative Agent, the replaced LC Issuing Bank and the successor LC Issuing Bank. The Administrative Agent shall notify the Lenders of any such replacement. At the time any such replacement becomes effective, Xerox shall pay all unpaid fees accrued for the account of the replaced LC Issuing Bank pursuant to Section 2.10(b). On and after the effective date of any such replacement, (i) the successor LC Issuing Bank will have all the rights and obligations of an LC Issuing Bank under this Agreement with respect to Letters of Credit to be issued thereafter and (ii) references herein to the term "LC Issuing Bank" will be deemed to refer to such successor or to any previous LC Issuing Bank, or to such successor and all previous LC Issuing Banks, as the context shall require. After an LC Issuing Bank is replaced, it will remain a party hereto and will continue to have all the rights and obligations of an LC Issuing Bank under this Agreement with respect to Letters of Credit issued by it before such replacement, but will not be required to issue additional Letters of Credit.

(j) *Cash Collateralization*. If an Event of Default has occurred and the Loans then outstanding have been or are concurrently being declared to be due and payable pursuant to Section 7.01, then on the Business Day that Xerox receives notice from the Administrative Agent, the Required Lenders or the Required Revolving Lenders demanding the deposit of cash collateral pursuant to this Section 2.04(j), the relevant Borrower shall deposit in its Cash Collateral Account an amount in cash equal to 105% of the LC Exposure attributable to such Borrower as of such date plus any accrued and unpaid interest thereon, *provided* that the obligation to deposit such cash collateral will become effective immediately, and such deposit will become immediately due and payable, without demand or other notice of any kind, upon the occurrence of any Event of Default with respect to any Borrower described in Section 7.01(h) or Section 7.01(i). Any amount so deposited (including any earnings thereon) will be applied to pay the Secured Obligations as provided in the relevant Security Document.

Section 2.05. *Funding of Revolving and Term Loans.* (a) Each Lender shall (subject to Section 2.05(b)) make each Loan to be made by it hereunder on the proposed date thereof:

(i) if such Borrowing is to be made in Dollars, not later than 12:00 noon (New York City time), in funds immediately available in New York City, to the account of the Administrative Agent most recently designated by the Administrative Agent for such purpose by notice to the Lenders; or

(ii) if such Borrowing is to be made in an Alternative Currency, not later than 12:00 noon (London, England time), in such Alternative Currency (in such funds as may then be customary for the settlement of international transactions in such Alternative Currency) to

the account of the Administrative Agent most recently designated by the Administrative Agent for such purpose by notice to the Lenders.

The Administrative Agent shall make such funds available to the relevant Borrower by promptly transferring the amounts so received, in like funds, to an account of such Borrower maintained in the United States and designated in the applicable Borrowing Request, *provided* that Revolving Loans made to finance the reimbursement of an LC Disbursement as provided in Section 2.04(e) will be remitted by the Administrative Agent to the relevant LC Issuing Bank.

(b) If any Lender makes a new Loan to any Borrower on a day on which another Borrower (the "repaying Borrower") is to repay all or any part of an outstanding Loan from such Lender, such Lender shall apply the proceeds of its new Loan to make such repayment and only an amount equal to the difference (if any) between the amount being borrowed and the amount being repaid shall be made available by such Lender to the Administrative Agent as provided in Section 2.05(a), or remitted by the repaying Borrower to the Administrative Agent as provided in Section 2.16, as the case may be.

(c) Unless the Administrative Agent receives notice from a Lender before the proposed date of any Borrowing that such Lender will not make its share of such Borrowing available to the Administrative Agent, the Administrative Agent may assume that such Lender has made such share available on such date in accordance with Section 2.05(a) and may, in reliance on such assumption, make a corresponding amount available to a Borrower. In such event, if a Lender has not in fact made its share of such Borrowing available to the Administrative Agent, such Lender and the relevant Borrower severally agree to pay to the Administrative Agent forthwith on demand such corresponding amount with interest thereon, for each day from and including the day such amount is made available to such Borrower to but excluding the date of payment to the Administrative Agent, at (i) in the case of such Lender, the greater of (x) the Federal Funds Effective Rate (if such amount was distributed in Dollars) or the rate per annum at which one-day deposits in the relevant currency are offered by the principal London, England office of the Administrative Agent in the London interbank market (if such amount was distributed in an Alternative Currency) and (y) a rate determined by the Administrative Agent in accordance with banking industry rules on interbank compensation or (ii) in the case of a Borrower, the interest rate applicable to Base Rate Loans. If such Lender pays such amount to the Administrative Agent, such amount shall constitute such Lender's Loan included in such Borrowing.

Section 2.06. *Interest Elections.* (a) Each Dollar-Denominated Revolving Borrowing and Term Borrowing initially shall be of the Interest Type specified in the applicable Borrowing Request and, in the case of a Eurodollar Borrowing, shall have an initial Interest Period as specified in such Borrowing Request. Thereafter, a Borrower may elect to convert such Borrowing to a different Interest Type or, in the case of a Eurodollar Borrowing, to continue such

Borrowing for one or more additional Interest Periods, all as provided in this Section 2.06. A Borrower may elect different options with respect to different portions of the affected Borrowing, in which case each such portion shall be allocated ratably among the Lenders holding the Loans comprising such Borrowing, and the Loans comprising each such portion shall be considered a separate Borrowing.

(b) To make an election pursuant to this Section 2.06 in respect of a Dollar-Denominated Borrowing, the relevant Borrower shall notify the Administrative Agent thereof by telephone by the time that a Borrowing Request would be required under Section 2.03 if such Borrower were requesting that a Dollar-Denominated Borrowing of the Interest Type resulting from such election be made on the effective date of such election. Each such telephonic Interest Election shall be irrevocable and shall be confirmed promptly by hand delivery or telecopy to the Administrative Agent of a written Interest Election in a form approved by the Administrative Agent and signed by Xerox and the relevant Borrower.

(c) Each telephonic and written Interest Election shall specify the following information in compliance with Section 2.02 and Section 2.06(e):

(i) the Borrowing to which such Interest Election applies and, if different options are being elected with respect to different portions thereof, the portions thereof to be allocated to each resulting Borrowing (in which case the information to be specified pursuant to Section 2.06(c)(iii) and 2.06(c)(iv) below shall be specified for each resulting Borrowing);

(ii) the effective date of the election made pursuant to such Interest Election, which shall be a Business Day;

(iii) whether the resulting Borrowing is to be a Base Rate Borrowing or a Eurodollar Borrowing; and

(iv) if the resulting Borrowing is to be a Eurodollar Borrowing, the Interest Period to be applicable thereto after giving effect to such election, which shall be a period contemplated by the definition of “Interest Period”.

If an Interest Election requests a Eurodollar Borrowing but does not specify an Interest Period, the relevant Borrower will be deemed to have selected an Interest Period of one month’s duration.

(d) Promptly after it receives an Interest Election, the Administrative Agent shall advise each Lender of the relevant Borrowing as to the details thereof and such Lender’s portion of each resulting Borrowing.

(e) If the relevant Borrower fails to deliver a timely Interest Election with respect to a Dollar-Denominated Eurodollar Borrowing before the end of an Interest Period applicable thereto, such Borrowing (unless repaid) will be converted to a Base Rate Borrowing at the end of such Interest Period. Notwithstanding any contrary provision hereof, if an Event of Default has occurred and is continuing and the Administrative Agent, at the request of the Required Lenders, so notifies Xerox, then, so long as an Event of Default is continuing, (i) no outstanding Borrowing may be converted to or continued as a Dollar-Denominated Eurodollar Borrowing and (ii) each Dollar-Denominated Eurodollar Borrowing (unless repaid) will be converted to a Base Rate Borrowing at the end of the Interest Period applicable thereto on the date of such notice.

(f) Each Alternative Currency Loan shall have an initial Interest Period as specified in the applicable Borrowing Request. Thereafter, a Borrower may elect to continue such Borrowing and may elect Interest Periods therefor, by notifying the Administrative Agent of such election by telephone by the time and at the office that a Borrowing Request would be required under Section 2.03 if such Borrower were requesting an Alternative Currency Loan to be made on the effective date of such election. A Borrower may elect different options with respect to different portions of the affected Borrowing, in which case each such portion shall be allocated ratably among the Lenders holding the Loans comprising such Borrowing, and the Loans comprising each such portion shall be considered a separate Borrowing. Promptly following receipt of such Interest Election the Administrative Agent shall advise each Lender of the details thereof and of such Lender's portion of each resulting Borrowing. If a Borrower fails to deliver a timely Interest Election with respect to an Alternative Currency Borrowing prior to the end of the Interest Period applicable thereto, or any Interest Election fails to specify an Interest Period, then unless such Borrowing is repaid as provided herein, such Borrower shall be deemed to have elected a subsequent Interest Period of one month's duration.

Section 2.07. *Termination or Reduction of Commitments.* (a) Unless previously terminated, (i) the Term Commitments will terminate on the Effective Date immediately after the closing hereunder and (ii) the Revolving Commitments will terminate on the Maturity Date.

(b) Xerox may at any time terminate, or from time to time reduce, the Revolving Commitments, *provided* that (A) the amount of each reduction of the Revolving Commitments shall be the amount of $10,000,000 or an integral multiple thereof and (B) Xerox shall not terminate or reduce the Revolving Commitments if, after giving effect thereto and to any concurrent prepayment of Revolving Loans pursuant to Section 2.09, the total Revolving Exposures would exceed the total Revolving Commitments.

(c) Xerox shall notify the Administrative Agent of any election to terminate or reduce the Revolving Commitments under Section 2.07(b) at least two Business Days before the effective date of such termination or reduction,

specifying such election and the effective date thereof. Promptly after it receives any such notice, the Administrative Agent shall advise the Lenders of the contents thereof. Each notice delivered by Xerox pursuant to this Section 2.07(c) will be irrevocable, *provided* that any such notice terminating the Revolving Commitments may state that it is conditioned on the effectiveness of other credit facilities, in which case such notice may be revoked by Xerox (by notice to the Administrative Agent on or before the specified effective date) if such condition is not satisfied. Any termination or reduction of the Revolving Commitments will be permanent and will be made ratably among the Revolving Lenders in accordance with their respective Revolving Commitments.

Section 2.08. *Payment at Maturity; Evidence of Debt.* (a) Each Borrower unconditionally promises to pay to the Administrative Agent on the Maturity Date, for the account of each Revolving Lender, the then unpaid principal amount of such Lender's Revolving Loans attributable to such Borrower.

(b) Xerox unconditionally promises to pay to the Administrative Agent on the Maturity Date, for the account of each Term Lender, the then unpaid principal amount of such Term Lender's Term Loans.

(c) Each Lender shall maintain in accordance with its usual practice an account or accounts evidencing the indebtedness of the Borrowers to such Lender resulting from each Loan made by such Lender, including the amounts of principal and interest payable and paid to such Lender from time to time.

(d) The Administrative Agent shall maintain accounts in which it shall record (i) the currency amount of each Loan made hereunder, the Class and Interest Type thereof and each Interest Period (if any) applicable thereto, (ii) the amount of any principal or interest due and payable or to become due and payable from each Borrower to each Lender hereunder and (iii) the amount of any sum received by the Administrative Agent hereunder for the account of the Lenders and each Lender's share thereof.

(e) The entries made in the accounts maintained pursuant to Section 2.08(c) and 2.08(d) shall be *prima facie* evidence of the existence and amounts of the obligations recorded therein, *provided* that any failure by any Lender or the Administrative Agent to maintain such accounts or any error therein shall not affect the Borrowers' obligation to repay the Loans in accordance with the terms of this Agreement.

(f) Any Lender may request that Loans of any Class made by it be evidenced by a promissory note. In such event, the relevant Borrower shall prepare, execute and deliver to such Lender a promissory note payable to the order of such Lender (or, if requested by such Lender, to such Lender and its registered assigns) and in substantially the form of Exhibit G-1 or G-2 hereto, as appropriate (each such promissory note is a "**Note**"). Thereafter, the Loans evidenced by such promissory note and interest thereon shall at all times

(including after assignment pursuant to Section 9.05) be represented by one or more promissory notes in such form payable to the order of the payee named therein (or, if such promissory note is a registered note, to such payee and its registered assigns).

Section 2.09. *Optional Prepayments.* (a) *General*. Each Borrower will have the right at any time and from time to time to prepay any Borrowing in whole or in part, subject to the provisions of this Section 2.09.

(b) *Partial Prepayments*. Each partial prepayment of a Borrowing shall be in an amount that would be permitted under Section 2.02(b) for a Borrowing of the same Interest Type, except as needed to apply fully the required amount of a payment required pursuant to Section 2.20(c). Each partial prepayment of a Borrowing shall be applied ratably to the Loans included in such Borrowing.

(c) *Notice of Prepayments*. Xerox shall notify the Administrative Agent by telephone (confirmed by telecopy) of any prepayment of any Borrowing hereunder (i) in the case of a Eurodollar Borrowing denominated in Dollars or Canadian dollars, not later than 1:00 p.m., New York City time, three Business Days before the date of prepayment, (ii) in the case of prepayment of a Borrowing denominated in Euro, to its London, England office not later than 1:00 p.m. London time three Business Days before the date of prepayment and (iii) in the case of a Base Rate Borrowing, not later than 1:00 p.m., New York City time, on the date of prepayment. Each such notice shall be irrevocable and shall specify the prepayment date and the principal amount of each Borrowing or portion thereof to be prepaid, *provided* that, if a notice of optional prepayment is given in connection with a conditional notice of termination of the Revolving Commitments as contemplated by Section 2.07(c), then such notice of prepayment may be revoked if such notice of termination is revoked in accordance with Section 2.07(c). Promptly after it receives any such notice, the Administrative Agent shall advise the Lenders of the contents thereof.

Section 2.10. *Fees.* (a) Xerox shall pay to the Administrative Agent for the account of each Revolving Lender a commitment fee, which shall accrue at the Applicable Rate on the average daily unused amount of the Revolving Commitment of such Lender during the Revolving Availability Period. Accrued commitment fees will be payable in arrears on the last day of March, June, September and December of each year and the day when the Revolving Commitments terminate, commencing on the first such day to occur after the date hereof. All commitment fees will be computed on the basis of a year of 360 days and will be payable for the actual number of days elapsed (including the first day but excluding the last day). For purposes of computing commitment fees, a Lender's Revolving Commitment will be deemed to be used to the extent of its outstanding Revolving Exposure.

(b) Xerox shall pay (i) to the Administrative Agent for the account of each Revolving Lender a participation fee with respect to its participations in

Letters of Credit, which shall accrue for each day, at the Applicable Rate that applies to Eurodollar Revolving Loans, on the amount of such Lender's LC Exposure (excluding any portion thereof attributable to unreimbursed LC Disbursements) on such day, during the period from the Effective Date to the later of the date on which such Lender's Revolving Commitment terminates and the date on which such Lender ceases to have any LC Exposure, and (ii) to each LC Issuing Bank a fronting fee, which, subject to any different agreement as to the basis of calculation between Xerox and such LC Issuing Bank, shall accrue at the rate of 0.25% per annum (or such lesser rate, if any, as may be separately agreed upon by the relevant Borrower and such LC Issuing Bank) on the average daily amount of the LC Exposure attributable to Letters of Credit issued by such LC Issuing Bank (excluding any portion thereof attributable to unreimbursed LC Disbursements) during the period from the Effective Date to the later of the date on which the Revolving Commitments terminate and the date on which there ceases to be any LC Exposure, as well as such LC Issuing Bank's standard fees with respect to issuing, amending, renewing or extending any Letter of Credit or processing drawings thereunder. Participation fees and fronting fees accrued through the last day of March, June, September and December of each year will be payable on the third Business Day following such last day, commencing on the first such date to occur after the Effective Date, *provided* that all such fees accrued to the date on which the Revolving Commitments terminate will be payable on such date, and any such fees accruing after such date will be payable on demand. Any other fees payable to the LC Issuing Banks pursuant to this Section 2.10(b) will be payable within 15 days after demand. All such participation fees and fronting fees will be computed on the basis of a year of 360 days and will be payable for the actual number of days elapsed (including the first day but excluding the last day).

(c) Xerox shall pay to the Administrative Agent, for its own account (including in its capacity as Collateral Agent), fees payable in the amounts and at the times separately agreed upon by Xerox and the Administrative Agent.

(d) Xerox shall pay to the Arrangers, for their own accounts, fees payable in the amounts and at the times separately agreed upon by Xerox and the Arrangers.

(e) All fees payable hereunder shall be paid on the dates due, in immediately available funds, to the Administrative Agent (or to the relevant LC Issuing Bank, in the case of fees payable to it) for distribution, in the case of commitment fees and participation fees, to the Lenders entitled thereto. Fees paid shall not be refundable under any circumstances.

Section 2.11. *Interest.* (a) The Base Rate Loans shall bear interest for each day at the Alternate Base Rate plus the Applicable Rate.

(b) The Loans comprising each Eurodollar Borrowing shall bear interest for each Interest Period in effect for such Borrowing at the Adjusted LIBO Rate for such Interest Period plus the Applicable Rate.

(c) Notwithstanding the foregoing, if any principal of or interest on any Loan or any fee or other amount payable by any Borrower hereunder is not paid when due, whether at stated maturity, upon acceleration or otherwise, such overdue amount shall bear interest, after as well as before judgment, at a rate per annum equal to (i) in the case of overdue principal of any Loan, 2% plus the rate otherwise applicable to such Loan as provided in Sections 2.11(a) and 2.11(b) or (ii) in the case of any other overdue amount, 2% plus the rate applicable to Base Rate Revolving Loans.

(d) Interest accrued on each Loan shall be payable in arrears on each Interest Payment Date for such Loan and, in the case of Revolving Loans, upon termination of the Revolving Commitments, *provided* that (A) interest accrued pursuant to Section 2.11(c) shall be payable on demand, (B) upon any repayment of any Loan (except a prepayment of a Base Rate Revolving Loan before the end of the Revolving Availability Period), interest accrued on the principal amount repaid shall be payable on the date of such repayment and (C) upon any conversion of a Eurodollar Loan before the end of the current Interest Period therefor, interest accrued on such Loan shall be payable on the effective date of such conversion.

(e) All interest hereunder will be computed on the basis of a year of 360 days, except that interest computed by reference to the Alternate Base Rate at times when the Alternate Base Rate is based on the Prime Rate will be computed on the basis of a year of 365 days (or 366 days in a leap year), and in each case will be payable for the actual number of days elapsed (including the first day but excluding the last day). Each applicable Alternate Base Rate or Adjusted LIBO Rate shall be determined by the Administrative Agent, and its determination thereof will be conclusive absent manifest error.

(f) For purposes of disclosure pursuant to the Interest Act (Canada), the annual rates of interest or fees to which the rates of interest or fees provided in this Agreement and each Note (and stated herein or therein as applicable to be computed on the basis of a 365-day year or any other period of time less than a calendar year) are equivalent are the rates so determined multiplied by the actual number of days in the applicable calendar year and divided by 365 or such other period of time.

Section 2.12. *Alternate Rate of Interest.* If before the beginning of any Interest Period for a Eurodollar Borrowing:

(i) the Administrative Agent determines (which determination will be conclusive absent manifest error) that adequate and reasonable

means do not exist for ascertaining the Adjusted LIBO Rate for such Interest Period; or

(ii) Lenders whose Loans to be included in such Borrowing aggregate at least 51% thereof advise the Administrative Agent that the Adjusted LIBO Rate for such Interest Period will not adequately and fairly reflect the cost to such Lenders of making or maintaining such Loans for such Interest Period;

then the Administrative Agent shall give notice thereof to Xerox and the Lenders by telephone or telecopy as promptly as practicable thereafter and, until the Administrative Agent notifies Xerox and the Lenders that the circumstances giving rise to such notice no longer exist, (i) any Interest Election that requests the conversion of any Borrowing to, or continuation of any Borrowing as, a Eurodollar Borrowing will be ineffective and (ii) if any Borrowing Request requests a Eurodollar Borrowing, such Borrowing will be made as a Base Rate Borrowing, *provided* that if the circumstances giving rise to such notice affect only one Class of Borrowings, then the other Classes of Borrowings shall be permitted to be Eurodollar Borrowings.

Section 2.13. *Increased Costs.* (a) If any Change in Law shall:

(i) impose, modify or deem applicable any reserve, special deposit or similar requirement against assets of, deposits with or for the account of, or credit extended by, any Lender or its Applicable Lending Office (except any such reserve requirement reflected in the Adjusted LIBO Rate) or any LC Issuing Bank; or

(ii) impose on any Lender (or its Applicable Lending Office) or any LC Issuing Bank or the London interbank market any other condition affecting this Agreement or Eurodollar Loans made by such Lender or any Letter of Credit or participation therein;

and the result of any of the foregoing shall be to increase the cost (other than an increase in Taxes, which increase is dealt with exclusively in Section 2.15) to such Lender (or its Applicable Lending Office) of making or maintaining any Eurodollar Loan (or of maintaining its obligation to make Eurodollar Loans) or to increase the cost to such Lender (or its Applicable Lending Office) or LC Issuing Bank of participating in, issuing or maintaining any Letter of Credit or to reduce any amount received or receivable by such Lender (or its Applicable Lending Office) or LC Issuing Bank hereunder (whether of principal, interest or otherwise), then Xerox shall pay to such Lender or LC Issuing Bank, as the case may be, such additional amount or amounts as will compensate it for such additional cost incurred or reduction suffered.

(b) If any Lender or LC Issuing Bank determines that any Change in Law regarding capital requirements has or would have the effect of reducing the

rate of return on such Lender's or LC Issuing Bank's capital or on the capital of such Lender's or LC Issuing Bank's holding company, if any, as a consequence of this Agreement or the Loans made by, or participations in Letters of Credit held by, such Lender or the Letters of Credit issued by such LC Issuing Bank, to a level below that which such Lender or LC Issuing Bank or such Lender's or LC Issuing Bank's holding company could have achieved but for such Change in Law (taking into consideration such Lender's or LC Issuing Bank's policies and the policies of such Lender's or LC Issuing Bank's holding company with respect to capital adequacy), then from time to time Xerox shall pay to such Lender or LC Issuing Bank, as the case may be, such additional amount or amounts as will compensate it or its holding company for any such reduction suffered.

(c) A certificate of a Lender or an LC Issuing Bank setting forth in reasonable detail the basis for, and the calculation of, the amount or amounts necessary to compensate it or its holding company, as the case may be, as specified in Section 2.13(a) or 2.13(b) shall be delivered to Xerox and shall be conclusive absent manifest error. Xerox shall pay such Lender or LC Issuing Bank, as the case may be, the amount shown as due on any such certificate within 15 days after receipt thereof.

(d) Failure or delay by any Lender or LC Issuing Bank to demand compensation pursuant to this Section 2.13 will not constitute a waiver of its right to demand such compensation, *provided* that Xerox will not be required to compensate a Lender or LC Issuing Bank pursuant to this Section 2.13 for any increased cost or reduction incurred more than 270 days before it notifies Xerox of the Change in Law giving rise to such increased cost or reduction and of its intention to claim compensation therefor. However, if the Change in Law giving rise to such increased cost or reduction is retroactive, then the 270-day period referred to above will be extended to include the period of retroactive effect thereof.

(e) This Section 2.13 shall not apply to any Change in Law that imposes or increases the amount of any Tax.

Section 2.14. *Break Funding Payments.* If (a) any principal of any Eurodollar Loan is repaid on a day other than the last day of an Interest Period applicable thereto (including as a result of an Event of Default but excluding any principal amount that is simultaneously reborrowed by another Borrower as contemplated by Section 2.05(b)), (b) any Eurodollar Loan is converted on a day other than the last day of an Interest Period applicable thereto, (c) any Borrower fails to borrow, convert, continue or prepay any Revolving Loan or Term Loan on the date specified in any notice delivered pursuant hereto (regardless of whether such notice may be revoked under Section 2.09(c) and is revoked in accordance therewith), or (d) any Eurodollar Loan is assigned on a day other than the last day of an Interest Period applicable thereto as a result of a request by any Borrower pursuant to Section 2.17, then such Borrower shall compensate each Lender for its loss, cost and expense attributable to such event. In the case of a Eurodollar

Loan, such loss, cost and expense to any Lender shall be deemed to be equal to an amount determined by such Lender to be the excess, if any, of (i) the amount of interest that would have accrued on the principal amount of such Loan had such event not occurred, at the Adjusted LIBO Rate that would have been applicable to such Loan, for the period from the date of such event to the end of the then current Interest Period therefor (or, in the case of a failure to borrow, convert or continue, the Interest Period that would have begun on the date of such failure), over (ii) the amount of interest that would accrue on such principal amount for such period at the interest rate which such Lender would bid were it to bid, at the beginning of such period, for dollar deposits of a comparable amount and period from other banks in the eurodollar market. A certificate of any Lender setting forth in reasonable detail the basis for, and the calculation of, any amount or amounts that such Lender is entitled to receive pursuant to this Section 2.14 shall be delivered to Xerox and shall be conclusive absent manifest error. The relevant Borrower shall pay such Lender the amount shown as due on any such certificate within 15 days after receipt thereof.

Section 2.15. *Taxes.* (a) All payments by the Borrowers under the Loan Documents shall be made free and clear of and without deduction for any Indemnified Taxes or Other Taxes, *provided* that, if any Borrower shall be required to deduct any Indemnified Taxes or Other Taxes from such payments, then (A) the sum payable will be increased as necessary so that, after all required deductions (including deductions applicable to additional sums payable under this Section) are made, each relevant Lender Party receives an amount equal to the sum it would have received had no such deductions been made, (B) such Borrower shall make such deductions and (C) such Borrower shall pay the full amount deducted to the relevant Governmental Authority in accordance with Applicable Law.

(b) In addition, each Borrower shall pay any Other Taxes to the extent required to be withheld or paid by such Borrower to the relevant Governmental Authority in accordance with Applicable Law.

(c) Each Borrower shall indemnify each Lender Party, within 15 Business Days after written demand therefor, for the full amount of any Indemnified Taxes or Other Taxes paid or incurred by such Lender Party with respect to any payment by or obligation of such Borrower under the Loan Documents (including Indemnified Taxes or Other Taxes imposed or asserted on or attributable to amounts payable under this Section 2.15) and any expenses arising therefrom or with respect thereto, whether or not such Indemnified Taxes or Other Taxes were correctly or legally imposed or asserted by the relevant Governmental Authority. Each Lender Party shall make a good faith effort to verify that such Indemnified Taxes or Other Taxes are correctly and legally imposed or asserted by the relevant Governmental Authority. An officer’s certificate as to the amount of any such payment delivered to Xerox by a Lender Party on its own behalf, or by the Administrative Agent on behalf of a Lender Party, shall be conclusive absent manifest error.

(d) Within 15 Business Days after any Borrower pays any Indemnified Taxes, Other Taxes or any withholding tax that is an Excluded Tax to a Governmental Authority, such Borrower shall deliver to the Administrative Agent the original or a certified copy of a receipt issued by such Governmental Authority evidencing such payment. Each Borrower shall promptly furnish to each Lender Party any other information, documents and receipts that the Lender Party may from time to time reasonably request to establish to its satisfaction that full and timely payment of all Indemnified Taxes and Other Taxes has been made. The applicable Borrower will be deemed to have satisfied the requirement of the preceding sentence if it has furnished such information, documents and/or receipts to the Administrative Agent.

(e) Any Lender Party that is entitled to an exemption from or reduction of withholding tax imposed by Canada or the United Kingdom with respect to payments under this Agreement shall deliver to the relevant Borrower (with a copy to the Administrative Agent) within 15 Business Days following receipt of the written notice referred to below, such properly completed and executed documentation as is reasonably requested by such Borrower or the Administrative Agent in order to permit such payments to be made with the benefit of such exemption or reduction (and shall make application to the relevant Governmental Authority for exemption or reduced rates if it is the party required by law to do so), *provided* that such Lender Party has received written notice from such Borrower or the Administrative Agent identifying the requirements for such exemption or reduction, supplying all applicable documentation and specifying the time period within which documentation is to be provided under this Section 2.15(e) (or such application is to be made). Without limiting the Lender Parties' obligations under the preceding sentence, each Lender Party agrees that it will, without material cost or other material disadvantage (as determined in such Lender Party's good faith judgment), cooperate with such Borrower to minimize the applicable withholding tax burdens in Canada and the United Kingdom. If any Lender Party becomes subject to any Tax because it fails to comply with this Section 2.15(e), each Borrower shall take such steps as such Lender Party shall reasonably request to assist such Lender Party to recover such Tax. The Administrative Agent agrees that it will provide administrative and ministerial assistance to each relevant Borrower with respect to any payments made by such Borrower to the Lender Parties, and the calculation, reporting, withholding and remitting of any Taxes imposed by the United Kingdom or Canada to the appropriate Governmental Authority. Notwithstanding the foregoing, (i) the Borrowers shall retain primary responsibility for ascertaining the requirements of Applicable Law and providing to the Lender Parties the written notice described in the first sentence of this Section 2.15(e), and (ii) no failure by the Administrative Agent to meet any obligations under this Section 2.15(e) shall operate to excuse any Borrower from its obligations to the Lender Parties under this Section 2.15(e). In all events, as between Xerox and the Administrative Agent, Xerox shall make all final decisions concerning whether payments to a Lender Party are subject to any withholding. Each Lender shall promptly furnish

to the Administrative Agent any information necessary for the Administrative Agent to fulfill its obligations as the United Kingdom Syndication Manager.

(f) If any Lender Party receives a cash refund of any Indemnified Tax or Other Tax deducted, withheld or paid by any Borrower pursuant to Section 2.15(e) from the Governmental Authority that imposed such tax, which in the good faith judgment of such Lender Party is allocable to such deduction, withholding or payment and is not (or is no longer) subject to return, reassessment or other repayment to such Governmental Authority, such Lender Party shall promptly pay to such Borrower an amount equal to such cash refund, net of all reasonable out-of-pocket expenses incurred by such Lender Party in obtaining such cash refund.

(g) Each Foreign Lender shall submit to Xerox (or its designated paying agent) or the Administrative Agent within the time periods required by Applicable Law, Internal Revenue Service form W-8BEN or W-8ECI, as appropriate, (or any successor form) certifying to the effect that (i) such Foreign Lender is entitled to benefits under an income tax treaty that exempts such Foreign Lender from United States withholding tax or reduces the rate of such tax on payments of interest (or is otherwise exempt) or (ii) such interest is effectively connected with the conduct of a trade or business in the United States. If and to the extent that such withholding tax is an Excluded Tax, Xerox (or its designated paying agent) will determine the amount of any applicable United States withholding tax (or the exemption therefrom) on the basis of such certification, except to the extent that Xerox (or its designated paying agent) has actual knowledge of the incorrectness of such certification and provides written notice thereof to the relevant Foreign Lender at least 10 Business Days prior to the relevant Interest Payment Date. The parties agree otherwise to cooperate with respect to United States withholding tax matters in a manner consistent with the principles of Section 2.15(e) above, *mutatis mutandis*.

Section 2.16. *Payments Generally; Pro Rata Treatment; Sharing of Set-offs.* (a) Each Borrower shall make each payment required to be made by it under the Loan Documents (whether of principal, interest or fees, or reimbursement of LC Disbursements, or amounts payable under Section 2.13, 2.14 or 2.15 or otherwise) before the time expressly required under the relevant Loan Document for such payment (or, if no such time is expressly required, before 1:00 p.m., New York City time with respect to payments in respect of Dollar-Denominated Loans and Loans denominated in Canadian dollars, and before 1:00 p.m., London, England time with respect to payments in respect of Alternative Currency Loans denominated in Euro), on the date when due, in immediately available funds, without set-off or counterclaim. Any amount received after such time on any day may, in the discretion of the Administrative Agent, be deemed to have been received on the next succeeding Business Day for purposes of calculating interest thereon. Each payment of principal of, and interest on, Alternative Currency Loans shall be made in the relevant Alternative Currency. All such payments shall be made to the Administrative Agent at its offices at 270 Park Avenue, New

York, New York, except payments to be made directly to an LC Issuing Bank as expressly provided herein and except that payments pursuant to Section 2.13, 2.14, 2.15 and 9.04 shall be made directly to the Persons entitled thereto and payments pursuant to other Loan Documents shall be made to the Persons specified therein. The Administrative Agent shall distribute any such payment received by it for the account of any other Person to the appropriate recipient promptly after receipt thereof. If any payment under any Loan Document shall be due on a day that is not a Business Day, the date for payment will be extended to the next succeeding Business Day and, if such payment accrues interest, interest thereon will be payable for the period of such extension. Except as expressly set forth herein or in any other Loan Document, all payments under each Loan Document shall be made in Dollars.

(b) If at any time insufficient funds are received by and available to the Administrative Agent to pay fully all amounts of principal, unreimbursed LC Disbursements, interest and fees then due hereunder, such funds shall be applied (i) first, to pay interest and fees then due hereunder, ratably among the parties entitled thereto in accordance with the amounts of interest and fees then due to such parties, and (ii) second, to pay principal and unreimbursed LC Disbursements then due hereunder, ratably among the parties entitled thereto in accordance with the amounts of principal and unreimbursed LC Disbursements then due to such parties.

(c) If any Lender shall, by exercising any right of set-off or counterclaim or otherwise, obtain payment in respect of any principal of or interest on any of its Loans or any of its participations in LC Disbursements resulting in such Lender receiving payment of a greater proportion of the aggregate amount of its Loans and participations in LC Disbursements and accrued interest thereon than the proportion received by any other Lender, then the Lender receiving such greater proportion shall purchase (for cash at face value) participations in the Loans and participations in LC Disbursements of other Lenders to the extent necessary so that the benefit of all such payments shall be shared by the Lenders ratably in accordance with the aggregate amount of principal of and accrued interest on their respective Loans and participations in LC Disbursements, *provided* that (A) if any such participations are purchased and all or any portion of the payment giving rise thereto is recovered, such participations shall be rescinded and the purchase price restored to the extent of such recovery, without interest, and (B) the provisions of this Section 2.16(c) shall not apply to any payment made by any Borrower pursuant to and in accordance with the express terms of this Agreement or any payment obtained by a Lender as consideration for the assignment of or sale of a participation in any of its Loans or participations in LC Disbursements to any assignee or participant, other than to any Borrower or any Subsidiary or Affiliate thereof (as to which the provisions of this Section 2.16(c) shall apply). Each of the Borrowers consents to the foregoing and agrees, to the extent it may effectively do so under Applicable Law, that any Lender acquiring a participation pursuant to the foregoing

arrangements may exercise against such Borrower rights of set-off and counterclaim with respect to such participation as fully as if such Lender were a direct creditor of such Borrower in the amount of such participation.

(d) Unless, before the date on which any payment is due to the Administrative Agent for the account of one or more Lender Parties hereunder, the Administrative Agent receives from Xerox notice that the relevant Borrower will not make such payment, the Administrative Agent may assume that such Borrower has made such payment on such date in accordance herewith and may, in reliance on such assumption, distribute to each relevant Lender Party the amount due to it. In such event, if the relevant Borrower has not in fact made such payment, each Lender Party severally agrees to repay to the Administrative Agent forthwith on demand the amount so distributed to such Lender Party with interest thereon, for each day from and including the day such amount is distributed to it to but excluding the day it repays the Administrative Agent, at the greater of (x) the Federal Funds Effective Rate (if such amount was distributed in Dollars) or the rate per annum at which one-day deposits in the relevant currency are offered by the principal London, England office of the Administrative Agent in the London interbank market (if such amount was distributed in an Alternative Currency) and (y) a rate determined by the Administrative Agent in accordance with banking industry rules on interbank compensation.

(e) If any Lender fails to make any payment required to be made by it pursuant to Section 2.04(d), 2.04(e), 2.05(c), 2.16(d) or 9.04(c), the Administrative Agent may, in its discretion (notwithstanding any contrary provision hereof), apply any amounts thereafter received by the Administrative Agent for the account of such Lender to satisfy such Lender's obligations under such Sections until all such unsatisfied obligations are fully paid.

Section 2.17. *Lender's Obligation to Mitigate; Replacement of Lenders.* (a) If any Lender requests compensation under Section 2.13, or if any Borrower is required to pay any additional amount to any Lender or any Governmental Authority for the account of any Lender pursuant to Section 2.15, then such Lender shall use reasonable efforts to designate a different lending office for funding or booking all or a portion of its Loans hereunder or to assign its rights and obligations hereunder to another of its offices, branches or affiliates, if, in the judgment of such Lender, such designation or assignment (i) would eliminate or reduce amounts payable pursuant to Section 2.13 or 2.15, as the case may be, in the future, (ii) would not subject such Lender to any unreimbursed cost or expense and (iii) would not otherwise be disadvantageous to such Lender. The relevant Borrower shall pay all reasonable costs and expenses incurred by any Lender in connection with any such designation or assignment.

(b) If any Lender requests compensation under Section 2.13, or if any Borrower is required to pay any additional amount to any Lender or any Governmental Authority for the account of any Lender pursuant to Section 2.15, or if any Lender defaults in its obligation to fund Loans hereunder, then Xerox

may, at its sole expense and effort, upon notice to such Lender and the Administrative Agent, require such Lender to assign, without recourse (in accordance with and subject to the restrictions contained in Section 9.05), all its interests, rights and obligations under this Agreement to an assignee that shall assume such obligations (which assignee may be another Lender, if a Lender accepts such assignment), *provided* that (A) Xerox shall have received the prior written consent of the Administrative Agent (and, if a Revolving Commitment is being assigned, the LC Issuing Banks) in accordance with Section 9.05(b)(A) and (B) such Lender shall have received payment of an amount equal to the outstanding principal of its Loans and participations in LC Disbursements, accrued interest thereon, accrued fees and all other amounts payable to it hereunder, from the assignee (to the extent of such outstanding principal and accrued interest and fees) or the relevant Borrower (in the case of all other amounts). A Lender shall not be required to make any such assignment if, prior thereto, as a result of a waiver by such Lender or otherwise, the circumstances entitling Xerox to require such assignment cease to apply.

Section 2.18. *Designation of Overseas Borrower; Termination of Designations.* (a) Xerox may from time to time designate any Qualified Foreign Subsidiary as an additional Overseas Borrower for purposes of this Agreement by delivering to the Administrative Agent an Election to Participate duly executed on behalf of such Subsidiary and Xerox in such number of copies as the Administrative Agent may request. The Administrative Agent shall promptly notify the Lenders of its receipt of any such Election to Participate.

(b) Xerox may at any time terminate the status of any Subsidiary as an Overseas Borrower for purposes of this Agreement by delivering to the Administrative Agent an Election to Terminate duly executed on behalf of such Subsidiary and Xerox in such number of copies as the Administrative Agent may request. The delivery of such an Election to Terminate shall not affect any obligation of such Subsidiary theretofore incurred under this Agreement or any other Loan Document or any rights of the Lenders and the Agents against such Subsidiary or against Xerox in its capacity as guarantor of the obligations of such Subsidiary. The Administrative Agent shall promptly notify the Lenders of its receipt of any such Election to Terminate.

Section 2.19. *Overseas Borrower Costs.* (a) If the cost to any Lender of making or maintaining any Loan to an Overseas Borrower is increased (or the amount of any sum received or receivable by any Lender or its Applicable Lending Office is reduced) by an amount deemed by such Lender to be material, by reason of the fact that such Overseas Borrower is incorporated in, or conducts business in, a jurisdiction outside the United States, such Borrower shall indemnify such Lender for such increased cost or reduction within 15 days after demand by such Lender (with a copy to the Administrative Agent). The foregoing indemnity shall not apply to any Excluded Taxes or Taxes addressed in Section 2.15. A certificate of such Lender claiming compensation under this

Section 2.19 and setting forth the additional amount or amounts to be paid to it hereunder shall be conclusive in the absence of manifest error.

(b) Each Lender will promptly notify the relevant Overseas Borrower and the Administrative Agent of any event or circumstance of which it has knowledge that will entitle such Lender to compensation pursuant to this Section 2.19 and will designate a different Applicable Lending Office, if, in the judgment of such Lender, such designation will avoid the need for, or reduce the amount of, such compensation and will not be otherwise disadvantageous to such Lender.

Section 2.20. *Currency Equivalents.* (a) The Administrative Agent shall determine the Dollar Amount of each Alternative Currency Loan as of the first day of each Interest Period applicable thereto and, in the case of any such Interest Period of more than three months, at three-month intervals after the first day thereof, and shall promptly notify the Borrower and the Lenders of each Dollar Amount so determined by it. Each such determination shall be based on the Spot Rate (i) on the date of the related Borrowing Request for purposes of the initial such determination for any Alternative Currency Loan and (ii) on the fourth Business Day prior to the date as of which such Dollar Amount is to be determined, for purposes of any subsequent determination.

(b) The Administrative Agent shall determine the LC Exposure related to each Letter of Credit as of the date of issuance thereof and at three-month intervals after the date of issuance thereof. Each such determination shall be based on the Spot Rate (i) on the date of the related notice of issuance, in the case of the initial determination in respect of any Letter of Credit and (ii) on the fourth Business Day prior to the date as of which such Dollar Amount is to be determined, in the case of any subsequent determination with respect to an outstanding Letter of Credit.

(c) If after giving effect to any such determination of a Dollar Amount, the total Revolving Exposures of all Lenders exceed the aggregate amount of the Revolving Commitments or the aggregate Dollar Amount of Alternative Currency Loans and LC Exposures denominated in an Alternative Currency exceeds 105% of the Alternative Currency Sublimit, the Borrowers shall, within five Business Days of receipt of notice thereof from the Administrative Agent setting forth such calculation in reasonable detail, prepay outstanding Loans (as selected by the Company and notified to the Lenders through the Administrative Agent not less than three Business Days prior to the date of prepayment) or take other action (including, in any Borrower's discretion, Dollar cash collateralization of LC Exposures or Alternative Currency Loans in amounts from time to time equal to such excess) to the extent necessary to eliminate any such excess.

ARTICLE 3

REPRESENTATIONS AND WARRANTIES

Each Borrower represents and warrants (as to itself and, to the extent required by the context, its Subsidiaries only) to the Lender Parties that:

Section 3.01. *Organization; Powers.* Each Credit Party is duly organized, validly existing and in good standing under the laws of the jurisdiction of its organization, has all requisite power and authority to carry on its business as now conducted and, except where failures to do so, in the aggregate, could not reasonably be expected to result in a Material Adverse Effect, is qualified to do business in, and is in good standing in, every jurisdiction where such qualification is required.

Section 3.02. *Authorization; Enforceability.* The Transactions to be entered into by each Credit Party are within its corporate (or equivalent) powers and have been duly authorized by all necessary corporate (or equivalent) and, if required, stockholder (or equivalent) action. This Agreement has been duly executed and delivered by each Borrower and constitutes, and each other Loan Document to which any Credit Party is to be a party, when executed and delivered by such Credit Party, will constitute, a legal, valid and binding obligation of such Borrower or other Credit Party, as the case may be, in each case enforceable in accordance with its terms, subject to applicable bankruptcy, insolvency, reorganization, moratorium and other laws affecting creditors' rights generally and subject to general principles of equity, regardless of whether considered in a proceeding in equity or at law.

Section 3.03. *Governmental Approvals; No Conflicts.* The Transactions (a) do not require any consent or approval of, registration or filing with, or other action by, any Governmental Authority, except (i) such as have been obtained or made and are in full force and effect and (ii) filings, registrations and recordings necessary to perfect the Transaction Liens, (b) will not violate any Applicable Law or the charter, by-laws or other organizational documents of any Credit Party, (c) will not violate any order of any Governmental Authority, except in any such case where such violation could not reasonably be expected to result in a Material Adverse Effect and (d) will not violate or result in a default under any indenture or other agreement governing Debt or other material agreement or other instrument binding upon any Xerox Company or any of its properties, or give rise to a right thereunder to require any Xerox Company to make any payment thereof.

Section 3.04. *Financial Statements; No Material Adverse Change*. (a) Xerox has heretofore furnished to the Lenders (i) its consolidated balance sheet as of December 31, 2002 and the related consolidated statements of income, stockholders' equity and cash flows for the Fiscal Year then ended, reported on by PricewaterhouseCoopers LLP, independent public accountants, and (ii) its consolidated balance sheet as of March 31, 2003 and the related consolidated statements of income, stockholders' equity and cash flows for the Fiscal Quarter

then ended and for the portion of the Fiscal Year then ended, all certified by a Financial Officer. Such financial statements present fairly, in all material respects, the financial position of Xerox and its consolidated Subsidiaries as of such dates and their results of operations and cash flows for such periods in accordance with GAAP, subject to normal year-end adjustments and the absence of footnotes in the case of the statements referred to in this Section 3.04(a)(ii).

(b) After giving effect to the Transactions, none of the Xerox Companies has, as of the Effective Date, any material contingent liabilities, unusual long-term commitments or unrealized losses which are required to be disclosed pursuant to GAAP, except as disclosed in the financial statements referred to above or the notes thereto or in the Business Plan, except for the Disclosed Matters and those contingent liabilities, unusual long-term commitments and unrealized losses that, individually or in the aggregate, could not reasonably be expected to result in a Material Adverse Effect.

(c) Except for the Disclosed Matters, since December 31, 2002, there has been no material adverse change in the business, assets, operations or condition, financial or otherwise, of the Xerox Companies, taken as a whole.

Section 3.05. *Properties.* (a) Except for the Disclosed Matters, each Xerox Company has good title to, or valid license or leasehold interests in, all real and personal property material to its business (including all its Mortgaged Properties), except for Liens permitted by Section 6.01 and defects in title that could not reasonably be expected to result in a Material Adverse Effect.

(b) Except for the Disclosed Matters, each Xerox Company owns, or is licensed to use, all Intellectual Property material to its business, and to the knowledge of a Responsible Officer the use thereof by the Xerox Companies does not infringe upon the Intellectual Property rights of any other Person, except for any such failures of the foregoing to be true that, in the aggregate, could not reasonably be expected to result in a Material Adverse Effect.

(c) Other than the Mortgaged Properties, no Domestic Credit Party owns as of the Effective Date any real property the fair market value of which is, in the good faith judgment of Xerox, $25,000,000 or more.

Section 3.06. *Litigation and Environmental Matters.* (a) Except for the Disclosed Matters, there are no actions, suits or proceedings by or before any arbitrator or Governmental Authority pending against or, to the knowledge of any Responsible Officer of any Borrower, threatened against or affecting any Xerox Company (i) as to which there is a reasonable possibility of adverse determinations that, in the aggregate, could reasonably be expected to result in a Material Adverse Effect or (ii) that involve any of the Loan Documents or the Transactions.

(b) Except for the Disclosed Matters and except for other matters that, in the aggregate, could not reasonably be expected to result in a Material Adverse Effect, no Xerox Company (i) has failed to comply with any Environmental Law or to obtain, maintain or comply with any permit, license or other approval required under any Environmental Law, (ii) is subject to any Environmental Liability, or (iii) has received notice of any claim with respect to any Environmental Liability, and no Responsible Officer of a Xerox Company knows of any basis for any Environmental Liability that could reasonably be expected to have a Material Adverse Effect.

(c) Since the date of this Agreement, there has been no change in the status of the Disclosed Matters that, individually or in the aggregate, has resulted in, or materially increased the likelihood of, a Material Adverse Effect.

Section 3.07. *Compliance with Laws and Agreements.* Except for the Disclosed Matters, each Xerox Company is in compliance with all laws, regulations and orders of any Governmental Authority applicable to it or its property and all indentures, agreements and other instruments binding on it or its property, except where failures to do so, in the aggregate, could not reasonably be expected to result in a Material Adverse Effect. No Default has occurred and is continuing.

Section 3.08. *Investment and Holding Company Status.* No Xerox Company is (a) an "investment company" as defined in, or subject to regulation under, the Investment Company Act of 1940 or (b) a "holding company" or "subsidiary company" of a holding company as defined in, or subject to regulation under, the Public Utility Holding Company Act of 1935.

Section 3.09. *Taxes.* Each Xerox Company has timely filed or caused to be filed all Tax returns and reports required to have been filed by it and has paid or caused to be paid all Taxes required to have been paid by it, except (a) any Taxes that are being contested in good faith by appropriate proceedings and for which Xerox or the relevant Xerox Company has set aside on its books adequate reserves or (b) to the extent that failures to do so, in the aggregate, could not reasonably be expected to result in a Material Adverse Effect.

Section 3.10. *ERISA and Pension Plans.* Except in respect of the Disclosed Matters, no ERISA Event has occurred or is reasonably expected to occur that, when taken together with all other ERISA Events for which liability is reasonably expected to occur, could reasonably be expected to result in a Material Adverse Effect. Based on the assumptions used for purposes of Statement of Financial Accounting Standards No. 87, (a) with respect to each Plan, the present value of the accumulated benefit obligations thereunder did not, as of the date of the most recent financial statements reflecting such amounts, exceed the fair market value of the assets thereof by an amount that could reasonably be expected to result in a Material Adverse Effect, and (b) with respect to all underfunded Plans in the aggregate, the present value of all the accumulated benefit obligations

thereunder did not, as of such date, exceed the fair market value of all the assets thereof by an amount that could reasonably be expected to result in a Material Adverse Effect.

Section 3.11. *Disclosure.* Each of the Borrowers has disclosed to the Lenders, in the Disclosed Matters or otherwise in writing, all facts and other circumstances specific to the Xerox Companies known, as of the Effective Date, to any Responsible Officer, that, individually or in the aggregate, could reasonably be expected to result in a Material Adverse Effect. Except for the Disclosed Matters and as otherwise disclosed to the Lenders in writing, neither the Business Plan nor any of the other reports, financial statements, certificates or other information furnished by or on behalf of any Credit Party to the Administrative Agent or any Lender in connection with the negotiation of this Agreement or any other Loan Document or delivered hereunder or thereunder (as modified or supplemented by other information so furnished, when taken together as a whole and with the Disclosed Matters) contains any material misstatement of fact or omits to state any material fact necessary to make the statements therein, in the light of the circumstances under which they were made, not misleading in any material respect in light of the circumstances in existence when made, *provided* that, with respect to projected financial information, Xerox represents only that such information was prepared in good faith based on assumptions believed to be reasonable at the time, it being recognized by the Lenders that such projections as to future events are not to be viewed as facts and that actual results during the period or periods covered by any such projections may differ from the projected results and that such differences may be material.

Section 3.12. *Subsidiaries.* Schedule 3.12 (a) sets forth the name and jurisdiction of organization of each Xerox Company, (b) sets forth the ownership interest of Xerox and any other Subsidiary in each Subsidiary, including the percentage of such ownership, (c) identifies each Subsidiary that is (i) a Material Domestic Subsidiary, (ii) a Material Foreign Subsidiary, (iii) an Overseas Borrower or (iv) a Subsidiary the Equity Interests of which are required to be pledged on the Effective Date, (d) identifies each Xerox Group Company and (e) sets forth the U.S. Federal employer identification number of Xerox and each Guarantor, in each case as of May 31, 2003.

Section 3.13. *Labor Matters.* As of the Effective Date, except as set forth in the Disclosed Matters, there are no strikes, lockouts or slowdowns against any Xerox Company pending or, to the knowledge of any Responsible Officer of the Borrowers, threatened that could reasonably be expected to have a Material Adverse Effect. Except as could not reasonably be expected to have a Material Adverse Effect, the hours worked by and payments made to employees of the Xerox Companies have not violated the Fair Labor Standards Act or any other applicable Federal, state, provincial, local or foreign law dealing with such matters. Except as could not reasonably be expected to have a Material Adverse Effect, all payments due from any Xerox Company, or for which any claim may be made against any Xerox Company, on account of wages and employee health

and welfare insurance and other such benefits, have been paid or accrued as a liability on the books of such Xerox Company. Except as could not reasonably be expected to have a Material Adverse Effect, the consummation of the Transactions will not give rise to any right of termination or right of renegotiation on the part of any union under any collective bargaining agreement by which any Xerox Company is bound.

Section 3.14. *Representations and Warranties of Future Overseas Borrowers.* Each Overseas Borrower (other than XCE and XCD) shall be deemed by the execution and delivery of its Election to Participate to have represented and warranted as of the date thereof that:

(a) it is duly organized, validly existing and in good standing under the laws of the jurisdiction of its organization;

(b) the execution and delivery by it of its Election to Participate and any other Loan Document, and the performance by it of this Agreement and any other Loan Document are within its corporate (or equivalent) powers, have been duly authorized by all necessary corporate (or equivalent) action, and do not contravene (i) its charter or by-laws or (ii) any law or any contractual restriction governing Debt or other material restriction binding on or affecting it or any of its assets;

(c) no authorization or approval or other action by, and no notice to or filing with, any Governmental Authority or regulatory body is required for the due execution and delivery by it of its Election to Participate and any other Loan Document, and the performance by it of this Agreement and any other Loan Document, other than those which have been duly obtained or made and are in full force and effect and filings, registrations and recordings necessary to perfect the Transaction Liens; and

(d) this Agreement is, and each other Loan Document when delivered hereunder will be, legal, valid and binding obligations of it enforceable against it in accordance with their respective terms, subject to applicable bankruptcy, insolvency, reorganization, moratorium and other laws affecting creditors' rights generally and subject to general principles of equity, regardless of whether considered in a proceeding in equity or at law.

ARTICLE 4
CONDITIONS

Section 4.01. *Effective Date.* This Agreement shall not become effective until the date on which each of the following conditions is satisfied (or waived in accordance with Section 9.02):

(a) The Administrative Agent (or its counsel) shall have received from each party hereto either (i) a counterpart of this Agreement signed on behalf of such party or (ii) written evidence satisfactory to the Administrative Agent (which may include telecopy transmission of a signed signature page) that such party has signed a counterpart of this Agreement.

(b) The Administrative Agent shall have received a favorable written opinion (addressed to the Administrative Agent and the Lenders and dated the Effective Date) of each of (i) Skadden, Arps, Slate, Meagher & Flom LLP & Affiliates, special counsel for the Credit Parties, substantially in the form of Exhibit B-1, (ii) Fasken Martineau DuMoulin LLP, Canadian counsel for the Credit Parties, substantially in the form of Exhibit B-3, (iii) Lovells, United Kingdom counsel for the Credit Parties, substantially in the form of Exhibit B-4, (iv) Martin S. Wagner, Associate General Counsel, Corporate, Finance and Ventures, of Xerox, substantially in the form of Exhibit B-2, (v) the Counsel of XCD, substantially in the form of Exhibit B-5 and (vi) the General Counsel of XCE, substantially in the form of Exhibit B-6 and, in the case of each opinion required by this Section 4.01(b), covering such other matters relating to the Credit Parties, the Loan Documents or the Transactions as the Required Lenders shall reasonably request. Each Borrower requests counsel to deliver such opinions.

(c) The Administrative Agent shall have received such documents and certificates as the Administrative Agent or its counsel may reasonably request relating to the organization, existence and good standing of each Domestic Credit Party, XCD and XCE, the authorization of the Transactions and any other legal matters relating to such Credit Parties, the Loan Documents or the Transactions, all in form and substance reasonably satisfactory to the Administrative Agent and its counsel.

(d) The Administrative Agent shall have received a Basket Lien Certificate and a certificate confirming compliance with the conditions set forth in Section 4.02(a) and 4.02(b) and setting forth reasonably detailed calculations demonstrating the Leverage Ratio as of the Effective Date, based on Xerox's consolidated financial statements delivered pursuant to Section 3.04(a)(ii), each dated the Effective Date and signed by a Responsible Officer of Xerox.

(e) The Credit Parties shall have paid all fees and other amounts due and payable to the Lender Parties on or before the Effective Date, including, to the extent invoiced, all reasonable out-of-pocket expenses (including reasonable fees, charges and disbursements of Davis Polk & Wardwell and of local counsel to the Administrative Agent and

Syndication Agent) required to be reimbursed or paid by any Credit Party under the Loan Documents.

(f) The Collateral and Guarantee Requirement shall have been satisfied and the Administrative Agent shall have received a completed Perfection Certificate delivered by Xerox on behalf of the Domestic Credit Parties dated the Effective Date and signed by an appropriate officer of Xerox, together with all attachments contemplated thereby, including the results of a search of the UCC filings made with respect to the Domestic Credit Parties in the jurisdictions contemplated by the Perfection Certificate and copies of the financing statements disclosed by such search and evidence reasonably satisfactory to the Administrative Agent that the Liens indicated by such financing statements (or similar documents) that are effective to perfect a Lien are permitted by Section 6.01 or have been released or the obligations secured thereby have been satisfied.

(g) The Administrative Agent shall have received evidence reasonably satisfactory to it that all insurance required by Section 5.07 is in effect.

(h) The Administrative Agent shall have received evidence reasonably satisfactory to it as to arrangements being in effect providing for (i) the principal of all loans outstanding under the Existing Credit Agreement, and all interest and fees thereunder accrued to the Effective Date, to be paid in full, (ii) all letters of credit outstanding under the Existing Credit Agreement to be terminated or Xerox's reimbursement obligations with respect thereto cash collateralized or backed by Letters of Credit issued hereunder, in each case on the Effective Date and simultaneously with or immediately following the initial making of Loans and issuance of Letters of Credit hereunder and (iii) all commitments under the Existing Credit Agreement to be terminated and all Liens granted pursuant thereto (other than in respect of any cash collateral for outstanding letters of credit, as described in clause (ii)) to be released concurrently with the making of such payment in full.

(i) The Administrative Agent shall have received evidence reasonably satisfactory to it that each Subsidiary that is permitted to be released from its guarantee of Xerox's obligations under the High-Yield Indenture pursuant to the terms thereof (including XCC) shall have been so released.

(j) The Administrative Agent shall have received promissory notes evidencing the Loans, to the extent requested by any Lender.

(k) The Administrative Agent shall have received copies of the Reference Indentures, the XCFI Indentures, the Support Agreement and

the Operating Agreement, each as in effect as of the Effective Date, and a copy of the Business Plan, each certified by an appropriate officer,

(l) The Administrative Agent shall have received evidence reasonably satisfactory to it that Xerox has, since June 1, 2003, received gross cash proceeds of at least $1,500,000,000 from the issuance of Qualified Capital Markets Securities, no less than $500,000,000 of which shall be gross cash proceeds of the issuance of Qualified Equity Securities.

Promptly after the Effective Date occurs, the Administrative Agent shall notify Xerox and the Lenders thereof, and such notice shall be conclusive and binding.

Section 4.02. *Each Extension of Credit.* The obligation of each Lender to make any Loan and the obligation of any LC Issuing Bank to issue, amend, renew or extend any Letter of Credit, are each subject to receipt of the relevant Borrower's request therefor in accordance herewith and to the satisfaction of the following conditions:

(a) The representations and warranties of each Credit Party set forth in the Loan Documents shall be true on and as of the date of such Loan or the date of issuance, amendment, renewal or extension of such Letter of Credit, as applicable (except to the extent such representations and warranties specifically relate to an earlier date, in which case such representations and warranties shall have been true on and as of such earlier date), *provided* that with respect to any Loans being repaid and made in an equal amount pursuant to Section 2.05(b), the representations and warranties set forth in Sections 3.01 (with respect to power and authority only), 3.04(b)-(c), 3.05(a)-(b), 3.06, 3.07, 3.09, 3.10, 3.12 and 3.13 shall be excluded.

(b) At the time of and immediately after giving effect to such Loan or the issuance, amendment, renewal or extension of such Letter of Credit, as applicable, (x) no Default shall have occurred and be continuing and (y) the Xerox Companies shall be in compliance with Section 6.01, Section 6.04 and Section 6.05, without giving effect to the last sentence of each such Section.

Each Loan and each issuance, amendment, renewal or extension of a Letter of Credit shall be deemed to constitute a representation and warranty by each Borrower on the date thereof as to the matters specified in this Section 4.02.

Section 4.03. *First Borrowing by Certain Overseas Borrowers.* The obligation of each Lender to make a Loan on the occasion of the first Borrowing by each Overseas Borrower (other than XCE and XCD) is subject to the satisfaction of the following further conditions:

(a) receipt by the Administrative Agent of an opinion of counsel for such Overseas Borrower reasonably acceptable to the Administrative Agent, substantially in the form of Exhibit B-7 hereto and covering such additional matters relating to the transactions contemplated hereby as any Lender through the Administrative Agent may reasonably request; and

(b) receipt by the Administrative Agent of all documents which it may reasonably request relating to the existence of such Overseas Borrower, its corporate authority for and the validity of its Election to Participate, this Agreement and any other Loan Document, and any other matters relevant thereto, all in form and substance reasonably satisfactory to the Administrative Agent.

The opinion referred to in Section 4.03(a) above shall be dated no more than five Business Days before the date of the first Borrowing by such Overseas Borrower hereunder.

ARTICLE 5
AFFIRMATIVE COVENANTS

Until all the Revolving Commitments have expired or terminated and the principal of and interest on each Loan and all fees payable hereunder have been paid in full and all Letters of Credit have expired or been cancelled or been cash-collateralized pursuant to Section 2.04(j) and all LC Disbursements have been reimbursed, Xerox covenants and agrees with the Lenders that:

Section 5.01. *Financial Statements and Other Information.* Xerox will furnish to the Administrative Agent (and the Administrative Agent shall promptly furnish to each Lender):

(a) within 105 days after the end of each Fiscal Year, commencing with the Fiscal Year ending on December 31, 2003, its audited consolidated balance sheet as of the end of such Fiscal Year and the related statements of operations, stockholders' equity and cash flows for such Fiscal Year, setting forth in each case in comparative form the figures for the previous Fiscal Year, all reported on without qualification by PricewaterhouseCoopers LLP or other independent public accountants of recognized national standing as presenting fairly in all material respects the financial position, results of operations and cash flows of Xerox and its consolidated Subsidiaries on a consolidated basis in accordance with GAAP;

(b) within 60 days after the end of each of the first three Fiscal Quarters of each Fiscal Year commencing with the second Fiscal Quarter of 2003, its consolidated balance sheet as of the end of such Fiscal Quarter and the related statements of operations, stockholders' equity and cash

flows for such Fiscal Quarter and for the then elapsed portion of such Fiscal Year, setting forth in each case in comparative form the figures for the corresponding period or periods of (or, in the case of the balance sheet, as of the end of) the previous Fiscal Year, all certified by a Financial Officer as presenting fairly in all material respects the financial position, results of operations and cash flows of Xerox and its consolidated Subsidiaries on a consolidated basis in accordance with GAAP, subject to normal year-end adjustments and the absence of footnotes;

(c) concurrently with each delivery of financial statements under Section 5.01(a) and 5.01(b), a certificate of a Financial Officer (i) certifying whether or not any Responsible Officer has knowledge as to whether a Default has occurred and is continuing and, if a Default has occurred and is continuing, specifying the details thereof and any action taken or proposed to be taken with respect thereto, (ii) setting forth reasonably detailed calculations demonstrating compliance with Sections 6.03 and 6.04 and, to the extent applicable as of the last day of the applicable Fiscal Quarter or Fiscal Year, Sections 6.13 and 6.14, (iii) stating whether any change in GAAP affecting Xerox's consolidated financial statements or in the application thereof has occurred since the later of (A) the date of the most recent financial statements delivered pursuant to Section 5.01(a) and (B) the date of Xerox's audited financial statements referred to in Section 3.04 and, if any such change has occurred, specifying the effect of such change on the financial statements accompanying such certificate and (iv) in the case of Section 5.01(a), the comparable figures for such Fiscal Year included in the Business Plan and in the case of Section 5.01(b), to the extent the Business Plan contains figures for such Fiscal Quarter, the comparable figures for such Fiscal Quarter included in the Business Plan (in each case in a level of detail consistent with the Business Plan) and an explanation in reasonable detail of any significant variances from such Business Plan figures;

(d) concurrently with each delivery of financial statements under Section 5.01(a), a certificate of the accounting firm that reported on such financial statements stating whether during the course of their examination of such financial statements they obtained knowledge of any Default (which certificate may be limited to the extent required by accounting rules or guidelines);

(e) as soon as available and in any event by February 15 of each Fiscal Year, a copy of Xerox's annual business and financial plan for the Xerox Companies for such Fiscal Year on a quarterly basis and for the next two Fiscal Years on an annual basis, in form and level of detail consistent in all material respects with the Business Plan or otherwise reasonably satisfactory to the Administrative Agent (taking into account the sensitive nature of such information) and in any event including (i) projected balance sheets, income statements and cash flows, (ii) a

description of the material assumptions used in preparing such plan and (iii) a comparison to the comparable information included in the Business Plan and an explanation of any significant variances, and promptly when available, any significant revisions to such plan;

(f) within 60 days after the end of each of the first three Fiscal Quarters of each Fiscal Year and 105 days after the end of the last Fiscal Quarter of each Fiscal Year, and at any other time within 30 days after a request from the Administrative Agent (*provided* that, unless a Default has occurred and is continuing, the Administrative Agent may not make such a request more than two times in any Fiscal Year), a certificate of a Financial Officer (each, a "**Basket Lien Certificate**"), in substantially the form of Exhibit I hereto, (i) certifying which Reference Indenture contains the Basket Lien Reference Provision that results in the lowest Basket Lien Available Amount at such time, (ii) setting forth (A) the calculation of the Basket Lien Available Amount, the Basket Lien Principal Amount and the Basket Lien Excess Amount, in each case under the Reference Indenture certified to be the most restrictive under clause (i) above and in each case as of the last day of such Fiscal Quarter or as of the date specified in such request, as the case may be, *provided* that it is understood that such calculation made at the request of the Administrative Agent may only be an estimate and (B) a list of all "Specified Subsidiaries" (as defined in the High Yield Indenture) or the equivalent category under the Reference Indenture certified to be the most restrictive under clause (i) above and (iii) attaching an updated Schedule 1.01I that shall replace in its entirety the Schedule 1.01I most recently delivered hereunder.

(g) within 60 days after the end of each of the first three Fiscal Quarters of each Fiscal Year and 105 days of the end of the last Fiscal Quarter of each Fiscal Year, a certificate of a Financial Officer setting forth the names of each Material Subsidiary;

(h) promptly after the same become publicly available, copies of all periodic reports, proxy statements and Current Reports on Form 8K filed with, or furnished to, the SEC by any Xerox Company, or any Governmental Authority succeeding to any or all of the functions of the SEC, or distributed by Xerox to its shareholders generally, as the case may be; and

(i) promptly following any request therefor, such other information regarding the operations, business affairs and financial condition of any Xerox Company, or compliance with the terms of any Loan Document, as the Administrative Agent or any Lender (through the Administrative Agent) may reasonably request.

Xerox shall be deemed to have delivered the financial statements and other information referred to in Section 5.01(a), 5.01(b) and 5.01(h) above, when

(i) such SEC filings, financials or other information have been posted on the Internet website of the Securities and Exchange Commission (http://www.sec.gov) or on Xerox's own internet website as previously identified to the Administrative Agent and Lenders and (ii) Xerox has notified the Administrative Agent by electronic mail of such posting. If the Administrative Agent or a Lender requests such SEC filings, financial statements or other information to be delivered to it in hard copies, Xerox shall furnish to the Administrative Agent or such Lender, as applicable, such statements accordingly, *provided* that no such request shall affect that such SEC filings, financial statements or other information have been deemed to have been delivered in accordance with the terms of the immediately preceding sentence.

Section 5.02. *Notice of Material Events.* Xerox will furnish to the Administrative Agent (and the Administrative Agent shall promptly furnish to each Lender) written notice of the following promptly after a Responsible Officer becomes aware thereof:

(a) the occurrence of any Default;

(b) the filing or commencement of any action, suit or proceeding by or before any arbitrator or Governmental Authority against or affecting any Xerox Company that (i) as to which there is a reasonable possibility of an adverse determination that could reasonably be expected to result in a Material Adverse Effect or (ii) involves any of the Loan Documents or the Transactions;

(c) the occurrence of any ERISA Event that, alone or together with any other ERISA Events that have occurred, could reasonably be expected to result in liabilities of the Xerox Companies in an aggregate amount exceeding $75,000,000; and

(d) any other development that results in, or could reasonably be expected to result in, a Material Adverse Effect.

Each notice delivered under this Section 5.02 shall be accompanied by a statement of a Responsible Officer describing in reasonable detail the event or development requiring such notice and any action taken or currently proposed to be taken with respect thereto.

Section 5.03. *Information Regarding Collateral.* (a) Xerox will furnish to the Administrative Agent promptly (but in any event within 20 Business Days of the occurrence of such event) written notice of any change in (i) any Domestic Credit Party's corporate, partnership, company or other legal name or location (determined as provided in Section 9-307 of the UCC), (ii) any Domestic Credit Party's identity or organizational structure or (iii) any Domestic Credit Party's Federal Taxpayer Identification Number or organization identification number, and promptly will make or cause to be made all filings that are required under the

UCC (or its equivalent) and will ensure that all other actions have been taken that are required so that such change will not at any time adversely affect the validity, perfection or priority of any Transaction Lien on any of the Collateral.

(b) Each year, at the time annual financial statements with respect to the preceding Fiscal Year are delivered pursuant to Section 5.01(a), Xerox will deliver to the Administrative Agent a certificate of a Responsible Officer (i) setting forth the information required pursuant to Sections A and B of the Perfection Certificate or confirming that there has been no change in such information since the date of the Perfection Certificate delivered on the Effective Date or the date of the most recent certificate or notice delivered pursuant to this Section 5.03 and (ii) certifying that all UCC (or its equivalent) financing statements (including fixture filings, as applicable) or other appropriate filings, recordings or registrations, including all refilings, rerecordings and reregistrations, containing a description of the Collateral which have been required to be filed pursuant to the relevant Security Agreement have been filed of record in each appropriate office in each jurisdiction identified pursuant to clause (i) above to the extent necessary to protect and perfect the Transaction Liens for a period of at least 18 months after the date of such certificate based on current facts and law (except as noted therein, including with respect to any continuation statements to be filed within such period).

Section 5.04. *Existence; Conduct of Business.* Each Xerox Company will do or cause to be done all things necessary to preserve, renew and keep in full force and effect its legal existence and the rights, licenses, permits and privileges material to the conduct of its business, *provided* that the foregoing shall not prohibit (A) any merger, consolidation, liquidation or dissolution permitted under Section 6.02, (B) any changes in the nature of the business of any Xerox Company permitted by Section 6.02(b) or (C) failures to do any of the foregoing (except in respect of the existence of any Credit Party) that, in the aggregate, could not reasonably be expected to have a Material Adverse Effect.

Section 5.05. *Payment of Obligations.* Each Xerox Company will pay its Debt and other obligations, including Tax liabilities, before the same shall become delinquent or in default, except where either (a) (i) the validity or amount thereof is being contested in good faith by appropriate proceedings, (ii) Xerox or the relevant Xerox Company has set aside on its books adequate reserves with respect thereto in accordance with GAAP, and (iii) such contest effectively suspends collection of the contested obligation and the enforcement of any Lien securing such obligation or (b) the failure to make payment could not reasonably be expected to result in a Material Adverse Effect.

Section 5.06. *Maintenance of Properties.* Each Xerox Company will maintain (or will use commercially reasonable efforts to cause the party legally responsible for maintaining) all property material to the conduct of its business in good working order and condition, ordinary wear and tear excepted, except where

all failures to do so could not reasonably be expected to have a Material Adverse Effect.

Section 5.07. *Insurance.* (a) The Xerox Companies will maintain (either with financially sound and reputable insurance companies selected by the Xerox Companies that customarily write insurance for the risks covered thereby in the amounts contemplated thereby or through a self-insurance program) insurance as is usually carried by companies of established repute engaged in the same or similar business, owning similar properties, and located in the same general areas as the Xerox Companies or as may be required by law and will furnish to the Administrative Agent upon request information in reasonable detail as to the insurance so carried.

(b) Any property insurance covering any Collateral shall be endorsed or otherwise amended to include a lenders' loss payable clause in favor of the Administrative Agent and providing for losses thereunder to be payable to the Administrative Agent or its designee as sole loss payee, following receipt by the insurer from the Administrative Agent of a notice, *provided* that such notice will only be furnished by the Administrative Agent if an Event of Default has occurred and is continuing (and shall be rescinded by the Administrative Agent promptly following the cessation of such Event of Default). Commercial general liability policies shall be endorsed to name the Administrative Agent, for itself and on behalf of each Lender, as an additional insured. Each such policy referred to in this Section 5.07(b) also shall provide that it shall not be canceled, modified or not renewed (i) by reason of nonpayment of premium except upon at least 10 days' prior written notice thereof by the insurer to the Administrative Agent (giving the Administrative Agent the right to cure defaults in the payment of premiums) or (ii) for any other reason except upon at least 30 days' prior written notice thereof by the insurer to the Administrative Agent. The Borrowers hereby agree that the Administrative Agent may (but is not required to) cure defaults in the payment of premiums as described in clause (i) above at any time.

Section 5.08. *Proper Records; Rights to Inspect and Appraise.* The Xerox Companies will keep books of record and account in a manner sufficient to enable Xerox to prepare, in accordance with GAAP, (a) consolidated financial statements and (b) for each Domestic Credit Party, consolidating financial statements. Each Xerox Company will permit any representatives (other than financial advisors or similar persons) designated by the Administrative Agent or the Required Lenders, upon reasonable prior notice, to visit and inspect its properties, to examine and make extracts from its books and records, and to discuss its affairs, finances and condition with its officers and independent accountants (in the presence of its officers), all at such reasonable times during normal business hours and as often as reasonably requested.

Section 5.09. *Compliance with Laws.* Each Xerox Company will comply with all laws, rules, regulations and orders of any Governmental Authority

applicable to it or its property, except where failures to do so, in the aggregate, could not reasonably be expected to result in a Material Adverse Effect.

Section 5.10. *Use of Proceeds and Letters of Credit.* The proceeds of the Term Loans and Revolving Loans will be used to repay obligations under the Existing Credit Agreement and for general corporate purposes of the Xerox Companies in compliance with this Agreement. No part of the proceeds of any Loan will be used, directly or indirectly, for any purpose that entails a violation of any of the Regulations of the Federal Reserve Board, including Regulations T, U and X. Letters of Credit will be requested and used only to support standby obligations.

Section 5.11. *Additional Subsidiaries.* (a) (i) If any additional Material Subsidiary is formed or acquired after the Effective Date, Xerox will promptly (but in any event within 20 Business Days of the occurrence of such event) after such Subsidiary is formed or acquired, notify the Administrative Agent thereof and (ii) if (A) such Subsidiary is directly owned by a Domestic Credit Party (other than XCC) and the Ratings Condition is not satisfied, Xerox will promptly cause the outstanding Equity Interests of such Subsidiary to be pledged to the extent required by the relevant Security Document and deliver or cause to be delivered to the Administrative Agent all certificates or other instruments representing such Equity Interests, together with stock powers or other instruments of transfer with respect thereto endorsed in blank, *provided* that if both the Administrative Agent and the Syndication Agent agree in their discretion, with respect to any pledge of the Equity Interests in any Material Foreign Subsidiary pursuant to this Section 5.11(a)(ii), that the pledge of such Equity Interests is impossible, impractical or unreasonably burdensome or expensive (or has been substantially, but not fully, completed), the Administrative Agent and the Syndication Agent may, in their respective good faith discretion, consent to a waiver of the pledge of any such Equity Interests. In acting pursuant to the foregoing proviso, each of the Administrative Agent and the Syndication Agent shall be entitled to the benefits of Article 8 of this Agreement, and without limiting the generality of the foregoing, the Lenders hereby authorize the Administrative Agent and the Syndication Agent, in their sole discretion and from time to time, to grant such waivers and hereby confirm and agree, without limiting the generality of Article 8 of this Agreement, that in the absence of gross negligence or willful misconduct, neither the Administrative Agent nor the Syndication Agent shall be liable to any Lender on account of granting any such waiver and any consequences thereof.

(b) If (i) (A) any additional Subsidiary referred to in Section 5.11(a) (other than a Subsidiary formed or acquired pursuant to Section 6.06(a)(xii)) is or subsequently becomes a Wholly Owned Material Domestic Subsidiary or (B) a Subsidiary that is not a Guarantor on the Effective Date becomes a Wholly Owned Material Domestic Subsidiary, (other than, in each case, a Subsidiary that is not a Xerox Group Company) and (ii) such Subsidiary is not prohibited by Applicable Law or legally valid contractual restrictions in effect on the date hereof or otherwise permitted by Section 6.11 (or, in the case of a Finance SPE,

legally valid and customary contractual restrictions or other legally valid contractual restrictions entered into in connection with the Third-Party Vendor Financing Program) from guaranteeing one or more Borrowers' obligations hereunder and, from time to time and pursuant to the relevant Security Document, securing such guarantee, Xerox shall promptly cause such Subsidiary to deliver a duly executed supplement to the relevant Security Documents, in the form specified therein, to the Administrative Agent, whereupon such Subsidiary will become a "Guarantor" and, from time to time when the Ratings Condition is not satisfied, "Lien Grantor," for purposes of the Loan Documents. In addition, Xerox may, at its option, designate as a Guarantor any other Subsidiary. If any Subsidiary is so designated, Xerox shall promptly cause such Subsidiary to deliver a duly executed supplement to the relevant Security Documents, in the form specified therein, to the Administrative Agent, whereupon such Subsidiary will become a "Guarantor" and, from time to time when the Ratings Condition is not satisfied, a "Lien Grantor," for purposes of the Loan Documents.

Section 5.12. *Further Assurances.* (a) Xerox will, and will cause its Subsidiaries to, deliver such Security Documents to the Administrative Agent as the Administrative Agent may reasonably request with respect to any additional Overseas Borrower designated as such pursuant to Section 2.18 after the date hereof promptly, but in no event later than 30 days after such designation, in order to provide comparable guarantee and security arrangements for the obligations of such Overseas Borrower as are provided (or required to be provided) for XCE and XCD.

(b) Each Domestic Credit Party will execute and deliver any and all further documents, financing statements, agreements and instruments, and take all such further actions (including the filing and recording of financing statements, fixture filings, mortgages, deeds of trust and other documents), that may be required under any Applicable Law, or that the Administrative Agent or the Required Lenders may reasonably request, to cause the Transaction Liens to constitute valid and perfected first priority Liens (subject to Liens permitted by Section 6.01) on the Collateral, all at the relevant Domestic Credit Party's or Domestic Credit Parties' expense. Xerox will provide to the Administrative Agent, from time to time upon reasonable request, evidence reasonably satisfactory to the Administrative Agent as to the perfection and priority of the Transaction Liens created or intended to be created by the Security Documents.

(c) If any Domestic Credit Party acquires any real property having, at the time of acquisition thereof, a fair market value of at least $25,000,000, Xerox will notify the Administrative Agent and the Lenders thereof promptly (but in any event within 20 Business Days of the occurrence of such event) and if requested by the Administrative Agent or the Required Lenders, will cause such real property (unless (i) a Financial Officer certifies that such real property is intended to be the subject of a Sale and Leaseback Transaction or the incurrence of Purchase Money Debt within 270 days, and such transaction is, in fact, consummated within 270 days or (ii) the granting of a Transaction Lien on such

real property would violate Applicable Law or any contract existing on the date hereof or otherwise permitted by Section 6.11) to be subjected to a Transaction Lien securing the Secured Obligations and will take, or cause the relevant Guarantor to take, such actions as shall be necessary or reasonably requested by the Administrative Agent to grant and perfect or record such Transaction Lien, including actions described in Section 5.12(b), all at such Credit Party's expense.

Section 5.13. *Ownership of Overseas Borrowers.* Xerox will, at all times, own, directly or indirectly, 100% of the Equity Interests of each Overseas Borrower, except, in the event that XCI or any of its subsidiaries is designated an Overseas Borrower, it shall be sufficient for Xerox to own 97% or more of the Equity Interests of XCI or such subsidiary.

Section 5.14. *Limitation on XCC Activities.* On and after the date hereof, Xerox will not, nor will it permit any other Subsidiary to, make any loan, advance or other payment of money to XCC, repay any loan, advance or other obligation owing to XCC or sell or otherwise transfer any asset to XCC, except that Xerox Companies may (a) make loans, advances or other payments of money to XCC, or repay any loan, advance or other obligation owing to XCC, in an amount necessary, when added to XCC's Cash Balance (plus any other funds expected to be timely available to it), to enable XCC (i) to repay, together with accrued interest, any principal amount of Debt required to be repaid within 5 Business Days of such payment of money to XCC or (ii) to repay or repurchase any Capital Markets Debt of XCC in connection with an issuance by Xerox of Permitted Refinancing Debt and (b) make any payment to XCC required by the Support Agreement or the Operating Agreement. On and after the Effective Date, Xerox will not permit XCC to provide any guarantee of Xerox's obligations under the High-Yield Indenture.

ARTICLE 6
NEGATIVE COVENANTS

Permanent Covenants

Until all the Revolving Commitments have expired or terminated and the principal of and interest on each Loan and all fees payable hereunder have been paid in full and all Letters of Credit have expired or been cancelled or been cash-collateralized pursuant to Section 2.04(j) and all LC Disbursements have been reimbursed, Xerox covenants and agrees with the Lenders that:

Section 6.01. *Liens.* No Material Xerox Group Company (other than Foreign Subsidiaries that are not Credit Parties and are not "Specified Subsidiaries" under the High Yield Indenture and do not fall within equivalent categories under the other Reference Indentures) will create or permit to exist any Lien on any property now owned or hereafter acquired by it, or assign or sell any income or revenues (including accounts receivable but excluding Transfers

permitted by this Agreement) or rights in respect of any thereof, in each case to secure Debt of any Person, except:

(a) Liens created under the Security Documents;

(b) Permitted Liens;

(c) (i) any Lien on any property of Xerox or any Domestic Subsidiary existing on the date hereof and, in the case of any such Lien in existence on May 31, 2003, listed in Schedule 6.01, (ii) any other Lien on any property of Xerox or any Domestic Subsidiary existing on the date hereof that either (A) secures Debt existing on the date hereof the individual outstanding principal amount of which does not exceed $25,000,000 or (B) secures Debt owed to a Xerox Company, and (iii) any Lien on any property of any Foreign Subsidiary existing on the date hereof, *provided* that (A) such Lien shall not apply to any other property of any Xerox Company and (B) such Lien shall secure only those obligations which it secures on the date hereof and extensions, renewals and replacements thereof that are permitted by Section 6.05(c);

(d) any Lien existing on any property before the acquisition thereof by any Xerox Company or existing on any property of any Person that becomes a Subsidiary after the date hereof before the time such Person becomes a Subsidiary, *provided* that (i) such Lien is not created in contemplation of or in connection with such acquisition or such Person becoming a Subsidiary, as the case may be, (ii) such Lien will not apply to any other property of any Xerox Company and (iii) such Lien will secure only those obligations which it secures on the date of such acquisition or the date such Person becomes a Subsidiary, as the case may be, and extensions, renewals and replacements thereof that do not increase the outstanding principal amount thereof (other than to finance accrued interest, fees and other amounts outstanding in respect thereof and fees and expenses incurred in connection with such extension, renewal, refinancing or replacement) or result in an earlier maturity date or decreased Weighted Average Life thereof;

(e) Liens securing Debt permitted by Section 6.05(g) or 6.05(p), *provided* that (i) such Liens under Section 6.05(g) are incurred before or within 120 days after the acquisition or the completion of construction or improvement of the assets related to such Purchase Money Debt and (ii) such Liens will not apply to any other property of any Xerox Company;

(f) Liens (including Liens granted in connection with a Qualified Receivables Transaction or the Third-Party Vendor Financing Program) that do not secure indebtedness that would be required to be taken into account in determining the Basket Lien Available Amount;

(g) the rights of XCC relating to the certain reserve account established pursuant to the Operating Agreement;

(h) (i) Liens permitted by any Reference Basket Lien Provision existing on the date hereof and (ii) other Liens permitted by the Reference Basket Lien Provisions, *provided* that the aggregate principal amount of Debt secured by Liens permitted by this Section 6.01(h)(ii) (including Debt secured by Liens incurred in reliance on this Section 6.01(h)(ii) as permitted by the penultimate sentence of Section 6.01) shall not exceed $50,000,000 at any time outstanding; and

(i) at any time the Ratings Condition is not satisfied, Permitted Third-Party Liens, *provided* that the aggregate principal amount of Debt secured by Permitted Third-Party Liens pursuant to this Section 6.01(i) shall not exceed, immediately after giving effect to the incurrence thereof, the Basket Lien Excess Amount.

In addition, no Xerox Company that is not a Xerox Group Company (for purposes of this paragraph, "non-Xerox Group Companies") will create or permit to exist any Lien on any property now owned or hereafter acquired by it, or assign or sell any income or revenues (including accounts receivable but excluding Transfers permitted by this Agreement) or rights in respect of any thereof, that secures indebtedness that would be required to be taken into account in determining the Basket Lien Available Amount, *provided* that this sentence shall not prohibit (A) Liens created under the Security Documents, (B) any Lien on property of any non-Xerox Group Company existing on the date hereof, *provided* that such Lien shall not apply to any other property of any Xerox Company and such Lien shall secure only those obligations which it secures on the date hereof and extensions, renewals and replacements thereof that would be permitted by Section 6.05(c), if such Section applied to non-Xerox Group Companies, applying such Section to non-Xerox Group Companies, *mutatis mutandis*, or (C) Liens that would be permitted pursuant to Section 6.01(h)(ii) if such Section applied to non-Xerox Group Companies, applying such Section to non-Xerox Group Companies, *mutatis mutandis*, it being understood that any Debt secured by Liens on any property of any non-Xerox Group Company incurred in reliance on this clause (C) shall be included in the calculation of the aggregate principal amount of Debt that is allowed to be secured by Liens pursuant to Section 6.01(h)(ii).

A failure to comply with the foregoing provisions of this Section 6.01 shall not constitute a violation or breach for any purpose under this Agreement unless such failure shall continue unremedied for more than 20 Business Days after the date a Responsible Officer has knowledge of such failure.

Section 6.02. *Fundamental Changes.* (a) No Xerox Group Company will merge into or consolidate with any other Person, or liquidate or dissolve, or permit any other Person to merge into or consolidate with it, except that, if at the

time thereof and immediately after giving effect thereto no Event of Default shall have occurred and be continuing:

(i) any Person (including a Subsidiary) may merge into Xerox in a transaction in which Xerox is the surviving corporation;

(ii) any Person (including a Subsidiary) may merge into or consolidate with any Subsidiary in a transaction in which the surviving entity is a Subsidiary and (if any party to such merger is a Guarantor) is or becomes a Guarantor;

(iii) any Subsidiary (except a Credit Party) may liquidate or dissolve and any Credit Party may liquidate or dissolve into another Credit Party, *provided* that a Domestic Credit Party may only be liquidated or dissolved into another Domestic Credit Party; and

(iv) any Subsidiary may merge into another Person in a transaction in which such other Person is the surviving entity as part of an Asset Transfer permitted by Section 6.07 consisting of a sale of the stock in, or all or part of the assets of, such Subsidiary;

provided that in each case, if any such merger involves a Person that is not a wholly owned Subsidiary immediately before such merger, such merger shall not be permitted unless also permitted by Section 6.06.

(b) No Xerox Group Company (other than an IP Company) will engage in any business as its principal lines of business other than the principal lines of business engaged in by the Xerox Companies, taken as a whole, on the date hereof and similar or related businesses.

Section 6.03. *Leverage Ratio.* Xerox will not permit the Leverage Ratio as of the last day of any Fiscal Quarter to exceed the ratio set forth opposite such day below:

Period	Leverage Ratio
June 30, 2003	3.1x
September 30, 2003	2.7x
December 31, 2003	2.3x
March 31, 2004	2.2x
June 30, 2004 and thereafter	2.0x

Section 6.04. *Consolidated Net Worth.* Xerox will not permit Consolidated Net Worth as of the last day of any Fiscal Quarter (commencing with the Fiscal Quarter ending June 30, 2003) to be less than $3,000,000,000.

A failure to comply with this Section 6.04 shall not constitute a violation or breach for any purpose under this Agreement unless such failure shall continue unremedied for more than 20 Business Days after the date a Responsible Officer has knowledge of such failure.

Fall-Away Covenants Subject to Reinstatement

In addition, until such time, if ever, the Ratings Condition is satisfied, and thereafter, at any subsequent time that the Ratings Condition is not satisfied (it being understood that any transactions consummated at a time when the Ratings Condition was satisfied shall not cause a breach of any of the following covenants, but all other treatment of such transactions shall be in accordance with the Reinstatement Methodology), Xerox covenants and agrees with the Lenders that:

Section 6.05. *Debt and Preferred Stock.* No Xerox Group Company will create, incur, assume or permit to exist any Debt or Preferred Stock, except:

(a) Debt created under the Loan Documents;

(b) Debt and Preferred Stock existing on the date hereof and, in the case of any such Debt or Preferred Stock issued to or held by a Person other than a Xerox Company as of May 31, 2003, listed in Schedule 6.05 and other Debt existing on the date hereof the individual outstanding principal amount of which does not exceed $10,000,000;

(c) Permitted Refinancing Debt and Permitted Refinancing Preferred Stock;

(d) Debt incurred in the ordinary course of business the proceeds of which are not used directly or indirectly to finance a Business Acquisition, make a Restricted Payment or refinance or replace Debt that would not itself be permitted to be incurred under this Section 6.05(d), *provided* that with respect to any such incurrence of Debt in an aggregate principal amount exceeding $100,000,000 in a single transaction or a series of related transactions, such Debt shall not be permitted unless Xerox shall be in compliance with the covenants in Sections 6.03 and 6.04 and, to the extent applicable at the time incurrence of such Debt, Sections 6.13 and 6.14, in each case as of the most recent date for compliance prior to the date of the incurrence of such Debt and after giving effect on a pro forma basis to the incurrence of such Debt, and Xerox shall have delivered to the Administrative Agent, on or prior to the date of the incurrence of such Debt, a report of a Financial Officer of Xerox showing calculations in reasonable detail demonstrating such compliance;

(e) Preferred Stock that is Qualified Capital Stock;

(f) Debt or Preferred Stock of any Subsidiary issued to or held by Xerox or any Domestic Guarantor or, if such Subsidiary is not a Credit Party, any Credit Party, *provided* that any such Debt is permitted to be advanced pursuant to Section 6.06(a);

(g) Purchase Money Debt in an aggregate principal amount under this Section 6.05(g) not exceeding $75,000,000 at any time outstanding;

(h) Guarantees of Debt of Xerox under any Indenture required to be entered into pursuant to the terms thereof, Guarantees permitted by Section 6.06 and any Guarantee of Debt of any Subsidiary which Debt is permitted hereunder;

(i) Debt or Preferred Stock incurred in connection with a Qualified Receivables Transaction or the Third-Party Vendor Financing Program, *provided* that any Liens securing such Debt are permitted pursuant to Section 6.01;

(j) Debt or Preferred Stock of a Person existing at the time such Person becomes a Subsidiary, *provided* that such Debt or Preferred Stock was not created in contemplation of such Person becoming a Subsidiary and *provided further* that to the extent such Debt is secured, it is secured only by Liens permitted under 6.01(d);

(k) Debt of a Credit Party owed to any Subsidiary, *provided* that such Debt (other than Debt of Xerox owed to XCC or a Guarantor, Debt of a Guarantor owed to a Domestic Credit Party or Debt of any Credit Party owed to a Finance SPE) is subordinated to the Senior Secured Obligations on the terms set forth on Exhibit H hereto;

(l) Obligations incurred by any Xerox Company to repay any amounts directly or indirectly transferred to such Xerox Company pursuant to Section 3.03 of the Transition Proceeds Agreement dated as of November 20, 2001, as amended and restated on October 21, 2002, between Xerox Lease Funding LLC and General Electric Capital Corporation or any other arrangement pursuant to which any Xerox Company may receive and become obligated to repay amounts in a collateral, “holdback” or similar account established in connection with the Third-Party Vendor Financing Program or any Qualified Receivables Transaction;

(m) other Debt or Preferred Stock in an aggregate principal amount not exceeding $75,000,000 at any time outstanding;

(n) Debt or Preferred Stock of a Subsidiary that is not a Credit Party owed to or held by a Subsidiary that is not a Credit Party;

(o) Debt of or Preferred Stock issued by a Foreign Subsidiary owed to or held by a Foreign Subsidiary;

(p) Capital Lease Obligations arising in connection with Sale and Leaseback Transactions involving property owned by a Xerox Company as of the Effective Date or property acquired after the Effective Date as part of a Business Acquisition (or a transaction that would otherwise be a Business Acquisition but for the proviso to the definition of such term) permitted pursuant to Section 6.06(b), *provided* that the aggregate initial amount of such transactions entered into pursuant to this Section 6.05(p) shall not exceed $75,000,000;

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

(r) other Debt of Xerox or any Finance SPE, *provided* that such Debt shall not be permitted unless Xerox shall be in compliance with the covenants in Sections 6.03 and 6.04 and, to the extent applicable at the time incurrence of such Debt, Sections 6.13 and 6.14, in each case as of the most recent date for compliance prior to the date of the incurrence of such Debt and after giving effect on a pro forma basis to the incurrence of such Debt and the use of proceeds thereof, and Xerox shall have delivered to the Administrative Agent, on or prior to the date of the incurrence of such Debt, a report of a Financial Officer of Xerox showing calculations in reasonable detail, demonstrating such compliance.

A failure to comply with this Section 6.05 shall not constitute a violation or breach for any purpose under this Agreement unless such failure shall continue unremedied for more than 20 Business Days after the date a Responsible Officer has knowledge of such failure.

Section 6.06. *Investments and Acquisitions.* (a) No Xerox Group Company will make or acquire any Investment (excluding Business Acquisitions which shall be governed by Section 6.06(b)) in any Person other than:

(i) Permitted Investments;

(ii) Investments existing on the date hereof, any extension or renewal thereof that does not increase the principal amount thereof (other than to reflect any accrued interest, dividends or other amounts with respect thereto and any expenses incurred in connection with such extension or renewal) and conversions of any such debt Investments into equity Investments and contributions or other transfers of such Investments to any Xerox Company (other than for cash);

(iii) Investments in any Domestic Credit Party (including any Person that becomes a Domestic Credit Party concurrently with the making of such Investment);

(iv) Investments made by Xerox or any Domestic Subsidiary directly or indirectly in any Subsidiary that is not a Guarantor in order to enable such Subsidiary's aggregate Cash Balance to be sufficient to meet its Ordinary Course Needs and extensions and renewals of any such Investments that do not increase the principal amount thereof (other than to reflect any accrued interest, dividends and other amounts with respect thereto and any expenses incurred in connection with such extension or renewal) and the transfer or other contribution of any such Investment to any Xerox Company (other than for cash);

(v) Investments in a Subsidiary the Equity Interests of which are not 100% owned directly or indirectly by Xerox in order to (A) maintain Xerox's present direct or indirect ownership percentage in such Subsidiary in the event of a mandatory capital call or (B) acquire all or a portion of the minority interest in such Subsidiary, *provided* that all Investments made pursuant to this clause (B) in Subsidiaries that have not at any time become 100% directly or indirectly owned by Xerox and all Restricted Payments made pursuant to Section 6.09(x) shall not exceed $75,000,000 in the aggregate;

(vi) Investments received in connection with the bankruptcy or reorganization of, or settlement of delinquent accounts and disputes with, customers, suppliers or other Persons, in each case in the ordinary course of business;

(vii) Investments directly or indirectly in (A) Permitted Joint Ventures, (B) Third-Party Vendor Financing Subsidiaries, (C) XCE and Finance SPEs in connection with issuances of Capital Markets Debt or Equity Interests by such Persons or (D) any Subsidiary in connection with the Third-Party Vendor Financing Program or a Qualified Receivables Transaction, *provided* that (x) in each case, any such Investments consisting of Guarantees secured by Liens shall only be permitted to the extent such Liens are permitted pursuant to Section 6.01 and (y) the aggregate amount of the Investment made by any Xerox Company in such Persons in connection with any such transaction entered into in reliance on clause (C) above shall not exceed the aggregate amount of cash proceeds received by such Xerox Company from such transaction.

(viii) Investments made by any Xerox Company as a result of consideration received in connection with any Transfer of assets not prohibited by Section 6.07;

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

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

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

(xii) Investments in an amount taken together with all other Investments made pursuant to this Section 6.06(a)(xii) (other than those made with Qualified Capital Stock) not to exceed $750,000,000 in the aggregate at any time outstanding;

(xiii) Investments by (A) Foreign Subsidiaries in other Foreign Subsidiaries and (B) non-Credit Parties in other non-Credit Parties that are Subsidiaries or in Overseas Borrowers;

(xiv) the funding of any obligation in connection with transactions permitted by Sections 6.10(h) and 6.10(i);

(xv) Investments received as part of a redemption or payment of or for, as a dividend on, or distribution in respect of, other Investments permitted by this Section 6.06 and contributions or other transfers of such Investments to any Xerox Company (other than for cash);

(xvi) the issuance of letters of credit, including Letters of Credit under this Agreement, as support for the obligations of Ridge Re;

(xvii) Investments in Qualified Capital Stock in connection with transactions permitted by Section 6.10(h) or 6.10(i) or the replacement of XCI Class B Shares with Qualified Capital Stock of Xerox;

(xviii) Investments by a Domestic Credit Party in a Foreign Subsidiary to the extent the amount of such Investment is directly or indirectly returned or repaid to such Domestic Credit Party in each case within 10 Business Days of the initial Investment;

(xix) other Investments in an aggregate amount that does not exceed the Restricted Payments Basket Amount; and

(xx) other Investments made at any time the Investment Covenant Intermediate Ratings Condition is satisfied, *provided* that if at any subsequent time the Investment Covenant Intermediate Ratings Condition is no longer satisfied, any Investments made while the Investment Covenant Intermediate Ratings Condition was satisfied shall be subject to the Reinstatement Methodology.

(b) No Xerox Group Company will make any Business Acquisition unless Xerox shall be in compliance with the covenants in Sections 6.03 and 6.04, and to the extent applicable at the time of the consummation of such acquisition, Sections 6.13 and 6.14, in all cases as of the most recent date for compliance prior to the date of such acquisition and after giving effect on a pro forma basis to such acquisition, and Xerox shall have delivered to the Administrative Agent, on or prior to the date of the consummation of such Business Acquisition, a report of a Financial Officer of Xerox showing calculations in reasonable detail, demonstrating such compliance.

Section 6.07. *Asset Transfers*. No Xerox Group Company will consummate any Asset Transfer, except Asset Transfers that are made for fair value as determined by the applicable Xerox Company in good faith, *provided* that (a) no substantial part of the production or office businesses shall be Transferred except for Transfers of Intellectual Property described in clause (e)(iv) of the definition of "Business Effectiveness Program" and (b) with respect to any Asset Transfer (other than Transfers made in connection with a Qualified Receivables Transaction) with respect to which the Xerox Companies receive aggregate consideration exceeding $100,000,000 in a single transaction or a series of related transactions, such Asset Transfer shall not be permitted unless Xerox shall be in compliance with the covenants in Sections 6.03 and 6.04 and, to the extent applicable at the time of the incurrence of such extension, renewal, refinancing or replacement, Sections 6.13 and 6.14, in all cases as of the most recent date for compliance prior to the date of the Asset Transfer and after giving effect on a pro forma basis to the Asset Transfer, and Xerox shall have delivered to the Administrative Agent, on or prior to the consummation of such Asset Transfer, a report of a Financial Officer of Xerox showing calculations in reasonable detail, demonstrating such compliance.

Section 6.08. *Hedging Agreements.* No Xerox Group Company will enter into any Hedging Agreement after the Effective Date except Hedging Agreements entered into in the ordinary course of business (and not for speculative purposes) to hedge or manage risks to which a Xerox Company is exposed in the conduct of its business or the management of its liabilities.

Section 6.09. *Restricted Payments.* No Xerox Group Company will declare or make, or agree to pay or make, directly or indirectly, any Restricted Payment or incur any obligation (contingent or otherwise) to do so, except:

(a) payments made with Qualified Capital Stock of Xerox or the proceeds of any issuance thereof;

(b) so long as no Event of Default has occurred and is continuing, any Xerox Company may declare and pay dividends or distributions with respect to its Preferred Stock;

(c) any Xerox Company (other than Xerox) may declare and pay dividends or make other distributions with respect to its Equity Interests, *provided* that such dividends or other distributions are payable to Xerox or another Subsidiary, and so long as no Event of Default has occurred and is continuing, any Subsidiary that is not directly or indirectly wholly owned by Xerox may declare and pay dividends or make other distributions payable to the other equity holders of such Subsidiary on a pro rata basis;

(d) any Xerox Company may redeem any of its Preferred Stock (other than the Trust Preferred Securities, unless such redemption is made with (i) Qualified Capital Stock or subordinated debentures as contemplated by the terms of such Trust Preferred Securities or (ii) proceeds of an Equity Issuance or issuance of Capital Markets Debt) at any final scheduled or other mandatory redemption date thereof as in effect on the date hereof or pursuant to the terms of any Permitted Refinancing Preferred Stock;

(e) any Xerox Company may make payments of regularly scheduled principal or interest or other amounts as and when due in respect of Restricted Debt (including Restricted Debt issued in connection with the Trust Preferred Securities);

(f) any Xerox Company may make mandatory prepayments of Restricted Debt;

(g) any Xerox Company may make payments in respect of Restricted Debt the payment of which has been accelerated, in an amount taken together with all other payments made pursuant to this Section 6.09(g) not to exceed $75,000,000;

(h) any Xerox Company may redeem or purchase, or make any other payments in respect of, any Equity Interests of any Subsidiary held by a Xerox Company, *provided* that if such redeeming or purchasing Subsidiary is a Credit Party, it may only make such redemption, purchase from or payment to another Xerox Company if such other Xerox Company is a Credit Party or the proceeds of such redemption or purchase are directly or indirectly effectively transferred to a Credit Party immediately following such redemption or purchase;

(i) any (i) now or hereafter existing Business Effectiveness Program Subsidiary, (ii) now or hereafter existing Third-Party Vendor Financing Subsidiary, (iii) now or hereafter existing Receivables SPE or (iv) other Subsidiary existing on the date hereof that is not a Xerox Group Company, may declare and pay dividends or make other distributions with respect to, and may make redemptions or repurchases of, its Equity Interests;

(j) any Xerox Company may make payments to holders of such company’s Equity Interests in lieu of the issuance of fractional shares;

(k) any Xerox Company may repurchase or otherwise acquire shares of Qualified Capital Stock of Xerox from employees, former employees, directors or former directors of any Xerox Company (or permitted transferees of such employees, former employees, directors or former directors), pursuant to the terms of the agreements (including employment agreements) or plans (or amendments thereto) approved by the Board of Directors of Xerox under which such individuals purchase or sell, or are granted the option to purchase or sell, shares of such Qualified Capital Stock, *provided* that the aggregate amount paid pursuant to this Section 6.09(k) does not exceed $25,000,000;

(l) any Xerox Company may make Restricted Payments that constitute Investments permitted by Section 6.06;

(m) XCI may distribute to the holders of the XCI Class B Shares rights to acquire additional XCI Class B Shares so long as (i) such rights are issued as a part of a plan to effectuate a direct or indirect conversion of the outstanding XCI Class B Shares and all such rights into Qualified Capital Stock and (ii) such conversion occurs promptly after such distribution;

(n) Xerox may redeem the ESOP Preferred Shares as and when required by the terms of the ESOP Plan, *provided* that the aggregate amount paid pursuant to this Section 6.09(n) does not exceed $50,000,000;

(o) payment of Restricted Debt to any Xerox Company, *provided* such Debt is permitted under Section 6.05 and such payment is permitted under the applicable subordination provisions;

(p) purchases, repurchases or other acquisitions of Restricted Debt purchased in anticipation of satisfying a sinking fund obligation, principal installment or final maturity, in each case due within three months of the date of such purchase, repurchase or other acquisition;

(q) payments of Restricted Debt with the proceeds of Debt that is permitted to be incurred under Section 6.05(c);

(r) deposits that are Liens permitted by Section 6.01;

(s) payments of Restricted Debt incurred after the date hereof in order to cure a default under Section 6.01 or 6.05 hereof;

(t) payments by a Xerox Company that is not a Credit Party in respect of Restricted Debt of a Xerox Company (other than Restricted Debt issued in connection with the issuance of the Trust Preferred Securities);

(u) other payments in an aggregate amount that do not exceed the Restricted Payments Basket Amount;

(v) payments by XCC to the Secured Parties pursuant to its Guarantee of the Secured Obligations;

(w) agreements to make Restricted Payments, *provided* that such agreements to make Restricted Payments not otherwise permitted under this Section 6.09 (at the time such agreements are entered into) provide that receipt of a waiver of this Section 6.09 is a condition to the requirement that such Restricted Payment be made; and

(x) any Xerox Group Company may make Restricted Payments in connection with the redemption or repurchase of its own Equity Interests in order to acquire all or a portion of the minority interest of such Xerox Group Company, *provided* that the amount of all Restricted Payments made pursuant to this Section 6.09(x) and all Investments made pursuant to Section 6.06(a)(v)(B), in each case in Subsidiaries that have not at any time become 100% directly or indirectly owned by Xerox, does not exceed $75,000,000 in the aggregate;

each of the foregoing payments in respect of Restricted Debt may be made together with interest, fees, premiums and other amounts outstanding in respect thereof.

Section 6.10. *Transactions with Affiliates.* No Xerox Group Company will Transfer any property to, or purchase, lease, license or otherwise acquire any property from, or otherwise engage in any other transaction with, any of its Affiliates, except:

(a) transactions in the ordinary course of business that are at prices and on terms and conditions not less favorable in any material respect to such Xerox Company than could reasonably have been obtained in the good faith judgment of the applicable Xerox Company on an arm's-length basis from unrelated third parties;

(b) transactions in the ordinary course of business between Xerox Companies;

(c) transactions (i) between or among Xerox and the Domestic Guarantors, (ii) between or among Subsidiaries that are not Credit Parties, in each case not involving any other Affiliate, (iii) between or among Subsidiaries that are not Credit Parties and Overseas Borrowers, in each case not involving any other Affiliate and (iv) between or among Subsidiaries that are Foreign Subsidiaries;

(d) any Restricted Payment permitted by Section 6.09;

(e) any Investment permitted by Section 6.06;

(f) any merger or other transaction permitted by Section 6.02(a);

(g) Qualified Receivables Transactions with a Receivables SPE and the provision of billing, collection and other services in connection therewith or transactions entered into in connection with the Third-Party Vendor Financing Program and other transactions with Permitted Joint Ventures;

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

(i) any agreement, instrument or arrangement as in effect on the Effective Date, but, in the case of any such material agreement, instrument or arrangement with directors, officers and shareholders of Xerox, only to the extent set forth in Schedule 6.10, in each case together with any amendment thereto, any transaction contemplated thereby (including pursuant to any amendment thereto), or any replacement agreement thereto so long as any such amendment or replacement agreement is not more disadvantageous to any Xerox Company in any material respect than the original agreement as in effect on the Effective Date as determined in the good faith judgment of Xerox; and

(j) the issuance or sale of any Qualified Capital Stock.

Section 6.11. *Restrictive Agreements.* No Xerox Group Company will, directly or indirectly, enter into or permit to exist any agreement or other arrangement that prohibits, restricts or imposes any condition on (a) the ability of any Xerox Group Company (other than restrictions on Finance SPEs or Third-Party Vendor Financing Subsidiaries) to create or permit to exist any Lien on any of its property or (b) the ability of any Xerox Group Company (other than restrictions on Finance SPEs or Third-Party Vendor Financing Subsidiaries) to (i) pay to any Xerox Group Company dividends or other distributions with respect to any shares of its capital stock, (ii) make or repay loans or advances to any other Xerox Group Company or (iii) Guarantee Debt of any other Xerox Group Company, *provided* that the foregoing shall not apply to:

(A) prohibitions, restrictions and conditions imposed by Applicable Law (including at the direction of any insurance department), by any Loan Document or in connection with the Third Party Vendor Financing Program or any Qualified Receivables Transaction;

(B) prohibitions, restrictions and conditions existing on the date hereof (but shall apply to any amendment or modification expanding the scope of any such restriction or condition);

(C) customary prohibitions, restrictions and conditions contained in agreements relating to the sale of a Subsidiary or any assets pending such sale, *provided* that such restrictions and conditions apply only to the Subsidiary or assets that is to be sold, or to any Xerox Company party to such agreement (with respect to such Subsidiary or asset) and such sale is permitted hereunder;

(D) prohibitions, restrictions or conditions imposed by any agreement relating to (x) secured Debt permitted by this Agreement if such prohibitions, restrictions or conditions apply only to the property securing such Debt or (y) with respect to restrictions of the type described in clauses (a)(iii) and (a)(iv) of the definition of "Qualification Requirements", to the extent the Qualification Requirements have been satisfied with respect to such restrictions, Qualified Business Effectiveness Program Subsidiaries;

(E) customary provisions in leases, licenses and other contracts restricting the assignment, transfer, pledge or other encumbrance thereof or customary provisions in the governing documents of permitted joint ventures (including Permitted Joint Ventures), *provided* that such provisions apply only to such joint venture and its Equity Interests;

(F) prohibitions, restrictions or conditions imposed by any agreement relating to Capital Markets Debt, to the extent such prohibitions, restrictions or conditions are no more restrictive than those set forth herein, except that with respect to restrictions of the type described in Section 6.11(a) above, such restrictions shall be no more restrictive than those set forth in the High Yield Indenture;

(G) prohibitions, restrictions or conditions contained in any agreements relating to any Debt that is not Capital Markets Debt or to the refinancing of any Debt, to the extent such restrictions or conditions are no more restrictive than those set forth herein; and

(H) prohibitions, restrictions or conditions imposed in any agreement relating to Debt of any Xerox Company that is not a Credit Party to the extent applicable only to such Xerox Companies and their subsidiaries;

provided that it is understood that references to prohibitions, restrictions or conditions no more onerous or restrictive than those set forth herein are qualified to the extent that such restrictions or conditions may not prevent, in a manner more restrictive than the High Yield Indenture, the Lenders from being secured as provided herein and in the other Loan Documents.

Section 6.12. *Overseas Borrower Status; XFI.* (a) Except in the case of XCI or any of its subsidiaries (if XCI or such subsidiary is designated as an Overseas Borrower), Xerox will not change, alter or otherwise modify, and will not allow any Subsidiary to change, alter or otherwise modify, the nature of the business of any Overseas Borrower to the extent that such change, alteration or modification will make such Overseas Borrower a "Specified Subsidiary" under the High Yield Indenture or make such Overseas Borrower fall within any equivalent category under any other Reference Indenture).

(b) Notwithstanding the requirements of the Collateral and Guarantee Requirement, XFI (or any successor owner of all the capital stock of Xerox Austria) shall not be required to pledge any shares of Xerox Austria. However, if, at any time, and for so long as, XFI (or any such successor) is a Wholly-Owned Material Domestic Subsidiary and, at the same time, Xerox Austria is a Material Foreign Subsidiary and 65% of its outstanding voting Equity Interests have not been pledged as contemplated hereunder, notwithstanding any other provision of this Agreement, XFI (or any such successor) will not engage in any business or conduct any activity other than that of a holding company owning stock or Debt of other Xerox Companies and activities incidental thereto, and without limiting the generality of the foregoing, XFI (or such successor) shall not incur or have outstanding any Debt unless (i) such Debt is owed to a Credit Party or (ii) such Debt is owed to a Subsidiary and is subordinated to the Senior Secured Obligations on the terms set forth on Exhibit H hereto, it being understood that unless otherwise prohibited by this Agreement, XFI (or such successor) or Xerox Austria may be liquidated or dissolved.

Fall Away Covenants not Subject to Reinstatement

In addition, until such time, if ever, the Ratings Condition is satisfied (it being understood that once the Ratings Condition has been satisfied, the following covenants shall not be reinstated regardless of the ratings of Xerox at any subsequent time), Xerox covenants and agrees with the Lenders that:

Section 6.13. *Capital Expenditures.* Xerox will not permit the aggregate amount of Capital Expenditures made in the Fiscal Year ending December 31, 2003 to exceed $405,000,000 and in any subsequent Fiscal Year, to exceed the sum of:

(a) $330,000,000; plus

(b) the Carry Over Amount for such Fiscal Year;

provided that Capital Expenditures may also be made in an aggregate amount that does not exceed the Restricted Payments Basket Amount.

Section 6.14. *Minimum Consolidated EBITDA.* Xerox will not permit Consolidated EBITDA for any period of four consecutive Fiscal Quarters ending on any date set forth below, to be less than the amount set forth below opposite such date:

Period	Consolidated EBITDA
June 30, 2003	$1,070,000,000
September 30, 2003	$1,133,000,000
December 31, 2003	$1,168,000,000
March 31, 2004	$1,135,000,000
June 30, 2004	$1,158,000,000
September 30, 2004	$1,174,000,000
December 31, 2004 and thereafter	$1,290,000,000

ARTICLE 7
EVENTS OF DEFAULT

Section 7.01. *Events of Default.* If any of the following events ("**Events of Default**") shall occur:

(a) any Borrower shall fail to pay any principal of any Loan or any LC Reimbursement Obligation when the same shall become due, whether at the due date thereof or at a date fixed for prepayment thereof or otherwise;

(b) any Borrower shall fail to pay when due any interest on any Loan or any fee or other amount (except an amount referred to in Section 7.01(a)) payable under any Loan Document, and such failure shall continue unremedied for a period of three Business Days;

(c) any representation, warranty or certification made or deemed made by or on behalf of any Xerox Company in any Loan Document or any amendment or modification thereof or waiver thereunder, or in any report, certificate, financial statement or other document furnished pursuant to any Loan Document or any amendment or modification thereof or waiver thereunder, shall prove to have been incorrect in any material respect when made or deemed made;

(d) any Borrower shall fail to observe or perform any covenant or agreement contained in Article 6 or in Section 5.02, 5.04 (with respect to the existence of such Borrower) or 5.10;

(e) any Credit Party shall fail to observe or perform any covenant or agreement contained in any Loan Document (other than those specified in Section 7.01(a), 7.01(b) or 7.01(d) above), and such failure shall continue unremedied for a period of 30 days after notice thereof from the Administrative Agent to Xerox (which notice will be given at the request of any Lender);

(f) any Xerox Company shall fail to make a payment or payments (whether of principal or interest and regardless of amount) in respect of Material Debt when the same shall become due or shall fail to make a payment or payments under one or more Hedging Agreements aggregating in excess of $50,000,000 when the same shall become due, in any case, whether at the due date thereof or at a date fixed for prepayment thereof or otherwise, and such failure shall continue beyond any grace period applicable thereto;

(g) any non-payment default under any agreement governing any Material Debt occurs that (i) results in Material Debt becoming due before its scheduled maturity or (ii) enables or permits (without the giving of notice or the lapse of time or any such notice having been given or any such grace period having expired) the holder or holders of Material Debt or any trustee or agent on its or their behalf to cause Material Debt to become due, or to require the prepayment, repurchase, redemption or defeasance thereof, before its scheduled maturity, *provided* that this Section 7.01(g) shall not apply to secured Debt that becomes due as a result of a voluntary sale or transfer of the property securing such Debt;

(h) an involuntary proceeding shall be commenced or an involuntary petition shall be filed seeking (i) liquidation, reorganization or other relief in respect of Xerox or any Material Subsidiary or its debts, or of a substantial part of its assets, under any Federal, state, provincial or foreign bankruptcy, insolvency, receivership or similar law now or hereafter in effect or (ii) the appointment of a receiver, manager, trustee, custodian, sequestrator, conservator or similar official for Xerox or any Material Subsidiary or for a substantial part of its assets, and, in any such case, such proceeding or petition shall continue undismissed for 60 days or an order or decree approving or ordering any of the foregoing shall be entered;

(i) Xerox or any Material Subsidiary shall (i) voluntarily commence any proceeding or file any petition seeking liquidation, reorganization or other relief under any Federal, state, provincial or foreign bankruptcy, insolvency, receivership or similar law now or

hereafter in effect, (ii) consent to the institution of, or fail to contest in a timely and appropriate manner, any proceeding or petition described in Section 7.01(h) above, (iii) apply for or consent to the appointment of a receiver, manager, trustee, custodian, sequestrator, conservator or similar official for Xerox or any Material Subsidiary or for a substantial part of its assets, (iv) file an answer admitting the material allegations of a petition filed against it in any such proceeding, (v) make a general assignment for the benefit of creditors or (vi) take any action for the purpose of effecting any of the foregoing;

(j) Xerox or any Material Subsidiary shall become unable, admit in writing its inability or fail generally to pay its debts as they become due;

(k) one or more judgments for the payment of money in an aggregate amount (exclusive of amounts adequately covered by insurance from a solvent insurance company that is not an Affiliate of any of the Xerox Companies and that is not denying its liability in writing to Xerox with respect thereto) exceeding the lesser of (x) $75,000,000 and (y) the dollar amount set forth in Section 501(5) of the High Yield Indenture (or, if all of the Debt issued under the High Yield Indenture has been repaid in full, the lowest dollar amount set forth in any other equivalent provision (if any) of any other Indenture of Xerox) shall be rendered against one or more Xerox Companies and (i) shall remain undischarged for a period of 45 consecutive days during which execution shall not be effectively stayed or (ii) any action shall be legally taken by a judgment creditor to attach or levy upon any asset of any Xerox Company to enforce any such judgment;

(l) an ERISA Event shall have occurred (other than in respect of a Disclosed Matter) that, when taken together with all other ERISA Events that have occurred, could reasonably be expected to result in liability of Xerox and its Subsidiaries in an aggregate amount exceeding $75,000,000 in any year;

(m) any Lien purported to be created under any Security Document shall cease to be a valid and perfected Lien on any material Collateral, or any Lien purported to be created under any Security Document shall be asserted by any Credit Party not to be a valid and perfected Lien on any Collateral, with the priority required by the applicable Security Document, except (i) as a result of a Transfer of the applicable Collateral in a transaction permitted under the Loan Documents or other release provided for in the Loan Documents, (ii) as a result of the Administrative Agent’s failure to maintain possession of any stock certificates, promissory notes or other documents delivered to it under the relevant Security Document or (iii) correctable errors of any copyright office or the Patent and Trademark Office or any Credit Party with respect

to Intellectual Property filings, to the extent the relevant Credit Party promptly causes such error to be corrected;

(n) any Guarantor's Secured Guarantee shall at any time fail to constitute a valid and binding agreement of such Guarantor or any party shall so assert in writing (other than as a result of transactions permitted by the Loan Documents); or

(o) a Change in Control shall occur;

then, and in every such event (except an event with respect to any Borrower described in Section 7.01(h) or 7.01(i) above), and at any time thereafter during the continuance of such event, the Administrative Agent may, and at the request of the Required Lenders shall, by notice to Xerox, take either or both of the following actions, at the same or different times: (i) terminate the Revolving Commitments, and thereupon the Revolving Commitments shall terminate immediately, and (ii) declare the Loans then outstanding to be due and payable in whole (or in part, in which case any principal not so declared to be due and payable may thereafter be declared to be due and payable), and thereupon the principal of the Loans so declared to be due and payable, together with accrued interest thereon and all fees and other obligations of the Borrowers accrued hereunder, shall become due and payable immediately, without presentment, demand, protest or other notice of any kind, all of which are waived by the Borrowers; and in the case of any event with respect to any Borrower described in Section 7.01(h) or 7.01(i) above, the Revolving Commitments shall automatically terminate and the principal of the Loans then outstanding, together with accrued interest thereon and all fees and other obligations of the Borrowers accrued hereunder, shall automatically become due and payable, without presentment, demand, protest or other notice of any kind, all of which are waived by the Borrowers.

ARTICLE 8
THE ADMINISTRATIVE AGENT

Section 8.01. *Appointment and Authorization.* Each Lender Party irrevocably appoints the Administrative Agent as its contractual representative and authorizes the Administrative Agent (a) to sign and deliver the Security Documents and (b) to take such actions on its behalf and to exercise such powers as are delegated to the Administrative Agent by the terms of the Loan Documents, together with such actions and powers as are reasonably incidental thereto, including acting as the syndication manager under the Provisional Treaty Relief Scheme for United Kingdom interest payments (the "**United Kingdom Syndication Manager**"). In its capacity as the Lenders' contractual representative, the Administrative Agent (i) does not hereby assume any fiduciary duties to any of the Lenders, (ii) is a "representative" of the Lenders within the meaning of the term "secured party" as defined in the UCC and (iii) is acting as

an independent contractor, the rights and duties of which are limited to those expressly set forth in this Agreement and the other Loan Documents. Each of the Lenders hereby agrees to assert no claim against the Administrative Agent on any agency theory or any other theory of liability for breach of fiduciary duty, all of which claims each Lender hereby waives.

Section 8.02. *Rights and Powers as a Lender.* A bank serving as the Administrative Agent shall, in its capacity as a Lender, have the same rights and powers as any other Lender and may exercise the same as though it were not the Administrative Agent. Such bank and its Affiliates may accept deposits from, lend money to and generally engage in any kind of trust, debt, equity or other business transaction with any Xerox Company or Affiliate thereof as if it were not the Administrative Agent.

Section 8.03. *General Immunity.* Neither the Administrative Agent nor any of its directors, officers, sub-agents or employees shall be liable to Xerox or any other Borrower, the Lenders or any Lender for any action taken or omitted to be taken by it or them hereunder or under any other Loan Document or in connection herewith or therewith, except to the extent such action or inaction is determined in a final, non-appealable judgment by a court of competent jurisdiction to have arisen from the gross negligence or willful misconduct of such Person.

Section 8.04. *Limited Duties and Responsibilities.* The Administrative Agent shall not have any duties or obligations except those expressly set forth in the Loan Documents. Without limiting the generality of the foregoing, (a) the Administrative Agent shall not be subject to any fiduciary or other implied duties, regardless of whether a Default has occurred and is continuing, (b) the Administrative Agent shall not have any duty to take any discretionary action or exercise any discretionary powers, except discretionary rights and powers expressly contemplated by the Loan Documents that the Administrative Agent is required in writing to exercise by the Required Lenders (or such other number or percentage of the Lenders as shall be necessary under the circumstances as provided in Section 9.02), *provided* that the Administrative Agent is indemnified to its satisfaction by the Lenders pro rata against any and all liability, cost and expense that it may incur by reason of taking, or continuing to take any such action, and (c) except as expressly set forth in the Loan Documents, the Administrative Agent shall not have any duty to disclose, and shall not be liable for any failure to disclose, any information relating to any Xerox Company that is communicated to or obtained by the bank serving as Administrative Agent or any of its Affiliates in any capacity. The Administrative Agent shall not be liable for any action taken or not taken by it with the consent or at the request of the Required Lenders (or such other number or percentage of the Lenders as shall be necessary under the circumstances as provided in Section 9.02). The Administrative Agent shall be deemed not to have knowledge of any Default unless and until written notice thereof specifying that it is a “notice of default” is given to the Administrative Agent by Xerox or a Lender, and the Administrative

Agent shall not be responsible for or have any duty to ascertain or inquire into (i) any statement, warranty or representation made in or in connection with any Loan Document, (ii) the contents of any certificate, report or other document delivered thereunder or in connection therewith, (iii) the performance or observance of any of the covenants, agreements or other terms or conditions set forth in any Loan Document including any covenant or agreement by a Xerox Company to furnish information directly to each Lender, (iv) the validity, enforceability, sufficiency, effectiveness or genuineness of any Loan Document or any other agreement, instrument or document, (v) the value, sufficiency, creation, perfection or priority of any Lien in any collateral security, (vi) the financial condition of any Xerox Company or (vii) the satisfaction of any condition set forth in Article 4 or elsewhere in any Loan Document, other than to confirm receipt of items expressly required to be delivered to the Administrative Agent.

Section 8.05. *Authority to Rely on Certain Writings, Statements and Advice.* The Administrative Agent shall be entitled to rely on, and shall not incur any liability for relying on, any notice, request, certificate, consent, statement, instrument, document or other writing believed by it to be genuine and to have been signed or sent by the proper Person. The Administrative Agent also may rely on any statement made to it orally or by telephone and believed by it to be made by the proper Person and shall not incur any liability for relying thereon. The Administrative Agent may consult with legal counsel (who may be counsel for any Xerox Company), independent accountants and other experts selected by it, and shall not be liable for any action taken or not taken by it in accordance with the advice of any such counsel, accountants or experts.

Section 8.06. *Sub-Agents and Related Parties.* The Administrative Agent may perform any and all its duties and exercise its rights and powers by or through one or more sub-agents appointed by it. The Administrative Agent and any such sub-agent may perform any and all its duties and exercise its rights and powers through their respective Related Parties. The exculpatory provisions of the preceding Sections of this Article shall apply to any such sub-agent and to the Related Parties of the Administrative Agent and any such sub-agent, and shall apply to activities in connection with the syndication of the credit facilities provided for herein as well as activities as Administrative Agent.

Section 8.07. *Resignation, Successor Administrative Agent.* Subject to the appointment and acceptance of a successor Administrative Agent as provided in this Section 8.07, the Administrative Agent may resign at any time by notifying the Lenders, the LC Issuing Banks and Xerox. Upon any such resignation, the Required Lenders shall have the right to appoint a successor, with the consent of Xerox (such consent not to be unreasonably withheld or delayed). If no successor shall have been so appointed by the Required Lenders and shall have accepted such appointment within 30 days after the retiring Administrative Agent gives notice of its resignation, then the retiring Administrative Agent may, on behalf of the Lenders and the LC Issuing Banks, appoint a successor Administrative Agent with the consent of Xerox (such consent not to be unreasonably withheld or

delayed). If no successor shall have been so appointed by the Administrative Agent with Xerox's consent (as provided in the immediately preceding sentence) and shall have accepted such appointment within 60 days after the retiring Administrative Agent gives notice of its resignation, then the retiring Administrative Agent may, on behalf of the Lenders and the LC Issuing Banks, appoint a successor Administrative Agent without the consent of Xerox. Upon acceptance of its appointment as Administrative Agent hereunder by a successor, such successor shall succeed to and become vested with all the rights, powers, privileges and duties of the retiring Administrative Agent, and the retiring Administrative Agent shall be discharged from its duties and obligations hereunder. The fees payable by the Borrowers to a successor Administrative Agent shall be the same (without duplication) as those payable to its predecessor unless otherwise agreed by the Borrowers and such successor. After the Administrative Agent's resignation hereunder, the provisions of this Article and Section 9.04 shall continue in effect for the benefit of such retiring Administrative Agent, its sub-agents and their respective Related Parties in respect of any actions taken or omitted to be taken by any of them while the retiring Administrative Agent was acting as Administrative Agent.

Section 8.08. *Credit Decisions by Lenders.* Each Lender acknowledges that it has, independently and without reliance on the Administrative Agent or any other Lender and based on such documents and information as it has deemed appropriate, made its own credit analysis and decision to enter into this Agreement. Each Lender also acknowledges that it will, independently and without reliance on the Administrative Agent or any other Lender and based on such documents and information as it shall from time to time deem appropriate, continue to make its own decisions in taking or not taking action under or based on this Agreement, any other Loan Document or related agreement or any document furnished hereunder or thereunder.

ARTICLE 9
MISCELLANEOUS

Section 9.01. Notices. (a) Except in the case of notices and other communications expressly permitted to be given by telephone, all notices and other communications provided for herein shall be in writing and shall be delivered by hand or overnight courier service, mailed by certified or registered mail, sent by telecopy or sent by electronic mail, as follows:

(i) if to any Borrower, to Xerox at 800 Long Ridge Road, Stamford, CT 06904, Attention of Treasury Department (Telecopy No. 203-968-4373), with a copy to General Counsel (Telecopy No. 203-968-3446; electronic mail address rhonda.seegal@usa.xerox.com with a simultaneous copy to christina.clayton@usa.xerox.com);

(ii) if to the Administrative Agent (including in its capacity as a Lender or LC Issuing Bank), to JPMorgan Chase Bank, 270 Park Avenue, 4th Floor, New York, New York, 10017, Attention David Mallett, Vice President (Telecopy No. 212-270-4584; electronic mail address david.mallett@jpmorgan.com); and

(iii) if to any other Lender (including in its capacity as an LC Issuing Bank), to it at its address, telecopy number or electronic mail address) set forth in its Administrative Questionnaire.

Any party hereto may change its address, telecopy number or electronic mail address for notices and other communications hereunder by notice to the Administrative Agent and Xerox. All notices and other communications given to any party hereto in accordance with the provisions of this Agreement will be deemed to have been given on the date of receipt or, in the case of any notice provided pursuant to Article 7 sent by electronic mail, confirmation by the recipient of receipt of such notice. It is acknowledged that the Administrative Agent may provide notices and other communications to the Lenders using "Intralinks" (www.intralinks.com) or a similar, reputable forum on the internet, and such notices or communications will be deemed to have been given on the date of notification by electronic mail of posting to such forum.

(b) Each Overseas Borrower hereby designates Xerox as its representative and agent on its behalf for the purposes of giving and receiving all notices (other than Borrowing Requests and requests for the issuance of Letters of Credit pursuant to Section 2.04) and any other documentation required to be delivered to it pursuant to this Agreement and any other Loan Document by the Administrative Agent or any Lender. Xerox hereby accepts such appointment. The Agents and the Lenders may regard any notice (other than Borrowing Requests and requests for the issuance of Letters of Credit pursuant to Section 2.04) or other communication pursuant to any Loan Document from Xerox as a notice or communication from all Borrowers, and may give any notice or communication required or permitted to be given to any Overseas Borrower or Overseas Borrowers hereunder to Xerox on behalf of such Overseas Borrower or Overseas Borrowers. Each Overseas Borrower agrees that each notice, election, representation and warranty, covenant, agreement and undertaking made on its behalf by Xerox shall be deemed for all purposes to have been made by such Overseas Borrower and shall be binding upon and enforceable against such Overseas Borrower to the same extent as if the same had been made directly by such Overseas Borrower.

Section 9.02. *Waivers; Amendments.* (a) No failure or delay by any Lender Party in exercising any right or power hereunder or under any other Loan Document shall operate as a waiver thereof, nor shall any single or partial exercise of any such right or power, or any abandonment or discontinuance of steps to enforce such a right or power, preclude any other or further exercise thereof or the exercise of any other right or power. The rights and remedies of the

Lender Parties under the Loan Documents are cumulative and are not exclusive of any rights or remedies that they would otherwise have. No waiver of any provision of any Loan Document or consent to any departure by any Credit Party therefrom shall in any event be effective unless the same shall be permitted by Section 9.02(b)—9.02(d), and then such waiver or consent shall be effective only in the specific instance and for the purpose for which given. Without limiting the generality of the foregoing, neither the making of a Loan nor the issuance, amendment, renewal or extension of a Letter of Credit shall be construed as a waiver of any Default, regardless of whether any Lender Party had notice or knowledge of such Default at the time.

(b) No Loan Document or provision thereof may be waived, amended or modified except by an agreement in writing and signed by the Required Lenders (and, if the rights or duties of the Administrative Agent or the LC Issuing Banks are affected thereby, by the Administrative Agent or the LC Issuing Banks, as the case may be) and the Borrowers (except, in each case, as expressly provided in the Loan Documents). Additionally, no waiver, amendment, or modification set forth in Sections 9.02(c)—9.02(d) below will be effective without, in addition, the signatures of the Persons required therein.

(c) *Actions Requiring a Unanimous Lender Vote*. Without the written consent of each Lender, no amendment, waiver or modification of any Loan Document will be effective to do any of the following:

(i) change the percentage of the Lender Shares or the percentage of any of the Revolving Commitments or of the aggregate unpaid principal amount of the Loans, or the number of Lenders, which shall be required for the Lenders or any of them to take any action under any Loan Document;

(ii) amend this Section 9.02;

(iii) change the definition of “Lender Share” or “Required Lenders”;

(iv) change Section 2.16(b) or Section 2.16(c) in a manner that would alter the pro rata sharing of payments required thereby; or

(v) release all or any substantial portion of the Collateral, or release Xerox’s Guarantee of the obligations of the Overseas Borrowers (except as expressly provided in Section 9.03 or in the relevant Security Document).

(d) *Actions Requiring the Vote of Each Affected Lender*. Without the written consent of each Lender affected thereby, no amendment, waiver or modification of any Loan Document will be effective to do any of the following:

(i) increase the Commitment of such Lender;

(ii) reduce the principal amount of any Loan or LC Disbursement or reduce the rate of interest thereon, or reduce any fee payable hereunder; or

(iii) postpone the maturity of any Loan, or the required date of reimbursement of any LC Disbursement, or any date for the payment of any interest or fee payable hereunder, or reduce the amount of, waive or excuse any such payment, or postpone the scheduled date of expiration of any Commitment.

Section 9.03. *Automatic Releases.* (a) Notwithstanding anything to the contrary herein or in any other Loan Document, upon the Transfer of any Collateral by any Credit Party, the Lender Parties hereby agree that the security interest granted in such Collateral shall immediately and automatically terminate and all rights to such Collateral shall automatically revert to such Credit Party without any further action by the Administrative Agent, any Lender, any Issuing Bank or any other Person.

(b) Notwithstanding anything to the contrary herein or in any other Loan Document, in the event (i) all of the Equity Interests in any Guarantor shall be sold or otherwise disposed of (including by merger or consolidation) in a sale permitted by this Agreement or a Guarantor shall liquidate or dissolve in a transaction permitted by this Agreement, (ii) any Guarantor becomes a Business Effectiveness Program Subsidiary or ceases to be a Subsidiary in accordance with Section 6.07, (iii) with respect to any Overseas Borrower, all of the Release Conditions with respect to such Overseas Borrower have been satisfied or (iv) with respect to Xerox or any Guarantor, all of the Release Conditions are satisfied, then, in each case, the obligations of such Guarantor or Borrower (as the case may be) hereunder and pursuant to any Loan Document shall automatically be discharged and released, and all rights to or security interests in the Collateral of such Guarantor or Borrower (as the case may be) in favor of the Secured Parties shall revert to the applicable Guarantor or Borrower or be released, as the case may be, in each case without any further action by any Secured Party or any other Person. If at any time any payment of a Secured Obligation is rescinded or must be otherwise restored or returned upon the insolvency or receivership of Xerox, any Overseas Borrower or otherwise, any Guarantee or Guarantees in respect of such Secured Obligation that have been discharged and released pursuant to Section 9.03(b)(iii) or 9.03(b)(iv) shall be reinstated with respect thereto as though such payment had been due but not made at such time.

(c) In the event the Ratings Condition is satisfied, the security interests in the Collateral granted under the Security Documents shall immediately and automatically terminate except as otherwise provided under the Security Agreement. If at any time thereafter the Ratings Condition is not satisfied, the security interests in the Collateral granted under the Security Documents shall be

immediately and automatically reinstated and Xerox shall cause the Collateral and Guarantee Requirement to be satisfied. The foregoing release and reinstatement of the Collateral are both more fully described in the Security Agreement.

(d) Upon any termination or release of obligations or Collateral pursuant to this Section 9.03, the Collateral Agent will, at the expense of the relevant Credit Party, execute and deliver to such Credit Party such documents as such Credit Party shall reasonably request to evidence the termination or release of such obligations or Collateral, as the case may be.

(e) Notwithstanding anything to the contrary herein or in any other Loan Document, if any Guarantor is not or otherwise ceases to be a Material Domestic Subsidiary in accordance with the definitions thereof and Xerox has notified the Administrative Agent in writing that it requests that such Guarantor be released from its obligations under the Loan Documents, then the obligations of such Guarantor hereunder and pursuant to any Loan Document shall automatically be discharged and released, and all rights to or security interests in the Collateral of such Guarantor in favor of the Secured Parties shall revert to the applicable Guarantor or be released, as the case may be, without any further action by any Secured Party or any other Person.

(f) Notwithstanding anything to the contrary herein or in any other Loan Document, if Xerox indicates, in a certificate delivered pursuant to Section 5.01(f), that any Foreign Subsidiary the Equity Interests of which have been pledged to the Collateral Agent as part of the Collateral is not a Material Foreign Subsidiary as of the date of delivery of such certificate and Xerox has notified the Administrative Agent in writing that it requests that the Equity Interests of such Foreign Subsidiary be released, then the pledge of the Equity Interests in such Foreign Subsidiary shall automatically be discharged and released, and all rights to such Equity Interests in favor of the Secured Parties shall revert to the applicable Guarantor without any further action by any Secured Party or any other Person, and the Collateral Agent shall return any certificates evidencing such Equity Interests to the applicable Guarantor.

(g) Notwithstanding anything to the contrary herein or in any other Loan Document, if any Subsidiary the Equity Interests of which have been pledged to the Collateral Agent as part of the Collateral becomes a Qualified Business Effectiveness Program Subsidiary with respect to which the Qualification Requirements have been satisfied with respect to a prohibition on the pledge of the Equity Interests of such Subsidiary to the Collateral Agent as part of the Collateral thereto, then the pledge of the Equity Interests in such Subsidiary shall automatically be discharged and released, and all rights to such Equity Interests in favor of the Secured Parties shall revert to the applicable Guarantor without any further action by any Secured Party or any other Person, and the Collateral Agent shall return any certificates evidencing such Equity Interests to the applicable Guarantor.

Section 9.04. *Expenses; Indemnity; Damage Waiver.* (a) Each of the Borrowers, with respect to itself and its Subsidiaries, shall pay (i) all reasonable out-of-pocket expenses incurred by the Administrative Agent and its Affiliates, including the reasonable fees, charges and disbursements of one external counsel (and appropriate local counsel) for both the Administrative Agent and the Syndication Agent, in connection with the syndication of the credit facilities provided for herein, the preparation and administration of the Loan Documents and any amendments, modifications or waivers of the provisions thereof (whether or not the transactions contemplated hereby or thereby shall be consummated) (including reasonable out-of-pocket expenses incurred by the Administrative Agent in connection with its obligations under Sections 2.15(d) – (g)), (ii) all reasonable out-of-pocket expenses incurred by the LC Issuing Banks in connection with the issuance, amendment, renewal or extension of any Letter of Credit or any demand for payment thereunder and (iii) at any time when an Event of Default has occurred and is continuing, all out-of-pocket expenses incurred by any Lender Party in connection with the enforcement or protection of its rights in connection with the Loan Documents (including its rights under this Section 9.04), the Letters of Credit or the Loans, including all such out-of-pocket expenses incurred during any workout, restructuring or negotiations in respect of the Letters of Credit or the Loans, *provided* that as to any Lender Party other than the Administrative Agent, unless Xerox agrees otherwise, Xerox's liability pursuant to this clause (iii) for fees, charges and disbursements of counsel shall be limited to the reasonable fees, charges and disbursements of one external counsel (and appropriate local counsel) for the Administrative Agent unless there are actual or potential conflicting interests between such other Lender Party and the Administrative Agent arising out of the matters within the scope of this clause (iii).

(b) Each of the Borrowers, with respect to itself and its Subsidiaries, shall indemnify each of the Lender Parties and their respective Related Parties (each such Person being called an "**Indemnitee**") against, and hold each Indemnitee harmless from, any and all losses, claims, damages, liabilities and related expenses, including the reasonable fees, charges and disbursements of counsel for any Indemnitee, incurred by or asserted against any Indemnitee arising out of, in connection with, or as a result of (i) the execution or delivery of any Loan Document or any other agreement or instrument contemplated hereby, the performance by the parties to the Loan Documents of their respective obligations thereunder or the consummation of the Transactions or any other transactions contemplated hereby, (ii) any Loan or the use of the proceeds therefrom or any Letter of Credit or the use thereof (including any refusal by any LC Issuing Bank to honor a demand for payment under a Letter of Credit if the documents presented in connection with such demand do not strictly comply with the terms of such Letter of Credit), (iii) any actual or alleged presence or release of Hazardous Materials on or from any Mortgaged Property or any other property owned or operated by any Xerox Company, or any Environmental Liability related in any way to any Xerox Company, (iv) with respect to the Administrative

Agent, its obligations under Sections 2.15(d)-(g) or (v) any actual or prospective claim, litigation, investigation or proceeding relating to any of the foregoing, whether based on contract, tort or any other theory and regardless of whether any Indemnitee is a party thereto, *provided* that such indemnity shall not be available to any Indemnitee to the extent that such losses, claims, damages, liabilities or related expenses are determined by a court of competent jurisdiction by final and non-appealable judgment to have resulted from such Indemnitee's gross negligence or willful misconduct. No Indemnitee shall be liable for any damages arising from the use by others of information or other materials obtained through electronic, telecommunications or other information transmission systems, *provided* that such indemnity shall not be available to any Indemnitee to the extent that such damages are determined by a court of competent jurisdiction by final and non-appealable judgment to have resulted from such Indemnitee's bad faith, gross negligence or willful misconduct.

(c) To the extent that any Borrower fails to pay any amount required to be paid by it to the Administrative Agent or any LC Issuing Bank under Section 9.04(a) or 9.04(b), each Lender severally agrees to pay to the Administrative Agent or the relevant LC Issuing Bank, as the case may be, such Lender's pro rata share (determined as of the time that the applicable unreimbursed expense or indemnity payment is sought) of such unpaid amount, *provided* that the unreimbursed expense or indemnified loss, claim, damage, liability or related expense, as the case may be, was incurred by or asserted against the Administrative Agent or such LC Issuing Bank in its capacity as such. For purposes hereof, a Lender's "**pro rata share**" shall be determined based on its share of the sum of the total Revolving Exposures, outstanding Term Loans and unused Revolving Commitments at the time.

(d) To the extent permitted by Applicable Law, no Borrower shall assert, and each hereby waives, any claim against any Indemnitee, on any theory of liability, for special, indirect, consequential or punitive damages (as opposed to direct or actual damages) arising out of, in connection with, or as a result of, this Agreement or any agreement or instrument contemplated hereby, the Transactions, any Loan or Letter of Credit or the use of the proceeds thereof.

(e) All amounts due under this Section 9.04 shall be payable within 15 Business Days after written demand therefor.

(f) Notwithstanding the foregoing, nothing in this Section 9.04 shall require a payment by an Overseas Borrower if such payment would violate Applicable Law or if Applicable Law would require minority shareholder approval, a valuation or a discretionary order, *provided* that Xerox, as a Guarantor under this Agreement, shall be liable for any such payment referred to in this Section 9.04(f).

Section 9.05. *Successors and Assigns.* (a) The provisions of this Agreement shall be binding on and inure to the benefit of the parties hereto and

their respective successors and assigns permitted hereby (including any Affiliate of any LC Issuing Bank that issues any Letter of Credit), except that no Borrower may assign or otherwise transfer any of its rights or obligations hereunder without the prior written consent of each Lender (and any attempted assignment or transfer by any Borrower without such consent shall be null and void). Nothing in this Agreement, expressed or implied, shall be construed to confer upon any Person (except the parties hereto, their respective successors and assigns permitted hereby (including any Affiliate of any LC Issuing Bank that issues any Letter of Credit) and, to the extent expressly provided herein, the Related Parties of the Lender Parties) any legal or equitable right, remedy or claim under or by reason of this Agreement.

(b) Subject to the prior receipt by the Administrative Agent of the relevant documentation set forth in Section 2.15(e) from the prospective assignee, and the delivery by the Administrative Agent of such documentation to the relevant Borrower, any Lender may assign to one or more assignees all or a portion of its rights and obligations under this Agreement (including all or a portion of any Revolving Commitment it has at the time and any Loans at the time owing to it), *provided* that:

(i) (A) the prior written consent of the Administrative Agent shall be required if (1) the assignee (immediately prior to the assignment) is not a Lender or a Lender Affiliate or (2) the assignment involves a new Revolving Lender;

(B) the prior written consent of each LC Issuing Bank shall be required if (1) the assignment requires the consent of the Administrative Agent under clause (A) above and (2) the assignment is of all or a portion of a Revolving Commitment or any Lender's obligations in respect of its LC Exposure;

(C) so long as no Event of Default has occurred and is continuing, the prior written consent of Xerox shall be required if (1) the assignment involves a new Revolving Lender that is not a Lender Affiliate or (2) the liability of a Borrower to make payments under Section 2.15 would be increased by reason of the assignment; and

(D) no such consent shall be unreasonably withheld or delayed, it being understood that, in the case of any assignment involving a new Revolving Lender, the assignee may be required to demonstrate to the reasonable satisfaction of the consenting party the assignee's legal and financial ability to timely perform its obligations in respect of its unused Revolving Commitment.

(ii) each partial assignment shall be made as an assignment of a proportionate part of all the assigning Lender's rights and obligations

under this Agreement, except that this clause (ii) shall not prohibit the assignment of all or a portion of all the assigning Lender's rights and obligations in respect of one Class of Loans or the Revolving Commitments on a non-pro rata basis;

(iii) unless each of Xerox and the Administrative Agent otherwise consents, the amount of the Revolving Commitment or Loans of the assigning Lender subject to each such assignment (determined as of the date on which the relevant Assignment is delivered to the Administrative Agent) shall not be less than $5,000,000, *provided* that this clause (iii) shall not apply to an assignment to a Lender or a Lender Affiliate or an assignment of the entire remaining amount of the assigning Lender's Revolving Commitment or Loans or an assignment of the entire remaining amount of the assigning Lender's rights and obligations in respect of one Class of Loans or the Revolving Commitments;

(iv) the parties to each assignment shall execute and deliver to the Administrative Agent an Assignment, together with a processing and recordation fee of $3,500, *provided* that only one such fee shall be due in respect of a simultaneous assignment to up to five Lender Affiliates; and

(v) the assignee, if it shall not be a Lender, shall deliver to the Administrative Agent a completed Administrative Questionnaire.

Subject to acceptance and recording thereof pursuant to Section 9.05(d), from and after the effective date specified in each Assignment the assignee thereunder shall be a party hereto and, to the extent of the interest assigned by such Assignment, have the rights and obligations of a Lender under this Agreement, and the assigning Lender thereunder shall, to the extent of the interest assigned by such Assignment, be released from its obligations under this Agreement (and, in the case of an Assignment covering all of the assigning Lender's rights and obligations under this Agreement, such Lender shall cease to be a party hereto but shall continue to be entitled to the benefits of Sections 2.13, 2.14, 2.15 and Section 9.04). Any assignment or transfer by a Lender of rights or obligations under this Agreement that does not comply with this Section 9.05(b) shall be treated for purposes of this Agreement as a sale by such Lender of a participation in such rights and obligations in accordance with Section 9.05(e).

(c) The Administrative Agent, acting for this purpose as an agent of the Borrowers, shall maintain at one of its offices in New York, New York a copy of each Assignment delivered to it and a register for the recordation of the names and addresses of the Lenders, their respective Revolving Commitments and the principal amounts of the Loans and LC Disbursements owing to each Lender pursuant to the terms hereof from time to time (the "**Register**"). The entries in the Register shall be prima facie evidence of the information recorded therein, and the parties hereto may treat each Person whose name is recorded in the Register pursuant to the terms hereof as a Lender for all purposes of this Agreement,

notwithstanding notice to the contrary. The Register shall be available for inspection by any party hereto at any reasonable time and from time to time upon reasonable prior notice.

(d) Upon its receipt of a duly completed Assignment executed by an assigning Lender and an assignee, the assignee's completed Administrative Questionnaire (unless the assignee shall already be a Lender hereunder), the processing and recordation fee referred to in Section 9.05(b) and any written consent to such assignment required by Section 9.05(b), the Administrative Agent shall accept such Assignment and record the information contained therein in the Register. No assignment shall be effective for purposes of this Agreement unless it has been recorded in the Register as provided in this Section 9.05(d). Promptly after recording any Assignment, the Administrative Agent shall send Xerox a notice of such Assignment, including the pertinent information therein and, if the assignee is not already a Lender, accompanied by a copy of the assignee's completed Administrative Questionnaire.

(e) Any Lender may, without the consent of any Borrower or any other Lender Party, sell participations to one or more banks or other entities ("**Participants**") in all or a portion of such Lender's rights and obligations under this Agreement (including all or a portion of its Revolving Commitments and the Loans owing to it), *provided* that (A) such Lender's obligations under this Agreement shall remain unchanged, (B) such Lender shall remain solely responsible to the other parties hereto for the performance of such obligations and (C) the Borrowers and the other Lender Parties shall continue to deal solely and directly with such Lender in connection with such Lender's rights and obligations under this Agreement. Any agreement or instrument pursuant to which a Lender sells such a participation shall provide that such Lender shall retain the sole right to enforce the Loan Documents and to approve any amendment, modification or waiver of any provision of the Loan Documents, *provided* that such agreement or instrument may provide that such Lender will not, without the consent of the Participant, agree to any amendment or modification that both affects such Participant and requires the unanimous vote of all Lenders. Subject to Section 9.05(f), each Participant shall be entitled to the benefits of Sections 2.13, 2.14 and 2.15 to the same extent and subject to the same limitations as if it were a Lender and had acquired its interest by assignment pursuant to Section 9.05(b). To the extent permitted by law, each Participant also shall be entitled to the benefits of Section 9.09 as though it were a Lender, *provided* that such Participant agrees to be subject to Section 2.16(c) as though it were a Lender.

(f) A Participant shall not be entitled to receive any greater payment under Section 2.13 or 2.15 than the applicable Lender would have been entitled to receive with respect to the participation sold to such Participant, unless the sale of the participation to such Participant is made with Xerox's prior written consent. Without limiting the preceding sentence, a Participant that would be a Foreign Lender if it were a Lender shall only be entitled to any of the benefits of Section 2.15 if Xerox is notified of the participation sold to such Participant and such

Participant agrees, for the benefit of the Borrowers, to comply with Sections 2.15(e)-(g)as though it were a Lender.

(g) Any Lender may at any time pledge or assign a security interest in all or any portion of its rights under this Agreement to secure obligations of such Lender, including any pledge or assignment to secure obligations to a Federal Reserve Bank or, in the case of a Lender which is a fund, any pledge or assignment of all or any portion of its rights under this Agreement, to its trustee in support of its obligations to its trustee, and this Section 9.05 shall not apply to any such pledge or assignment of a security interest, *provided* that no such pledge or assignment of a security interest shall release a Lender from any of its obligations hereunder or substitute any such pledgee or assignee for such Lender as a party hereto.

Section 9.06. *Survival.* All covenants, agreements, representations and warranties made by the Credit Parties in the Loan Documents and in certificates or other instruments delivered in connection with or pursuant to the Loan Documents shall be considered to have been relied upon by the other parties hereto and shall survive the execution and delivery of the Loan Documents and the making of any Loans and issuance of any Letters of Credit, regardless of any investigation made by any such other party or on its behalf and notwithstanding that any Lender Party may have had notice or knowledge of any Default or incorrect representation or warranty at the time any credit is extended hereunder, and shall continue in full force and effect as long as any principal of or accrued interest on any Loan or any fee or other amount payable hereunder is outstanding or any Letter of Credit is outstanding or any Revolving Commitment has not expired or terminated. The provisions of Sections 2.13, 2.14, 2.15, 9.04 and 9.13 and Article 8 shall survive and remain in full force and effect regardless of the consummation of the Transactions, the repayment of the Loans, the expiration or termination of the Letters of Credit and the Revolving Commitments or the termination of this Agreement or any provision hereof.

Section 9.07. *Counterparts; Integration; Effectiveness.* This Agreement may be executed in counterparts (and by different parties hereto on different counterparts), each of which shall constitute an original, but all of which when taken together shall constitute a single contract. This Agreement, the other Loan Documents and any separate letter agreements with respect to fees payable to the Administrative Agent, the LC Issuing Banks and the Arrangers constitute the entire contract among the parties relating to the subject matter hereof and supersede any and all previous agreements and understandings, oral or written, relating to the subject matter hereof. This Agreement (a) will become effective as provided in Section 4.01 and (b) thereafter will be binding upon and inure to the benefit of the parties hereto and their respective successors and assigns.

Section 9.08. *Severability.* If any provision of any Loan Document is invalid, illegal or unenforceable in any jurisdiction then, to the fullest extent permitted by law, (a) such provision shall, as to such jurisdiction, be ineffective to

the extent (but only to the extent) of such invalidity, illegality or unenforceability, (b) the other provisions of the Loan Documents shall remain in full force and effect in such jurisdiction and shall be liberally construed in order to carry out the intentions of the parties thereto as nearly as may be possible and (c) the invalidity, illegality or unenforceability of any such provision in any jurisdiction shall not affect the validity, legality or enforceability of such provision in any other jurisdiction.

Section 9.09. *Right of Setoff.* If an acceleration or payment Event of Default shall have occurred and be continuing, each Lender and each of its Affiliates is authorized at any time and from time to time, to the fullest extent permitted by Applicable Law, to set off and apply any and all deposits (general or special, time or demand, provisional or final) at any time held and other obligations at any time owing by such Lender or Affiliate to or for the credit or the account of any Borrower (or, in the case of any Overseas Borrower, Xerox, as Guarantor) against any obligations of such Borrower now or hereafter existing hereunder and held by such Lender, irrespective of whether or not such Lender shall have made any demand hereunder and although such obligations may be unmatured. The rights of each Lender under this Section 9.09 are in addition to other rights and remedies (including other rights of setoff) that such Lender may have.

Section 9.10. *Governing Law; Jurisdiction; Consent to Service of Process.* (a) This Agreement shall be construed in accordance with and governed by the law of the State of New York.

(b) Each of the Borrowers irrevocably and unconditionally submits, for itself and its property, to the nonexclusive jurisdiction of the Supreme Court of the State of New York sitting in New York County and of the United States District Court of the Southern District of New York, and any relevant appellate court, in any action or proceeding arising out of or relating to this Agreement and, except to the extent expressly provided therein, any other Loan Document, or for recognition or enforcement of any judgment, and each party hereto irrevocably and unconditionally agrees that all claims in respect of any such action or proceeding may be heard and determined in such New York State court or, to the extent permitted by law, in such Federal court. Each party hereto agrees that, to the extent permitted by Applicable Law, a final judgment in any such action or proceeding shall be conclusive and may be enforced in other jurisdictions by suit on the judgment or in any other manner provided by law. Nothing in any Loan Document shall affect any right that any Lender Party may otherwise have to bring any action or proceeding relating to any Loan Document against any Credit Party or its properties in the courts of any jurisdiction.

(c) Each of the Borrowers irrevocably and unconditionally waives, to the fullest extent it may legally and effectively do so, any objection that it may now or hereafter have to the laying of venue of any suit, action or proceeding arising out of or relating to any Loan Document in any court referred to in Section

9.10(b). Each party hereto irrevocably waives, to the fullest extent permitted by law, the defense of an inconvenient forum to the maintenance of any such suit, action or proceeding in any such court.

(d) Each party hereto irrevocably consents to service of process in the manner provided for notices in Section 9.01. Nothing in any Loan Document will affect the right of any party hereto to serve process in any other manner permitted by law.

Section 9.11. *WAIVER OF JURY TRIAL*. EACH PARTY HERETO WAIVES, TO THE FULLEST EXTENT PERMITTED BY APPLICABLE LAW, ANY RIGHT IT MAY HAVE TO A TRIAL BY JURY IN ANY LEGAL PROCEEDING DIRECTLY OR INDIRECTLY ARISING OUT OF OR RELATING TO ANY LOAN DOCUMENT OR ANY TRANSACTION CONTEMPLATED THEREBY (WHETHER BASED ON CONTRACT, TORT OR ANY OTHER THEORY). EACH PARTY HERETO (A) CERTIFIES THAT NO REPRESENTATIVE, AGENT OR ATTORNEY OF ANY OTHER PARTY HAS REPRESENTED, EXPRESSLY OR OTHERWISE, THAT SUCH OTHER PARTY WOULD NOT, IN THE EVENT OF LITIGATION, SEEK TO ENFORCE THE FOREGOING WAIVER AND (B) ACKNOWLEDGES THAT IT AND THE OTHER PARTIES HERETO HAVE BEEN INDUCED TO ENTER INTO THIS AGREEMENT BY, AMONG OTHER THINGS, THE MUTUAL WAIVERS AND CERTIFICATIONS IN THIS SECTION.

Section 9.12. *Headings.* Article and Section headings and the Table of Contents herein are for convenience of reference only, are not part of this Agreement and shall not affect the construction of, or be taken into consideration in interpreting, this Agreement.

Section 9.13. *Confidentiality.* Each Lender Party agrees to maintain the confidentiality of the Information (as defined below), except that Information may be disclosed only in connection with this Agreement and the Transactions contemplated hereby, and further, only (a) to its and its Affiliates' directors, officers, employees and agents, including accountants, legal counsel and other advisors (it being understood that the Persons to whom such disclosure is made will be informed of the confidential nature of such Information and instructed to keep such Information confidential), (b) to the extent requested by any regulatory authority, (c) to Inland Revenue by the Administrative Agent to fulfill its obligations as the United Kingdom Syndication Manager, (d) to the extent required by Applicable Law or by any subpoena or similar legal process (*provided* that such Lender Party shall give notice to Xerox as promptly as practicable of receipt of any such subpoena or other legal process, unless provision of such notice would result in a violation of such subpoena or other legal process), (e) to any other party to this Agreement, (f) in connection with the exercise of any remedy hereunder or any suit, action or proceeding relating to any Loan Document or the enforcement of any right thereunder, (g) subject to an agreement containing provisions substantially the same as those of this Section 9.13, to (i)

any actual or prospective assignee of or Participant in any of its rights or obligations under this Agreement or (ii) any actual or prospective counterparty (or its advisors) to any swap, derivative transaction or securitization relating to any Borrower and its obligations, (h) with the consent of Xerox in its sole discretion or (i) to the extent such Information either (i) becomes publicly available other than as a result of a breach of this Section 9.13 or (ii) becomes available to any Lender Party on a nonconfidential basis from a source other than Xerox. For the purposes of this Section 9.13, "**Information**" means all information received from any Xerox Company relating to its business, other than any such information that is available to any Lender Party on a nonconfidential basis before disclosure by Xerox. Any Person required to maintain the confidentiality of Information as provided in this Section 9.13 shall be considered to have complied with its obligation to do so if such Person has exercised the same degree of care to maintain the confidentiality of such Information as such Person would accord to its own confidential information.

Notwithstanding the foregoing, the parties (and each employee, representative or other agent of the parties) may disclose to any and all persons, without limitation of any kind, the tax treatment and the tax structure of the Transactions and any facts that may be relevant thereto, *provided*, *however*, that no party (and no employee, representative or other agent thereof) shall disclose any other information that is not relevant to understanding the tax treatment and tax structure of the Transactions (including the identity of any party and any information that could lead another to determine the identity of any party).

Section 9.14. *Interest Rate Limitation*. Notwithstanding anything herein to the contrary, if at any time the interest rate applicable to any Loan, together with all fees, charges and other amounts that are treated as interest on such Loan under Applicable Law (collectively the "**Charges**"), shall exceed the maximum lawful rate (the "**Maximum Rate**") that may be contracted for, charged or otherwise received by the Lender holding such Loan in accordance with Applicable Law, the rate of interest payable in respect of such Loan hereunder, together with all Charges payable in respect thereof, shall be limited to the Maximum Rate and, to the extent lawful, the interest and Charges that would have been payable in respect of such Loan but were not payable as a result of the operation of this Section 9.14 shall be cumulated and the interest and Charges payable to such Lender in respect of other Loans or periods shall be increased (but not above the Maximum Rate therefor) until such Lender shall have received such cumulated amount, together with interest thereon at the Federal Funds Effective Rate to the date of payment.

IN WITNESS WHEREOF, the parties hereto have caused this Agreement to be duly executed by their respective authorized officers as of the day and year first above written.

XEROX CORPORATION

By: /s/ Lawrence A. Zimmerman

Name: Lawrence A. Zimmerman
Title: Senior Vice President and Chief Financial Officer

XEROX CAPITAL (EUROPE) PLC

By: /s/ B. P. Thompson

Name: B. P. Thompson
Title: Director

XEROX CANADA CAPITAL LTD.

By: /s/ Mark Wakefield

Name: Mark Wakefield
Title: Vice President, Finance

JPMORGAN CHASE BANK, as a Lender, as a LC Issuing Bank and as Administrative Agent

By: /s/ David M. Mallett

Name: David M. Mallett
Title: Vice President

DEUTSCHE BANK TRUST COMPANY AMERICAS, as a Lender

By: /s/ Mary Kay Coyle

Name: Mary Kay Coyle
Title: Managing Director

DEUTSCHE BANK SECURITIES INC.,
as Syndication Agent

By: /s/ Daniel Toscano

Name: Daniel Toscano
Title: Managing Director

By: /s/ Robert Heuner

Name: Robert Heuner
Title: Managing Director

CITICORP NORTH AMERICA, INC., as a Lender and as a Co-Documentation Agent

By: /s/ Judith Fishlow Minter

Name: Judith Fishlow Minter
Title: Vice President

MERRILL LYNCH CAPITAL CORPORATION, as a Lender

By: /s/ Christopher Birosak

Name: Christopher Birosak
Title: Vice President

MERRILL LYNCH, PIERCE, FENNER & SMITH INCORPORATED, as a Co-Documentation Agent

By: /s/ Christopher Birosak

Name: Christopher Birosak
Title: Managing Director

UBS AG, CAYMAN ISLANDS BRANCH, as a Lender

By: /s/ Wilfred V. Saint

Name: Wilfred V. Saint
Title: Associate Director, Banking Products Services, US

By: /s/ Patricia O'Kicki

Name: Patricia O'Kicki
Title: Director

UBS SECURITIES LLC, as a Co-Documentation Agent

By: /s/ O.J. Rinaldi

Name: O.J. Rinaldi
Title:

By: /s/ David A. Jage

Name: David A. Jage
Title: Managing Director

GOLDMAN SACHS CREDIT PARTNERS L.P.

By: /s/ Robert Wagner

Name: Robert Wagner
Title: Authorized Signatory

CREDIT SUISSE FIRST BOSTON (acting through its Cayman Island branch)

By: /s/ Guy M. Baron

Name: Guy M. Baron
Title: Associate

By: /s/ Robert Hetu

Name: Robert Hetu
Title: Director

DANSKE BANK A/S (Cayman Island branch)

By: /s/ Peter L. Hargraves

Name: Peter L. Hargraves
Title: Vice-President

By: /s/ John A. O'Neil

Name: John A. ONeil
Title: Assistant General Manager

FLEET NATIONAL BANK

By: /s/ Renata Lucia V. Salgado

Name: Renata Lucia V. Salgado
Title: Vice President

PNC BANK, NATIONAL ASSOCIATION

By: /s/ Donald V. Davis

Name: Donald V. Davis
Title: Vice President

BANK ONE, NA, as a Lender and as a LC Issuing Bank

By: /s/ Robert P. McKllip

Name: Robert P. McKllip
Title: Managing Director
Eastern States Group Head

BEAR STEARNS CORPORATE LENDING INC.

By: /s/ Keith C. Barnish

Name: Keith C. Barnish
Title: Executive Vice President

BNP PARIBAS

By: /s/ Simone Vinocour

Name: Simone Vinocour
Title: Vice President

By: /s/ John Rigo

Name: John Rigo
Title: Vice President

GUARANTEE AND SECURITY AGREEMENT

dated as of

June 25, 2003

among

XEROX CORPORATION

THE SUBSIDIARY GUARANTORS PARTY HERETO

and

JPMorgan Chase Bank
as Collateral Agent

TABLE OF CONTENTS

SCHEDULES:

EXHIBITS:

GUARANTEE AND SECURITY AGREEMENT

AGREEMENT dated as of June 25, 2003 (the "**Agreement**") among XEROX CORPORATION ("**Xerox**"), the SUBSIDIARY GUARANTORS party hereto and JPMORGAN CHASE BANK, as Collateral Agent (with its successors, the "**Collateral Agent**").

W I T N E S S E T H :

WHEREAS, Xerox, the Overseas Borrowers (such term and other capitalized terms are defined in Section 1 below), certain financial institutions (each, a "**Lender**" and collectively, the "**Lenders**"), JPMorgan Chase Bank, as Administrative Agent, Collateral Agent and LC Issuing Bank, Deutsche Bank Securities Inc., as Syndication Agent and Citicorp North America, Inc., Merrill Lynch, Pierce, Fenner & Smith Incorporated and UBS Securities LLC, as Co-Documentation Agents, are parties to a Credit Agreement dated as of June 19, 2003 (as the same has been and may be amended from time to time, the "**Credit Agreement**");

WHEREAS, Xerox has agreed to secure (i) its CA Secured Obligations, (ii) the XCFI Secured Obligations and (iii) on a junior basis, its Hedging Secured Obligations, by granting security interests on its assets which constitute Collateral to the Collateral Agent as provided in the Security Documents;

WHEREAS, Xerox is willing to guarantee the Overseas CA Secured Obligations and to secure its guarantee thereof by granting security interests on its assets which constitute Collateral to the Collateral Agent as provided in the Security Documents;

WHEREAS, Xerox is willing to cause each Subsidiary Guarantor to, and each Subsidiary Guarantor is willing to, guarantee the foregoing obligations of Xerox and the Overseas Borrowers and, in the case of each Secured Subsidiary Guarantor, to secure its guarantee thereof and its Hedging Secured Obligations by granting security interests on its assets which constitute Collateral to the Collateral Agent as provided in the Security Documents;

WHEREAS, the Lenders and the LC Issuing Bank are not willing to make loans or issue or participate in letters of credit under the Credit Agreement, unless (i) the foregoing obligations of the Borrowers are secured and guaranteed as described above and (ii) each guarantee thereof by Xerox or a Secured Subsidiary Guarantor is secured by Liens on assets of the relevant Guarantor as provided in the Security Documents; and

WHEREAS, it is a condition to the effectiveness of the Credit Agreement that the parties hereto enter into this Agreement to provide the guarantees and security interests provided herein;

NOW, THEREFORE, in consideration of the premises and other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the parties hereto agree as follows:

SECTION 1. *Definitions.*

(a) *Terms Defined in Credit Agreement.* Terms defined in the Credit Agreement and not otherwise defined in subsection (b) or (c) of this Section 1 have, as used herein, the respective meanings provided for therein.

(b) *Terms Defined in UCC.* As used herein, each of the following terms has the meaning specified in the UCC:

Term	UCC
Account	9-102
Authenticate	9-102
Certificated Security	8-102
Chattel Paper	9-102
Document	9-102
Entitlement Holder	8-102
Equipment	9-102
Financial Asset	8-102 & 103
General Intangibles	9-102
Instrument	9-102
Inventory	9-102
Record	9-102
Securities Intermediary	8-102
Security	8-102 & 103
Security Entitlement	8-102
Supporting Obligations	9-102
Uncertificated Security	8-102

(c) *Additional Definitions.* The following additional terms, as used herein, have the following meanings:

"**Actionable Event of Default**" means an Event of Default specified in clause (a), (b), (h), (i) or (j) of Section 7.01 of the Credit Agreement.

"**CA Percentage**" means, at any time, with respect to any Restricted Collateral, the portion, expressed as a percentage, that the amount of outstanding

CA Secured Obligations represents of the sum of the aggregate amount of all outstanding XCFI Secured Obligations and CA Secured Obligations at such time.

"**CA Permitted Liens**" means the Security Interests and Liens on the Collateral permitted to be created, to be assumed or to exist pursuant to Section 6.01 of the Credit Agreement.

"**CA Secured Obligations**" means (a) all principal of and premium and interest (including, without limitation, any interest ("**Post-Petition Interest**") which accrues after the commencement of any case, proceeding or other action relating to the bankruptcy, insolvency or reorganization of any Borrower (or would accrue but for the operation of applicable bankruptcy or insolvency laws), whether or not allowed or allowable as a claim in any such proceeding) on any Loan outstanding from time to time or any LC Reimbursement Obligation under, or any promissory note issued pursuant to, the Credit Agreement and (b) all other amounts payable by any Borrower under the Credit Agreement or under any other Loan Document (as the same may hereafter be amended, restated, supplemented or otherwise modified from time to time) (including any Post-Petition Interest with respect to such amounts).

"**Collateral**" means all property, whether now owned or hereafter acquired, on which a Lien is granted or purports to be granted to the Collateral Agent pursuant to the Security Documents. When used with respect to a specific Lien Grantor, the term "Collateral" means all its property on which such a Lien is granted or purports to be granted.

"**Collateral Account**" has the meaning specified in Section 8.

"**Contingent CA Secured Obligation**" means, at any time, any CA Secured Obligation (or portion thereof) that is contingent in nature at such time, including any CA Secured Obligation that is:

(i) an obligation to reimburse a Lender for drawings not yet made under a Letter of Credit issued by it;

(ii) any other obligation (including any guarantee) that is contingent in nature at such time; or

(iii) an obligation to provide collateral to secure any of the foregoing types of obligations.

"**Contingent Hedging Secured Obligation**" means, at any time, any Hedging Secured Obligation that is contingent in nature at such time, including

any obligation under a Designated Hedging Agreement to make payments that cannot be quantified at such time.

"**Control**", when used with respect to any Security or Security Entitlement, has the meaning specified in UCC Section 8-106.

"**Copyright License**" means any agreement now or hereafter in existence granting to any Lien Grantor, or pursuant to which any Lien Grantor grants to any other Person, any right to use, copy, reproduce, distribute, prepare derivative works, display or publish any records or other materials on which a Copyright is in existence or may come into existence, including any agreement identified in Schedule 1 to any Copyright Security Agreement.

"**Copyright Security Agreement**" means a Copyright Security Agreement, substantially in the form of Exhibit D, executed and delivered by a Lien Grantor in favor of the Collateral Agent for the benefit of the Secured Parties.

"**Copyrights**" means all the following: (i) all copyrights under the laws of the United States or any other country (whether or not the underlying works of authorship have been published), all registrations and recordings thereof, all copyrightable works of authorship (whether or not published) and all applications for copyrights under the laws of the United States or any other country, including registrations, recordings and applications in the United States Copyright Office or in any similar office or agency of the United States, any State thereof or any other country or any political subdivision thereof, including those described in Schedule 1 to any Copyright Security Agreement, (ii) all renewals of any of the foregoing, (iii) all claims for, and rights to sue for, past or future infringements of any of the foregoing, and (iv) all income, royalties, damages and payments now or hereafter due or payable with respect to any of the foregoing, including damages and payments for past or future infringements thereof.

"**Covered Taxes**" has the meaning specified in Section 18(a).

"**Designated Hedging Agreement**" has the meaning specified in Section 21.

"**Equity Interest**" means (i) in the case of a corporation, any shares of its capital stock, (ii) in the case of a limited liability company, an LLC Interest therein, (iii) in the case of a partnership, any Partnership Interest therein, (iv) in the case of any other business entity, any participation or other interest in the equity or profits thereof or (v) any warrant, option or other right to acquire any Equity Interest described in this definition.

"**Guarantee**" means, with respect to each Subsidiary Guarantor, its Subsidiary Guarantee, and with respect to Xerox, the Xerox Guarantee.

"**Guarantee and Security Agreement Supplement**" means a Guarantee and Security Agreement Supplement, substantially in the form of Exhibit C, signed and delivered to the Collateral Agent for the purpose of adding a Domestic Subsidiary as a party hereto pursuant to Section 20 and/or adding additional property to the Collateral.

"**Guarantors**" means Xerox and the Subsidiary Guarantors.

"**Hedging Secured Obligations**" means, (i) with respect to any Secured Subsidiary Guarantor all obligations of such Secured Subsidiary Guarantor, whether as principal or as guarantor, under any Designated Hedging Agreement and any renewals or extensions thereof and (ii) with respect to Xerox, (x) all obligations of Xerox, whether as principal or as guarantor, and (y) all obligations of any Subsidiary (other than a Secured Subsidiary Guarantor) to the extent Xerox does not otherwise guarantee such obligations, each under any Designated Hedging Agreement and any renewals or extensions thereof.

"**Hedging Secured Parties**" means the Lenders and their Affiliates that are party to a Designated Hedging Agreement.

"**Intellectual Property**" means (i) Patents, (ii) Patent Licenses, (iii) Trademarks, (iv) Trademark Licenses, (v) Copyrights, (vi) Copyright Licenses, (vii) confidential information, (viii) proprietary technology, (ix) trade secrets, (x) domain names and (xi) mask works, and all rights in or under any of the foregoing.

"**Intellectual Property Filing**" means (i) the filing of the applicable Patent Security Agreement or Trademark Security Agreement with the United States Patent and Trademark Office, together with an appropriately completed recordation form, and (ii) the filing of the applicable Copyright Security Agreement with the United States Copyright Office, together with an appropriately completed recordation form, in each case sufficient to record the Security Interests granted to the Collateral Agent in Recordable Intellectual Property.

"**Intellectual Property Security Agreement**" means a Copyright Security Agreement, a Patent Security Agreement or a Trademark Security Agreement.

"**Issuer Control Agreement**" means an Issuer Control Agreement substantially in the form of Exhibit B (with any changes that the Collateral Agent shall have approved).

"**Lien Grantors**" means Xerox and the Secured Subsidiary Guarantors.

"**Liquid Investments**" means Permitted Investments, that mature within 30 days after they are acquired by the Collateral Agent.

"**LLC Interest**" means a membership interest or similar interest in a limited liability company.

"**Non-Contingent CA Secured Obligation**" means at any time any CA Secured Obligation (or portion thereof) that is not a Contingent CA Secured Obligation at such time.

"**Non-Contingent Hedging Secured Obligation**" means, at any time, any Hedging Secured Obligation (or portion thereof) that is not a Contingent Hedging Secured Obligation at such time.

"**Overseas CA Secured Obligations**" means the CA Secured Obligations of any Overseas Borrower.

"**Original Lien Grantor**" means any Lien Grantor that grants a Lien on any of its assets hereunder on the Effective Date.

"**Partnership Interest**" means a partnership interest, whether general or limited.

"**Patent License**" means any agreement now or hereafter in existence granting to any Lien Grantor, or pursuant to which any Lien Grantor grants to any other Person, any right with respect to any Patent or any invention now or hereafter in existence, whether patentable or not, whether a patent or application for patent is in existence on such invention or not, and whether a patent or application for patent on such invention may come into existence or not, including any agreement identified in Schedule 1 to any Patent Security Agreement.

"**Patents**" means (i) all letters patent and design letters patent of the United States or any other country and all applications for letters patent or design letters patent of the United States or any other country, including applications in the United States Patent and Trademark Office or in any similar office or agency of the United States, any State thereof or any other country or any political subdivision thereof, including those described in Schedule 1 to any Patent Security Agreement, (ii) all reissues, divisions, continuations, continuations in part, revisions and extensions of any of the foregoing, (iii) all claims for, and rights to sue for, past or future infringements of any of the foregoing and (iv) all income, royalties, damages and payments now or hereafter due or payable with

respect to any of the foregoing, including damages and payments for past or future infringements thereof.

"**Patent Security Agreement**" means a Patent Security Agreement, substantially in the form of Exhibit E, executed and delivered by a Lien Grantor in favor of the Collateral Agent for the benefit of the Secured Parties.

"**Perfection Certificate**" a certificate substantially in the form of Exhibit A hereto, completed and supplemented with the schedules and attachments contemplated thereby to the satisfaction of the Collateral Agent, and duly executed by an executive officer of Xerox.

"**Permitted Encumbrances**" means:

(i) any legally valid prohibitions on granting a security interest to the Collateral Agent as part of the Collateral in the Equity Interests of any Qualified Business Effectiveness Program Subsidiary pursuant to any agreement entered into in connection with the Business Effectiveness Program with or for the benefit of any other Person owning or acquiring Equity Interests in such a Subsidiary, to the extent the Qualification Requirements have been met with respect to such prohibitions;

(ii) (A) any legally valid contractual restrictions in connection with the Business Effectiveness Program that do not prohibit the granting of a security interest in any Xerox Company's Equity Interests in a Business Effectiveness Program Subsidiary to the Collateral Agent as part of the Collateral or (B) any legally valid contractual restrictions that do not prohibit the granting of a security interest in any Xerox Company's Equity Interests in any other Subsidiary that is not a Xerox Group Company, but, in each case, that otherwise restrict the Transfer by the Collateral Agent of, or other rights (including voting rights) and remedies of the Collateral Agent with respect to, such Equity Interests as a consequence of restrictions imposed on the owner of such Equity Interests (including put and call arrangements, rights of first refusal, right of first offer, tag-along rights and other similar rights to which such Equity Interest may be subject);

(iii) any legally valid and customary contractual restrictions on granting a security interest to the Collateral Agent as part of the Collateral in the Equity Interests of any Finance SPE, any Third Party Vendor Financing Subsidiary or any Permitted Joint Venture created in connection with any Qualified Receivables Transaction or in connection with the Third Party Vendor Financing Program or that otherwise restrict the Transfer by the Collateral Agent of, or other rights (including voting

rights) and remedies of the Collateral Agent with respect to, such Collateral;

(iv) any legally valid contractual restrictions existing on the date hereof or on any Reinstatement Date on granting a security interest to the Collateral Agent as part of the Collateral in any Equity Interest or General Intangible owned by any Original Lien Grantor, or any legally valid contractual restrictions existing on the date hereof that otherwise restrict the Transfer by the Collateral Agent of, or other rights (including voting rights) and remedies of the Collateral Agent with respect to, such Equity Interest or General Intangible;

(v) any legally valid contractual restrictions permitted by Section 6.11 of the Credit Agreement on the grant of a security interest to the Collateral Agent in any of the Collateral, or on the Transfer by the Collateral Agent of any Collateral (including put and call arrangements, rights of first refusal, right of first offer, tag-along rights and other similar rights to which any Equity Interest may be subject); or

(vi) the terms of any legally valid provision of Applicable Law which (A) prohibits the creation of a security interest in any property or asset, (B) requires the consent of any third party to the creation of a security interest in any property or asset, (C) gives rise to any right of termination (including, without limitation, the abandonment, invalidation or rendering unenforceable any right, title or interest in any Intellectual Property) or default remedy by reason of the creation of a security interest in any property or asset or (D) does not prohibit the creation of a security interest in any property or asset but otherwise restricts the Transfer by the Collateral Agent of any such property or asset or any other rights and remedies of the Collateral Agent.

"**Personal Property Collateral**" means all property included in the Collateral except Real Property Collateral.

"**Pledged**", when used in conjunction with any type of asset, means at any time an asset of such type that is included (or that creates rights that are included) in the Collateral at such time. For example, "Pledged Security" means a Security that is included in the Collateral at such time.

"**Proceeds**" means all proceeds of, and all other profits, products, rents or receipts, in whatever form, arising from the collection, sale, lease, exchange, assignment, licensing or other disposition of, or other realization upon, any Collateral, including without limitation all claims of the relevant Lien Grantor against third parties for loss of, damage to or destruction of, or for proceeds

payable under, or unearned premiums with respect to, policies of insurance in respect of, any Collateral, and any condemnation or requisition payments with respect to any Collateral, in each case whether now existing or hereafter arising.

"**Real Property Collateral**" means all real property included in the Collateral.

"**Recordable Intellectual Property**" means Intellectual Property the transfer of which is required to be recorded in the United States Patent and Trademark Office or the United States Copyright Office in order to be effective against subsequent third party transferees, *provided, however,* that the following items shall not be considered "Recordable Intellectual Property" hereunder: (i) Patents which are less than one year from their final expiration date, (ii) Intellectual Property licenses, (iii) unregistered Copyrights and (iv) Copyright applications.

"**Reinstatement Date**" means the date upon which the Ratings Condition is no longer satisfied and the Security Interests are reinstated.

"**Release Conditions**" means the following conditions for releasing all the Guarantees and terminating all the Security Interests:

(i) all Revolving Commitments under the Credit Agreement shall have expired or been terminated;

(ii) all Non-Contingent CA Secured Obligations shall have been paid in full; and

(iii) no Contingent CA Secured Obligation shall remain outstanding;

provided that the condition in clause (iii) shall not apply to outstanding Letters of Credit if (x) no Event of Default has occurred and is continuing and (y) Xerox or the applicable Borrower has granted to the Collateral Agent, for the benefit of the Revolving Lenders (or, if the obligations of the Revolving Lenders to reimburse the applicable LC Issuing Banks have been terminated, to such LC Issuing Banks), a security interest in Liquid Investments (or causes a bank acceptable to the Required Revolving Lenders or such LC Issuing Banks, as the case may be, to issue a letter of credit naming the Collateral Agent or such LC Issuing Banks as beneficiary) in an amount at least equal to 105% of the LC Exposure (plus any accrued and unpaid interest thereon) as of the date of such termination, on terms and conditions and pursuant to documentation reasonably satisfactory to the Required Revolving Lenders or such LC Issuing Banks, as the case may be.

"**Restricted Collateral**" means the Collateral of Xerox or any Restricted Secured Subsidiary Guarantor (and any Proceeds of such Collateral shall also constitute "Restricted Collateral").

"**Restricted Secured Subsidiary Guarantor**" means a Secured Subsidiary Guarantor that is a "Specified Subsidiary" under the High Yield Indenture or that falls within an equivalent category under any other Reference Indenture.

"**Secured Agreement**", when used with respect to any Secured Obligation, refers collectively to each instrument, agreement or other document that sets forth obligations of Xerox, obligations of the Overseas Borrowers, obligations of a Guarantor and/or rights of the holder with respect to such Secured Obligation.

"**Secured Guarantee**" means, with respect to each Secured Subsidiary Guarantor, its Subsidiary Guarantee, and with respect to Xerox, the Xerox Guarantee.

"**Secured Obligations**" means the CA Secured Obligations, the Hedging Secured Obligations and the XCFI Secured Obligations.

"**Secured Parties**" means (i) with respect to the CA Secured Obligations, the Agents, the Lenders and the LC Issuing Banks, (ii) with respect to the XCFI Secured Obligations, the Trustee under each of the XCFI Indentures (and any successor Trustee thereunder) for the benefit of the holders of the XCFI Debentures and (iii) with respect to the Hedging Secured Obligations, the Hedging Secured Parties.

"**Secured Party Jurisdiction**" means, with respect to any Secured Party:

(i) the jurisdiction under the laws of which such Secured Party is organized or in which its principal office is located,

(ii) the jurisdiction in which its applicable lending office is located, and

(iii) any jurisdiction in which it is treated as resident for purposes of income or franchise taxes imposed on (or measured by) net income (or is otherwise subject to such taxes) by reason of its business activities and operations that are unrelated to the Credit Agreement and the loans thereunder.

"**Secured Subsidiary Guarantee**" means, with respect to each Secured Subsidiary Guarantor, its Subsidiary Guarantee.

"**Secured Subsidiary Guarantor**" means a Subsidiary Guarantor other than XCC.

"**Secured Subsidiary Obligations**" means, with respect to any Secured Subsidiary Guarantor, (i) the Hedging Secured Obligations of such Secured Subsidiary Guarantor and (ii) such Secured Subsidiary's Secured Subsidiary Guarantee.

"**Security Interests**" means the security interests in the Collateral granted under the Security Documents securing the Secured Obligations.

"**State and Local Government Receivables**" means Accounts (including without limitation, proceeds of Inventory to the extent it also constitutes an Account, and Chattel Paper, Documents and Instruments and proceeds thereof) that are owed from state and local governments and their subdivisions within the United States or its possessions or territories.

"**Subsidiary Guarantee**" means, with respect to each Subsidiary Guarantor, its guarantee of the Secured Obligations under Section 2 hereof or Section 1 of a Guarantee and Security Agreement Supplement.

"**Subsidiary Guarantors**" means each Subsidiary listed on the signature pages hereof under the caption "Guarantors" and each Subsidiary that shall, at any time after the date hereof, become a "Guarantor" pursuant to Section 20.

"**Third Party Vendor Financing Assets**" means Equipment, Inventory and related assets that are transferred to any Person under the Third Party Vendor Financing Program.

"**Trademark License**" means any agreement now or hereafter in existence granting to any Lien Grantor, or pursuant to which any Lien Grantor grants to any other Person, any right to use any Trademark, including any agreement identified in Schedule 1 to any Trademark Security Agreement.

"**Trademarks**" means: (i) all trademarks, trade names, corporate names, company names, business names, fictitious business names, trade styles, service marks, logos, brand names, trade dress, prints and labels on which any of the foregoing have appeared or appear, package and other designs, and all other source or business identifiers, and all general intangibles of like nature, and the rights in any of the foregoing which arise under applicable law, (ii) the goodwill of the business symbolized thereby or associated therewith, (iii) all registrations and applications in connection therewith, including registrations and applications in the United States Patent and Trademark Office or in any similar office or agency of the United States, any State thereof or any other country or any political

subdivision thereof, including those described in Schedule 1 to any Trademark Security Agreement, (iv) all renewals of any of the foregoing, (v) all claims for, and rights to sue for, past or future infringements of any of the foregoing and (vi) all income, royalties, damages and payments now or hereafter due or payable with respect to any of the foregoing, including damages and payments for past or future infringements thereof.

"**Trademark Security Agreement**" means a Trademark Security Agreement, substantially in the form of Exhibit F, executed and delivered by a Lien Grantor in favor of the Collateral Agent for the benefit of the Secured Parties.

"**Transferred Intellectual Property**" means any Intellectual Property (including without limitation, proceeds thereof) that was Transferred as permitted by the Credit Agreement.

"**Transferred Receivables**" means Receivables that were or are hereafter Transferred in connection with a Qualified Receivables Transaction or the Third Party Vendor Financing Program.

"**UCC**" means the Uniform Commercial Code as in effect from time to time in the State of New York, *provided* that if by reason of mandatory provisions of law, the perfection or the effect of perfection or non-perfection or the priority of any Security Interest in any Collateral is governed by the Uniform Commercial Code as in effect in a jurisdiction other than New York, "UCC" means the Uniform Commercial Code as in effect in such other jurisdiction for purposes of the provisions hereof relating to such perfection, effect of perfection or non-perfection or priority.

"**XCC Indentures**" means any Indenture or other agreement governing Capital Markets Debt of XCC.

"**XCC Senior Obligations**" means XCC's obligations under its Capital Markets Debt outstanding as of the Effective Date.

"**XCC Subordinated Obligations**" means XCC's obligations under its Subsidiary Guarantee.

"**XCFI Indentures**" means (a) that certain Trust Indenture dated as of December 15, 1986, as supplemented and amended by the First through Fourth Supplemental Trust Indentures, among Xerox Canada Finance Inc., Xerox Canada Inc., Xerox Canada Holdings Inc. and National Trust Company, as Trustee and (b) that certain Trust Indenture dated as of October 27, 1987, as supplemented and amended by the First through Fourth Supplemental Trust Indentures, among

Xerox Canada Finance Inc., Xerox Canada Inc., Xerox Canada Holdings Inc. and National Trust Company, as Trustee, in each case as amended, modified or supplemented from time to time.

"**XCFI Percentage**" means, at any time, with respect to any Restricted Collateral, the portion, expressed as a percentage, that the amount of outstanding XCFI Secured Obligations represents of the sum of the aggregate amount of all outstanding XCFI Secured Obligations and CA Secured Obligations at such time.

"**XCFI Secured Obligations**" means the obligations of Xerox under the XCFI Indentures and shall include all amounts outstanding under the XCFI Debentures and accrued and unpaid interest and other amounts owing with respect thereto.

"**Xerox Secured Obligations**" means (i) the Secured Obligations of Xerox and (ii) the Xerox Guarantee.

"**Xerox Guarantee**" means Xerox's guarantee of the Overseas CA Secured Obligations and the Hedging Secured Obligations under Section 2 hereof.

SECTION 2. *Guarantees by Guarantors.*

(a) *Guarantees.* (i) Xerox unconditionally guarantees the full and punctual payment of each Overseas CA Secured Obligation when due (whether at stated maturity, upon acceleration or otherwise). If an Overseas Borrower fails to pay any Overseas CA Secured Obligation punctually when due, Xerox agrees that it will forthwith on demand pay the amount not so paid at the place and in the manner specified in the relevant Loan Document.

(ii) Xerox unconditionally guarantees the full and punctual payment of each Hedging Secured Obligation described in clause (ii)(y) of the definition of such term when due. If a Subsidiary fails to pay any Hedging Secured Obligation punctually when due, Xerox agrees that it will forthwith on demand pay the amount not so paid at the place and in the manner specified in the relevant Designated Hedging Agreement.

(iii) Each Subsidiary Guarantor unconditionally guarantees the full and punctual payment of each CA Secured Obligation, each XCFI Secured Obligation and each of Xerox's Hedging Secured Obligations when due (whether at stated maturity, upon acceleration or otherwise). If Xerox fails to pay any of its CA Secured Obligations, any XCFI Secured Obligation or any of its Hedging Secured Obligations punctually when due, or any Overseas Borrower fails to pay any of its CA Secured Obligations punctually when due, each Subsidiary Guarantor agrees that it

will forthwith on demand pay the amount not so paid at the place and in the manner specified in the relevant Secured Agreement, *provided, however,* that notwithstanding the foregoing, the XCFI Secured Obligations are only guaranteed by each Restricted Secured Subsidiary Guarantor and no holder of any XCFI Secured Obligation shall have any claim against, or Lien on any asset of, XCC or any Secured Subsidiary Guarantor that is not a Restricted Secured Subsidiary Guarantor by virtue of this Agreement, *provided, further,* notwithstanding anything to the contrary contained herein, the liability and obligation of each Restricted Secured Subsidiary Guarantor under this Section 2(a)(iii) with respect to the XCFI Secured Obligations (but not any CA Secured Obligation) shall not be enforced by any action or proceeding wherein damages or any money judgment shall be sought against such Restricted Secured Subsidiary Guarantor, except a foreclosure by the Collateral Agent upon the Restricted Collateral of such Restricted Secured Subsidiary Guarantor, and any judgment in any such foreclosure action shall be enforceable by the Collateral Agent against such Restricted Collateral, only to the extent of the XCFI Percentage of such Restricted Secured Subsidiary Guarantor's interest in such Restricted Collateral, and the guarantee extended hereby for the benefit of any holder of XCFI Secured Obligations is provided to such holder under the express condition that the Collateral Agent has no right to sue for, seek or demand any deficiency judgment against any Restricted Secured Subsidiary Guarantor with respect to the XCFI Secured Obligations (but not any CA Secured Obligation), in any such foreclosure action under or by reason of, or in connection with, this Agreement or otherwise with respect to such guarantee. The obligations of each Subsidiary Guarantor under this Section 2(a)(iii) shall be limited as provided in Section 2(i) below and, in the case of XCC only, subordinated as provided in Section 2(j) below.

(b) *Guarantees Unconditional.* The obligations of each Guarantor under its Guarantee shall be unconditional and absolute and, without limiting the generality of the foregoing, shall not be released, discharged or otherwise affected by:

(i) any extension, renewal, settlement, compromise, waiver or release in respect of any obligation of Xerox, any Overseas Borrower, any Subsidiary Guarantor or any other Person under any Secured Agreement, by operation of law or otherwise;

(ii) any modification or amendment of or supplement to any Secured Agreement;

(iii) any release, impairment, non-perfection or invalidity of any direct or indirect security for any obligation of Xerox, any Overseas Borrower, any Subsidiary Guarantor or any other Person under any Secured Agreement;

(iv) any change in the corporate existence, structure or ownership of Xerox, any Overseas Borrower, any Subsidiary Guarantor or any other Person or any of their respective subsidiaries, or any insolvency, bankruptcy, reorganization or other similar proceeding affecting Xerox, any Overseas Borrower, any Subsidiary Guarantor or any other Person or any of their assets or any resulting release or discharge of any obligation of Xerox, any Overseas Borrower, any Subsidiary Guarantor or any other Person under any Secured Agreement;

(v) the existence of any claim, set-off or other right that such Guarantor may have at any time against Xerox, any Overseas Borrower, any Subsidiary Guarantor, any Secured Party or any other Person, whether in connection with any Secured Agreement or any unrelated transactions, *provided* that nothing herein shall prevent the assertion of any such claim by separate suit or compulsory counterclaim;

(vi) any invalidity or unenforceability relating to or against Xerox, any Overseas Borrower, any Subsidiary Guarantor or any other Person for any reason of any Secured Agreement, or any provision of applicable law or regulation purporting to prohibit the payment of any Secured Obligation by Xerox, any Overseas Borrower, any Subsidiary Guarantor or any other Person; or

(vii) any other act or omission to act or delay of any kind by Xerox, any Overseas Borrower, any Subsidiary Guarantor, any other party to any Secured Agreement, any Secured Party or any other Person, or any other circumstance whatsoever that might, but for the provisions of this clause (vii), constitute a legal or equitable discharge of or defense to any obligation of any Guarantor hereunder.

(c) *Release of Guarantees.* The Guarantees will be released in accordance with Sections 9.02 and 9.03 of the Credit Agreement, as the case may be. In case of any release pursuant to Section 9.03 of the Credit Agreement, the Collateral Agent shall be fully protected in relying on a certificate of Xerox stating that the release of the Guarantee is in accordance with and permitted by the terms of Section 9.03 of the Credit Agreement. If at any time any payment of a CA Secured Obligation or an XCFI Secured Obligation is rescinded or must be otherwise restored or returned upon the insolvency or receivership of Xerox, any Overseas Borrower or any other Person, the relevant Guarantee or Guarantees

shall be reinstated with respect thereto as though such payment had been due but not made at such time.

(d) *Waiver by Guarantors.* Each Guarantor irrevocably waives acceptance hereof, presentment, demand, protest and any notice not provided for herein, as well as any requirement that at any time any action be taken by any Person against Xerox, any Overseas Borrower, any Subsidiary Guarantor or any other Person.

(e) *Subrogation.* A Guarantor that makes a payment with respect to a Secured Obligation hereunder shall be subrogated to the rights of the payee against Xerox or the relevant Overseas Borrower with respect to such payment, *provided* that no Guarantor shall enforce any payment by way of subrogation against Xerox or the relevant Overseas Borrower, or by reason of contribution against any other guarantor of such Secured Obligation, until all the Release Conditions have been satisfied.

(f) *Stay of Acceleration.* If acceleration of the time for payment of any Secured Obligation by Xerox, any Overseas Borrower or any Secured Subsidiary Guarantor is stayed by reason of the insolvency or receivership of Xerox, the relevant Overseas Borrower or any Secured Subsidiary Guarantor or otherwise, all Secured Obligations otherwise subject to acceleration under the terms of any Secured Agreement shall nonetheless be payable by the relevant Guarantors hereunder forthwith on demand by the Collateral Agent.

(g) *Right of Set-Off.* If any CA Secured Obligation or any XCFI Secured Obligation is not paid promptly when due, each of the Secured Parties and their respective Affiliates is authorized, to the fullest extent permitted by law, to set off and apply any and all deposits (general or special, time or demand, provisional or final) at any time held and other obligations at any time owing by such Secured Party or Affiliate to or for the credit or the account of Xerox or any Secured Subsidiary Guarantor against the obligations of such Guarantor under its Guarantee, irrespective of whether or not such Secured Party shall have made any demand thereunder and although such deposits and other obligations may be unmatured. The rights of each Secured Party under this Section 2(g) are in addition to all other rights and remedies (including other rights of setoff) that such Secured Party may have.

(h) *Continuing Guarantee.* Each Guarantee is a continuing guarantee, shall be binding on the relevant Guarantor and its successors and assigns, and shall be enforceable by the Collateral Agent or the Secured Parties. If all or part of any Secured Party's interest in any Secured Obligation is assigned or otherwise transferred, the transferor's rights under each Guarantee, to the extent applicable

to the obligation so transferred, shall automatically be transferred with such obligation.

(i) *Limitation on Obligations of Subsidiary Guarantor.* The obligations of each Subsidiary Guarantor under its Subsidiary Guarantee shall be limited to an aggregate amount equal to the largest amount that would not render such Subsidiary Guarantee subject to avoidance under Section 548 of the United States Bankruptcy Code or any comparable provisions of applicable law.

(j) *XCC Guarantee Subordinated.* The obligations of XCC under its Subsidiary Guarantee shall be subordinated to the XCC Senior Obligations on the terms set forth in Schedule 2.

SECTION 3. *Representations and Warranties.*

Each Lien Grantor represents and warrants as follows:

(a) Such Lien Grantor is duly organized, validly existing and in good standing under the laws of the jurisdiction identified as its jurisdiction of organization in the Perfection Certificate.

(b) The execution and delivery of this Agreement by such Lien Grantor and the performance by it of its obligations under this Agreement (i) are within its corporate or other powers, (ii) have been duly authorized by all necessary corporate or other action, (iii) require no consent or approval of, registration or filing with, any Governmental Authority except (A) such as have been obtained or made and are in full force and effect and (B) filings, recordings and registrations necessary to perfect the Security Interests, (iv) do not violate any Applicable Law or its organizational documents, (v) do not violate any order of any Governmental Authority except in any such case where such violation could not reasonably be expected to result in a Material Adverse Effect, (vi) do not violate or result in a default under any indenture or material agreement or other instrument binding upon it and (vii) do not result in any Lien on any of its properties other than the Security Interests.

(c) This Agreement constitutes a valid and binding agreement of such Lien Grantor, enforceable in accordance with its terms, except as limited by (A) applicable bankruptcy, insolvency, fraudulent conveyance or other similar laws affecting creditors' rights generally and (B) general principles of equity, regardless of whether considered in a proceeding at equity or at law.

(d) Schedule 1 sets forth the name and jurisdiction of organization of, and the ownership interest (including percentage owned and number of shares or units) of such Lien Grantor in the Securities that are Equity Interests issued by

each of such Lien Grantor's direct Domestic Subsidiaries and direct Material Foreign Subsidiaries as of the Effective Date. As of the Effective Date, such Lien Grantor holds all such Securities directly (i.e., not through a subsidiary, a Securities Intermediary or any other Person).

(e) All Pledged Securities owned by such Lien Grantor are owned by it free and clear of any Lien other than (i) the Security Interests, (ii) the Permitted Encumbrances, (iii) Permitted Third Party Liens and, (iv) any tax liens and judgment liens that are CA Permitted Liens. None of such Pledged Securities is subject to any option to purchase or similar right of any Person other than the Permitted Encumbrances. Other than the Permitted Encumbrances, such Lien Grantor is not and will not become a party to or otherwise bound by any agreement (except the Loan Documents) which restricts in any material manner the rights of any present or future holder of any Pledged Securities with respect thereto.

(f) Except for the Disclosed Matters, such Lien Grantor has good title to, or valid license or leasehold interests in, all of its Collateral which is material to its business, free and clear of any Liens other than (i) the CA Permitted Liens, (ii) the Permitted Encumbrances and (iii) other defects that could not reasonably be expected to result in a Material Adverse Effect.

(g) Other than financing statements, mortgages or other similar or equivalent documents or instruments with respect to the Security Interests and other CA Permitted Liens, or that are in respect of consignments, sale of Accounts, operating leases or are otherwise precautionary, no financing statement, mortgage, security agreement or similar or equivalent document or instrument covering all or any part of the Collateral is on file or of record in any jurisdiction in which such filing or recording is effective to perfect or record a Lien on such Collateral except (i) Liens that have been released and (ii) Liens the obligations secured by which have been satisfied, in each case as evidenced pursuant to the requirements of Section 4.01(f) of the Credit Agreement. After the Effective Date, no Collateral owned by such Lien Grantor will be in the possession or under the Control of any other Person having a claim thereto or security interest therein, other than CA Permitted Liens.

(h) The Security Interests in the United States on all Personal Property Collateral which is subject to the UCC or which constitutes Intellectual Property owned by such Lien Grantor (i) have been validly created, (ii) will attach to each item of such Collateral on the Effective Date (or, if such Lien Grantor first obtains rights thereto on a later date, on such later date) and (iii) when so attached, will constitute Collateral for the Secured Obligations or Secured Guarantee of such Lien Grantor.

(i) When the relevant Mortgages have been duly executed and delivered, the Security Interests on all Real Property Collateral owned by such Lien Grantor as of the Effective Date will have been validly created and will constitute Collateral for the Secured Obligations or Secured Guarantee of such Lien Grantor.

(j) Xerox has heretofore delivered the Perfection Certificate to the Collateral Agent. The information specified therein with respect to such Lien Grantor is correct and complete in all material respects as of the Effective Date.

(k) When a UCC financing statement describing the Collateral and naming such Lien Grantor as debtor in the form attached to the Perfection Certificate has been filed in the office of the Secretary of State in such Lien Grantor's jurisdiction of organization specified in the Perfection Certificate, the Security Interests will constitute perfected security interests in the Personal Property Collateral owned by such Lien Grantor to the extent that a security interest therein may be perfected by filing pursuant to the UCC, prior to all Liens and rights of others therein except CA Permitted Liens. Except for (i) the filing of such UCC financing statement (and the filing of UCC continuation statements in respect thereof), (ii) the due recordation of the Mortgages and (iii) the recording of the Copyright Security Agreement, the Patent Security Agreement and the Trademark Security Agreement in the United States Copyright Office and the United States Patent and Trademark Office appropriately identifying the Recordable Intellectual Property covered thereby, and except with respect to (x) goods represented by a certificate of title and (y) receivables subject to the Federal Assignment of Claims Act, no registration, recordation or filing with any Governmental Authority is required in connection with the execution or delivery of the Security Documents or is necessary for the validity or enforceability thereof or for the perfection or due recordation of the Security Interests in the United States (with respect to Personal Property Collateral, to the extent such Collateral is subject to the UCC or constitutes Intellectual Property) or for the enforcement of the Security Interests in the United States in such Collateral, *provided*, *however*, that the registration of Copyrights in the United States Copyright Office may be required to obtain a security interest therein that is effective against subsequent transfers under federal copyright law and, *provided*, *further*, that, to the extent that recordation of the Security Interest in the United States Patent and Trademark Office or the United States Copyright Office is necessary to perfect the Security Interest or render it effective against subsequent third parties, such recordations will not have been made with respect to the items that are not Recordable Intellectual Property.

(l) The Collateral Agent has Control of the Financial Assets and Security Entitlements (if any) held in the Collateral Account.

(m) As of the Effective Date, the Inventory and Equipment are insured in accordance with the requirements of the Credit Agreement.

SECTION 4. *The Security Interests.*

(a) Xerox, in order to secure the Xerox Secured Obligations, and each Secured Subsidiary Guarantor, in order to secure its Secured Subsidiary Obligations, grants to the Collateral Agent for the benefit of the Secured Parties a continuing security interest in and to all of its respective right, title and interest in the following property of Xerox or such Secured Subsidiary Guarantor, as the case may be, whether now owned or existing or hereafter acquired or arising and regardless of where located, but subject to the exclusions in Section 4(b):

(i) Accounts;

(ii) Chattel Paper;

(iii) Documents;

(iv) Equipment;

(v) General Intangibles;

(vi) Instruments;

(vii) Inventory;

(viii) Securities directly owned by such Lien Grantor and issued by any Domestic Subsidiary or Material Foreign Subsidiary;

(ix) The Collateral Account, all Financial Assets credited to the Collateral Account from time to time and all Security Entitlements in respect thereof, all cash deposited therein from time to time, and the Liquid Investments made pursuant to Section 8(d);

(x) All books and records (including, without limitation, customer lists, credit files, computer programs, printouts and other computer materials and records) of such Lien Grantor pertaining to any of the Collateral; and

(xi) All Proceeds of the Collateral described in Clauses 4(a)(i) through 4(a)(x) hereof.

(b) The Collateral shall not include:

(i) Securities issued by a Subsidiary of any Lien Grantor if such subsidiary is created or acquired after the Effective Date and is not a Material Subsidiary;

(ii) rights of each Lien Grantor in respect of any property or asset which is prohibited from being pledged to the Collateral Agent as part of the Collateral by any Permitted Encumbrances;

(iii) Transferred Receivables and (A) security interests or liens and property subject thereto purporting to secure payment of such Transferred Receivables, (B) leases, guaranties, insurance and other arrangements supporting payment of such Transferred Receivables, (C) rights to payment and collections in respect of such Transferred Receivables, (D) books, records and similar information relating to such Transferred Receivables or the obligors thereon, (E) with respect to any such Transferred Receivables, the transferee's interest in goods (including, without limitation, Equipment or Inventory) the sale of which gave rise to such Transferred Receivables and (F) if such Transferred Receivables arise from a lease financing or installment sale transaction, the Equipment or Inventory that is the subject of the underlying transaction and is transferred to a Receivables SPE or a Third Party Vendor Financing Subsidiary;

(iv) Transferred Intellectual Property;

(v) State and Local Government Receivables of each Lien Grantor;

(vi) any Security owned by each Lien Grantor that is a voting Equity Interest issued by a Foreign Subsidiary that is a corporation for United States Federal income tax purposes, to the extent (but only to the extent) required to prevent the Collateral from including more than 65% of the shares of any class of voting securities of such Foreign Subsidiary (either directly or through any entity that is a disregarded entity for such purposes); and

(vii) Third Party Vendor Financing Assets of each Lien Grantor.

(c) With respect to each right to payment or performance included in the Collateral from time to time, the Security Interest granted therein includes, subject to Permitted Encumbrances, a continuing security interest in (i) any Supporting Obligation that supports such payment or performance and (ii) any Lien that (x) secures such right to payment or performance or (y) secures any such Supporting Obligation.

(d) The Security Interests are granted as security only and shall not subject the Collateral Agent or any Secured Party to, or transfer or in any way affect or modify, any obligation or liability of any Lien Grantor with respect to any of the Collateral or any transaction in connection therewith.

(e) Notwithstanding anything to the contrary contained herein or in any other Loan Document, Liens on Restricted Collateral granted pursuant to this Agreement and the other Security Documents will only secure, at any time, an amount of (i) the CA Secured Obligations, (ii) the XCFI Secured Obligations and (iii) any Hedging Secured Obligations that would be required to be taken into account in calculating the Basket Lien Available Amount not to exceed the Basket Lien Available Amount at such time.

(f) It is the intention of the parties that the Liens granted pursuant to this Agreement and the other Security Documents shall comply with Section 20.8 of each of the XCFI Indentures.

(g) For the avoidance of doubt, no more than 65% of the outstanding voting Equity Interests in any Foreign Subsidiary that is a corporation for United States Federal income tax purposes shall be required to be pledged hereunder or under any other Loan Document.

SECTION 5. *Further Assurances; Covenants.*

Each Lien Grantor covenants as follows:

(a) Such Lien Grantor will not (i) change its corporate, partnership, company or other legal name or location (determined as provided in UCC Section 9-307), (ii) change its identity or corporate structure, (iii) change its Federal Taxpayer Identification Number or (iv) become bound, as provided in UCC Section 9-203(d) or otherwise, by a security agreement entered into by another Person, except, if applicable, in accordance with Section 5.03(a) of the Credit Agreement.

(b) Such Lien Grantor will, from time to time, at its expense, execute, deliver, file and record any statement, assignment, instrument, document, agreement or other paper and take any other reasonable action (including, without limitation, any filings of financing or continuation statements under the UCC) that from time to time is required under the UCC or with respect to Recordable Intellectual Property to enable the Collateral Agent and the other Secured Parties to obtain the full benefits of the Security Documents or to enable the Collateral Agent to exercise and enforce any of its rights, powers and remedies under the Security Documents with respect to any of the Collateral. The Lien Grantor hereby authorizes the Collateral Agent to file a Record or Records (as defined in

the UCC), including, without limitation, financing or continuation statements, and amendments thereto, in all jurisdictions and with all filing offices as the Collateral Agent may determine, in its sole discretion, are necessary or advisable to perfect the security interest granted to the Collateral Agent herein without such Lien Grantor's signature appearing thereon. Such financing statements may describe the Collateral in the same manner as described herein or may contain an indication or description of collateral that describes such property in any other manner as the Collateral Agent may determine, in its sole discretion, is necessary, advisable or prudent to ensure the perfection of the security interest in the Collateral granted to the Collateral Agent herein, including, without limitation, describing such property as "all assets" or "all personal property." Such Lien Grantor agrees that a carbon, photographic, photostatic or other reproduction of this Agreement is sufficient as a financing statement. Such Lien Grantor constitutes the Collateral Agent its attorney-in-fact to execute and file any filings required or so requested for the foregoing purposes, all acts of such attorney being hereby ratified and confirmed; and such power, being coupled with an interest, shall be irrevocable until all the Security Interests granted by such Lien Grantor terminate pursuant to Section 19. Such Lien Grantor shall pay the costs of, or reasonable costs incidental to, any recording or filing of any financing or continuation statements or other documents recorded or filed pursuant thereto concerning the Collateral.

(c) Upon the occurrence and during the continuance of an Event of Default, if any Collateral is in the possession or control of a warehouseman, bailee or agent, such Lien Grantor will upon request of the Required Lenders (i) notify such warehouseman, bailee or agent of the relevant Security Interests, (ii) instruct such warehouseman, bailee or agent to hold all such Collateral for the Collateral Agent's account subject to the Collateral Agent's instructions and to permit such Collateral to be removed by such Lien Grantor in the ordinary course of business until the Collateral Agent notifies such warehouseman, bailee or agent that an Event of Default has occurred and is continuing, (iii) use reasonable commercial efforts (without incurring material obligations or foregoing material rights) to cause such warehouseman, bailee or agent to Authenticate a Record acknowledging that it holds possession of such Collateral for the Collateral Agent's benefit and (iv) make such Authenticated Record available to the Collateral Agent.

(d) If an Actionable Event of Default shall have occurred and be continuing, such Lien Grantor shall stamp or otherwise mark all books and records relating to the Collateral in such manner, if any, as the Required Lenders may reasonably require in order to reflect the Security Interests.

(e) Such Lien Grantor will, promptly upon request, provide to the Collateral Agent all information and evidence in such Lien Grantor's possession,

or under such Lien Grantor's control, or that can be generated internally or, if an Actionable Event of Default has occurred and is continuing, can otherwise be obtained by such Lien Grantor, without unreasonable effort or expense, which the Collateral Agent may reasonably request concerning the Collateral to enable the Collateral Agent to enforce the provisions of the Security Documents.

(f) Such Lien Grantor will not Transfer, grant interests in, or grant any option with respect to, any of its Collateral, *provided* that such Lien Grantor may do any of the foregoing unless doing so would violate a covenant in the Credit Agreement. Concurrently with any such Transfer (except a Transfer to another Lien Grantor, a lease or a license) permitted by the foregoing *proviso*, the Security Interests on such assets Transferred (but not in any Proceeds arising from such Transfer) will cease immediately pursuant to Section 9.03 of the Credit Agreement.

SECTION 6. *Recordable Intellectual Property.*

Each Lien Grantor covenants as follows:

(a) On the Effective Date (in the case of an Original Lien Grantor) or the date on which it signs and delivers its first Guarantee and Security Agreement Supplement (in the case of any other Lien Grantor), and within 30 days after the Reinstatement Date, such Lien Grantor will sign and deliver to the Collateral Agent Intellectual Property Security Agreements with respect to all Recordable Intellectual Property then owned by it. Within 60 days after each March 31 and September 30 after December 31, 2003, it will sign and deliver to the Collateral Agent any Intellectual Property Security Agreement necessary to grant Security Interests on all Recordable Intellectual Property owned by it on such March 31 or September 30 that is not covered by any previous Intellectual Property Security Agreement so signed and delivered by it. In each case, it will promptly make all Intellectual Property Filings necessary to record the Security Interests on such Recordable Intellectual Property, *provided, however,* that any good faith omission to include any Recordable Intellectual Property in any such Intellectual Property Security Agreement shall not constitute an Event of Default if, within 15 days after the discovery by such Lien Grantor of such good faith omission, such Lien Grantor signs and delivers to the Collateral Agent Intellectual Property Security Agreements with respect to such omitted Recordable Intellectual Property and promptly makes all Intellectual Property Fillings necessary to record the Security Interests on such omitted Recordable Intellectual Property.

(b) Such Lien Grantor will notify the Collateral Agent promptly if it knows that any application or registration relating to any material Recordable Intellectual Property owned or licensed by it may become abandoned or dedicated to the public, or of any adverse determination or development (including the

institution of, or any adverse determination or development in, any proceeding in the United States Copyright Office, the United States Patent and Trademark Office or any court) regarding such Lien Grantor's ownership of such material Recordable Intellectual Property, its right to register or patent the same, or its right to keep and maintain the same, except where the occurrence of any of the foregoing could not reasonably be expected to result in a Material Adverse Effect. If any of such Lien Grantor's rights to any material Recordable Intellectual Property are infringed, misappropriated or diluted by a third party, such Lien Grantor will, unless such Lien Grantor shall reasonably determine that such action would be of negligible value, economic or otherwise, or the failure to take such action could not reasonably be expected to result in a Material Adverse Effect, (i) promptly sue for infringement, misappropriation or dilution and to recover any and all damages for such infringement, misappropriation or dilution, (ii) take such other actions as such Lien Grantor shall reasonably deem appropriate under the circumstances to protect such material Recordable Intellectual Property and (iii) notify the Collateral Agent thereof to the extent required by the Credit Agreement.

(c) Unless an Actionable Event of Default shall exist and the Collateral Agent shall have notified such Lien Grantor that the Lien Grantor's right to do so is terminated, suspended or otherwise limited, the grant of Liens on Recordable Intellectual Property pursuant hereto and the Intellectual Property Security Agreements shall not preclude any Lien Grantor from entering into any Copyright License, Patent License or Trademark License or, subject to Section 5, from managing or maintaining its Recordable Intellectual Property in a manner that is in the ordinary course of such Lien Grantor's business and consistent with such Lien Grantor's historical practices as permitted by the Credit Agreement.

SECTION 7. *Pledged Securities.*

Each Lien Grantor represents, warrants and covenants as follows:

(a) *Certificated Securities.* (i) With respect to each Original Lien Grantor, such Original Lien Grantor will deliver, on the Effective Date, to the Collateral Agent as Collateral hereunder all certificates representing Pledged Certificated Securities that are Equity Interests directly owned by such Original Lien Grantor and issued by any Domestic Subsidiary or any Material Foreign Subsidiary.

(ii) With respect to any other Lien Grantor, such Lien Grantor will deliver, on the date on which it signs and delivers its first Guarantee and Security Agreement Supplement or, in the case of Pledged Certificated Securities that are Equity Interests directly owned by such Lien Grantor and issued by any Material Foreign Subsidiary, as promptly

as practicable, to the Collateral Agent as Collateral hereunder all certificates representing Pledged Certificated Securities that are Equity Interests then directly owned by such Lien Grantor and issued by a Material Subsidiary.

(iii) With respect to each Lien Grantor, such Lien Grantor will deliver, within 30 days after the Reinstatement Date, to the Collateral Agent as Collateral hereunder all certificates representing Pledged Certificated Securities that are Equity Interests directly owned by such Lien Grantor and issued by any Domestic Subsidiary or any Material Foreign Subsidiary (or, in the case of Pledged Certificated Securities that are Equity Interests in any Foreign Subsidiary, as promptly as practicable thereafter), *provided* that if both the Administrative Agent and the Syndication Agent agree in their discretion, with respect to any pledge of Certificated Securities that are Equity Interests issued by a Material Foreign Subsidiary and that shall not have previously been pledged hereunder, that such pledge is impossible, impractical or unreasonably burdensome or expensive (or has been substantially, but not fully completed), the Administrative Agent and the Syndication Agent may, in their respective good faith discretion, consent to a waiver of the pledge of any such Certificated Securities.

(iv) After the pledge and delivery of Pledged Certificated Securities described in clause (i), (ii) or (iii) of this Section 7(a), whenever such Original Lien Grantor or such Lien Grantor, as the case may be, acquires any other certificate representing a Pledged Certificated Security that is an Equity Interest required to be included in the Collateral, such Original Lien Grantor or such Lien Grantor, as the case may be, will promptly deliver such certificate to the Collateral Agent as Collateral hereunder.

The provisions of this Section 7(a) are subject to the limitation in Section 7(g) in the case of Securities that are voting Equity Interests in a Foreign Subsidiary and to the limitation in Section 7(h) in the case of Equity Interests that are subject to Permitted Encumbrances.

(b) *Uncertificated Securities.* (i) With respect to each Original Lien Grantor, such Original Lien Grantor will, on the Effective Date, in respect of each Pledged Uncertificated Security that is an Equity Interest directly owned by such Original Lien Grantor and issued by any Domestic Subsidiary or any Material Foreign Subsidiary, cause the issuer of any such Pledged Uncertificated Security to either (A) register the Collateral Agent as the registered owner of such security on the books and records of the issuer or (B) enter into an Issuer Control Agreement with respect to such Security, in each case as the Collateral Agent and

such Original Lien Grantor may reasonably agree, *provided* that any Equity Interest issued by Xerox (Austria) Holdings GmbH shall not be required to be pledged.

(ii) With respect to any other Lien Grantor, such Lien Grantor will, on the date on which it signs and delivers its first Guarantee and Security Agreement Supplement or, in the case of Pledged Uncertificated Securities that are Equity Interests directly owned by such Lien Grantor and issued by any Material Foreign Subsidiary, as promptly as practicable, in respect of each Pledged Uncertificated Security that is an Equity Interest then directly owned by such Lien Grantor and issued by a Material Subsidiary, cause the issuer of any such Pledged Uncertificated Security to either (x) register the Collateral Agent as the registered owner of such security on the books and records of the issuer or (y) enter into an Issuer Control Agreement with respect to such Security, in each case as the Collateral Agent and such Lien Grantor may reasonably agree.

(iii) With respect to each Lien Grantor, such Lien Grantor will, within 30 days after the Reinstatement Date, in respect of each Pledged Uncertificated Security that is an Equity Interest directly owned by such Lien Grantor and issued by any Domestic Subsidiary or any Material Foreign Subsidiary, cause the issuer of any such Pledged Uncertificated Security to either (A) register the Collateral Agent as the registered owner of such security on the books and records of the issuer or (B) enter into an Issuer Control Agreement with respect to such Security, in each case as the Collateral Agent and such Original Lien Grantor may reasonably agree, *provided* that any Equity Interest issued by Xerox (Austria) Holdings GmbH shall not be required to be pledged, and *provided further* that if both the Administrative Agent and the Syndication Agent agree in their discretion, with respect to any pledge of Uncertificated Securities that are Equity Interests issued by a Material Foreign Subsidiary and that shall not have previously been pledged hereunder, that such pledge is impossible, impractical or unreasonably burdensome or expensive (or has been substantially, but not fully completed), the Administrative Agent and the Syndication Agent may, in their respective good faith discretion, consent to a waiver of the pledge of any such Uncertificated Securities.

(iv) After the pledge of Pledged Uncertificated Securities described in clause (i), (ii) or (iii) of this Section 7(b), whenever such Original Lien Grantor or such Lien Grantor, as the case may be, acquires any other Pledged Uncertificated Security that is an Equity Interest required to be included in the Collateral, such Original Lien Grantor or such Lien Grantor, as the case may be, will promptly cause the issuer of any such Pledged Uncertificated Security to either (x) register the

Collateral Agent as the registered owner of such security on the books and records of the issuer or (y) enter into an Issuer Control Agreement with respect to such Security, in each case as the Collateral Agent and such Original Lien Grantor or such Lien Grantor, as the case may be, may reasonably agree.

The provisions of this Section 7(b) are subject to (X) the limitation in Section 7(g) in the case of Securities that are voting Equity Interests in a Foreign Subsidiary, (Y) Section 9(c) and (Z) the limitation in Section 7(h) in the case of Equity Interests that are subject to Permitted Encumbrances.

(c) *Perfection as to Certificated Securities.* When such Lien Grantor delivers the certificate representing any Pledged Certificated Security owned by it that is an Equity Interest to the Collateral Agent and complies with Section 7(e) in connection with such delivery, (i) the Security Interest on such Pledged Certificated Security will be perfected under the UCC, subject to no prior Liens or rights of others, (ii) the Collateral Agent will have Control of such Pledged Certificated Security and (iii) the Collateral Agent will be a protected purchaser (within the meaning of UCC Section 8-303) thereof if the Collateral Agent does not have notice of any adverse claim to the applicable security.

(d) *Perfection as to Uncertificated Securities.* When such Lien Grantor, the Collateral Agent and the issuer of any Pledged Uncertificated Security that is an Equity Interest and owned by such Lien Grantor enter into an Issuer Control Agreement with respect thereto, or when the Collateral Agent is registered as the registered owner of such Pledged Uncertificated Security, (i) the Security Interest on such Pledged Uncertificated Security will be perfected under the UCC, subject to no prior Liens or rights of others, (ii) the Collateral Agent will have Control of such Pledged Uncertificated Security and (iii) the Collateral Agent will be a protected purchaser (within the meaning of UCC Section 8-303) thereof if the Collateral Agent does not have notice of any adverse claim to the applicable security.

(e) *Delivery of Pledged Certificates.* Any certificate representing a Pledged Certificated Security that is an Equity Interest, when delivered to the Collateral Agent, will be in suitable form for transfer by delivery, or accompanied by duly executed instruments of transfer or assignment in blank signed by a Responsible Officer, all in form and substance reasonably satisfactory to the Collateral Agent.

(f) *Communications.* If an Actionable Event of Default shall have occurred and be continuing and the Collateral Agent shall have given notice to the Lien Grantors that it elects to exercise the remedies provided in Section 12, such Lien Grantor will promptly give to the Collateral Agent copies of any notices and

other communications received by it with respect to Pledged Securities that are Equity Interests and registered in the name of such Lien Grantor or its nominee.

(g) *Foreign Subsidiaries.* Such Lien Grantor will not be obligated to comply with the provisions of this Section 7 at any time with respect to any Security that is a voting Equity Interest in a Foreign Subsidiary if and to the extent (but only to the extent) that such Security is excluded from the Collateral at such time pursuant to Section 4(b)(vi).

(h) *Equity Interests Subject to Permitted Encumbrances.* Such Lien Grantor will not be obligated to comply with the provisions of this Section 7 at any time with respect to any Equity Interest issued by any Person if and to the extent (but only to the extent) that such Equity Interest is excluded from the Collateral at such time pursuant to Section 4(b)(i).

(i) Such Lien Grantor shall hold directly, and not through any subsidiary, Securities Intermediary or other Person, all Pledged Securities owned by it, *provided* that the foregoing shall not prohibit any Lien Grantor from Transferring ownership of such Pledged Securities as permitted by the Credit Agreement.

SECTION 8. *Collateral Account.*

(a) There is hereby established with the Collateral Agent, with respect to each Lien Grantor, a cash collateral account (its "**Collateral Account**") in the name and under the exclusive control of the Collateral Agent into which there shall be deposited from time to time after the occurrence and during the continuance of an Actionable Event of Default and upon notice from the Collateral Agent that it elects to exercise the remedies provided in this Section 8 the cash proceeds of the Collateral required to be delivered to the Collateral Agent pursuant to Section 8(b) hereof or any other provision of any Security Document. Any income received by the Collateral Agent with respect to the balance from time to time standing to the credit of each Collateral Account, including any interest or capital gains on Liquid Investments, shall remain, or be deposited, in the Collateral Account. All cash amounts on deposit in each Collateral Account from time to time after the occurrence and during the continuance of an Actionable Event of Default, together with any Liquid Investments from time to time made pursuant to Section 8(d) hereof, shall at all times be within the exclusive possession, dominion and control of the Collateral Agent, shall constitute part of the Collateral hereunder and shall not constitute payment of the Secured Obligations until applied thereto as hereinafter provided.

(b) If an Actionable Event of Default shall have occurred and be continuing and if so requested by the Required Lenders, each Lien Grantor shall

instruct all account debtors and other Persons obligated in respect of all Accounts then included in the Collateral to make all payments in respect of the Accounts either (i) directly to the Collateral Agent (by instructing that such payments be remitted to a post office box which shall be in the name of such Lien Grantor (with a notation that proceeds held therein are held in trust for and subject to the Liens of the Secured Parties) and under the control of the Collateral Agent) or (ii) under other arrangements, in form and substance satisfactory to the Collateral Agent, pursuant to which such Lien Grantor shall have irrevocably instructed such account debtors or other Persons obligated in respect of all Accounts (and such account debtor or other Person shall have agreed) to remit all proceeds of such payments directly to the Collateral Agent for deposit into the Collateral Account or as the Collateral Agent may otherwise instruct such bank. All such payments made to the Collateral Agent shall be deposited in such Lien Grantor's Collateral Account. In addition to the foregoing, such Lien Grantor agrees that if the proceeds of any Collateral hereunder (including the payments made in respect of Accounts) are received by it at a time when the foregoing provisions of this Section 8(b) are in effect, such Lien Grantor shall as promptly as possible deposit such proceeds into its Collateral Account. Until so deposited into the Collateral Account, all such proceeds shall, during the continuation of such Actionable Event of Default, be held in trust by such Lien Grantor for the Secured Parties and shall not be commingled with any other funds or property of such Lien Grantor.

(c) Upon acceleration of the Loans in accordance with the terms of the Credit Agreement, the Collateral Agent shall, if so instructed by the Required Lenders, apply or cause to be applied (subject to collection) any or all of the balance from time to time standing to the credit of each Collateral Account in the manner specified in Section 14.

(d) If an Actionable Event of Default shall have occurred and be continuing, amounts on deposit in each Collateral Account, to the extent not applied in the manner specified in Section 14 pursuant to paragraph (c) above, shall be invested and re-invested from time to time in such Liquid Investments as the relevant Lien Grantor shall determine, which Liquid Investments shall be held in the name and be under the control of the Collateral Agent, *provided* that the Collateral Agent shall, if instructed by the Required Lenders, liquidate any such Liquid Investments and apply or cause to be applied the proceeds thereof to the payment of the Secured Obligations in the manner specified in Section 14, and *provided further* that the Collateral Agent shall, if so instructed by the relevant Lenders in the manner specified in Section 9.02 of the Credit Agreement, liquidate any such Liquid Investments and release the proceeds thereof to the relevant Lien Grantor.

SECTION 9. *Transfer of Record Ownership.*

(a) If an Actionable Event of Default shall have occurred and be continuing, the Collateral Agent may (and to the extent that action by it is required, the relevant Lien Grantor, if directed to do so by the Collateral Agent, will as promptly as practicable) cause each of the Pledged Securities (or any portion thereof specified in such direction) to be transferred of record into the name of the Collateral Agent or its nominee.

(b) *Perfection upon Transfer of Record Ownership.* If and when any Pledged Security (whether certificated or uncertificated) owned by such Lien Grantor is transferred of record into the name of the Collateral Agent or its nominee pursuant to Section 7(b) or Section 9(a), (i) the Security Interest on such Pledged Security will be perfected, subject to no prior Liens or rights of others, (ii) the Collateral Agent will have Control of such Pledged Security and (iii) the Collateral Agent will be a protected purchaser (within the meaning of UCC Section 8-303) thereof if the Collateral Agent does not have notice of any adverse claim to the applicable security.

(c) *Provisions Inapplicable after Transfer of Record Ownership*. If the provisions of Section 9(a) are implemented, Section 7(b) shall not thereafter apply to any Pledged Security that is registered in the name of the Collateral Agent or its nominee.

(d) *Communications after Transfer of Record Ownership.* The Collateral Agent will promptly give to the relevant Lien Grantor copies of any notices and other communications received by the Collateral Agent with respect to Pledged Securities registered in the name of the Collateral Agent or its nominee.

SECTION 10. *Right to Vote Securities.*

(a) Unless an Actionable Event of Default shall have occurred and be continuing and the Collateral Agent shall have notified such Lien Grantor that it elects to exercise the remedies provided in this Section 10, each Lien Grantor will have the right, from time to time, to vote and to give consents, ratifications and waivers with respect to any Pledged Security owned by it, and the Collateral Agent will, upon receiving a written request from such Lien Grantor, deliver to such Lien Grantor such proxies, powers of attorney, consents, ratifications and waivers in respect of any such Pledged Security that is registered in the name of the Collateral Agent or its nominee, in each case as shall be reasonably requested by such Lien Grantor. Unless an Actionable Event of Default shall have occurred and be continuing and the Collateral Agent shall have notified such Lien Grantor that it elects to exercise the remedies provided in this Section 10, the Collateral

Agent will have no right to take any action which the owner of a Pledged Partnership Interest or Pledged LLC Interest is entitled to take with respect thereto, except the right to receive payments and other distributions to the extent provided herein.

(b) If an Actionable Event of Default shall have occurred and be continuing and the Collateral Agent shall have notified such Lien Grantor that it elects to exercise the remedies provided in this Section 10, the Collateral Agent will have the right to the extent permitted by Applicable Law (and, in the case of Collateral consisting of any Security that is subject to any Permitted Encumbrances, by the relevant agreement or governing document to the extent of any Permitted Encumbrances contained in such agreement or governing document) to vote, to give consents, ratifications and waivers and to take any other action with respect to the Pledged Securities (if any) with the same force and effect as if the Collateral Agent were the absolute and sole owner thereof, and each Lien Grantor will take all such action as the Collateral Agent may reasonably request from time to time to give effect to such right.

SECTION 11. *General Authority.*

Each Lien Grantor hereby irrevocably appoints the Collateral Agent its true and lawful attorney, with full power of substitution, in the name of such Lien Grantor, the Collateral Agent, the Secured Parties or otherwise, for the use and benefit of the Secured Parties, but at the Borrowers' expense, to the extent permitted by law to exercise, upon the occurrence and during the continuance of an Actionable Event of Default or upon acceleration of the Loans in accordance with the terms of the Credit Agreement, all or any of the following powers with respect to all or any of the Collateral:

(a) to demand, sue for, collect, receive and give acquittance for any and all monies due or to become due thereon or by virtue thereof,

(b) to settle, compromise, compound, prosecute or defend any action or proceeding with respect thereto,

(c) upon acceleration of the Loans in accordance with the terms of the Credit Agreement, to sell, transfer, assign or otherwise deal in or with the same or the proceeds thereof, as fully and effectually as if the Collateral Agent were the absolute owner of the Lien Grantor's right, title and interest therein, and

(d) to extend the time of payment of any or all thereof and to make any allowance and other adjustments with reference thereto;

provided that, except in the case of Personal Property Collateral that is perishable or threatens to decline speedily in value or is of a type customarily sold on a recognized market, the Collateral Agent will give the relevant Lien Grantor at least ten days' prior written notice of the time and place of any public sale thereof or the time after which any private sale or other intended disposition thereof will be made. Any such notice shall (i) contain the information specified in UCC Section 9-613, (ii) be Authenticated and (iii) be sent to the parties required to be notified pursuant to UCC Section 9-611(c); *provided* that, if the Collateral Agent fails to comply with this sentence in any respect, its liability for such failure shall be limited to the liability (if any) imposed on it as a matter of law under the UCC.

SECTION 12. *Remedies upon Actionable Event of Default or Acceleration; Limitation on Rights and Remedies of Hedging Secured Parties.*

(a) Upon acceleration of the Loans in accordance with the terms of the Credit Agreement, the Collateral Agent may exercise (or cause its sub-agents to exercise) any and all remedies available to it (or to such sub-agents) under the Security Documents. Without limiting the generality of the foregoing, upon acceleration of the Loans in accordance with the terms of the Credit Agreement, the Collateral Agent may exercise (or cause its sub-agents to exercise) on behalf of the Secured Parties all rights of a secured party after default under the UCC (whether or not in effect in the jurisdiction where such rights are exercised) with respect to any Personal Property Collateral and, in addition, the Collateral Agent may, without being required to give any notice, except as herein provided or as may be required by mandatory provisions of law, (i) withdraw all cash and Liquid Investments in the Collateral Accounts and apply such cash and Liquid Investments and other cash, if any, then held by it as Collateral as specified in Section 14 and (ii) if there shall be no such cash or Liquid Investments or if such cash and Liquid Investments shall be insufficient to pay all the Secured Obligations in full, take possession of, sell, lease, license or otherwise dispose of the Collateral or any part thereof at public or private sale, for cash, upon credit or for future delivery, and at such price or prices as the Collateral Agent may deem satisfactory. Any Secured Party may be the purchaser of any or all of the Collateral so sold at any public sale (or, if the Collateral is of a type customarily sold in a recognized market or is of a type which is the subject of widely distributed standard price quotations, at any private sale). The relevant Lien Grantor will execute and deliver such documents and take such other action as the Collateral Agent deems reasonably necessary or proper in order that any such sale may be made in compliance with law. Upon any such sale the Collateral Agent shall have the right to deliver, assign and transfer to the purchaser thereof the Collateral so sold. Each purchaser at any such sale shall hold the Collateral so sold to it absolutely and free from any claim or right of whatsoever kind, including any equity or right of redemption of the relevant Lien Grantor which may be waived, and such Lien Grantor, to the extent permitted by law, hereby

specifically waives all rights of redemption, stay or appraisal which it has or may have under any law now existing or hereafter adopted. The notice (if any) of such sale required by Section 11 shall comply with the requirements set forth in Section 11. Any such public sale shall be held at such time or times within ordinary business hours and at such place or places as the Collateral Agent may fix in the notice of such sale. At any such sale the Collateral may be sold in one lot as an entirety or in separate parcels, as the Collateral Agent may determine. The Collateral Agent shall not be obligated to make any such sale pursuant to any such notice. The Collateral Agent may, without notice or publication, adjourn any public or private sale or cause the same to be adjourned from time to time by announcement at the time and place fixed for the sale, and such sale may be made at any time or place to which the same may be so adjourned. In the case of any sale of all or any part of the Collateral on credit or for future delivery, the Collateral so sold may be retained by the Collateral Agent until the selling price is paid by the purchaser thereof, but the Collateral Agent shall not incur any liability in the case of the failure of such purchaser to take up and pay for the Collateral so sold and, in the case of any such failure, such Collateral may again be sold upon like notice. The Collateral Agent, instead of exercising the power of sale herein conferred upon it, may proceed by a suit or suits at law or in equity to foreclose the Security Interests and sell the Collateral, or any portion thereof, under a judgment or decree of a court or courts of competent jurisdiction.

(b) For the purpose of enforcing any and all rights and remedies under the Security Documents upon the occurrence and during the continuance of an Actionable Event of Default or upon acceleration of the Loans in accordance with the terms of the Credit Agreement, as the case may be, the Collateral Agent may (i) require any Lien Grantor to, and such Lien Grantor agrees that it will, at its expense and upon the request of the Collateral Agent, forthwith take reasonable steps to assemble all or any part of the Collateral as directed by the Collateral Agent and make it available at a place designated by the Collateral Agent which is, in its opinion, reasonably convenient to the Collateral Agent and such Lien Grantor, whether at the premises of such Lien Grantor or otherwise, (ii) to the extent permitted by applicable law, enter, with or without process of law and without breach of the peace, any premise where any of the Collateral is or may be located, and without charge or liability to it seize and remove such Collateral from such premises, (iii) have access to and use such Lien Grantor's books and records relating to the Collateral upon reasonable prior notice and at reasonable times and (iv) prior to the disposition of the Collateral, store or transfer it without charge in or by means of any storage or transportation facility owned or leased by such Lien Grantor, process, repair or recondition it or otherwise prepare it for disposition in any manner and to the extent the Collateral Agent reasonably deems appropriate and, in connection with such preparation and disposition, use without charge any trademark, trade name, copyright, patent or technical process used by such Lien

Grantor in connection therewith and included in the Collateral, subject, with respect to products being sold under Trademarks, to standards of quality with respect to such products that are reasonably comparable to those prevailing at the time of such Actionable Event of Default.

(c) The remedies specified in this Section 12 do not affect, and are in addition to, remedies otherwise specified for or available to the Collateral Agent or the Secured Parties under this Agreement or any other Loan Document, including, but not limited to, remedies available upon the occurrence and during the continuance of an Event of Default or Actionable Event of Default, as the case may be.

(d) The Collateral Agent hereby agrees that, notwithstanding anything to the contrary set forth herein, the exercise of rights and remedies by the Collateral Agent pursuant to this Section 12 (or otherwise) with respect to any Collateral may be subject to the effect of any Permitted Encumbrances.

(e) Notwithstanding anything herein to the contrary, at all times until all CA Secured Obligations and all XCFI Secured Obligations have been paid in full in cash and the Release Conditions shall have been satisfied, no Hedging Secured Party (in their respective capacities as such) shall be entitled to (i) exercise (or to direct the Collateral Agent to exercise) any rights (including any rights to approve or disapprove any action or inaction by the Collateral Agent) or remedies with respect to the Collateral, including without limitation the right to (A) enforce any Liens or sell or otherwise foreclose on any portion of the Collateral or (B) request any action, institute proceedings, give any instructions, make any election, notice account debtors or make collections with respect to all or any portion of the Collateral or (ii) demand, accept or obtain any lien and/or security interest in any Collateral (except for the Liens arising under, and subject to the terms of, this Agreement and the other Security Documents, and except for Liens on deposit accounts or other accounts (and the cash, cash equivalents or investments from time to time credited thereto)).

SECTION 13. *Limitation on Duty of Collateral Agent in Respect of Collateral.*

Beyond the exercise of reasonable care in the custody thereof, the Collateral Agent shall have no duty as to any Collateral in its possession or control or in the possession or control of any agent or bailee or any income thereon or as to the preservation of rights against prior parties or any other rights pertaining thereto. The Collateral Agent shall be deemed to have exercised reasonable care in the custody of the Collateral in its possession if the Collateral is accorded treatment substantially equal to that which it accords its own property, and shall not be liable or responsible for any loss or damage to any of the

Collateral, or for any diminution in the value thereof, by reason of the act or omission of any warehouseman, carrier, forwarding agency, consignee or other agent or bailee selected by the Collateral Agent in good faith.

SECTION 14. *Application of Proceeds.*

(a) Upon (i) acceleration of the Loans in accordance with the terms of the Credit Agreement and (ii) the exercise of remedies by the Collateral Agent under Section 12 hereof, the proceeds of any sale of, or other realization upon, all or any part of the Collateral, shall be applied by the Collateral Agent as follows:

first, to pay the expenses of such sale or other realization, including reasonable compensation to agents contemplated by Section 16 and to counsel for the Collateral Agent, and all expenses, liabilities and advances incurred or made by the Collateral Agent in connection with the Security Documents, and then ratably to pay any other unreimbursed expenses for which the Collateral Agent is to be reimbursed pursuant to Section 17 hereof;

second, (A) in the case of proceeds of any sale of, or realization upon, Restricted Collateral remaining after the application of amounts pursuant to clause **first** above, in ratable amounts as follows:

(I) the CA Percentage thereof shall be applied to pay (or provide for the payment thereof pursuant to Section 14(e)) the CA Secured Obligations in accordance with Section 14(c) until payment in full of all CA Secured Obligations shall have been made (or so provided for); and

(II) the XCFI Percentage thereof shall be applied to pay (or provide for the payment thereof pursuant to Section 14(e)) the XCFI Secured Obligations in accordance with Section 14(b) until payment in full of all XCFI Secured Obligations shall have been made (or so provided for);

(B) in the case of proceeds of any sale of, or realization upon, any Collateral that is not Restricted Collateral remaining after the application of amounts pursuant to clause **first** above, 100% thereof shall be applied to pay (or provide for the payment thereof pursuant to Section 14(e)) the CA Secured Obligations in accordance with Section 14(c) until payment in full of all CA Secured Obligations shall have been made (or so provided for);

third, in the case of proceeds of any sale of, or realization upon, Collateral remaining after the application of amounts pursuant to clauses **first** and **second** above, to pay the Non-Contingent Hedging Secured Obligations; and

finally, to pay to the relevant Lien Grantor, or as a court of competent jurisdiction may direct, any surplus then remaining from the proceeds of the Collateral owned by it.

(b) All amounts required to be applied to pay (or provide for the payment of) the XCFI Secured Obligations pursuant to Section 14(a) shall be paid by the Collateral Agent to the Trustee under each of the XCFI Indentures (and any successor Trustee thereunder) for application by such Trustee in accordance with the provisions of each of the XCFI Indentures (or provide for such payment pursuant to Section 14(e)), until payment in full of all XCFI Secured Obligations shall have been made (or so provided for).

(c) All amounts required to be applied to pay (or provide for the payment of) the CA Secured Obligations pursuant to Section 14(a) shall be applied by the Collateral Agent in the following order of priorities:

first, to ratably pay any unreimbursed expenses for which any Secured Party is to be reimbursed pursuant to Section 9.04 of the Credit Agreement, and any unpaid fees owing to the Agents under the Credit Agreement;

second, to ratably (A) pay the unpaid principal of the Term Loans, (B) pay the unpaid principal of the Revolving Loans and (C) provide for the payment of all Contingent CA Secured Obligations pursuant to Section 14(e), until payment in full of the principal of all Term Loans and Revolving Loans shall have been made and the payment of all Contingent CA Secured Obligations has been provided for;

third, to pay ratably all interest and fees payable under the Credit Agreement, until payment in full of all such interest and fees shall have been made; and

fourth, to pay all other CA Secured Obligations ratably (or provide for the payment thereof pursuant to Section 14(e)), until payment in full of all such other CA Secured Obligations shall have been made (or so provided for).

(d) The Collateral Agent may make distributions under clauses (a), (b) or (c) above in cash or in kind or, on a ratable basis, in any combination thereof.

(e) If at any time any portion of any monies collected or received by the Collateral Agent would, but for the provisions of this Section 14(e), be payable in respect of a Contingent CA Secured Obligation or an XCFI Secured Obligation that is not then due and payable (by reason of acceleration or otherwise), the Collateral Agent shall not apply any monies to pay such Secured Obligation but instead shall request the holder thereof, at least 10 days before each proposed distribution hereunder, to notify the Collateral Agent as to the maximum amount of such Secured Obligation if then ascertainable (e.g. in the case of a Letter of Credit, the maximum amount available for subsequent drawings thereunder, regardless of whether the conditions to drawing thereunder are then satisfied). If the holder of such Secured Obligation does not notify the Collateral Agent of the maximum ascertainable amount thereof at least two Business Days before such distribution, such holder will not be entitled to share in such distribution. If such holder does so notify the Collateral Agent as to the maximum ascertainable amount thereof, the Collateral Agent will allocate to such holder a portion of the monies to be distributed in such distribution, calculated as if such Secured Obligation were outstanding and then due and payable in such maximum ascertainable amount. However, the Collateral Agent will not apply such portion of such monies to pay such Secured Obligation, but instead will hold such monies or invest such monies in Liquid Investments. All such monies and Liquid Investments and all proceeds thereof will constitute Collateral hereunder, but will be subject to distribution in accordance with this Section 14(e) rather than Section 14(a), (b) and (c). The Collateral Agent will hold all such monies and Liquid Investments and the net proceeds thereof in trust until all or part of such Secured Obligation becomes due and payable (or, in the case of a Contingent CA Secured Obligation, becomes a Non-Contingent CA Secured Obligation), whereupon the Collateral Agent at the request of the relevant Secured Party will apply the amount so held in trust to pay such Secured Obligation, *provided* that, if the other Secured Obligations theretofore paid pursuant to the same clause of Section 14(a) were not paid in full, the Collateral Agent will apply the amount so held in trust to pay the same percentage of such Secured Obligation as the percentage of such other Secured Obligations theretofore paid pursuant to the same clause of Section 14(a) . If (i) the holder of such Secured Obligation advises the Collateral Agent that no portion thereof (A) has not become due and payable or (B) remains a Contingent CA Secured Obligation, as the case may be, and (ii) the Collateral Agent still holds any amount held in trust pursuant to this Section 14(e) in respect of such Secured Obligation (after paying all amounts payable pursuant to the preceding sentence with respect to any portions thereof that have become due and payable or have become Non-Contingent CA Secured Obligations, as the case may be), such remaining amount will be applied by the Collateral Agent in the order of priorities set forth in the relevant clause of Section 14(a).

(f) In making the payments and allocations required by this Section 14, the Collateral Agent may rely upon information supplied to it pursuant to Section 15(c). All distributions made by the Collateral Agent pursuant to this Section 14 shall be final (except in the event of manifest error) and the Collateral Agent shall have no duty to inquire as to the application by any Secured Party of any amount distributed to it.

(g) Notwithstanding anything to the contrary contained herein or in any other Security Document, the aggregate amount of proceeds of all sales of, and other realizations upon, Restricted Collateral applied pursuant to this Section 14 to pay (i) CA Secured Obligations, (ii) XCFI Secured Obligations and (iii) any Hedging Secured Obligations that would be required to be taken into account in calculating the Basket Lien Available Amount shall not at any time exceed the Basket Lien Available Amount at such time.

SECTION 15. *Concerning the Collateral Agent.*

The provisions of Article 8 of the Credit Agreement shall inure to the benefit of the Collateral Agent in respect of this Agreement (as if the Collateral Agent were the Administrative Agent referred to therein) and shall be binding upon the parties to the Credit Agreement. In furtherance, and not in derogation of, the rights, privileges and immunities of the Collateral Agent therein specified:

(a) The Collateral Agent is authorized to take all such action as is provided to be taken by it as Collateral Agent hereunder and all other action reasonably incidental thereto. As to any matters not expressly provided for herein (including, without limitation, the timing and methods of realization upon the Collateral) the Collateral Agent shall act or refrain from acting in accordance with written instructions from the Required Lenders or, in the absence of such instructions, in accordance with its discretion.

(b) The Collateral Agent shall not be responsible for the existence, genuineness or value of any of the Collateral or for the validity, perfection, priority or enforceability of the Security Interests in any of the Collateral, whether impaired by operation of law or by reason of any action or omission to act on its part under the Security Documents. The Collateral Agent shall have no duty to ascertain or inquire as to the performance or observance of any of the terms of any Security Document by any Lien Grantor.

(c) For all purposes of the Security Documents, including determining the amounts of the Secured Obligations and whether a Secured Obligation is a Contingent CA Secured Obligation or not, the

Collateral Agent will be entitled to rely on information from (i) its own records for information as to the Lender and Agents, their Secured Obligations and actions taken by them, (ii) any Secured Party for information as to its Secured Obligations and actions taken by it, to the extent that the Collateral Agent has not obtained such information from the foregoing sources and (iii) Xerox, to the extent that the Collateral Agent has not obtained information from the foregoing sources.

SECTION 16. *Appointment of Co-Collateral Agents.*

At any time or times, upon prior written notice to Xerox and in order to (a) comply with any legal requirement in any jurisdiction, (b) preserve or protect the Collateral, (c) exercise remedies specified in this Agreement or (d) otherwise carry out duties or exercise rights specified in this Agreement, the Collateral Agent may appoint another bank or trust company or one or more other Persons, either to act as co-agent or co-agents, jointly with the Collateral Agent, or to act as separate agent or agents on behalf of the Secured Parties with such power and authority as may be necessary for the effective operation of the provisions hereof and may be specified in the instrument of appointment (which may, in the discretion of the Collateral Agent, include provisions for the protection of such co-agent or separate agent similar to the provisions of Section 15).

SECTION 17. *Expenses.*

(a) Xerox agrees that it will forthwith upon demand pay to the Collateral Agent:

(i) the amount of any Taxes which the Collateral Agent may have been required to pay by reason of the Security Interests or to free any of the Collateral from any other Lien thereon; and

(ii) the amount of any and all reasonable out-of-pocket expenses, including the reasonable fees and disbursements of counsel and, upon the occurrence and during the continuance of an Event of Default, of any other experts (other than financial advisors or similar persons), which the Collateral Agent may incur in connection with (w) the administration or enforcement of the Security Documents, including such expenses as are incurred to preserve the value of the Collateral and the validity, perfection, rank and value of any Security Interest, (x) the collection, sale or other disposition of any of the Collateral, (y) the exercise by the Collateral Agent of any of the rights conferred upon it under the Security Documents or (z) any Event of Default.

(b) Any such amount not paid on demand shall bear interest at the rate applicable to Base Rate Loans from time to time plus 2% and shall be an additional Secured Obligation hereunder.

SECTION 18. *Taxes.*

Each Guarantor agrees that: (a) All payments of Secured Obligations and all other amounts payable on, under or in respect of this Agreement or any other Security Document by such Guarantor, including, without limitation, amounts payable by such Guarantor under clause (b) of this Section 18, shall be made free and clear of and without deduction for all present and future Taxes (other than income or franchise taxes imposed on (or measured by) the net income of a Secured Party by a Secured Party Jurisdiction of that Secured Party) including any such Taxes imposed with respect to this Agreement or any other Security Document, the execution, registration, enforcement, notarization or other formalization of any thereof, and any payments of principal, interest, charges, fees, commissions or other amounts made on, under or in respect thereof (hereinafter called "**Covered Taxes**"), *provided* that, if any Guarantor shall be required to deduct any Covered Taxes from such payments, then (i) the sum payable will be increased as necessary so that, after all required deductions (including deductions applicable to additional sums payable under this Section 18) are made, each relevant Secured Party receives an amount equal to the sum it would have received had no such deductions been made, (ii) such Guarantor shall make such deductions and (iii) such Guarantor shall pay the full amount deducted to the relevant Governmental Authority in accordance with applicable law. The parties agree to cooperate and provide information with respect to United States and foreign withholding tax matters relating to payments under this Agreement in a manner consistent with the principles of Section 2.15(e) of the Credit Agreement, *mutatis mutandis*. The parties also agree that the provisions of Section 2.15(f) of the Credit Agreement apply, *mutatis mutandis*, to Covered Taxes that are deducted, withheld or paid by a Guarantor pursuant to this Agreement.

(b) Each Guarantor shall indemnify each Secured Party, within 15 Business Days after written demand therefor, for the full amount of any Covered Taxes paid or incurred by such Secured Party with respect to any payment by or obligation of such Guarantor under or with respect to this Agreement or any other Security Document (including Covered Taxes imposed or asserted on or attributable to amounts payable under this Section 18) and any expenses arising therefrom or with respect thereto, whether or not such Covered Taxes were correctly or legally imposed or asserted by the relevant Governmental Authority. Each Secured Party shall make a good faith effort to verify that such Covered Taxes are correctly and legally imposed or asserted by the relevant Governmental Authority. An officer's certificate as to the amount of any such payment

delivered to Xerox by a Secured Party on its own behalf, or by the Collateral Agent on behalf of a Secured Party, shall be conclusive absent manifest error.

(c) Within 15 Business Days after any Guarantor pays any Covered Taxes to a Governmental Authority, such Guarantor shall deliver to the Collateral Agent the original or a certified copy of a receipt issued by such Governmental Authority evidencing such payment. Each Guarantor shall promptly furnish to each Secured Party any other information, documents and receipts that the Secured Party may from time to time reasonably request to establish to its satisfaction that full and timely payment of all Covered Taxes has been made. The applicable Guarantor will be deemed to have satisfied the requirement of this Section 18(c) if it has furnished such information, documents and/or receipts to the Collateral Agent.

(d) Notwithstanding paragraphs (a) and (b) above, the payment increases and indemnities pursuant to those paragraphs will not apply to the payment of any Secured Obligation to the extent that (in the absence of this paragraph (d)) the Secured Party would thereby receive a net cash payment in respect of that Secured Obligation greater than if that Secured Obligation had been paid by the relevant Borrower.

SECTION 19. *Termination of Security Interests; Reinstatement of Security Interests.*

(a) Each Security Interest granted under any Security Document shall automatically terminate, and all rights to the relevant Collateral shall revert to the relevant Lien Grantor, if, as and to the extent permitted by Section 9.03 of the Credit Agreement, including upon satisfaction of the Ratings Condition (subject to reinstatement pursuant to Section 19(f)), *provided* that a Security Interest granted under any Mortgage shall not automatically terminate upon the satisfaction of the Ratings Condition.

(b) Upon the satisfaction of the Ratings Condition (and only for so long as the Ratings Condition continues to be satisfied), the Collateral Agent shall not enforce any remedies with respect to any Liens granted under any Mortgage and, at the request of Xerox, the Collateral Agent shall terminate the Liens granted pursuant to any Mortgage.

(c) Notwithstanding any contrary provision of this Agreement, if at any time prior to the termination of the Security Interests pursuant to this Section 19, the XCFI Secured Obligations are paid in full, all rights hereunder of the holders of XCFI Secured Obligations shall simultaneously terminate.

(d) Notwithstanding any contrary provision of this Agreement, if at any time prior to the termination of the Security Interests pursuant to this Section 19, (i) a Designated Hedging Agreement shall be terminated, all rights hereunder of the relevant Hedging Secured Party in respect of such agreement shall simultaneously terminate or (ii) Xerox and the relevant Hedging Secured Party so agree in writing, the rights hereunder of such Hedging Secured Party in respect of a Designated Hedging Agreement shall terminate.

(e) Upon any termination of a Security Interest or release of Collateral, the Collateral Agent will, at the expense of the relevant Lien Grantor, execute and deliver to such Lien Grantor such documents as such Lien Grantor shall reasonably request to evidence the termination of such Security Interest or the release and reassignment of such Collateral, as the case may be.

(f) *Reinstatement of Collateral.* If the Security Interests are terminated upon the satisfaction of the Ratings Condition, and thereafter, at any subsequent time, the Ratings Condition is not satisfied:

(i) the Security Interests under this Agreement shall be automatically and immediately reinstated on the terms and conditions provided hereunder, subject only to Liens permitted hereunder or under the Credit Agreement;

(ii) within 30 days after the Reinstatement Date:

(A) Xerox will cause the Equity Interests of any Subsidiary the Equity Interests of which would have been required to be pledged pursuant to Section 5.11(a) of the Credit Agreement if the Ratings Condition had not been satisfied at such time to be pledged;

(B) Xerox will cause any Subsidiary that pursuant to Section 5.11(b) of the Credit Agreement would have been required to become a Subsidiary Guarantor if the Ratings Condition had not been satisfied to deliver a duly executed Guarantee and Security Agreement Supplement whereupon such Subsidiary will become a “Guarantor” and a “Lien Grantor” hereunder;

(C) In the case of any Lien granted pursuant to any Mortgage that has been terminated at Xerox’s request pursuant to Section 19(b), Xerox will, or will cause the relevant mortgagor under any Mortgage to execute, deliver and record a new

mortgage, in form and substance reasonably satisfactory to the Collateral Agent (the "**Reinstated Mortgage**");

(D) Xerox will, and will cause the other Lien Grantors (including any Subsidiaries who have become Lien Grantors pursuant to Section 19(f)(ii)(B) above) and each other mortgagor under any Mortgage to take all actions necessary or reasonably desirable to cause the Liens created under the Security Documents to be perfected and protected against all creditors and transferees of the Borrowers under applicable law, including complying with Sections 5, 6 and 7 hereunder;

(E) Xerox will deliver to the Collateral Agent a certificate of a Responsible Officer stating that all of the representations and warranties set forth in Section 3 hereof are true and correct as of such date and, for the purpose of such certificate, all references to "Effective Date" in such representations and warranties shall be deemed to mean the date on which such certificate is delivered. Such certificate shall attach a replacement Schedule 1 and an updated Perfection Certificate; and

(F) the Administrative Agent shall have received (i) written confirmation of the regrant by each Lien Grantor of the Security Interests and (ii) a favorable written opinion (addressed to the Administrative Agent and the Lenders) of counsel for Xerox and the other Lien Grantors as to the creation and perfection of the reinstated Security Interests (or, in the case of any new Collateral, the new Security Interests) and covering such other matters relating to the Lien Grantors and the Security Interests as the Administrative Agent shall reasonably request, *provided* that the foregoing opinion shall not address the Reinstated Mortgage, which shall be addressed by the opinion required by Section 19(f)(iii)(B) below.

(iii) within 45 days after the Reinstatement Date:

(A) Xerox will, and will cause each other mortgagor under any Mortgage to deliver to the Collateral Agent a title insurance policy insuring the Lien of the Reinstated Mortgage; and

(B) the Administrative Agent shall have received a favorable written opinion (addressed to the Administrative Agent

and the Lenders) of local counsel for each mortgagor under any Mortgage as to the creation and perfection of the Reinstated Mortgage and covering such other matters relating to such mortgagor and the Security Interests as the Administrative Agent shall reasonably request.

SECTION 20. *Additional Guarantors and Lien Grantors.*

Any Domestic Subsidiary may become a party hereto by signing and delivering to the Collateral Agent a Guarantee and Security Agreement Supplement, whereupon such Subsidiary shall become a "Subsidiary Guarantor" and a "Lien Grantor" as defined herein.

SECTION 21. *Additional Secured Obligations.*

Xerox may from time to time designate obligations under any Hedging Agreement between Xerox or a Subsidiary and a Lender or an Affiliate of a Lender (a "**Designated Hedging Agreement**") as an additional Secured Obligation for purposes hereof by delivering to the Administrative Agent a certificate signed by a Responsible Officer that (i) identifies such Hedging Agreement, specifying the name and address of the Lender or an Affiliate of any Lender party thereto, the notional amount thereof and the expiration date thereof and (ii) states that Xerox's obligations or such Secured Subsidiary Guarantor's obligations thereunder, as applicable, are designated as Secured Obligations for purposes hereof.

SECTION 22. *Notices.*

All notices, requests and other communications to any party hereunder shall be in writing (including bank wire, telex, facsimile transmission or similar writing) and shall be delivered by hand or overnight courier service, mailed by certified or registered mail, sent by telecopy or sent by electronic mail, as follows:

(a) if to Xerox:

Xerox Corporation
800 Long Ridge Road
Stamford, CT 06904
Attention: Treasury Department (Telecopy No. 203-968-4373), with a copy to General Counsel (Telecopy No. 203-968-3446)
Email: rhonda.seegal@usa.xerox.com with a simultaneous copy to christina.clayton@usa.xerox.com

(b) if to any Original Lien Grantor listed on the signature pages hereof:

c/o Xerox Corporation
800 Long Ridge Road
Stamford, CT 06904
Attention: Treasury Department (Telecopy No. 203-968-4373), with a copy to General Counsel (Telecopy No. 203-968-3446)
Email: rhonda.seegal@usa.xerox.com with a simultaneous copy to christina.clayton@usa.xerox.com

(c) if to any other Lien Grantor, its address, facsimile number or e-mail address set forth in its first Guarantee and Security Agreement Supplement;

(d) in the case of the Collateral Agent and the Administrative Agent:

JPMorgan Chase Bank
270 Park Avenue, 4th Floor
New York, New York 10017
Attention: David Mallett, Vice President (Telecopy No. 212-270-4584)
Email: david.mallet@jpmorgan.com

(e) if to any Lender, to its address, facsimile number or e-mail address specified in or pursuant to Section 9.01 of the Credit Agreement.

Any party may change its address, facsimile number and/or e-mail address for purposes of this Section 22 by giving notice of such change to the Administrative Agent and the Lien Grantors in the manner specified above.

All notices and other communications given to any party hereto in accordance with the provisions of this Agreement will be deemed to have been given on the date of receipt, or, in the case of any notice of the exercise of any remedy hereunder sent by electronic mail, confirmation by the recipient of the receipt of such notice.

It is acknowledged that the Collateral Agent may provide notices and other communications to the Lenders using "Intralinks" (www.intralinks.com) or a similar, reputable forum on the internet, and such notices or communications will be deemed to have been given on the date of notification by electronic mail of posting to such forum.

SECTION 23. *Waivers; Non-Exclusive Remedies.*

No failure on the part of the Collateral Agent or any Secured Party to exercise, and no delay in exercising and no course of dealing with respect to, any right or remedy under any Loan Document shall operate as a waiver thereof nor

shall any single or partial exercise by the Collateral Agent or any Secured Party of any right under any Loan Document preclude any other or further exercise thereof or the exercise of any other right or remedy. The rights and remedies in the Loan Documents are cumulative and are not exclusive of any other rights or remedies provided by law.

SECTION 24. *Successors and Assigns.*

This Agreement is for the benefit of the Collateral Agent and the Secured Parties and their successors and, in the case of the Lenders, permitted assigns pursuant to Section 9.05 of the Credit Agreement and in the event of an assignment of all or any of the Secured Obligations, the rights hereunder, to the extent applicable to the obligation so assigned, shall be automatically transferred with such obligation. This Agreement shall be binding on Xerox, each Subsidiary Guarantor and its successors and assigns.

SECTION 25. *Changes in Writing.*

Neither this Agreement nor any provision hereof may be waived, amended, modified or terminated except pursuant to an agreement or agreements in writing entered into by the parties hereto, with the consent of such Lenders as are required to consent thereto under Section 9.02 of the Credit Agreement.

SECTION 26. *New York Law.*

(a) This Agreement shall be construed in accordance with and governed by the laws of the State of New York, except as otherwise required by mandatory provisions of law and except to the extent that remedies provided by the laws of any jurisdiction other than New York are governed by the laws of such jurisdiction.

(b) Each of the Guarantors irrevocably and unconditionally submits, for itself and its property, to the nonexclusive jurisdiction of the Supreme Court of the State of New York sitting in New York County and of the United States District Court of the Southern District of New York, and any relevant appellate court, in any action or proceeding arising out of or relating to this Agreement and, except to the extent expressly provided therein, any other Security Document, or for recognition or enforcement of any judgment, and each party hereto irrevocably and unconditionally agrees that all claims in respect of any such action or proceeding may be heard and determined in such New York State court or, to the extent permitted by law, in such Federal court. Each party hereto agrees that, to the extent permitted by Applicable Law, a final judgment in any such action or proceeding shall be conclusive and may be enforced in other jurisdictions by suit on the judgment or in any other manner provided by law. Nothing in any Security

Document shall affect any right that any Secured Party may otherwise have to bring any action or proceeding relating to any Security Document against any Guarantor or its properties in the courts of any jurisdiction.

(c) Each of the Guarantors irrevocably and unconditionally waives, to the fullest extent it may legally and effectively do so, any objection that it may now or hereafter have to the laying of venue of any suit, action or proceeding arising out of or relating to any Security Document in any court referred to in Section 26(b). Each party hereto irrevocably waives, to the fullest extent permitted by law, the defense of an inconvenient forum to the maintenance of any such suit, action or proceeding in any such court.

(d) Each party hereto irrevocably consents to service of process in the manner provided for notices in Section 22. Nothing in any Security Document will affect the right of any party hereto to serve process in any other manner permitted by law.

SECTION 27. *WAIVER OF JURY TRIAL.*

EACH PARTY HERETO AND ANY OTHER SECURED PARTY BY ITS ACCEPTANCE OF THE BENEFITS HEREOF OR BY SEEKING TO ENFORCE THIS AGREEMENT WAIVES, TO THE FULLEST EXTENT PERMITTED BY APPLICABLE LAW, ANY RIGHT IT MAY HAVE TO A TRIAL BY JURY IN ANY LEGAL PROCEEDING DIRECTLY OR INDIRECTLY ARISING OUT OF OR RELATING TO ANY SECURITY DOCUMENT OR ANY TRANSACTION CONTEMPLATED THEREBY (WHETHER BASED ON CONTRACT, TORT OR ANY OTHER THEORY), AND EACH OF SUCH PARTIES (A) CERTIFIES THAT NO REPRESENTATIVE, AGENT OR ATTORNEY OF ANY OTHER PARTY HAS REPRESENTED, EXPRESSLY OR OTHERWISE, THAT SUCH OTHER PARTY WOULD NOT, IN THE EVENT OF LITIGATION, SEEK TO ENFORCE THE FOREGOING WAIVER AND (B) ACKNOWLEDGES THAT IT AND THE OTHER PARTIES HERETO HAVE BEEN INDUCED TO ENTER INTO THIS AGREEMENT BY, AMONG OTHER THINGS, THE MUTUAL WAIVERS AND CERTIFICATIONS IN THIS SECTION 27.

SECTION 28. *Severability.*

If any provision of any Security Document is invalid or unenforceable in any jurisdiction, then, to the fullest extent permitted by law, (i) the other provisions of the Security Documents shall remain in full force and effect in such jurisdiction and shall be liberally construed in favor of the Collateral Agent and the Secured Parties in order to carry out the intentions of the parties hereto as nearly as may be possible and (ii) the invalidity or unenforceability of any

provision hereof in any jurisdiction shall not affect the validity or enforceability of such provision in any other jurisdiction.

IN WITNESS WHEREOF, the parties hereto have caused this Agreement to be duly executed by their respective authorized officers as of the day and year first above written.

XEROX CORPORATION

By: /s/ RHONDA L. SEEGAL

Name: **Rhonda L. Seegal**
Title: **Vice President and Treasurer**

JPMORGAN CHASE BANK, as Collateral Agent

By: /s/ DAN M. MALLETT

Name: **Dan M. Mallett**
Title: **Vice President**

Subsidiary Guarantors:

XEROX FINANCIAL SERVICES, INC.

By: /s/ JOHN F. RIVERA

Name: **John F. Rivera**
Title: **Treasurer**

INTELLIGENT ELECTRONICS, INC.

By: /s/ ROBERT HOPE

Name: **Robert Hope**
Title: **Treasurer**

XEROX CREDIT CORPORATION

By: /s/ JOHN F. RIVERA

Name: **John F. Rivera**
Title: **Vice President, Treasurer and Chief Financial Officer**

XEROX INTERNATIONAL JOINT MARKETING, INC.

By: /s/ MARTIN S. WAGNER

Name: **Martin S. Wagner**
Title: **Secretary**

SCHEDULE 1
to Security Agreement

PLEDGED SECURITIES
(as of the Effective Date)

Issuer	Jurisdiction of Organization	Owner of Security	Percentage Owned	Number of Shares or Units

SCHEDULE 2
to Security Agreement

TERMS OF SUBORDINATION

SECTION 1. *Agreement to Subordinate.* The XCC Subordinated Obligations are subordinated in right of payment, to the extent and in the manner provided in this Schedule 2, to the prior payment in full of all XCC Senior Obligations. The subordination provisions are for the benefit of and enforceable by the holders of XCC Senior Obligations or their designated representatives.

SECTION 2. *Liquidation, Dissolution, Bankruptcy.* Upon any payment or distribution of the assets of XCC to creditors upon a total or partial liquidation or a total or partial dissolution of XCC or in a bankruptcy, reorganization, insolvency, receivership or similar proceeding relating to XCC or its property:

(1) holders of XCC Senior Obligations are entitled to receive payment in full in cash of all XCC Senior Obligations, including all interest accrued or accruing on XCC Senior Obligations after the commencement of any bankruptcy, insolvency or reorganization or similar case or proceeding at the contract rate (including, without limitation, any contract rate applicable upon default) specified in the XCC Indentures, whether or not the claim for the interest is allowed as a claim in the case or proceeding with respect to the XCC Senior Obligation (only such payment constituting "**payment in full**") before any holder of XCC Subordinated Obligations (the "XCC Secured Parties") will be entitled to receive any payment of XCC Subordinated Obligations; and

(2) until the XCC Senior Obligations are paid in full, any distribution from the assets of XCC to which XCC Secured Parties would be entitled but for these subordination provisions shall instead be made to holders of XCC Senior Obligations as their interests may appear.

SECTION 3. *Payment Default at Final Maturity.* XCC shall not pay any XCC Subordinated Obligations until such time as all the XCC Senior Obligations have been paid in full when due.

SECTION 4. *When Distribution Must Be Paid Over.* If a payment or other distribution is made to the XCC Secured Parties that because of these subordination provisions should not have been made to them, the XCC Secured Parties that receive the distribution shall hold it in trust for holders of XCC Senior Obligations and pay it over to them as their interests may appear.

SECTION 5. *Subrogation.* A distribution made under these subordination provisions to holders of XCC Senior Obligations which otherwise would have been made to the XCC Secured Parties is not, as between XCC and the XCC Secured Parties, a payment by XCC on XCC Senior Obligations. After all XCC Senior Obligations are paid in full and until the XCC Subordinated Obligations are paid in full, the XCC Secured Parties will be subrogated to the rights of holders of XCC Senior Obligations to receive payments in respect of XCC Senior Obligations, which, to the extent received by the XCC Secured Parties, do not constitute, as between XCC and the XCC Secured Parties, payments by XCC on the XCC Subordinated Obligations.

SECTION 6. *Relative Rights; Subordination Not to Prevent Events of Default or Limit Right to Accelerate.* These subordination provisions define the relative rights of the XCC Secured Parties and holders of XCC Senior Obligations and do not impair, as between XCC and the XCC Secured Parties, the obligation of XCC, which is absolute and unconditional, to pay principal of and interest on the XCC Subordinated Obligations in accordance with their terms. The failure to make a payment pursuant to the XCC Subordinated Obligations by reason of these subordination provisions does not prevent the occurrence of a Default, nor do these subordination provisions have any effect on the right of the XCC Secured Parties or the Collateral Agent to accelerate the maturity of the XCC Subordinated Obligations upon an Event of Default or prevent the Collateral Agent or any XCC Secured Party from exercising its available remedies upon a Default, subject to the rights of holders of XCC Senior Obligations to receive distributions otherwise payable to the XCC Secured Parties.

SECTION 7. *Subordination May Not Be Impaired by Company.* No right of any holder of XCC Senior Obligations to enforce the subordination of the XCC Subordinated Obligations will be impaired by any act or failure to act by XCC or by its failure to comply with this Schedule 2.

SECTION 8. *Rights of Collateral Agent.* The Collateral Agent may continue to make payments on the XCC Subordinated Obligations and will not be charged with knowledge of the existence of facts that would prohibit the making of any such payments unless, not less than one Business Day prior to the date of such payment, the Collateral Agent receives notice satisfactory to it from XCC or a holder of XCC Senior Obligations that payments may not be made under this Schedule 2.

SECTION 9. *Collateral Agent Not Fiduciary for Holders of XCC Senior Obligations.* The Collateral Agent will not be deemed to owe any fiduciary duty to the holders of XCC Senior Obligations and will not be liable to any such holders if it mistakenly pays over or distribute to the XCC Secured Parties, or to XCC or any other Person, any money or assets to which holders of XCC Senior Obligations are entitled by virtue of this Schedule 2.

SECTION 10. *Reliance by Holder of XCC Senior Obligations on Subordination Provisions; No Waiver.* (a) Each XCC Secured Party acknowledges and agrees that these subordination provisions are, and are intended to be, an inducement and a consideration to each holder of XCC Senior Obligations, to acquire or to hold such XCC Senior Obligations, and each holder of XCC Senior Obligations will be deemed conclusively to have relied on these subordination provisions in acquiring and holding such XCC Senior Obligations.

(b) The holders of XCC Senior Obligations may, at any time and from time to time, without the consent of or notice to the Collateral Agent or the XCC Secured Parties, without incurring any liability or responsibility to the XCC Secured Parties, and without impairing the rights of holders of XCC Senior Obligations under these subordination provisions, do any of the following:

(1) change the manner, place or terms of payment or extend the time of payment of, or renew or alter, XCC Senior Obligations or any instrument evidencing the same or any agreement under which XCC Senior Obligations is outstanding or secured;

(2) sell, exchange, release or otherwise deal with any property pledged, mortgaged or otherwise securing XCC Senior Obligations;

(3) release any Person liable in any manner for the payment of XCC Senior Obligations; or

(4) exercise or refrain from exercising any rights against XCC and any other Person.

EXHIBIT A
to Security Agreement

PERFECTION CERTIFICATE

The undersigned is a duly authorized officer of XEROX CORPORATION ("**Xerox**"). With reference to the Guarantee and Security Agreement (the "**Security Agreement**") dated as of June [·], 2003 among XEROX CORPORATION, the Subsidiary Guarantors party thereto and JPMORGAN CHASE BANK, as Collateral Agent (terms defined therein being used herein as therein defined), the undersigned certifies to the Collateral Agent and each other Secured Party as follows:

A. Information Required for Filings and Searches for Prior Filings.

1. *Jurisdiction of Organization.* The jurisdiction of organization of each Lien Grantor is set forth in Schedule 3.12 to the Credit Agreement.

2. *Name.* The exact legal name of each Lien Grantor as it appears in its organizational documents is set forth in Schedule 3.12 to the Credit Agreement.

3. *Prior Names.* (a) Set forth below is each other corporate or other legal name that each of Xerox, Xerox Financial Services, Inc. ("**XFSI**"), Intelligent Electronics, Inc. ("**IEI**") and Xerox International Joint Marketing, Inc. ("**XIJMI**") has had within the past five years, together with the date of the relevant change:

(b) Except as set forth in Schedule 1 hereto, none of Xerox, XFSI, IEI or XIJMI has changed its corporate structure in any way within the past five years.

4. *Filing Office.* In order to perfect, as of the Effective Date, the Security Interests granted by each Lien Grantor, to the extent that such Security Interests may be perfected by filing a financing statement pursuant to the UCC, a duly signed financing statement on Form UCC-1, with the collateral described as set forth on Schedule 2 hereto, should be on file with respect to each such Lien Grantor in the Office of the Secretary of State in the jurisdiction of organization of such Lien Grantor as set forth in Schedule 3.12 to the Credit Agreement.

B. Additional Information Required for Searches for Prior Filings Under Old Article 9.

Current Locations. The chief executive office of each of Xerox, XFSI, IEI and XIJMI is located at the following address:

Name of Lien Grantor	Mailing Address	County	State

Xerox, XFSI, IEI and XIJMI [do] [do not] have a place of business in another county of the State where their respective chief executive offices are located.

C. Search Reports.

A true copy of a file search report from the central UCC filing office in each jurisdiction where Xerox, XFSI, IEI or XIJMI has any material assets with respect to Xerox, XFSI, IEI or XIJMI, as applicable (searches in local filing offices, if any, are not required), has been provided to the Collateral Agent. This file search report covers Xerox and each Material Domestic Subsidiary.

D. UCC Filings.

Schedule 3.12 to the Credit Agreement sets forth filing information with respect to the filings referred to in Part A-4 above (including name, jurisdiction of organization and federal employer identification number of each Lien Grantor) and Schedule 3 hereto sets forth the address of the chief executive office of each Lien Grantor. All filing fees and taxes payable in connection with such filings will be paid by Xerox.

IN WITNESS WHEREOF, I have hereunto set my hand this __ day of June, 2003.

Name:
Title:

CHANGES IN CORPORATE STRUCTURE

Schedule 2
to Perfection Certificate

DESCRIPTION OF COLLATERAL

All personal property, *provided* that, upon the sale, disposition, assignment, lease, license, conveyance or other transfer by the Debtor of personal property (including the sale, disposition, assignment, lease, license, conveyance or other transfer of accounts and other assets in connection with the monetization or other financing of such accounts and other assets) from time to time, such personal property shall be automatically released from the collateral pursuant to Section 9.03 of the Credit Agreement dated as of June 19, 2003 among the Debtor, the Secured Party and the other borrowers, lenders and agents party thereto.

CHIEF EXECUTIVE OFFICES OF LIEN GRANTORS

Name of Lien Grantor	Chief Executive Office

EXHIBIT B
to Security Agreement

ISSUER CONTROL AGREEMENT

ISSUER CONTROL AGREEMENT dated as of _____, _____ among [NAME OF LIEN GRANTOR] (with its successors, the "**Lien Grantor**"), JPMORGAN CHASE BANK, as Collateral Agent (with its successors, the "**Secured Party**"), and _____ (the "**Issuer**"). All references herein to the "**UCC**" refer to the Uniform Commercial Code as in effect from time to time in [Issuer's jurisdiction of incorporation].

W I T N E S S E T H :

WHEREAS, the Lien Grantor is the registered holder of [specify Pledged Uncertificated Securities issued by the Issuer] issued by the Issuer (the "**Securities**");

WHEREAS, pursuant to a Guarantee and Security Agreement dated as of [date of Security Agreement] (as such agreement may be amended and/or supplemented from time to time, the "**Security Agreement**"), the Lien Grantor has granted to the Secured Party a continuing security interest (the "**Security Interest**") in all right, title and interest of the Lien Grantor in, to and under the Securities, whether now existing or hereafter arising; and

WHEREAS, the parties hereto are entering into this Agreement in order to perfect the Security Interest on the Securities;

NOW, THEREFORE, the parties hereto agree as follows:

Section 1. *Nature of Securities.* The Issuer confirms that (i) the Securities are "uncertificated securities" (as defined in Section 8-102 of the UCC) and (ii) the Lien Grantor is registered on the books of the Issuer as the registered holder of the Securities.

Section 2. *Instructions.* The Issuer agrees to comply with any "instruction" (as defined in Section 8-102 of the UCC) originated by the Secured Party and relating to the Securities without further consent by the Lien Grantor or any other person. The Lien Grantor consents to the foregoing agreement by the Issuer.

Section 3. *Waiver of Lien; Waiver of Set-off.* The Issuer waives any security interest, lien or right of setoff that it may now have or hereafter acquire in or with respect to the Securities. The Issuer's obligations in respect of the Securities will not be subject to deduction, set-off or any other right in favor of any person other than the Secured Party.

Section 4. *Choice of Law.* This Agreement shall be governed by the laws of [Issuer's jurisdiction of incorporation].

Section 5. *Conflict with Other Agreements.* There is no agreement (except this Agreement) between the Issuer and the Lien Grantor with respect to the Securities [except for [identify any existing other agreements] (the "**Existing Other Agreements**")]. In the event of any conflict between this Agreement (or any portion hereof) and any other agreement [(including any Existing Other Agreement)] between the Issuer and the Lien Grantor with respect to the Securities, whether now existing or hereafter entered into, the terms of this Agreement shall prevail.

Section 6. *Amendments.* No amendment or modification of this Agreement or waiver of any right hereunder shall be binding on any party hereto unless it is in writing and is signed by all the parties hereto.

Section 7. *Notice of Adverse Claims.* Except for the claims and interests of the Secured Party and the Lien Grantor in the Securities, the Issuer does not know of any claim to, or interest in, the Securities. If any person asserts any lien, encumbrance or adverse claim (including any writ, garnishment, judgment, attachment, execution or similar process) against the Securities, the Issuer will promptly notify the Secured Party and the Lien Grantor thereof.

Section 8. *Maintenance of Securities.* In addition to, and not in lieu of, the obligation of the Issuer to honor instructions as agreed in Section 2 hereof, the Issuer agrees as follows:

(i) *Lien Grantor Instructions; Notice of Exclusive Control.* So long as the Issuer has not received a Notice of Exclusive Control (as defined below), the Issuer may comply with instructions of the Lien Grantor or any duly authorized agent of the Lien Grantor in respect of the Securities. After the Issuer receives a written notice from the Secured Party that it is exercising exclusive control over the Securities (a "**Notice of Exclusive Control**"), the Issuer will cease complying with instructions of the Lien Grantor or any of its agents.

(ii) *Non-Cash Dividends and Distributions.* After the Issuer receives a Notice of Exclusive Control, the Issuer shall deliver to the

Secured Party all dividends, interest and other distributions paid or made upon or with respect to the Securities.

(iii) *Voting Rights.* Until the Issuer receives a Notice of Exclusive Control, the Lien Grantor shall be entitled to direct the Issuer with respect to voting the Securities.

Section 9. *Representations, Warranties and Covenants of the Issuer.* The Issuer makes the following representations, warranties and covenants:

(i) This Agreement is a valid and binding agreement of the Issuer enforceable in accordance with its terms.

(ii) The Issuer has not entered into, and until the termination of this Agreement will not enter into, any agreement with any other person relating to the Securities pursuant to which it has agreed, or will agree, to comply with instructions (as defined in Section 8-102 of the UCC) of such person. The Issuer has not entered into any other agreement with the Lien Grantor or the Secured Party purporting to limit or condition the obligation of the Issuer to comply with instructions as agreed in Section 2 hereof.

Section 10. *Successors.* This Agreement shall be binding upon, and shall inure to the benefit of, the parties hereto and their respective successors and assigns.

Section 11. *Notices.* Each notice, request or other communication given to any party hereunder shall be in writing (which term includes facsimile or other electronic transmission) and shall be effective (i) when delivered to such party at its address specified below, (ii) when sent to such party by facsimile or other electronic transmission, addressed to it at its facsimile number or electronic address specified below, and such party sends back an electronic confirmation of receipt or (iii) ten days after being sent to such party by certified or registered United States mail, addressed to it at its address specified below, with first class or airmail postage prepaid:

Lien Grantor:

Secured Party:

Issuer:

Any party may change its address, facsimile number and/or e-mail address for purposes of this Section by giving notice of such change to the other parties in the manner specified above.

Section 12. Termination. The rights and powers granted herein to the Secured Party (i) have been granted in order to perfect the Security Interest, (ii) are powers coupled with an interest and (iii) will not be affected by any bankruptcy of the Lien Grantor or any lapse of time. The obligations of the Issuer hereunder shall continue in effect until the Secured Party has notified the Issuer in writing that the Security Interest in the Securities has been terminated pursuant to the Security Agreement, and the Secured Party agrees to provide such notice of termination upon the request of the Lien Grantor on or after such termination of the Security Interest.

Section 13. *Counterparts.* This Agreement may be executed in any number of counterparts, all of which shall constitute one and the same instrument, and any party hereto may execute this Agreement by signing and delivering one or more counterparts.

[NAME OF LIEN GRANTOR]

By: _____

Name:
Title:

JPMORGAN CHASE BANK, as Collateral Agent

By: _____

Name:
Title:

[NAME OF ISSUER]

By: _____

Name:
Title:

Exhibit A to
Issuer Control Agreement

[Letterhead of Secured Party]

[Date]

[Name and Address of Issuer]

Attention: _____

Re: Notice of Exclusive Control

Ladies and Gentlemen:

As referenced in the Issuer Control Agreement dated as of _____, ____ among [Name of Lien Grantor], us and you (a copy of which is attached), we notify you that we will hereafter exercise exclusive control over [specify Pledged Uncertificated Securities] registered in the name of [Name of Lien Grantor] (the "**Securities**"). You are instructed not to accept any directions or instructions with respect to the Securities from any person other than the undersigned unless otherwise ordered by a court of competent jurisdiction.

You are instructed to deliver a copy of this notice by facsimile transmission to [Name of Lien Grantor].

Very truly yours,

JPMORGAN CHASE BANK, as Collateral Agent

By: _____

Title:

cc: [Name of Lien Grantor]

EXHIBIT C
to Security Agreement

GUARANTEE AND SECURITY AGREEMENT SUPPLEMENT

GUARANTEE AND SECURITY AGREEMENT SUPPLEMENT dated as of _____, _____, between [NAME OF LIEN GRANTOR] (the "**Lien Grantor**") and JPMORGAN CHASE BANK, as Collateral Agent.

WHEREAS, XEROX CORPORATION ("**XEROX**"), the Subsidiary Guarantors party thereto and JPMORGAN CHASE BANK, as Collateral Agent, are parties to a Guarantee and Security Agreement dated as of June [·], 2003 (as heretofore amended and/or supplemented, the "**Security Agreement**") under which (1) Xerox (a) secures certain Secured Obligations, (b) guarantees Overseas CA Secured Obligations and certain Hedging Secured Obligations of its Subsidiaries and (c) secures its guarantee thereof, (2) the Subsidiary Guarantors guarantee certain of the foregoing obligations and (3) the Secured Subsidiary Guarantors secure (a) their respective guarantees thereof and (b) their respective Hedging Secured Obligations;

WHEREAS, [name of Lien Grantor] desires to become [is] a party to the Security Agreement as a Secured Subsidiary Guarantor and Lien Grantor thereunder; and

WHEREAS, terms defined in the Security Agreement (or whose definitions are incorporated by reference in Sections 1(a) and 1(b) of the Security Agreement) and not otherwise defined herein have, as used herein, the respective meanings provided for therein;

NOW, THEREFORE, in consideration of the foregoing and other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the parties hereto agree as follows:

1. *Secured Guarantee.* The Lien Grantor unconditionally guarantees the full and punctual payment of each CA Secured Obligation and each XCFI Secured Obligation when due (whether at stated maturity, upon acceleration or otherwise). If Xerox or any Overseas Borrower fails to pay any CA Secured Obligation or any XCFI Secured Obligation punctually when due, the Lien Grantor agrees that it will forthwith on demand pay the amount not so paid at the place and in the manner specified in the relevant Secured Agreement, *provided, however,* that notwithstanding the foregoing, if the Lien Grantor is not a Restricted Secured Subsidiary Guarantor, then the XCFI Secured Obligations are not guaranteed by the Lien Grantor and no holder of any XCFI Secured Obligation shall have any claim against, or Lien on any asset of, the Lien Grantor

by virtue of this Guarantee and Security Agreement Supplement, *provided, further*, that if the Lien Grantor is a Restricted Secured Subsidiary Guarantor, then notwithstanding anything to the contrary contained herein, the liability and obligation of the Lien Grantor under this Section 1 with respect to the XCFI Secured Obligations (but not any CA Secured Obligation), as the case may be, shall not be enforced by any action or proceeding wherein damages or any money judgment shall be sought against the Lien Grantor, except a foreclosure by the Collateral Agent upon the Restricted Collateral of the Lien Grantor, and any judgment in any such foreclosure action shall be enforceable by the Collateral Agent against such Restricted Collateral only to the extent of the XCFI Percentage of the Lien Grantor's interest in such Restricted Collateral and the guarantee extended hereby for the benefit of any holder of XCFI Secured Obligations is provided to such holder under the express condition that the Collateral Agent has no right to sue for, seek or demand any deficiency judgment against the Lien Grantor with respect to the XCFI Secured Obligations (but not any CA Secured Obligation) in any such foreclosure action under or by reason of, or in connection with, this Guarantee and Security Agreement Supplement, the Security Agreement or otherwise with respect to such guarantee. The Lien Grantor acknowledges that, by signing this Security Agreement Supplement and delivering it to the Collateral Agent, the Lien Grantor becomes a "Subsidiary Guarantor" and "Lien Grantor" for all purposes of the Security Agreement and that its obligations under the foregoing Secured Guarantee are subject to all the provisions of the Security Agreement (including those set forth in Section 2 thereof) applicable to the obligations of a Subsidiary Guarantor thereunder. The obligations of the Lien Grantor under this Section 1 (and under Section 2(a) of the Security Agreement) shall be limited as provided in Section 2(i) of the Security Agreement.

2. *Grant of Security Interests.* (a) In order to secure its Secured Subsidiary Obligations, the Lien Grantor grants to the Collateral Agent for the benefit of the Secured Parties a continuing security interest in and to all of its right, title and interest in the following property of the Lien Grantor, whether now owned or existing or hereafter acquired or arising and regardless of where located, but subject to the exclusions in Section 2(b) (the "**New Collateral**"): (i) Accounts, (ii) Chattel Paper, (iii) Documents, (iv) Equipment, (v) General Intangibles, (vi) Instruments, (vii) Inventory, (viii) Securities directly owned by the Lien Grantor and issued by any Material Subsidiary of the Lien Grantor, (ix) the Collateral Account, all Financial Assets credited to the Collateral Account from time to time and all Security Entitlements in respect thereof, all cash deposited therein from time to time, and the Liquid Investments made pursuant to Section 8(d) of the Security Agreement, (x) all books and records (including, without limitation, customer lists, credit files, computer programs, printouts and other computer materials and records) of the Lien Grantor pertaining to any of the

New Collateral and (xi) all Proceeds of the New Collateral described in Clauses 2(a)(i) through 2(a)(x) hereof.

(b) The New Collateral shall not include:

(i) rights of the Lien Grantor in respect of any property or asset which is prohibited from being pledged to the Collateral Agent as part of the Collateral by any Permitted Encumbrances;

(ii) Transferred Receivables and (A) security interests or liens and property subject thereto purporting to secure payment of such Transferred Receivables, (B) leases, guaranties, insurance and other arrangements supporting payment of such Transferred Receivables, (C) rights to payment and collections in respect of such Transferred Receivables, (D) books, records and similar information relating to such Transferred Receivables or the obligors thereon, (E) with respect to any such Transferred Receivables, the transferee's interest in goods (including, without limitation, Equipment or Inventory) the sale of which gave rise to such Transferred Receivables and (F) if such Transferred Receivables arise from a lease financing or installment sale transaction, the Equipment or Inventory that is the subject of the underlying transaction and is transferred to a Receivables SPE or a Third Party Vendor Financing Subsidiary;

(iii) Transferred Intellectual Property;

(iv) State and Local Government Receivables of the Lien Grantor;

(v) any Security owned by the Lien Grantor that is a voting Equity Interest issued by a Foreign Subsidiary that is a corporation for United States Federal income tax purposes, to the extent (but only to the extent) required to prevent the Collateral from including more than 65% of the shares of any class of voting securities of such Foreign Subsidiary (either directly or through any entity that is a disregarded entity for such purposes); and

(vi) Third Party Vendor Financing Assets of the Lien Grantor.

(c) With respect to each right to payment or performance included in the New Collateral from time to time, the Security Interest granted therein includes, subject to Permitted Encumbrances, a continuing security interest in (i) any Supporting Obligation that supports such payment or performance and (ii)

any Lien that (x) secures such right to payment or performance or (y) secures any such Supporting Obligation.

(d) The foregoing Security Interests are granted as security only and shall not subject the Collateral Agent or any other Secured Party to, or transfer or in any way affect or modify, any obligation or liability of the Lien Grantor with respect to any of the New Collateral or any transaction in connection therewith.

(e) For the avoidance of doubt, no more than 65% of the outstanding voting Equity Interests in any Foreign Subsidiary that is a corporation for United States Federal income tax purposes shall be required to be pledged hereunder or under any other Loan Document.

3. *Delivery of Collateral.* Concurrently with delivering this Guarantee and Security Agreement Supplement to the Collateral Agent, the Lien Grantor is complying with the provisions of either Section 7 or Section 9(a) (whichever is applicable) of the Security Agreement with respect to Pledged Securities, in each case if and to the extent included in the New Collateral at such time.

4. *Party to Security Agreement.* Upon delivering this Guarantee and Security Agreement Supplement to the Collateral Agent, the Lien Grantor will become a party to the Security Agreement and will thereafter have all the rights and obligations of a Subsidiary Guarantor and a Lien Grantor thereunder and be bound by all the provisions thereof as fully as if the Lien Grantor were one of the original parties thereto.

5. *Representations and Warranties.* (a) Each of the representations and warranties set forth in Sections 3, 5, 6, 7, 8 and 9 of the Security Agreement is true as applied to the Lien Grantor and the New Collateral. For purposes of the foregoing sentence, references in said Sections (and elsewhere in the Security Agreement) to a "Lien Grantor" or "Original Lien Grantor" shall be deemed to refer to the Lien Grantor, references to Schedules to the Security Agreement shall be deemed to refer to the corresponding Schedules to this Guarantee and Security Agreement Supplement, references to "Collateral" shall be deemed to refer to the New Collateral, and references to the "Effective Date" shall be deemed to refer to the date on which the Lien Grantor signs and delivers this Guarantee and Security Agreement Supplement.

(b) Schedule 1 hereto sets forth the name and jurisdiction of organization of, and the ownership interest (including percentage owned and number of shares or units) of the Lien Grantor in the Securities of, each of the Lien Grantor's direct Material Subsidiaries as of the date hereof which are required to be included in the New Collateral and pledged pursuant to the Security Agreement and this Guarantee and Security Agreement Supplement. The Lien

Grantor holds all such Securities directly (i.e., not through a subsidiary, a Securities Intermediary or any other Person).

6. Governing Law. This Guarantee and Security Agreement Supplement shall be construed in accordance with and governed by the laws of the State of New York, except as otherwise required by mandatory provisions of law and except to the extent that remedies provided by the laws of any jurisdiction other than New York are governed by the laws of such jurisdiction.

IN WITNESS WHEREOF, the parties hereto have caused this Guarantee and Security Agreement Supplement to be duly executed by their respective authorized officers as of the day and year first above written.

[NAME OF LIEN GRANTOR]

By: _____

Name:
Title:

JPMORGAN CHASE BANK, as Collateral Agent

By: _____

Name:
Title:

Schedule 1
to Guarantee and Security
Agreement Supplement

PLEDGED SECURITIES

Issuer	Jurisdiction of Organization	Percentage Owned	Number of Shares or Units

EXHIBIT D
to Security Agreement

COPYRIGHT SECURITY AGREEMENT

(Copyrights, Copyright Registrations and Copyright Licenses)

WHEREAS, Xerox and each of its subsidiaries party hereto (each, a "**Lien Grantor**") owns, or in the case of licenses is a party to, the Copyright Collateral (as defined below);

WHEREAS, XEROX CORPORATION ("**Xerox**"), the Overseas Borrowers party thereto, the Lenders party thereto, JPMORGAN CHASE BANK, as Administrative Agent, Collateral Agent and LC Issuing Bank, DEUTSCHE BANK SECURITIES INC., as Syndication Agent and CITICORP NORTH AMERICA, INC., MERRILL LYNCH, PIERCE, FENNER & SMITH INCORPORATED and UBS SECURITIES LLC, as Co-Documentation Agents, are parties to a Credit Agreement dated as of June 19, 2003 (as amended from time to time, the "**Credit Agreement**"); and

WHEREAS, pursuant to (i) a Guarantee and Security Agreement dated as of June [·], 2003 (as amended and/or supplemented from time to time, the "**Security Agreement**") among Xerox, the Subsidiary Guarantors party thereto and JPMORGAN CHASE BANK, as Collateral Agent for the Secured Parties referred to therein (in such capacity, together with its successors in such capacity, the "**Grantee**"), and (ii) certain other Security Documents (as defined in the Credit Agreement, and including this Copyright Security Agreement), each Lien Grantor has secured certain of its obligations (the "**Secured Obligations**") by granting to the Grantee for the benefit of such Secured Parties a continuing security interest in personal property of that Lien Grantor, including all right, title and interest of the Lien Grantor in and to the Copyright Collateral (as defined below);

NOW, THEREFORE, for good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, each Lien Grantor grants to the Grantee for the benefit of the Secured Parties (as defined in the Security Agreement), to secure its Secured Obligations, a continuing security interest in and to all of the Lien Grantor's right, title and interest in, to and under the following (all of the following items or types of property being herein collectively referred to as the "**Copyright Collateral**"), except to the extent (and only to the extent) prohibited by a Permitted Encumbrance (as defined in the Security Agreement), whether now owned or existing or hereafter acquired or arising:

(i) each Copyright (as defined in the Security Agreement) owned by the Lien Grantor, including, without limitation, each Copyright registration therefor referred to in Schedule 1 hereto;

(ii) each Copyright License (as defined in the Security Agreement) to which the Lien Grantor is a party; and

(iii) all proceeds of, revenues from, and accounts and general intangibles arising out of, the foregoing, including, without limitation, all proceeds of and revenues from any claim by the Lien Grantor against third parties for past, present or future infringement of any Copyright (including, without limitation, any Copyright owned by the Lien Grantor and identified in Schedule 1).

Each Lien Grantor hereby irrevocably appoints the Grantee its true and lawful attorney, with full power of substitution, in the name of the Lien Grantor, the Grantee, the Secured Parties or otherwise, for the use and benefit of the Secured Parties, but at the Borrowers' (as defined in the Credit Agreement) expense, to the extent permitted by law to exercise, upon the occurrence and during the continuance of an Actionable Event of Default (as defined in the Security Agreement) or upon acceleration of the Loans (as defined in the Credit Agreement) in accordance with the terms of the Credit Agreement, all or any of the following powers with respect to all or any of the Copyright Collateral:

(a) to demand, sue for, collect, receive and give acquittance for any and all monies due or to become due thereon or by virtue thereof,

(b) to settle, compromise, compound, prosecute or defend any action or proceeding with respect thereto,

(c) to sell, transfer, assign or otherwise deal in or with the same or the proceeds thereof, as fully and effectually as if the Grantee were the absolute owner of the Lien Grantor's right, title and interest therein, and

(d) to extend the time of payment of any or all thereof and to make any allowance and other adjustments with reference thereto.

The foregoing security interest is granted in conjunction with the Security Interests (as defined in the Security Agreement) granted by each Lien Grantor to the Grantee pursuant to the Security Agreement. Each Lien Grantor acknowledges and affirms that the rights and remedies of the Grantee with respect to the security interest in the Copyright Collateral granted hereby are more fully set forth in the Security Agreement, the terms and provisions of which are incorporated by reference herein as if fully set forth herein.

IN WITNESS WHEREOF, each Lien Grantor has caused this Copyright Security Agreement to be duly executed by its officer thereunto duly authorized as of the __ day of June, 2003.

[NAME OF LIEN GRANTORS]

By: _____

Name:
Title:

Acknowledged:

JPMORGAN CHASE BANK, as Collateral Agent

By: _____

Name:
Title:

Schedule 1
to Copyright
Security Agreement

[NAME OF LIEN GRANTORS]

U.S. COPYRIGHT REGISTRATIONS

Registration No.	Registration Date	Title

EXHIBIT E
to Security Agreement

PATENT SECURITY AGREEMENT

(Patents, Patent Applications and Patent Licenses)

WHEREAS, XEROX CORPORATION ("**Xerox**") (the "**Lien Grantor**") owns, or in the case of licenses is a party to, the Patent Collateral (as defined below);

WHEREAS, XEROX CORPORATION ("**Xerox**"), the Overseas Borrowers party thereto, the Lenders party thereto, JPMORGAN CHASE BANK, as Administrative Agent, Collateral Agent and LC Issuing Bank, DEUTSCHE BANK SECURITIES INC., as Syndication Agent and CITICORP NORTH AMERICA, INC., MERRILL LYNCH, PIERCE, FENNER & SMITH INCORPORATED and UBS SECURITIES LLC, as Co-Documentation Agents, are parties to a Credit Agreement dated as of June 19, 2003 (as amended from time to time, the "**Credit Agreement**"); and

WHEREAS, pursuant to (i) a Guarantee and Security Agreement dated as of June [·], 2003 (as amended and/or supplemented from time to time, the "**Security Agreement**") among Xerox, the Subsidiary Guarantors party thereto and JPMORGAN CHASE BANK, as Collateral Agent for the Secured Parties referred to therein (in such capacity, together with its successors in such capacity, the "**Grantee**"), and (ii) certain other Security Documents (as defined in the Credit Agreement, and including this Patent Security Agreement), the Lien Grantor has secured certain of its obligations (the "**Secured Obligations**") by granting to the Grantee for the benefit of such Secured Parties a continuing security interest in personal property of the Lien Grantor, including all right, title and interest of the Lien Grantor in and to the Patent Collateral (as defined below);

NOW, THEREFORE, for good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the Lien Grantor grants to the Grantee for the benefit of the Secured Parties (as defined in the Security Agreement), to secure the Secured Obligations, a continuing security interest in and to all of the Lien Grantor's right, title and interest in, to and under the following (all of the following items or types of property being herein collectively referred to as the "**Patent Collateral**"), except to the extent (and only to the extent) prohibited by a Permitted Encumbrance (as defined in the Security Agreement), whether now owned or existing or hereafter acquired or arising:

(i) each Patent (as defined in the Security Agreement) owned by the Lien Grantor, including, without limitation, each Patent referred to in Schedule 1 hereto;

(ii) each Patent License (as defined in the Security Agreement) to which the Lien Grantor is a party; and

(iii) all proceeds of and revenues from the foregoing, including, without limitation, all proceeds of and revenues from any claim by the Lien Grantor against third parties for past, present or future infringement of any Patent owned by the Lien Grantor (including, without limitation, any Patent identified in Schedule 1 hereto).

The Lien Grantor hereby irrevocably appoints the Grantee its true and lawful attorney, with full power of substitution, in the name of the Lien Grantor, the Grantee, the Secured Parties or otherwise, for the use and benefit of the Secured Parties, but at the Borrowers' (as defined in the Credit Agreement) expense, to the extent permitted by law to exercise, upon the occurrence and during the continuance of an Actionable Event of Default (as defined in the Security Agreement) or upon acceleration of the Loans (as defined in the Credit Agreement) in accordance with the terms of the Credit Agreement, all or any of the following powers with respect to all or any of the Patent Collateral:

(a) to demand, sue for, collect, receive and give acquittance for any and all monies due or to become due thereon or by virtue thereof,

(b) to settle, compromise, compound, prosecute or defend any action or proceeding with respect thereto,

(c) to sell, transfer, assign or otherwise deal in or with the same or the proceeds thereof, as fully and effectually as if the Grantee were the absolute owner of the Lien Grantor's right, title and interest therein, and

(d) to extend the time of payment of any or all thereof and to make any allowance and other adjustments with reference thereto.

The foregoing security interest is granted in conjunction with the Security Interests (as defined in the Security Agreement) granted by the Lien Grantor to the Grantee pursuant to the Security Agreement. The Lien Grantor acknowledges and affirms that the rights and remedies of the Grantee with respect to the security interest in the Patent Collateral granted hereby are more fully set forth in the Security Agreement, the terms and provisions of which are incorporated by reference herein as if fully set forth herein.

IN WITNESS WHEREOF, the Lien Grantor has caused this Patent Security Agreement to be duly executed by its officer thereunto duly authorized as of the __ day of June, 2003.

[NAME OF LIEN GRANTOR]

By: _____

Name:
Title:

Acknowledged:

JPMORGAN CHASE BANK, as Collateral Agent

By: _____

Name:
Title:

Schedule 1
to Patent
Security Agreement

[NAME OF LIEN GRANTOR]

U.S. UTILITY PATENTS AND U.S. DESIGN PATENTS

Patent No.	Date Issued	Title

U.S. PATENT APPLICATIONS

Docket No.	Application No.	Date Filed

EXHIBIT F
to Security Agreement

TRADEMARK SECURITY AGREEMENT

(Trademarks, Trademark Registrations, Trademark Applications and Trademark Licenses)

WHEREAS, Xerox and each of its subsidiaries party hereto (each, a "**Lien Grantor**") owns, or in the case of licenses is a party to, the Trademark Collateral (as defined below);

WHEREAS, XEROX CORPORATION ("**Xerox**"), the Overseas Borrowers party thereto, the Lenders party thereto, JPMORGAN CHASE BANK, as Administrative Agent, Collateral Agent and LC Issuing Bank, DEUTSCHE BANK SECURITIES INC., as Syndication Agent and CITICORP NORTH AMERICA, INC., MERRILL LYNCH, PIERCE, FENNER & SMITH INCORPORATED and UBS SECURITIES LLC, as Co-Documentation Agents, are parties to a Credit Agreement dated as of June 19, 2003 (as amended from time to time, the "**Credit Agreement**"); and

WHEREAS, pursuant to (i) a Guarantee and Security Agreement dated as of June [·], 2003 (as amended and/or supplemented from time to time, the "**Security Agreement**") among Xerox, the Subsidiary Guarantors party thereto and JPMORGAN CHASE BANK, as Collateral Agent for the Secured Parties referred to therein (in such capacity, together with its successors in such capacity, the "**Grantee**"), and (ii) certain other Security Documents (as defined in the Credit Agreement, and including this Trademark Security Agreement), each Lien Grantor has secured certain of its obligations (the "**Secured Obligations**") by granting to the Grantee for the benefit of such Secured Parties a continuing security interest in personal property of that Lien Grantor, including all right, title and interest of the Lien Grantor in and to the Trademark Collateral (as defined below);

NOW, THEREFORE, for good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, each Lien Grantor grants to the Grantee for the benefit of the Secured Parties (as defined in the Security Agreement), to secure its Secured Obligations, a continuing security interest in and to all of the Lien Grantor's right, title and interest in, to and under the following (all of the following items or types of property being herein collectively referred to as the "**Trademark Collateral**"), except to the extent (and only to the extent) prohibited by a Permitted Encumbrance (as defined in the Security Agreement), whether now owned or existing or hereafter acquired or arising:

(i) each Trademark (as defined in the Security Agreement) owned by the Lien Grantor, including, without limitation, each Trademark registration and application referred to in Schedule 1 hereto, and all of the goodwill of the business symbolized by or associated with each Trademark;

(ii) each Trademark License (as defined in the Security Agreement) to which the Lien Grantor is a party, and all of the goodwill of the business symbolized by or associated with each Trademark licensed pursuant thereto; and

(iii) all proceeds of and revenues from the foregoing, including, without limitation, all proceeds of and revenues from any claim by the Lien Grantor against third parties for past, present or future unfair competition with, or violation of intellectual property rights in connection with or injury to, or infringement or dilution of, any Trademark owned by the Lien Grantor (including, without limitation, any Trademark identified in Schedule 1 hereto), or for injury to the goodwill associated with any of the foregoing.

Each Lien Grantor hereby irrevocably appoints the Grantee its true and lawful attorney, with full power of substitution, in the name of the Lien Grantor, the Grantee, the Secured Parties or otherwise, for the use and benefit of the Secured Parties, but at the Borrowers' (as defined in the Credit Agreement) expense, to the extent permitted by law to exercise, upon the occurrence and during the continuance of an Actionable Event of Default (as defined in the Security Agreement) or upon acceleration of the Loans (as defined in the Credit Agreement) in accordance with the terms of the Credit Agreement, all or any of the following powers with respect to all or any of the Trademark Collateral:

(a) to demand, sue for, collect, receive and give acquittance for any and all monies due or to become due thereon or by virtue thereof,

(b) to settle, compromise, compound, prosecute or defend any action or proceeding with respect thereto,

(c) to sell, transfer, assign or otherwise deal in or with the same or the proceeds thereof, as fully and effectually as if the Grantee were the absolute owner of the Lien Grantor's right, title and interest therein, and

(d) to extend the time of payment of any or all thereof and to make any allowance and other adjustments with reference thereto.

The foregoing security interest is granted in conjunction with the Security Interests (as defined in the Security Agreement) granted by each Lien Grantor to the Grantee pursuant to the Security Agreement. Each Lien Grantor acknowledges and affirms that the rights and remedies of the Grantee with respect to the security interest in the Trademark Collateral granted hereby are more fully set forth in the Security Agreement, the terms and provisions of which are incorporated by reference herein as if fully set forth herein.

IN WITNESS WHEREOF, each Lien Grantor has caused this Trademark Security Agreement to be duly executed by its officer thereunto duly authorized as of the __ day of June, 2003.

[NAME OF LIEN GRANTORS]

By: _____

Name:
Title:

Acknowledged:

JPMORGAN CHASE BANK, as Collateral Agent

By: _____

Name:
Title:

Schedule 1
to Trademark
Security Agreement

[NAME OF LIEN GRANTORS]

U.S. TRADEMARK REGISTRATIONS

TRADEMARK	REG. NO.	REG. DATE

U.S. TRADEMARK APPLICATIONS

TRADEMARK	APPLICATION NO.	DATE FILED

This instrument was prepared by the
attorney described below in consultation
with counsel in the State in which the
Property is located and, when recorded,
the recorded counterparts should be returned to:

Susan D. Kennedy, Esq.
Davis Polk & Wardwell
450 Lexington Avenue
New York, New York 10017

MORTGAGE, ASSIGNMENT OF LEASES AND RENTS, SECURITY AGREEMENT, FINANCING STATEMENT AND FIXTURE FILING

dated as of June 25, 2003

by
XEROX CORPORATION
the Mortgagor,

to

JPMORGAN CHASE BANK
as Collateral Agent for the Lenders,
the Mortgagee

Property:
100, 101, 102 North Mustang Rd.
Oklahoma City, Oklahoma 73127
County of Canadian

THIS INSTRUMENT CONTAINS AFTER ACQUIRED PROPERTY PROVISIONS AND SECURES OBLIGATIONS CONTAINING PROVISIONS FOR CHANGES IN INTEREST RATES. THIS INSTRUMENT ALSO SECURES FUTURE ADVANCES. THIS INSTRUMENT CONSTITUTES A FIXTURE FILING UNDER 12A OKLA. STAT. ANN. §1-9-502(c).

A POWER OF SALE HAS BEEN GRANTED IN THIS MORTGAGE. A POWER OF SALE MAY ALLOW THE MORTGAGEE TO TAKE THE MORTGAGED PROPERTY AND SELL IT WITHOUT GOING TO COURT IN A FORECLOSURE ACTION UPON DEFAULT BY THE MORTGAGOR UNDER THIS MORTGAGE.

TABLE OF CONTENTS

THIS MORTGAGE, ASSIGNMENT OF LEASES AND RENTS, SECURITY AGREEMENT AND FIXTURE FILING (this "**Mortgage**") is dated as of June 25, 2003 by XEROX CORPORATION, a New York corporation, having an address at 800 Long Ridge Road, Stamford, Connecticut 06904 ("**Xerox**" or the "**Mortgagor**"), to JPMORGAN CHASE BANK, a New York banking corporation, as Collateral Agent for itself and the other Secured Parties (hereinafter defined) (the "**Mortgagee**"), having an address at 270 Park Avenue, New York, NY 10017.

W I T N E S S E T H:

RECITALS

WHEREAS, Xerox, the Overseas Borrowers from time to time party thereto, the Lenders party thereto, JPMorgan Chase Bank, as Administrative Agent, Collateral Agent and LC Issuing Bank, Deutsche Bank Securities, Inc., as Syndication Agent, and Citicorp North America, Inc., Merrill Lynch Pierce, Fenner & Smith Incorporated, UBS Securities LLC, as Co-Documentation Agents, are parties to a Credit Agreement dated as of June 19, 2003 (as amended from time to time, the "**Credit Agreement**");and

WHEREAS, pursuant to the Credit Agreement, Xerox, the Subsidiary Guarantors party thereto and JPMorgan Chase Bank, as Collateral Agent, have entered into the Security Agreement; and

WHEREAS, the maximum amount of principal indebtedness that may be secured by this Mortgage at execution hereof or which under any contingency may become secured hereby at any time hereafter is $16,278,400 (the "**Secured Loan Amount**"); and

WHEREAS, the scheduled maturity date of the latest to mature of the Secured Obligations is September 30, 2008 or, if such day is not a Business Day, the next preceding Business Day.

GRANTING CLAUSES

NOW, THEREFORE, in consideration of the premises and other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, for the purpose of securing the due and punctual payment,

performance and observance of the Secured Obligations and intending to be bound hereby, the Mortgagor does hereby GRANT, BARGAIN, SELL, CONVEY, MORTGAGE, ASSIGN, TRANSFER and WARRANT to the Mortgagee and its successors as collateral agent, with power of sale and right of entry as hereinafter provided, and, to the extent covered by the UCC, does hereby GRANT and WARRANT to the Mortgagee a continuing first security interest in and to all of the property and rights described in the following Granting Clauses (all of which property and rights are collectively called the "**Mortgaged Property**"), to wit:

I. GRANTING CLAUSE

Land. All estate, right, title and interest of the Mortgagor in, to, under or derived from: the lots, pieces, tracts or parcels of land located in Canadian County, Oklahoma, more particularly described in Exhibit A (the "**Land**").

II. GRANTING CLAUSE

Improvements. All estate, right, title and interest of the Mortgagor in, to, under or derived from: all buildings, structures, facilities and other improvements of every kind and description now or hereafter located on or attached to the Land, including all parking areas, roads, driveways, walks, fences, walls, berms, recreation facilities, drainage facilities, lighting facilities and other site improvements; all water, sanitary and storm sewer, drainage, electricity, steam, gas, telephone, telecommunications and other utility equipment and facilities; all plumbing, lighting, heating, ventilating, air-conditioning, refrigerating, incinerating, compacting, fire protection and sprinkler, surveillance and security, vacuum cleaning, public address and communications equipment and systems; all screens, awnings, floor coverings, partitions, elevators, escalators, motors, electrical, computer and other wiring, machinery, pipes, fittings and racking and shelving; and all other items of fixtures, equipment and personal property of every kind and description, in each case now or hereafter located on the Land or affixed (actually or constructively) to the buildings and other improvements located on the Land which by the nature of their location thereon or affixation thereto are real property under Applicable Law; and including all materials intended for the construction, reconstruction, repair, replacement, alteration, addition or improvement of or to such buildings, equipment, fixtures, structures and improvements, all of which materials shall be deemed to be part of the Mortgaged Property immediately upon delivery thereof on the Land and to be part of the improvements immediately upon their incorporation therein (the foregoing being collectively called the "**Improvements**").

III. GRANTING CLAUSE

Equipment. All estate, right, title and interest of the Mortgagor in, to, under or derived from: all equipment, fixtures, chattels and articles of personal property owned by the Mortgagor or in which the Mortgagor has or shall acquire an interest, wherever situated, and now or hereafter located on, or in, or affixed (actually or constructively) to, the Land or the Improvements, whether or not affixed thereto and which are not real property under Applicable Law, including all partitions, shades, blinds, curtains, draperies, carpets, rugs, furniture and furnishings; all heating, lighting, plumbing, ventilating, air conditioning, refrigerating, gas, steam, electrical, incinerating and compacting plants, systems, fixtures and equipment; all elevators, stoves, ranges, other kitchen and laundry appliances, vacuum and other cleaning systems, call systems, switchboards, sprinkler systems and other fire prevention, alarm and extinguishing apparatus and materials; and all motors, machinery, pipes, conduits, dynamos, engines, compressors, generators, boilers, stokers, furnaces, pumps, trunks, ducts, appliances, equipment, utensils, tools, implements, fittings and fixtures, and including any of the foregoing that is temporarily removed from the Land or Improvements to be repaired and later reinstalled thereon or therein (the foregoing being collectively called the "**Equipment**"; and the Land with the Improvements thereon and the Equipment therein being collectively called the "**Property**"). If any of the Equipment under this Granting Clause is covered by an equipment lease, title retention or security agreement, (i) the grant under this Granting Clause (but not the definition of "**Equipment**" for the other purposes hereof) excludes any Equipment which cannot be transferred or encumbered by the Mortgagor without causing a termination of such agreement or default thereunder, otherwise (ii) the grant under this Granting Clause includes Mortgagor's right, title and interest in, to and under such agreement, together with the benefits of all deposits and payments now or hereafter made thereunder by or on behalf of the Mortgagor and subject to all of the terms and conditions of such agreement and the Liens and security interests thereunder, except as otherwise provided under the Security Agreement and the Credit Agreement.

IV. GRANTING CLAUSE

Appurtenant Rights. All estate, right, title and interest of the Mortgagor in, to, under or derived from: all tenements, hereditaments and appurtenances now or hereafter relating to the Property; the streets, roads, sidewalks and alleys abutting the Property; all strips and gores within or adjoining the Land; all land in the bed of any body of water adjacent to the Land; all land adjoining the Land created by artificial means or by accretion; all air space and rights to use air space

above the Land; all development or similar rights now or hereafter appurtenant to the Land; all rights of ingress and egress now or hereafter appertaining to the Property; all easements, servitudes, privileges and rights of way now or hereafter appertaining to the Property; and all royalties and other rights now or hereafter appertaining to the use and enjoyment of the Property, including alley, party walls, support, drainage, crop, timber, agricultural, horticultural, oil, gas and other mineral, water stock, riparian and other water rights now or hereafter appertaining to the use and enjoyment of the Property.

V. GRANTING CLAUSE

Agreements. All estate, right, title and interest of the Mortgagor in, to, under or derived from: all Insurance Policies (including all unearned premiums and dividends thereunder); all guarantees and warranties relating to the Property; all supply and service contracts for water, sanitary and storm sewer, drainage, electricity, steam, gas, telephone and other utilities now or hereafter relating to the Property; and all other contracts and agreements affecting or relating to the use, enjoyment or occupancy of the Property except to the extent that the grant of a security interest therein would constitute a material violation of a valid and enforceable restriction in favor of a third party unless and until all required consents shall have been obtained (all of the foregoing being collectively called the "**Agreements**").

VI. GRANTING CLAUSE

Leases. All estate, right, title and interest of the Mortgagor (under which Mortgagor is landlord, sublandlord or licensor) in, to, under or derived from: all Leases now or hereafter in effect, whether or not of record, for the use or occupancy of all or any part of the Property except to the extent that the grant of a security interest therein would constitute a material violation of a valid and enforceable lease with a third party unless and until all required consents shall have been obtained.

VII. GRANTING CLAUSE

Rents, Issues and Profits. All estate, right, title and interest of the Mortgagor in, to, under or derived from: all rents, royalties, issues, profits, receipts, revenue, income and other benefits now or hereafter accruing with respect to the Property, including all rents and other sums now or hereafter payable pursuant to the Leases; all other sums now or hereafter payable with respect to the use, occupancy, management, operation or control of the Property; and all other claims, rights and remedies now or hereafter belonging or accruing with respect to the Property, including fixed, additional and percentage rents,

occupancy charges, security deposits, parking, maintenance, common area, tax, insurance, utility and service charges and contributions (whether collected under the Leases or otherwise), proceeds of sale of electricity, gas, heating, air-conditioning and other utilities and services (whether collected under the Leases or otherwise), and deficiency rents and liquidated damages following default or cancellation (the foregoing rents and other sums described in this Granting Clause being collectively called the "**Rents**"), all of which the Mortgagor hereby irrevocably directs be paid to the Mortgagee, subject to the license granted to the Mortgagor pursuant to Section 5.07(b), to be held, applied and disbursed as provided in this Mortgage.

VIII. GRANTING CLAUSE

Permits. All estate, right, title and interest of the Mortgagor in, to, under or derived from all licenses, authorizations, certificates, variances, consents, approvals and other permits now or hereafter appertaining to the Property (the foregoing being collectively called the "**Permits**"), excluding from the grant under this Granting Clause (but not the definition of the term "**Permits**" for the other purposes hereof) any Permits which cannot be transferred or encumbered by the Mortgagor without causing a default thereunder or a termination thereof.

IX. GRANTING CLAUSE

Books and Records. All estate, right, title and interest of the Mortgagor in, to, under or derived from all books and records, including tenant files, credit files, customer files, computer print outs, files, programs and other computer and electronic materials and records, now or hereafter relating to the Property.

X. GRANTING CLAUSE

Intangible Property. All estate, right, title and interest of the Mortgagor in, to, under or derived from the Property and other intangible property not described in the foregoing Granting Clauses now or hereafter relating to the use and operation of the Property as a going concern.

XI. GRANTING CLAUSE

Deposits, Proceeds and Awards. All estate, right, title and interest of the Mortgagor in, to, under or derived from all amounts deposited with the Mortgagee under the Loan Documents with respect to the Property, including all Insurance Proceeds, Awards and title insurance proceeds under any title insurance policy now or hereafter held by the Mortgagor (the foregoing being collectively called "**Deposits**"), proceeds of any Transfer, financing, refinancing or conversion into

cash or liquidated claims, whether voluntary or involuntary, of any of the Mortgaged Property; and all rights, dividends and other claims of any kind whatsoever (including damage, secured, unsecured, priority and bankruptcy claims) now or hereafter relating to any of the Mortgaged Property (except to the extent that the grant of a security interest therein would constitute a material violation of a valid and enforceable restriction in favor of a third party unless and until all required consents shall have been obtained), all of which the Mortgagor hereby irrevocably directs be paid to the Mortgagee to the extent provided hereunder, to be held, applied and disbursed as provided in this Mortgage.

XII. GRANTING CLAUSE

Refunds, Credits or Reimbursements. All estate, right, title and interest of the Mortgagor in and to any and all real estate tax refunds payable to the Mortgagor with respect to the Property, and refunds, credits or reimbursements payable with respect to bonds, escrow accounts or other sums payable in connection with the use, development, or ownership of the Property.

XIII. GRANTING CLAUSE

Additional Property. All greater, additional or other estate, right, title and interest of the Mortgagor in, to, under or derived from the Mortgaged Property hereafter acquired by the Mortgagor, including all right, title and interest of the Mortgagor in, to, under or derived from all extensions, improvements, betterments, renewals, substitutions and replacements of, and additions and appurtenances to, any of the Mortgaged Property hereafter acquired by or released to the Mortgagor or constructed or located on, or attached to, the Property, in each case, immediately upon such acquisition, release, construction, location or attachment; all estate, right, title and interest of the Mortgagor in, to, under or derived from any other property and rights which are, by the provisions of the Security Documents, required to be subjected to the Lien hereof.

Mortgagor further grants to Mortgagee, its successors and assigns, the right and power to foreclose this Mortgage under the Oklahoma Power of Sale Mortgage Foreclosure Act, 46 O.S. §40 et seq.

TO HAVE AND TO HOLD the Mortgaged Property, together with all estate, right, title and interest of the Mortgagor and anyone claiming by, through or under the Mortgagor in, to, under or derived from the Mortgaged Property and all rights and appurtenances relating thereto, to the Mortgagee and its successors and assigns, forever, subject to Permitted Liens.

PROVIDED ALWAYS the Liens on Restricted Collateral granted herein or in any Domestic Security Document will only secure at any time an amount of Secured Obligations not to exceed the Basket Lien Available Amount at such time.

PROVIDED ALWAYS that this Mortgage is upon the express condition that the Mortgaged Property shall be released from the Lien of this Mortgage in full or in part in the manner and at the time provided in Section 7.02; and provided further, that notwithstanding anything herein to the contrary, the Mortgaged Property shall include only the real property (including fixtures) hereinabove described and the Collateral described in the Security Agreement.

THE MORTGAGOR ADDITIONALLY COVENANTS AND AGREES WITH THE MORTGAGEE AS FOLLOWS:

ARTICLE 1

DEFINITIONS AND INTERPRETATIONS

SECTION 1.01. *Definitions*. (a) Capitalized terms used in this Mortgage, but not otherwise defined herein, are defined in, or are defined by reference in, the Credit Agreement or, if not therein, in the Security Agreement, and have the same meanings herein as therein.

(b) In addition, as used herein, the following terms have the following meanings:

"**Actionable Event of Default**"means an Event of Default specified in clause (a), (b), (h), (i) or (j) of Section 7.01 of the Credit Agreement.

"**Agreements**" is defined in Granting Clause V.

"**Awards**" means, at any time, all awards or payments paid or payable by reason of any Condemnation or in connection with any agreement with any condemning authority which has been made in settlement of any proceeding relating to a Condemnation.

"**Bankruptcy Code**" (or "**Code**") means the Bankruptcy Code of 1978, as amended.

"**Basket Lien Available Amount**" means at any time an amount equal to (a) the maximum amount of "indebtedness" or "debt" (whichever is used in each Reference Indenture, as defined in such Reference Indenture, when used in this

definition) that, in reliance solely upon the Reference Basket Lien Provisions, could be outstanding and secured by a Lien or other arrangement on the properties and assets referred to therein without requiring such Lien or other arrangement to equally and ratably secure indebtedness (or debt) outstanding under any of the Reference Indentures (such determination to be made assuming that at least one dollar of indebtedness (or debt) remains outstanding under at least one Reference Indenture, even if all such indebtedness (or debt) has actually been repaid in full), *less* (b) the principal amount of all outstanding indebtedness (or debt) (other than the Loans, the LC Exposure and the XCFI Debentures) that is secured by any Lien or other arrangement that is permitted solely in reliance on any of the Reference Basket Lien Provisions (such determination to be made assuming that at least one dollar of indebtedness (or debt) remains outstanding under at least one Reference Indenture, even if all such indebtedness (or debt) has been repaid in full), provided that (x) on any day an Event of Default described in Sections 7.01(h), 7.01(i), or 7.01(j) of the Credit Agreement has occurred, the Basket Lien Available Amount shall be fixed at an amount never less than the amount in effect on such day and shall no longer be subject to decrease below such amount (but shall remain subject to increase and subsequent decrease down to such amount) and (y) if at any time there is no Reference Indenture with a Reference Basket Lien Provision (or other Indenture with a provision substantially identical to any Reference Basket Lien Provision) under which any indebtedness (or debt) is outstanding (other than the XCFI Debentures), the Basket Lien Available Amount shall thereafter be an unlimited amount.

"**Borrowers**" means Xerox and the Overseas Borrowers.

"**Business Day**" is defined in the Credit Agreement.

"**CA Secured Obligations**" means (a) all principal of and premium and interest (including, without limitation, any Post-Petition Interest) on any Loan outstanding from time to time or any LC Reimbursement Obligations under, or any promissory note issued pursuant to, the Credit Agreement and (b) all other amounts payable by any Borrower under the Credit Agreement or under any other Loan Document (as the same may hereafter be amended, restated, supplemented or otherwise modified from time to time) (including any Post-Petition Interest with respect to such amounts).

"**Casualty**" means any damage to, or destruction of, the Property by reason of fire or any other cause or event.

"**Collateral**" is defined in the Security Agreement.

"**Collateral Account**" is defined in the Security Agreement.

"**Collateral Agent**" is defined in the Recitals.

"**Condemnation**" means any condemnation or other taking or temporary or permanent requisition of the Property, any interest therein or right appurtenant thereto, or any change of grade affecting the Property, as the result of the exercise of any right of condemnation or eminent domain. A Transfer to a governmental authority in lieu or anticipation of Condemnation shall be deemed to be a Condemnation.

"**Contingent CA Secured Obligation**" means, at any time, any CA Secured Obligation (or portion thereof) that is contingent in nature at such time, including any CA Secured Obligation that is:

(i) an obligation to reimburse a Lender for drawings not yet made under a Letter of Credit issued by it;

(ii) any other obligation (including any guarantee) that is contingent in nature at such time; or

(iii) an obligation to provide collateral to secure any of the foregoing types of obligations.

"**Contingent Hedging Secured Obligation**" means, at any time, any Hedging Secured Obligation that is contingent in nature at such time, including any obligation under a Designated Hedging Agreement to make payments that cannot be quantified at such time.

"**Credit Agreement**" is defined in the second WHEREAS clause.

"**Deposits**" is defined in Granting Clause XI.

"**Designated Hedging Agreement**" is a hedging agreement designated by the Mortgagor under Section 21 of the Security Agreement.

"**Equipment**" is defined in Granting Clause III.

"**Event of Default**" means an "Event of Default" under the Credit Agreement.

"**Existing Credit Agreement**" is defined in the first WHEREAS clause.

"**GAAP**" is defined in the Credit Agreement.

"**Hedging Secured Obligations**" means (i) with respect to any Secured Subsidiary Guarantor all obligations of such Secured Subsidiary Guarantor, whether as principal or as guarantor, under any Designated Hedging Agreement and any renewals or extensions thereof and (ii) with respect to Xerox, (x) all obligations of Xerox, whether as principal or as guarantor, and (y) all obligations of any Subsidiary (other than a Secured Subsidiary Guarantor) to the extent Xerox does not otherwise guarantee such obligations, each under any Designated Hedging Agreement and any renewals or extensions thereof.

"**Hedging Secured Parties**" means the Lenders and their Affiliates that are party to a Designated Hedging Agreement.

"**High Yield Indenture**" means that certain Indenture dated as of January 17, 2002 among Xerox and Wells Fargo Bank Minnesota, National Association, as Trustee, with respect to the 9 3/4% Senior Notes due 2009 (denominated in U.S. dollars).

"**Indentified Indenture**" means each indenture identified in Schedule 1.01I of the Credit Agreement as replaced from time to time pursuant to Section 5.01(f) of the Credit Agreement.

"**Impositions**" means all taxes (including real estate taxes and transfer taxes), assessments (including all assessments for public improvements or benefits, whether or not commenced or completed prior to the date hereof), gas, electricity, steam, water, sewer or other rents, rates and charges, excises, levies, license fees, permit fees, inspection fees and other authorization fees and other charges, in each case whether general or special, ordinary or extraordinary, foreseen or unforeseen, of every character (including all interest and penalties thereon), which at any time may be assessed, levied, confirmed or imposed on or in respect of, or be a Lien upon, (i) the Property, any other Mortgaged Property or any interest therein, (ii) any occupancy, use or possession of, or activity conducted on, the Property, (iii) the Rents, or (iv) the Secured Obligations or the Security Documents, but excluding income, excess profits, franchise, capital stock, estate, inheritance, succession, gift or similar taxes of the Mortgagor or any Secured Party, except to the extent that such taxes of the Mortgagor or any Secured Party are imposed in whole or in part in lieu of, or as a substitute for, any taxes which are or would otherwise be Impositions.

"**Improvements**" is defined in Granting Clause II.

"**Insurance Policies**" means the insurance policies and coverages required to be maintained by the Mortgagor with respect to the Property pursuant to Section 5.07 of the Credit Agreement.

"**Insurance Premiums**" means all premiums payable under the Insurance Policies.

"**Insurance Proceeds**" means, at any time, all insurance proceeds or payments to which the Mortgagor may be or become entitled under the Insurance Policies by reason of any Casualty plus all insurance proceeds and payments to which the Mortgagor may be or become entitled by reason of any Casualty under any other insurance policies or coverages maintained by the Mortgagor with respect to the Property.

"**Insurance Requirements**" means all provisions of the Insurance Policies, all requirements of the issuer of any of the Insurance Policies and all orders, rules, regulations and any other requirements of the National Board of Fire Underwriters (or any other body exercising similar functions) applicable to the Property, any adjoining vaults, sidewalks, parking areas or driveways, or any use or condition thereof.

"**Land**" is defined in Granting Clause I.

"**LC Disbursement**" means a payment made by an LC Issuing Bank in respect of a drawing under a Letter of Credit.

"**LC Exposure**" means, at any time, the sum of (a) the aggregate undrawn amount of all Letters of Credit outstanding at such time plus (b) the aggregate amount of all LC Disbursements that have not yet been reimbursed by the Borrowers at such time. The LC Exposure of any Revolving Lender (as defined in the Credit Agreement) at any time will be its Revolving Percentage (as defined in the Credit Agreement) of the total LC Exposure at such time.

"**Lease**" means each lease, sublease, tenancy, subtenancy, license, franchise, concession or other occupancy agreement relating to the Property, together with any guarantee of the obligations of the tenant thereunder or any right to possession under the Bankruptcy Code or any other Applicable Law in the event of the rejection of any Lease by the landlord or its trustee pursuant to said Code or said Applicable Law.

"**Legal Requirements**" means all provisions of the Leases, Agreements, Permits and all provisions of Applicable Laws, statutes, codes, acts, ordinances, orders, judgments, decrees, injunctions, rules, regulations, directions and requirements of, and agreements with, governmental bodies, agencies or officials, now or hereafter applicable to the Property, or any use or condition thereof.

"**Lenders**" means the "Lenders" under the Credit Agreement.

"**Letter of Credit**" means any letter of credit issued pursuant to the Credit Agreement.

"**Lien**" is defined in the Credit Agreement.

"**Loan Documents**" is defined in the Credit Agreement.

"**Loans**" means loans made by the Lenders to the Borrowers pursuant to the Credit Agreement.

"**Material Adverse Effect**" is defined in Credit Agreement.

"**Mortgage**" is defined in the Preamble.

"**Mortgaged Property**" is defined in the Granting Clauses.

"**Mortgagee**" is defined in the Preamble.

"**Mortgagor**" is defined in the Preamble.

"**Non-Contingent CA Secured Obligation**" means at any time any CA Secured Obligation (or portion thereof) that is not a Contingent CA Secured Obligation at such time.

"**Other Mortgages**" is defined in Section 7.10.

"**Overseas Borrowers**" means (i) XCE, (ii) XCD and (iii) any other Qualified Foreign Subsidiary (as defined in the Credit Agreement) as to which an Election to Participate shall have been delivered to the Administrative Agent in accordance with Section 2.18 of the Credit Agreement; *provided* that the status of any of the foregoing as an Overseas Borrower shall terminate if and when an Election to Terminate (as defined in the Credit Agreement) is delivered to the Administrative Agent in accordance with Section 2.18 of the Credit Agreement.

"**Permits**" is defined in Granting Clause VIII.

"**Permitted Encumbrances**" means the Security Interests, Liens and other matters described in Exhibit B hereto.

"**Permitted Liens**" means the Security Interests and Liens on the Collateral permitted to be created or assumed or to exist pursuant Section 6.01 of the Credit Agreement or pursuant to the Security Agreement.

"**Person**" is defined in the Credit Agreement.

"**Post-Default Rate**" means a rate per annum equal to the sum of 2% plus the rate applicable to Base Rate (as defined in the Credit Agreement) Loans from time to time.

"**Post-Petition Interest**" means, with respect to any obligation of any Person, any interest that accrues after the commencement of any case, proceeding or other action relating to the bankruptcy, insolvency or reorganization of such Person (or would accrue but for the operation of applicable bankruptcy or insolvency laws), whether or not such interest is allowed or allowable as a claim in any such proceeding.

"**Proceeds**" is defined in the Security Agreement.

"**Property**" is defined in Granting Clause III.

"**Receiver**" is defined in Section 5.02(a)(iv).

"**Reference Basket Lien Provisions**" means the first proviso (not in a parenthetical) to Section 1012(a) of the High Yield Indenture and any equivalent provisions in the other Reference Indentures.

"**Reference Indentures**" means (a) initially, the High Yield Indenture and the Identified Indentures and (b) if all of the Debt (as defined in the Credit Agreement) issued under all of the High Yield Indenture and the Identified Indentures has been repaid in full, from time to time thereafter such other Indenture (as defined in the Credit Agreement) governing outstanding debt of Xerox (which must have a provision governing the creation of liens securing Debt of Xerox and its Subsidiaries that, to the reasonable satisfaction of the Administrative Agent, is substantially identical to the comparable provision in the High Yield Indenture) as shall have been designated by Xerox in a notice to the Administrative Agent (with a copy of such indenture attached thereto), it being understood that even if all of the Debt issued under the Indentures described in clause (a) has been repaid in full, such Indentures shall remain as the Reference Indentures until Xerox has so designated another indenture pursuant to this clause (b).

"**Release Conditions**" means the following conditions for releasing all the Mortgaged Property and terminating all the Security Interests:

(i) all Revolving Commitments under the Credit Agreement shall have expired or been terminated;

(ii) all Non-Contingent CA Secured Obligations shall have been paid in full; and

(iii) no Contingent CA Secured Obligation shall remain outstanding;

provided that the condition in clause (iii) shall not apply to outstanding Letters of Credit if (x) no Event of Default has occurred and is continuing and (y) Xerox or the applicable Borrower has granted to the Collateral Agent, for the benefit of the Revolving Lenders (or, if the obligations of the Revolving Lenders to reimburse the applicable LC Issuing Banks have been terminated, to such LC Issuing Banks), a Security Interest in Liquid Investments (or causes a bank acceptable to the Required Revolving Lenders or such LC Issuing Banks, as the case may be, to issue a letter of credit naming the Collateral Agent or such LC Issuing Banks as beneficiary) in an amount at least equal to 105% of the LC Exposure (plus any accrued and unpaid interest thereon) as of the date of such termination, on terms and conditions and pursuant to documentation reasonably satisfactory to the Required Revolving Lenders or such LC Issuing Banks, as the case may be.

"**Rents**" is defined in Granting Clause VII.

"**Required Lenders**" is defined in the Credit Agreement.

"**Restoration**" means the restoration, repair, replacement or rebuilding of the Property after a Casualty or Condemnation and "**Restore**" means to restore, repair, replace or rebuild the Property after a Casualty or Condemnation, in each case as nearly as possible to a value, utility and condition existing immediately prior to such Casualty or Condemnation.

"**Restricted Collateral**" means the Collateral of Xerox or any Restricted Secured Subsidiary Guarantor (and any Proceeds of such Collateral shall also constitute "Restricted Collateral").

"**Restricted Secured Subsidiary Guarantor**" means a Secured Subsidiary Guarantor that is a "Specified Subsidiary" under the High Yield Indenture or that falls within an equivalent category under any other Reference Indentures.

"**Revolving Commitment**" is defined in the Credit Agreement.

"**Subsidiary**" means any subsidiary of Xerox.

"**Secured Loan Amount**" is defined in the fourth WHEREAS clause of this Mortgage.

"**Secured Obligations**" means (i) the CA Secured Obligations, (ii) the XCFI Secured Obligations, and, (iii) the Hedging Secured Obligations.

"**Secured Parties**" means (i) with respect to the CA Secured Obligations, the Agents, the Lenders and the LC Issuing Banks, (ii) with respect to the XCFI Secured Obligations, the Trustee under each of the XCFI Indentures (and any successor Trustee thereunder) for the benefit of the holders of the XCFI Debentures and (iii) with respect to the Hedging Secured Obligations, the Hedging Secured Parties.

"**Secured Subsidiary Guarantor**" means a Subsidiary Guarantor other than XCC.

"**Security Agreement**" means the Guarantee and Security Agreement dated as of June 25, 2003, among the Mortgagor, the Subsidiary Guarantors party thereto and the Mortgagee pursuant to which, among other things, the Mortgagor and the Secured Subsidiary Guarantors grant to the Mortgagee a security interest in certain collateral (as described therein).

"**Security Deposit**" means any payment, note, letter of credit or other security or deposit made or given by or on behalf of a tenant under a Lease as security for the performance of its obligations thereunder, and any interest accrued thereon.

"**Security Documents**" means the Security Agreement, this Mortgage, the Other Mortgages and each other Security Document (as defined in the Credit Agreement) executed and delivered by a Domestic Credit Party (as defined in the Credit Agreement) pursuant to the Credit Agreement.

"**Security Interests**" means the security interests in the Collateral granted under the Domestic Security Documents securing the Secured Obligations.

"**Subsidiary Guarantors**" means each Subsidiary listed on the signature pages of the Security Agreement under the caption "Guarantors" and each Subsidiary that shall, at any time, after the date thereof, become a "Guarantor" pursuant to Section 20 of the Security Agreement.

"**Transfer**" means, when used as a noun, any sale, conveyance, disposition, assignment, lease, license or other transfer and, when used as a verb, to sell, convey, dispose, assign, lease, license or otherwise transfer, in each case (i) whether voluntary or involuntary, (ii) whether direct or indirect and (iii) including any agreement providing for a Transfer or granting any right or option providing for a Transfer.

"**UCC**" means the Uniform Commercial Code as in effect in the State in which the Mortgaged Property is located, *provided* that if by reason of mandatory provisions of law, the perfection or the effect of perfection or non-perfection or the priority of any Security Interest in any Collateral is governed by the Uniform Commercial Code as in effect in a jurisdiction other than the State in which the Mortgaged Property is located, "UCC" means the Uniform Commercial Code as in effect in such other jurisdiction for purposes of the provisions hereof relating to such perfection, effect of perfection or non-perfection or priority.

"**XCD**" means Xerox Canada Capital Ltd., a Canadian corporation.

"**XCE**" means Xerox Capital (Europe) plc, a company incorporated in England and Wales.

"**XCFI Debentures**" means (a) the 10.70% Sinking Fund Debentures due 2006 issued pursuant to that certain Trust Indenture dated as of December 15, 1986, as supplemented and amended by the First through Fourth Supplemental Trust Indentures, among Xerox Canada Finance Inc., Xerox Canada Inc., Xerox Canada Holdings Inc. and National Trust Company, as Trustee and (b) the 12.15% Sinking Fund Debentures due 2007 issued pursuant to that certain Trust Indenture dated as of October 27, 1987, as supplemented and amended by the First through Fourth Supplemental Trust Indentures, among Xerox Canada Finance Inc., Xerox Canada Inc., Xerox Canada Holdings Inc. and National Trust Company, as Trustee.

"**XCFI Indentures**" means (a) that certain Trust Indenture dated as of December 15, 1986, as supplemented and amended by the First through Fourth Supplemental Trust Indentures, among Xerox Canada Finance Inc., Xerox Canada Inc., Xerox Canada Holdings Inc. and National Trust Company, as Trustee and (b) that certain Trust Indenture dated as of October 27, 1987, as supplemented and amended by the First through Fourth Supplemental Trust Indentures, among Xerox Canada Finance Inc., Xerox Canada Inc., Xerox Canada Holdings Inc. and National Trust Company, as Trustee.

"**XCFI Secured Obligations**" means the obligations of the Mortgagor under the XCFI Indentures and shall include all amounts outstanding under the XCFI Debentures and accrued and unpaid interest and other amounts owing with respect thereto.

"**Xerox Guarantee**" means the Mortgagor's guarantee of the Overseas CA Secured Obligations (as defined in the Security Agreement).

(c) In this Mortgage, unless otherwise specified, references to this Mortgage, other Loan Documents, Leases, Permits and Agreements include all amendments, supplements, consolidations, replacements, restatements, extensions, renewals and other modifications thereof, in whole or in part.

SECTION 1.02. *Interpretation*. In this Mortgage, unless otherwise specified: (a) singular words include the plural and plural words include the singular; (b) words which include a number of constituent parts, things or elements, including the terms Leases, Improvements, Land, Secured Obligations, Property and Mortgaged Property, shall be construed as referring separately to each constituent part, thing or element thereof, as well as to all of such constituent parts, things or elements as a whole; (c) words importing any gender include the other genders; (d) references to any Person include such Person's successors and assigns and in the case of an individual, the word "**successors**" includes such Person's heirs, devisees, legatees, executors, administrators and personal representatives; (e) references to any statute or other law include all applicable rules, regulations and orders adopted or made thereunder and all statutes or other laws amending, consolidating or replacing the statute or law referred to; (f) the words "**consent**", "**approve**", "**agree**" and "**request**", and derivations thereof or words of similar import, mean the prior written consent, approval, agreement or request of the Person in question; (g) the words "**include**" and "**including**", and words of similar import, shall be deemed to be followed by the words "**without limitation**"; (h) the words "**hereto**", "**herein**", "**hereof**" and "**hereunder**", and words of similar import, refer to this Mortgage in its entirety; (i) references to Articles, Sections, Schedules, Exhibits, subsections, paragraphs and clauses are to the Articles, Sections, Schedules, Exhibits, subsections, paragraphs and clauses of this Mortgage; (j) the Schedules and Exhibits to this Mortgage are incorporated herein by reference; (k) the titles and headings of Articles, Sections, Schedules, Exhibits, subsections, paragraphs and clauses are inserted as a matter of convenience and shall not affect the construction of this Mortgage; (l) all obligations of the Mortgagor hereunder shall be satisfied by the Mortgagor at the Mortgagor's sole cost and expense; and (m) all rights and powers granted to the Mortgagee hereunder shall be deemed to be coupled with an interest and be irrevocable.

SECTION 1.03. *Resolution of Drafting Ambiguities*. The Mortgagor acknowledges that it was represented by counsel in connection with this Mortgage, that it and its counsel reviewed and participated in the preparation and negotiation of this Mortgage and that any rule of construction to the effect that ambiguities are to be resolved against the drafting party or the Mortgagee shall not be employed in the interpretation of this Mortgage.

ARTICLE 2

CERTAIN REPRESENTATIONS, WARRANTIES AND COVENANTS

SECTION 2.01. *Title, Authority and Effectiveness*. (a) The Mortgagor represents and warrants that (i) the Mortgagor has good and marketable title to the fee simple interest in the Land and the Improvements, free and clear of all Liens other than the Permitted Liens and defects in title that could not reasonably be expected to result in a Material Adverse Effect; (ii) the Mortgagor is the owner of, or has a valid leasehold interest in, the Equipment and all other items constituting the Mortgaged Property, in each case free and clear of all Liens other than the Permitted Liens and defects in title that could not reasonably be expected to result in a Material Adverse Effect; (iii) to the knowledge of the appropriate property management personnel of the Mortgagor, as of the date hereof, neither the Mortgaged Property nor any interest therein is subject to any right of first refusal, option or other contractual right to purchase such Mortgaged Property or interest therein except as permitted under the Credit Agreement; and (iv) this Mortgage constitutes a valid, binding and enforceable agreement of the Mortgagor, enforceable in accordance with its terms, except as the enforceability thereof may be limited by bankruptcy, insolvency, reorganization or moratorium or other similar laws relating to the enforcement of creditors' rights generally and by general equitable principles, regardless of whether considered in a proceeding in equity or at law.

(b) The Mortgagor shall for as long as the Secured Obligations remain outstanding and except as otherwise permitted by the Credit Agreement, preserve, protect, warrant and defend (i) its estate, right, title and interest in and to the Mortgaged Property, (ii) the validity, enforceability and priority of the Lien of this Mortgage on the Mortgaged Property, and (iii) the right, title and interest of the Mortgagee and any purchaser at any sale of the Mortgaged Property hereunder or relating hereto, in each case, against all other Liens, subject only to the Permitted Liens.

(c) The Mortgagor, at its sole cost and expense, shall (i) upon the request of the Mortgagee, promptly correct any defect or error which may be discovered in this Mortgage or any financing statement or other document relating hereto; and (ii) promptly execute, acknowledge, deliver, record and re-record, register and re-register, and file and re-file this Mortgage and any financing statements or other documents which the Mortgagee may require from time to time (all in form and substance reasonably satisfactory to the Mortgagee) in order (A) to effectuate, complete, perfect, continue or preserve the Lien of this Mortgage as a first Lien on the Mortgaged Property, whether now owned or hereafter acquired, subject only to the Permitted Liens, or (B) to effectuate, complete, perfect, continue or preserve any right, power or privilege granted or

intended to be granted to the Mortgagee hereunder or otherwise accomplish the purposes of this Mortgage. To the fullest extent permitted by Applicable Law, the Mortgagor hereby authorizes the Mortgagee to execute and file financing statements or continuation statements without the Mortgagor's signature appearing thereon. The Mortgagor shall pay on demand the costs of, or incidental to, any recording or filing of any financing or continuation statement, or amendment thereto, concerning the Mortgaged Property.

(d) Upon the recording of this Mortgage in the appropriate county recording offices, the Lien of this Mortgage and the Security Interest in the Mortgaged Property constituting real property and fixtures granted hereby shall be a perfected first Lien on and Security Interest in such Mortgaged Property prior to all Liens on and security interests in such Property other than the Permitted Liens and defects in title that could not reasonably be expected to result in a Material Adverse Effect.

(e) Nothing herein shall be construed to subordinate the Lien of this Mortgage to any Permitted Lien to which the Lien of this Mortgage is not otherwise subordinate.

SECTION 2.02. *Secured Obligations*. The Mortgagor shall duly and punctually pay, perform and observe the Secured Obligations at the time and place and in the manner specified in the Credit Agreement and the other Loan Documents.

SECTION 2.03. *Impositions*. Except as may be otherwise permitted under the Credit Agreement, the Mortgagor shall (i) duly and punctually pay all Impositions that if not paid, could result in a Material Adverse Effect, other than Impositions that are being contested in accordance with the Credit Agreement; (ii) not make any deduction from or claim any credit on any Secured Obligation by reason of any Imposition and, to the extent permitted under Legal Requirements, hereby irrevocably waives any right to do so; and (iii) upon request, promptly deliver to the Mortgagee such information and documents with respect to the matters referred to in this Section as the Mortgagee shall reasonably request.

SECTION 2.04. *Insurance Requirements*. The Mortgagor represents and warrants that (i) as of the date hereof, the Property and the use and operation thereof comply in all material respects with all Insurance Requirements; (ii) as of the date hereof, there is no material default under any Insurance Requirement; and (iii) the execution, delivery and performance of this Mortgage will not contravene in any material respect any provision of or constitute a material default under any Insurance Requirement.

SECTION 2.05. *Care of the Property*. The Mortgagor shall (i) operate and maintain the Property, or use commercially reasonable efforts to cause the same to be operated and maintained, in good working order and condition in accordance with past practice, ordinary wear and tear excepted, except where failure to do so could not reasonably be expected to have a Material Adverse Effect; (ii) promptly make, or cause to be made, all Restorations of and to the Property required by the Credit Agreement and all other Restorations of and to the Property, whether interior or exterior, structural or nonstructural, foreseen or unforeseen, which may be necessary or appropriate to keep the Property in good order, repair and condition in accordance with past practice, which Restoration shall be equal in quality to or better than the Property as of the date hereof except where failures to do so could not reasonably be expected to have a Material Adverse Effect; and (iii) upon request, promptly deliver to the Mortgagee such information and documents with respect to the matters referred to in this Section as the Mortgagee shall reasonably request.

SECTION 2.06. *Liens*. The Mortgagor shall not create or permit to be created or to remain, and shall immediately discharge or cause to be discharged, any Lien on the Mortgaged Property or any interest therein, in each case (i) whether voluntarily or involuntarily created, (ii) whether directly or indirectly a Lien thereon and (iii) whether or not subordinated hereto, except, in each case, for Permitted Liens. The provisions of this Section shall apply to each and every Lien (other than Permitted Liens on the Mortgaged Property or any interest therein, regardless of whether or not a consent to, or waiver of a right to consent to, any other Lien thereon has been previously obtained in accordance with the terms of the Loan Documents. Nothing herein shall obligate the Mortgagor to remove any inchoate statutory Lien in respect of obligations not yet due and payable.

SECTION 2.07. *Transfer*. The Mortgagor shall not Transfer, or suffer any Transfer of, the Mortgaged Property or any part thereof or interest therein, except as permitted or contemplated by Section 6.05 of the Credit Agreement or any other Loan Document. The provisions of this Section shall apply to each and every Transfer of the Mortgaged Property or any interest therein, regardless of whether or not a consent to, or waiver of a right to consent to, any other Transfer thereof has been previously obtained in accordance with the provisions of the Loan Documents.

SECTION 2.08. *Certain Amounts*. If the Mortgagee exercises any of its rights or remedies under this Mortgage, or if any actions or proceedings (including any bankruptcy, insolvency or reorganization proceedings) are commenced in which the Mortgagee is made a party and is obliged to defend or uphold or enforce this Mortgage or the rights of the Mortgagee hereunder or the terms of any Lease, or if a condemnation proceeding is instituted affecting the Mortgaged

Property, the Mortgagor will pay all reasonable sums, including reasonable attorneys' fees and disbursements, incurred by the Mortgagee related to the exercise of any remedy or right of the Mortgagee pursuant hereto and the reasonable expenses of any such action or proceeding together with all statutory or other costs, disbursements and allowances, interest thereon from the date of demand for payment thereof at the Post-Default Rate, and such sums and the interest thereon shall, to the extent permissible by law, be a Lien on the Mortgaged Property prior to any right, title to, interest in or claim upon the Mortgaged Property attaching or accruing subsequent to the recording of this Mortgage and shall be secured by this Mortgage to the extent permitted by law. Any payment of amounts due under this Mortgage not made on or before the due date for such payments (including any applicable notice and grace period) shall accrue interest daily without notice from the due date until paid at the Post-Default Rate, and such interest at the Post-Default Rate shall be immediately due upon demand by the Mortgagee.

ARTICLE 3

INSURANCE, CASUALTY AND CONDEMNATION

SECTION 3.01. *Insurance*. (a) The Mortgagor shall maintain in full force and effect Insurance Policies with respect to the Property as required by Section 5.07 of the Credit Agreement.

(b) If at any time the area in which any Improvement is located is designated a "flood hazard area" in any Flood Insurance Rate Map published by the Federal Emergency Management Agency (or any successor agency), the Mortgagor shall obtain flood insurance in such total amount as the Mortgagee may from time to time reasonably require, and otherwise comply with the National Flood Insurance Program as set forth in the Flood Disaster Protection Act of 1973, as amended from time to time. As of the date hereof, the Mortgagee acknowledges that the Improvements are not located in a "flood hazard area."

SECTION 3.02. *Casualty*. The Mortgagor represents and warrants that, as of the date hereof, there is no material Casualty affecting the Property.

SECTION 3.03. *Condemnation*. The Mortgagor represents and warrants that, as of the date hereof, (i) it has not received any written notice of any Condemnation affecting the Property, (ii) to the knowledge of the appropriate property management personnel of the Mortgagor, there are no negotiations or proceedings which might result in such a Condemnation, and (iii) to the

knowledge of the appropriate property management personnel of the Mortgagor, no such Condemnation is proposed or threatened.

ARTICLE 4

CERTAIN SECURED OBLIGATIONS

SECTION 4.01. *Last Dollar Secured; Maximum Amount of Indebtedness*. (a) This Mortgage secures only a portion of the Secured Obligations owing or which may become owing by the Mortgagor. Notwithstanding anything to the contrary contained in the Loan Documents, the parties agree that any payments or repayments of such Secured Obligations by the Mortgagor shall be deemed to apply first to the portion of the Secured Obligations that is not secured hereby, it being the parties' intent that the portion of the Secured Obligations last remaining unpaid shall be deemed secured hereby.

(b) Notwithstanding anything to the contrary in this Mortgage, the maximum amount of principal indebtedness which is or under any contingency may be secured by the Mortgage, at the date of the execution hereof or at any time hereafter, is $16,278,400, plus interest and other charges due thereon and all amounts expended by the Mortgagee to maintain the Lien of this Mortgage, including without limitation, all amounts which constitute payment of (i) taxes, charges or assessments that may be imposed by law upon the Collateral; (ii) premiums on insurance policies covering any of the Collateral; (iii) expenses incurred in upholding the Lien of this Mortgage, including the expenses of any litigation to prosecute or defend the rights and Lien created by this Mortgage; or (iv) any amount, cost or charge to which Mortgagee becomes subrogated, upon payment, whether under recognized principles of law or equity, or under express statutory authority.

SECTION 4.02. *No Limitation on Certain Rights*. Nothing in the foregoing paragraphs relating to the Secured Loan Amount and treatment of payments, repayments, advances and readvances shall be deemed or construed to: (i) prevent Borrowers from fully prepaying the Loans in accordance with the Credit Agreement; (ii) prevent Borrowers from obtaining the release of the Mortgaged Property to the extent otherwise provided for in the Loan Documents; or (iii) limit or impair any Lender's remedies, including any Lender's right to require repayment of the Loans (as more fully described in the Credit Agreement) upon an Event of Default.

SECTION 4.03. *Right to Perform Obligations*. If an Event of Default arises as a result of the failure by Mortgagor to pay or perform any of its

obligations under Section 2.03 or if an Actionable Event of Default shall have occurred and is continuing or upon an acceleration of the Loans in accordance with the terms of the Credit Agreement, the Mortgagee shall have the right, (i) with simultaneous notice if such payment or performance is necessary in the reasonable opinion of the Mortgagee to preserve the Mortgagee's rights under this Mortgage or with respect to the Mortgaged Property, or (ii) after notice given reasonably in advance to allow the Mortgagor an opportunity to cure, to pay or perform such obligation, *provided* the Mortgagor is not contesting payment or performance in accordance with the Credit Agreement, and further *provided* that no such payment or performance shall be construed to be a cure of any Default or waiver of any Default or Secured Obligation. If pursuant to this Section 4.03, the Mortgagee shall make any payment on behalf of the Mortgagor or shall incur hereunder any expense for which the Mortgagee is entitled to reimbursement pursuant to the provisions of the Loan Documents, such Secured Obligation shall be repayable on demand and shall bear interest from the date incurred at the Post-Default Rate. Such interest, and any other interest on the Secured Obligations payable at the Post-Default Rate pursuant to the terms of the Loan Documents, shall accrue through the date paid notwithstanding any intervening judgment of foreclosure or sale. All such interest shall be part of the Secured Obligations and shall be secured by this Mortgage.

SECTION 4.04. *Changes in the Laws Regarding Taxation*. If after the date hereof there is enacted any Applicable Law deducting from the value of the Property for the purpose of taxation the Lien of any Security Document or changing in any way the Applicable Law for the taxation of mortgages, deeds of trust or other Liens or obligations secured thereby, or the manner of collection of such taxes, so as to adversely affect this Mortgage, the CA Secured Obligations, or any Secured Party holding CA Secured Obligations, upon demand by the Mortgagee or any other affected Secured Party holding CA Secured Obligations and to the fullest extent permitted under Applicable Law, the Mortgagor shall pay all taxes, assessments or other charges resulting therefrom or shall reimburse such Secured Party for all such taxes, assessments or other charges which such Secured Party is obligated to pay as a result thereof.

SECTION 4.05. *Indemnification*. The Mortgagor shall indemnify and hold harmless each Indemnitee (as defined in the Credit Agreement) from and against all losses, claims, damages, liabilities and related expenses, including reasonable fees, charges and disbursements of any counsel for any Indemnitee, incurred by or asserted against any Indemnitee, arising out of, in connection with, or as a result of, (a) the Mortgagee's exercise of any of its rights and remedies hereunder; (b) any accident, injury to or death of persons or loss of or damage to property occurring in, on or about the Mortgaged Property or any part thereof or on the adjoining sidewalks, curbs, adjacent property or adjacent parking areas, street or

ways (other than to the extent the same may occur from and after ownership and possession of the Mortgaged Property is transferred to a purchaser at a foreclosure sale or otherwise); and (c) any other conduct or misconduct of the Mortgagor, any lessee or other occupant of any of the Mortgaged Property, or any of their respective agents, contractors, subcontractors, servants, employees, licensees or invitees (other than to the extent the same may occur from and after ownership and possession of the Mortgaged Property is transferred to a purchaser at a foreclosure sale or otherwise); *provided*, *however*, such indemnity shall not be available to any Indemnitee to the extent that such losses, claims, damages, liabilities or related expenses are determined by a court of competent jurisdiction in a final and unappealable judgment to have resulted from such Indemnitee's gross negligence or willful misconduct. Any amount payable under this Section will be payable on demand, be deemed a CA Secured Obligation and will bear interest pursuant to Section 4.03. The obligations of the Mortgagor under this Section shall survive the release of this Mortgage.

ARTICLE 5

DEFAULTS, REMEDIES AND RIGHTS

SECTION 5.01. *Events of Default*. (a) Any Event of Default under the Credit Agreement shall constitute an Event of Default hereunder.

(b) All notice and cure periods provided in the Credit Agreement shall run concurrently with any notice or cure periods provided under Applicable Law.

SECTION 5.02. *Remedies*. (a) Upon an acceleration of the Loans in accordance with the terms of the Credit Agreement and provided that the Ratings Condition shall not then be satisfied, the Mortgagee shall have the right and power to exercise any of the following remedies and rights, subject to mandatory provisions of Applicable Law, to wit:

(i) to institute a proceeding or proceedings, by advertisement, judicial process or otherwise as provided under Applicable Law, for the complete or partial foreclosure of this Mortgage or the complete or partial sale of the Mortgaged Property under the power of sale hereunder or under any Applicable Law; or

(ii) to sell the Mortgaged Property, and all estate, right, title, interest, claim and demand of the Mortgagor therein and thereto, and all rights of redemption thereof, at one or more sales, as an entirety or in parcels, with such elements of real or personal property, at such time and

place and upon such terms as the Mortgagee may deem expedient or as may be required under Applicable Law, and in the event of a sale hereunder or under any Applicable Law of less than all of the Mortgaged Property, this Mortgage shall continue as a Lien on the remaining Mortgaged Property; or

(iii) to institute a suit, action or proceeding for the specific performance of any of the provisions of this Mortgage; or

(iv) to be entitled to the appointment of a receiver, supervisor, trustee, liquidator, conservator or other custodian (a "**Receiver**") of the Mortgaged Property pursuant to 12 O.S. § 1551(2)(c), without notice to Mortgagor, to the fullest extent permitted by law, as a matter of right and without regard to, or the necessity to disprove, the adequacy of the security for the Secured Obligations or the solvency of the Mortgagor or any other Borrower, and whether such receivership shall be incidental to a proposed sale of the Mortgaged Property or otherwise and the Mortgagor hereby, to the fullest extent permitted by Applicable Law, irrevocably waives such necessity and consents to such appointment, without notice (and will not oppose any such appointment), said appointee to be vested with the fullest powers permitted under Applicable Law, including to the fullest extent permitted under Applicable Law those under Section 5.02(a)(v); or

(v) to enter upon the Property, by the Mortgagee or a Receiver (whichever is the Person exercising the rights under this clause), and, to the extent permitted under Applicable Law, exclude the Mortgagor and its managers, employees, contractors, agents and other representatives therefrom in accordance with Applicable Law, without liability for trespass, damages or otherwise, and take possession of all other Mortgaged Property and all books, records and accounts relating thereto, and upon demand the Mortgagor shall surrender possession of the Property, the other Mortgaged Property and such books, records and accounts to the Person exercising the rights under this clause; and having and holding the same, the Person exercising the rights under this clause may use, operate, manage, preserve, control and otherwise deal therewith and conduct the business thereof, either personally or by its managers, employees, contractors, agents or other representatives, without interference from the Mortgagor or its managers, employees, contractors, agents and other representatives; and, upon each such entry and from time to time thereafter, at the expense of the Mortgagor and the Mortgaged Property, without interference by the Mortgagor or its managers, employees, contractors, agents and other representatives, the Person exercising the rights under this clause may, as such Person deems expedient, (A) insure

or reinsure the Property, (B) make all necessary or proper repairs, renewals, replacements, alterations, additions, Restorations, betterments and improvements to the Property and (C) in such Person's own name or, at the option of such Person, in the Mortgagor's name, exercise all rights, powers and privileges of the Mortgagor with respect to the Mortgaged Property, including the right to enter into Leases with respect to the Property, including Leases extending beyond the time of possession by the Person exercising the rights under this clause; and the Person exercising the rights under this clause shall not be liable to account for any action taken hereunder, other than for Rents actually received by such Person, and shall not be liable for any loss sustained by the Mortgagor resulting from any failure to let the Property or from any other act or omission of such Person, except to the extent such loss is caused by such Person's own willful misconduct or gross negligence; or

(vi) with or, to the fullest extent permitted by Applicable Law, without entry upon the Property, in the name of the Mortgagee or a Receiver (as required by law and whichever is the Person exercising the rights under this clause) or, at such Person's option, in the name of the Mortgagor, to collect, receive, sue for and recover all Rents and proceeds of or derived from the Mortgaged Property, and after deducting therefrom all costs, expenses and liabilities of every character incurred by the Person exercising the rights under this clause in collecting the same and in using, operating, managing, preserving and controlling the Mortgaged Property and otherwise in exercising the rights under Section 5.02(a)(v) or any other rights hereunder, including all amounts necessary to pay Impositions, Rents, Insurance Premiums and other costs, expenses and liabilities relating to the Property, as well as compensation for the services of such Person and its managers, employees, contractors, agents or other representatives, to apply the remainder as provided in Section 5.06; or

(vii) to take any action with respect to any Mortgaged Property permitted under the UCC in accordance with the terms and conditions of the Domestic Security Agreement; or

(viii) to take any other action, or pursue any other remedy or right, as the Mortgagee may have under Applicable Law, and the Mortgagor does hereby grant the same to the Mortgagee; or

(ix) to exercise any rights and remedies pursuant to 46 O.S. § 40 et seq.; or

(x) to declare all sums secured hereby to be immediately due and payable, without presentment, demand, notice of any kind, protest or notice of protest, all of which are expressly waived.

(b) To the fullest extent permitted by Applicable Law,

(i) each remedy or right hereunder shall be in addition to, and not exclusive or in limitation of, any other remedy or right hereunder, under any other Loan Document or under Applicable Law;

(ii) every remedy or right hereunder, under any other Loan Document or under Applicable Law may be exercised concurrently or independently and whenever and as often as deemed appropriate by the Mortgagee;

(iii) no failure to exercise or delay in exercising any remedy or right hereunder, under any other Loan Document or under Applicable Law shall be construed as a waiver of any Default hereunder or under any other Loan Document;

(iv) no waiver of, failure to exercise or delay in exercising any remedy or right hereunder, under any other Loan Document or under Applicable Law upon any Default hereunder or under any other Loan Document shall be construed as a waiver of, or otherwise limit the exercise of, such remedy or right upon any other or subsequent Default hereunder or under any other Loan Document;

(v) no single or partial exercise of any remedy or right hereunder, under any other Loan Document or under Applicable Law upon any Default hereunder or under any other Loan Document shall preclude or otherwise limit the exercise of any other remedy or right hereunder, under any other Loan Document or under Applicable Law upon such Default or upon any other or subsequent Default hereunder or under any other Loan Document;

(vi) the acceptance by the Mortgagee or any other Secured Party of any payment less than the amount of the Secured Obligation in question shall be deemed to be an acceptance on account only and shall not be construed as a waiver of any Default hereunder or under any other Loan Document with respect thereto; and

(vii) the acceptance by the Mortgagee or any other Secured Party of any payment of, or on account of, any Secured Obligation shall not be

deemed to be a waiver of any Default hereunder or under any other Loan Document with respect to any other Secured Obligation.

(c) If the Mortgagee has proceeded to enforce any remedy or right hereunder or with respect hereto by foreclosure, sale, entry or otherwise, it may compromise, discontinue or abandon such proceeding for any reason without notice to the Mortgagor or any other Person (other than other Secured Parties as may be required by the other Loan Documents or the XCFI Indentures), and, in the event that any such proceeding shall be discontinued, abandoned or determined adversely for any reason, the Mortgagor and the Mortgagee shall retain and be restored to their former positions and rights hereunder with respect to the Mortgaged Property, subject to the Lien hereof except to the extent any such adverse determination specifically provides to the contrary.

(d) For the purpose of carrying out any provisions of Section 2.01(c), 4.03, 5.02(a)(v), 5.02(a)(vi), 5.05 or 5.07 or any other provision hereunder authorizing the Mortgagee or any other Person to perform any action on behalf of the Mortgagor upon an Actionable Event of Default or upon an acceleration of the Loans in accordance with the terms of the Credit Agreement, the Mortgagor hereby irrevocably appoints the Mortgagee or a Receiver appointed pursuant to Section 5.02(a)(vi) or such other Person (as the case may be as the Person appointed under this subsection) as the attorney-in-fact of the Mortgagor (with a power to substitute any other Person in its place as such attorney-in-fact) to act in the name of the Mortgagor or, at the option of the Person appointed to act under this subsection, in such Person's own name, to take the action authorized under Section 2.01(c), 4.03, 5.02(a)(v), 5.02(a)(vi), 5.05 or 5.07 or such other provision, and to execute, acknowledge and deliver any document in connection therewith or to take any other action incidental thereto as the Person appointed to act under this subsection shall deem appropriate in its discretion; and the Mortgagor hereby irrevocably authorizes and directs any other Person to rely and act on behalf of the foregoing appointment and a certificate of the Person appointed to act under this subsection that such Person is authorized to act under this subsection.

SECTION 5.03. *Waivers by the Mortgagor*. To the fullest extent permitted under Applicable Law, the Mortgagor shall not assert, and hereby irrevocably waives, any right or defense the Mortgagor may have under any statute or rule of law or equity now or hereafter in effect relating to (i) homestead exemption, extension, moratorium, stay, statute of limitations, redemption, marshaling of the Mortgaged Property or the other assets of the Mortgagor, sale of the Mortgaged Property in any order or notice of deficiency or intention to accelerate any Secured Obligation; (ii) impairment of any right of subrogation or reimbursement; (iii) any requirement that at any time any action must be taken against any other Person, any portion of the Mortgaged Property or any other asset of the Mortgagor or any other Person; (iv) any provision barring or limiting the right of the Mortgagee to sell any Mortgaged Property after any other sale of any other Mortgaged Property or any other action against the Mortgagor or any

other Person; (v) any provision barring or limiting the recovery by the Mortgagee of a deficiency after any sale of the Mortgaged Property; (vi) any other provision of Applicable Law which might defeat, limit or adversely affect any right or remedy of the Mortgagee or the holders of the Secured Obligations under or with respect to this Mortgage or any other Security Document as it relates to any Mortgaged Property; or (vii) the right of the Mortgagee to foreclose this Mortgage in its own name on behalf of all of the Secured Parties by judicial action as the real party in interest without the necessity of joining any other Secured Party. Mortgagee hereby waives or does not waive appraisement of the Mortgaged Property, such election to be made at or before entry of foreclosure judgment.

SECTION 5.04. *Jurisdiction and Process*. (a) To the extent permitted under Applicable Law, in any suit, action or proceeding arising out of or relating to this Mortgage or any other Security Document as it relates to any Mortgaged Property, the Mortgagor irrevocably consents to (i) the jurisdiction of any state or federal court sitting in the State in which the Property is located and irrevocably waives any defense or objection which it may now or hereafter have to the jurisdiction of such court or the venue of such court for or the convenience of such court as the forum for any such suit, action or proceeding, and (ii) the service of (A) any process in any such suit, action or proceeding, or (B) any notice relating to any sale, or the exercise of any other remedy by the Mortgagee hereunder by sending a copy of such process or notice by prepaid overnight courier or United States registered or certified mail, postage prepaid, return receipt requested to the Mortgagor at its address specified in or pursuant to Section 7.03, such service to be effective when received at the address specified or when delivery at such address is refused.

(b) Nothing in this Section shall affect the right of the Mortgagee to bring any suit, action or proceeding arising out of or relating to this Mortgage or any other Security Document in any court having jurisdiction under the provisions of any other Security Document or Applicable Law or to serve any process, notice of sale or other notice in any manner permitted by any other Security Document or Applicable Law.

SECTION 5.05. *Sales*. Subject to Section 4.01, 5.02(a) and 7.09 and except as otherwise provided herein, to the fullest extent permitted under Applicable Law, at the election of the Mortgagee, the following provisions shall apply to any sale of the Mortgaged Property hereunder, whether made pursuant to the power of sale hereunder, any judicial proceeding or any judgment or decree of foreclosure or sale or otherwise:

(a) The Mortgagee or the court officer (whichever is the Person conducting any sale) may conduct any number of sales from time to time. The power of sale hereunder shall not be exhausted by any sale as to any part or parcel of the Mortgaged Property which is not sold, unless and until the Secured Obligations shall have been paid in full, and shall not be exhausted or impaired by any sale which is not completed or is defective. Any sale may be as a whole or in part or parcels and as provided in Section 5.03, the Mortgagor has thereby waived its right to direct the order in which the Mortgaged Property or any part or parcel thereof is sold.

(b) Any sale may be postponed or adjourned by public announcement at the time and place appointed for such sale or for such postponed or adjourned sale without further notice.

(c) After each sale, the Person conducting such sale shall execute and deliver to the purchaser or purchasers at such sale a good and sufficient instrument or instruments granting, conveying, assigning and transferring all right, title and interest of the Mortgagor in and to the Mortgaged Property sold and shall receive the proceeds of such sale and apply the same as provided in Section 5.06. The Mortgagor hereby irrevocably appoints the Person conducting such sale as the attorney-in-fact of the Mortgagor (with full power to substitute any other Person in its place as such attorney-in-fact) to act in the name of the Mortgagor or, at the option of the Person conducting such sale, in such Person's own name, to make without warranty by such Person any conveyance, assignment, transfer or delivery of the Mortgaged Property sold, and to execute, acknowledge and deliver any instrument of conveyance, assignment, transfer or delivery or other document in connection therewith or to take any other action incidental thereto, as the Person conducting such sale shall deem appropriate in its discretion; and the Mortgagor hereby irrevocably authorizes and directs any other Person to rely and act upon the foregoing appointment and a certificate of the Person conducting such sale that such Person is authorized to act hereunder. Nevertheless, upon the request of such attorney-in-fact the Mortgagor shall promptly execute, acknowledge and deliver any documentation which such attorney-in-fact may reasonably require for the purpose of ratifying, confirming or effectuating the powers granted hereby or any such conveyance, assignment, transfer or delivery by such attorney-in-fact.

(d) Any statement of fact or other recital made in any instrument referred to in Section 5.05(c) given by the Person conducting any sale as to the nonpayment of any Secured Obligation, the occurrence of any Event of Default, the amount of the Secured Obligations due and payable, the request to the Mortgagee to sell, the notice of the time, place and terms of sale and of the Mortgaged Property to be sold having been duly given, the refusal, failure or inability of the Mortgagee to act, the appointment of any substitute or successor

agent, any other act or thing having been duly done by the Mortgagor, the Mortgagee or any other such Person, shall be taken as conclusive and binding against all other Persons as evidence of the truth of the facts so stated or recited. The Person conducting any sale may appoint or delegate any other Person as agent to perform any act necessary or incident to such sale, including the posting of notices and the conduct of such sale, but in the name and on behalf of the Person conducting such sale.

(e) The receipt by the Person conducting any sale of the purchase money paid at such sale shall be sufficient discharge therefor to any purchaser of any Mortgaged Property sold, and no such purchaser, or its representatives, grantees or assigns, after paying such purchase price and receiving such receipt, shall be bound to see to the application of such purchase price or any part thereof upon or for any trust or purpose of this Mortgage or, in any manner whatsoever, be answerable for any loss, misapplication or nonapplication of any such purchase money or be bound to inquire as to the authorization, necessity, expediency or regularity of such sale.

(f) Subject to mandatory provisions of Applicable Law, any sale shall operate to divest all of the estate, right, title, interest, claim and demand whatsoever, whether at law or in equity, of the Mortgagor in and to the Mortgaged Property sold, and shall be a perpetual bar both at law and in equity against the Mortgagor and any and all Persons claiming such Mortgaged Property or any interest therein by, through or under the Mortgagor.

(g) At any sale, the Mortgagee may bid for and acquire the Mortgaged Property sold and, in lieu of paying cash therefor, may make settlement for the purchase price by causing the Secured Parties to credit against the Secured Obligations, including the expenses of the sale and the cost of any enforcement proceeding hereunder, the amount of the bid made therefor to the extent necessary to satisfy such bid.

(h) If the Mortgagor or any Person claiming by, through or under the Mortgagor shall transfer or fail to surrender possession of the Mortgaged Property, after the exercise by the Mortgagee of the Mortgagee's remedies under Section 5.02(a)(v) or after any sale of the Mortgaged Property pursuant hereto, then the Mortgagor or such Person shall be deemed a tenant at sufferance of the purchaser at such sale, subject to eviction by means of summary process for possession of land, or subject to any other right or remedy available hereunder or under Applicable Law.

(i) Upon any sale, it shall not be necessary for the Person conducting such sale to have any Mortgaged Property being sold present or constructively in its possession.

(j) If a sale hereunder shall be commenced by the Mortgagee, the Mortgagee may at any time before the sale abandon the sale, and may institute suit for the collection of the Secured Obligations or for the foreclosure of this Mortgage; or if the Mortgagee should institute a suit for collection of the Secured Obligations or the foreclosure of this Mortgage, the Mortgagee may at any time before the entry of final judgment in said suit dismiss the same and sell the Mortgaged Property in accordance with the provisions of this Mortgage.

SECTION 5.06. *Proceeds*. Except as otherwise provided herein or required under Applicable Law, the proceeds of any sale of, or other realization upon, the Mortgaged Property hereunder, whether made pursuant to the power of sale hereunder, any judicial proceeding or any judgment or decree of foreclosure or sale or otherwise shall be applied and paid in accordance with Section 14 of the Security Agreement. Notwithstanding anything to the contrary contained herein or in any other Domestic Security Document, the aggregate amount of proceeds of all sales of, and other realizations upon, Restricted Collateral applied pursuant to this Article 5 or Section 14 of the Security Agreement shall not at any time exceed the Basket Lien Available Amount at such time.

SECTION 5.07. *Assignment of Leases*. (a) Subject to paragraph 5.07(d) below, the assignments of the Leases and the Rents under Granting Clauses VI and VII are and shall be present, absolute and irrevocable assignments by the Mortgagor to the Mortgagee and, subject to the license to the Mortgagor under Section 5.07(b), the Mortgagee or a Receiver appointed pursuant to Section 5.02(a)(iv) (as the case may be as the Person exercising the rights under this Section) shall have the absolute, immediate and continuing right to collect and receive all Rents now or hereafter, including during any period of redemption, accruing with respect to the Property. At the request of the Mortgagee or such Receiver, the Mortgagor shall promptly execute, acknowledge, deliver, record, register and file any additional general assignment of the Leases or specific assignment of any Lease which the Mortgagee or such Receiver may reasonably require from time to time (all in form and substance satisfactory to the Mortgagee or such Receiver) to effectuate, complete, perfect, continue or preserve the assignments of the Leases and the Rents under Granting Clauses VI and VII. Neither the acceptance hereof nor the exercise of the rights and remedies hereunder nor any other action on the part of the Mortgagee or any Person exercising the rights of the Mortgagee hereunder shall be construed to be an assumption by the Mortgagee or any such Person of, or to otherwise make the Mortgagee or such Person liable or responsible for, any of the obligations of the

Mortgagor under or with respect to the Leases or for any Rent, Security Deposit or other amount delivered to the Mortgagor, *provided* that the Mortgagee or any such Person exercising the rights of the Mortgagee hereunder shall be accountable as provided in Section 5.07(c) for any Rents, Security Deposits or other amounts actually received by the Mortgagee or such Person, as the case may be. Neither the acceptance hereof nor the exercise of the rights and remedies hereunder nor any other action on the part of the Mortgagee or any Person exercising the rights of the Mortgagee hereunder shall be construed to obligate the Mortgagee or any such Person to take any action under or with respect to the Leases or with respect to the Property, to incur any expense or perform or discharge any duty or obligation under or with respect to the Leases or with respect to the Property, to appear in or defend any action or proceeding relating to the Leases or the Property, to constitute the Mortgagee as a mortgagee in possession (unless the assignee hereunder actually enters and takes possession of the Property), or to be liable in any way for any injury or damage to person or property sustained by any Person in or about the Property other than to the extent caused by the willful misconduct or gross negligence of the Mortgagee or any Person exercising the rights of the Mortgagee hereunder.

(b) Prior to the occurrence of an Actionable Event of Default or the acceleration of the Loans in accordance with the terms of the Credit Agreement, the Mortgagor shall have a license granted hereby to collect and receive all Rents and apply the same subject to the provisions of the Loan Documents. This license shall terminate, at the option of the Mortgagee, upon the occurrence and during the continuance of an Actionable Event of Default or upon an acceleration of the Loans in accordance with the terms of the Credit Agreement.

(c) If an Actionable Event of Default has occurred and is continuing or upon an acceleration of the Loans in accordance with the terms of the Credit Agreement, the Mortgagee or a Receiver appointed pursuant to Section 5.02(a)(iv) (as the case may be as the Person exercising the rights under this Section) shall have the right to terminate the license granted under Section 5.07(b) by notice to the Mortgagor and to exercise the rights and remedies provided under Sections 5.07(a), 5.02(a)(v), 5.02(a)(vi) or any Applicable Law. If an Actionable Event of Default is continuing or upon an acceleration of the Loans in accordance with the terms of the Credit Agreement, upon demand by the Person exercising the rights under this Section, the Mortgagor shall promptly pay to such Person all Security Deposits under the Leases and all Rents allocable to any period after such Actionable Event of Default or acceleration of the Loans. Subject to Sections 5.02(a)(v) and 5.02(a)(vi) and any applicable requirement of law, any Rents received hereunder by such Receiver shall be promptly paid to the Mortgagee, and any Rents received hereunder by the Mortgagee shall be deposited in the applicable Collateral Account, to be held, applied and disbursed as provided in the

Security Agreement, *provided* that, subject to Sections 5.02(a)(v) and 5.02(a)(vi) and any applicable requirement of law, any Security Deposits actually received by such Receiver shall be promptly paid to the Mortgagee, and any Security Deposits actually received by the Mortgagee shall be held, applied and disbursed as provided in the applicable Leases and Applicable Law.

(d) Nothing herein shall be construed to be an assumption by the Person exercising the rights under this Section, or otherwise to make such Person liable for the performance, of any of the obligations of the Mortgagor under the Leases, *provided* that such Person shall be accountable as provided in Section 5.07(c) for any Rents or Security Deposits actually received by such Person.

SECTION 5.08. *Dealing with the Mortgaged Property*. Subject to Section 7.02, the Mortgagee shall have the right to release any portion of the Mortgaged Property to or at the request of the Mortgagor, for such consideration as the Mortgagee may reasonably require without, as to the remainder of the Mortgaged Property, in any way impairing or affecting the Lien or priority of this Mortgage, or improving the position of any subordinate lienholder with respect thereto, or the position of any guarantor, endorser, co-maker or other obligor of the Secured Obligations, except to the extent that the Secured Obligations shall have been reduced by any actual monetary consideration received for such release and applied to the Secured Obligations, and may accept by assignment, pledge or otherwise any other property in place thereof as the Mortgagee may reasonably require without being accountable therefor to any other lienholder.

SECTION 5.09. *Information and Right of Entry*. (a) Upon reasonable request by the Mortgagee, the Mortgagor shall deliver to the Mortgagee promptly after such request or, if requested by the Mortgagee, on a continuing or periodic basis, any information, certificates and documents with respect to the matters referred to in this Mortgage as the Mortgagor shall reasonably request in order to protect its rights under this Mortgage or with respect to the Mortgaged Property.

(b) The Mortgagee and the representatives of the Mortgagee shall have the right, (i) with simultaneous notice, if any payment or performance is necessary in the reasonable opinion of the Mortgagee to preserve the Mortgagee's rights under this Mortgage or with respect to the Mortgaged Property, or (ii) after reasonable notice, in all other cases, to enter upon the Property at reasonable times, and with reasonable frequency, to inspect the Mortgaged Property or, subject to the provisions hereof, to exercise any right, power or remedy of the Mortgagee hereunder, *provided* that any Person so entering the Property shall not unreasonably interfere with the ordinary conduct of the Mortgagor's business, and *provided further* that no such entry on the Property, for the purpose of performing obligations under Section 4.03 or for any other purpose, shall be construed to be

(x) possession of the Property by such Person or to constitute such Person as a mortgagee in possession, unless such Person exercises its right to take possession of the Property under Section 5.02(a)(v), or (y) a cure of any Default or waiver of any Default or Secured Obligation.

ARTICLE 6

SECURITY AGREEMENT AND FIXTURE FILING

SECTION 6.01. *Security Agreement*. (a) To the extent that the Mortgaged Property constitutes or includes personal property and equipment, including goods or items of personal property or equipment which are or are to become fixtures under Applicable Law, in each case to the extent the same constitutes "Collateral" under the Security Agreement, the Mortgagor hereby grants a security interest therein (and any Proceeds thereof) and this Mortgage shall also be construed as a pledge and a security agreement under the UCC; the Mortgagee shall be entitled with respect to such personal property and equipment to all remedies available under the Security Agreement in the manner and to the extent provided therein.

(b) Notwithstanding the foregoing, to the extent that the Mortgaged Property includes personal property or equipment covered by provisions in the Security Agreement or any other Security Document and such provisions are inconsistent with this Article 6, the provisions of the Security Agreement or such other Security Document shall govern with respect to such personal property and equipment. Mortgagee shall have all rights with respect to the part of the Mortgaged Property that constitutes Collateral under the Security Agreement and is subject of a security interest afforded by the UCC.

(c) The Mortgagor hereby authorizes the Mortgagee to file a Record or Records (as defined in the UCC), including, without limitation, financing or continuation statements, and amendments thereto, in all jurisdictions and with all filing offices as the Mortgagee may determine, in its sole discretion, are necessary or advisable to perfect the lien and security interest granted to the Mortgagee herein without the Mortgagor's signature appearing thereon. Such financing statements may describe the collateral in the same manner as described herein or may contain an indication or description of collateral that describes such property in any other manner as the Mortgagee may determine, in its sole discretion, is necessary, advisable or prudent to ensure the perfection of the security interest in the collateral granted to the Mortgagee herein, including, without limitation, describing such property as all fixtures. The Mortgagor constitutes the Mortgagee its attorney-in-fact to execute and file any filings required or so requested for the foregoing purposes, all acts of such attorney being hereby ratified and confirmed;

and such power, being coupled with an interest, shall be irrevocable until the Security Interest granted by the Mortgagor hereunder terminates pursuant to Section 7.02. The Mortgagor shall pay the costs of, or reasonable costs incidental to, any recording or filing of any financing or continuation statements or other documents recorded or filed pursuant hereto concerning the collateral described herein.

SECTION 6.02. *Fixture Filing*. To the extent that the Mortgaged Property includes goods or items of personal property which are or are to become fixtures under Applicable Law, and to the extent permitted under Applicable Law, the filing of this Mortgage in the real estate records of the county in which the Mortgaged Property is located shall also operate from the time of filing as a fixture filing with respect to such Mortgaged Property, and the following information is applicable for the purpose of such fixture filing, to wit:

(a) Name and Address of the debtor:

Xerox Corporation
800 Long Ridge Road
P.O. Box 1600
Stamford, Connecticut 06905

(b) Name and Address of the secured party:

JPMorgan Chase Bank, Collateral Agent
Collateral Control Unit 8-1111
Fannin 301
Houston, TX 77002

(c) This document covers goods or items of personal property which are or are to become fixtures upon the Property.

(d) The name of the record owner of the real estate on which such fixtures are or are to be located is Xerox Corporation.

ARTICLE 7

MISCELLANEOUS

SECTION 7.01. *Concerning the Mortgagee*. (a) The provisions of Article VIII of the Credit Agreement shall inure to the benefit of the Mortgagee in respect of this Mortgage (as if the Mortgagee was an Administrative Agent referred to therein) and shall be binding upon the parties to the Credit Agreement. In furtherance and not in derogation of the rights, privileges and immunities of the Mortgagee therein set forth:

(i) The Mortgagee is authorized to take all such action as is provided to be taken by it as Mortgagee hereunder and all other action incidental thereto. As to any matters not expressly provided for herein (including the timing and methods of realization upon the Mortgaged Property) the Mortgagee shall act or refrain from acting in accordance with written instructions from the Required Lenders or, in the absence of such instructions, in accordance with its discretion.

(ii) The Mortgagee shall not be responsible for the existence, genuineness or value of any of the Mortgaged Property or for the validity, perfection, priority or enforceability of the Lien of this Mortgage on any of the Mortgaged Property, whether impaired by operation of law or by reason of any action or omission to act on its part hereunder. The Mortgagee shall have no duty to ascertain or inquire as to the performance or observance of any of the terms of this Mortgage by the Mortgagor.

(iii) For all purposes of the Security Documents, including determining the amounts of the Secured Obligations and whether a Secured Obligation is a Contingent CA Secured Obligation or not, the Mortgagee will be entitled to rely on information from (i) its own records for information as to the Lender and Agents, their Secured Obligations and actions taken by them, (ii) any Secured Party for information as to its Secured Obligations and actions taken by it, to the extent that the Mortgagee has not obtained such information from the foregoing sources, and (iv) Xerox, to the extent that the Mortgagee has not obtained information from the foregoing sources.

(b) At any time or times, solely in order to comply with any Applicable Law, the Mortgagee may appoint another bank or trust company or one or more other Persons, either to act as co-agent or co-agents, jointly with the Mortgagee, or to act as separate agent or agents on behalf of the Lenders with such power and authority as may be necessary for the effectual operation of the provisions hereof and may be specified in the instrument of appointment (which may, in the

discretion of the Mortgagee, include provisions for the protection of such co-agent or separate agent similar to the provisions of this Section 7.01).

SECTION 7.02. *Release of Mortgaged Property*. (a) Each Security Interest granted hereunder shall terminate, and all rights to the relevant Mortgaged Property shall revert to the Mortgagor, upon the satisfaction of all the Release Conditions, or otherwise to the extent permitted by and subject to the terms and conditions of Sections 9.02 and 9.03 of the Credit Agreement, including upon satisfaction of the Ratings Condition, as the case may be, provided that the lien of this Mortgage shall only terminate upon the written request of Xerox following and during the pendency of the satisfaction of the Ratings Condition.

(b) The Mortgagee may conclusively rely on any certificate delivered to it by the Mortgagor stating that the release of the Mortgaged Property is in accordance with and permitted by the terms of this Mortgage and the other Loan Documents.

(c) Notwithstanding anything to the contrary herein, if at any time prior to the termination of this Mortgage pursuant to this Section 7.02, the XCFI Secured Obligations are paid in full, all rights hereunder of the holders of XCFI Secured Obligations shall simultaneously terminate.

(d) Upon certification by the Mortgagor that an easement, right-of-way, restriction, reservation, permit, servitude or other similar encumbrance granted or to be granted by the Mortgagor does not materially detract from the value of or materially impair the use by the Mortgagor of the Mortgaged Property subject to such encumbrance, the Mortgagee shall execute such documents as are reasonably requested to subordinate this Mortgage to such encumbrance.

(e) Upon any termination of this Mortgage or release of Mortgaged Property as described in this Section 7.02, the Mortgagee shall, within fifteen (15) Business Days of written request therefor, at the expense of the Mortgagor, execute, acknowledge and deliver to the Mortgagor such documents, without warranty, as the Mortgagor shall reasonably request to evidence the release and reassignment of Mortgaged Property or termination of this Mortgage, as the case may be.

SECTION 7.03. *Notices*. All notices, approvals, requests, demands and other communications hereunder shall be given in accordance with Section 21 of the Security Agreement. Any party may change its address, facsimile and/or e-mail address as provided in the Security Agreement.

SECTION 7.04. *Amendments in Writing*. No provision of this Mortgage shall be modified, waived or terminated, and no consent to any departure by the Mortgagor from any provision of this Mortgage shall be effective, unless the same shall be by an instrument in writing and signed by the Mortgagor and the Mortgagee in accordance with the Credit Agreement.

SECTION 7.05. *Severability*. All rights, powers and remedies provided in this Mortgage may be exercised only to the extent that the exercise thereof does not violate Applicable Law, and all the provisions of this Mortgage are intended to be subject to all mandatory provisions of Applicable Law and to be limited to the extent necessary so that they will not render this Mortgage illegal, invalid, unenforceable or not entitled to be recorded, registered or filed under Applicable Law. If any provision of this Mortgage or the application thereof to any Person or circumstance shall, to any extent, be illegal, invalid or unenforceable, or cause this Mortgage not to be entitled to be recorded, registered or filed, the remaining provisions of this Mortgage or the application of such provision to other Persons or circumstances shall not be affected thereby, and each provision of this Mortgage shall be valid and be enforced to the fullest extent permitted under Applicable Law.

SECTION 7.06. *Binding Effect*. (a) The provisions of this Mortgage shall be binding upon and inure to the benefit of each of the parties hereto and their respective successors and assigns.

(b) To the fullest extent permitted under Applicable Law, the provisions of this Mortgage binding upon the Mortgagor shall be deemed to be covenants which run with the land.

(c) Nothing in this Section shall be construed to permit the Mortgagor to Transfer or grant a Lien upon the Mortgaged Property contrary to the provisions of the Credit Agreement.

SECTION 7.07. *Governing Law*. THIS MORTGAGE AND THE RIGHTS AND OTHER OBLIGATIONS OF THE PARTIES HEREUNDER AND THEREUNDER SHALL BE GOVERNED BY AND CONSTRUED IN ACCORDANCE WITH THE LAWS OF THE STATE OF NEW YORK (WITHOUT GIVING EFFECT TO THE PRINCIPLES THEREOF RELATING TO CONFLICTS OF LAW); PROVIDED, HOWEVER, THAT WITH RESPECT TO THE PROVISIONS WHICH RELATE TO WARRANTIES OF TITLE, THE CREATION, PERFECTION, PRIORITY OR ENFORCEMENT OF LIENS ON REAL PROPERTY AND OTHER RIGHTS AND REMEDIES AGAINST SECURITY CONSTITUTING REAL PROPERTY, AND WITH RESPECT TO THE PROVISIONS WHICH RELATE TO THE PERFECTION, PRIORITY OR

ENFORCEMENT OF LIENS ON PERSONAL PROPERTY THE LAWS OF THE STATE OF OKLAHOMA SHALL GOVERN.

SECTION 7.08. *Waiver of Jury Trial*. EACH PARTY HERETO WAIVES, TO THE FULLEST EXTENT PERMITTED BY APPLICABLE LAW, ANY RIGHT IT MAY HAVE TO A TRIAL BY JURY IN ANY LEGAL PROCEEDING DIRECTLY OR INDIRECTLY ARISING OUT OF OR RELATING TO THIS MORTGAGE OR ANY TRANSACTION CONTEMPLATED HEREBY (WHETHER BASED ON CONTRACT, TORT OR ANY OTHER THEORY). EACH PARTY HERETO (A) CERTIFIES THAT NO REPRESENTATIVE, AGENT OR ATTORNEY OF ANY OTHER PARTY HAS REPRESENTED, EXPRESSLY OR OTHERWISE, THAT SUCH OTHER PARTY WOULD NOT, IN THE EVENT OF LITIGATION, SEEK TO ENFORCE THE FOREGOING WAIVER AND (B) ACKNOWLEDGES THAT IT AND THE OTHER PARTIES HERETO HAVE BEEN INDUCED TO ENTER INTO THIS AGREEMENT BY, AMONG OTHER THINGS, THE MUTUAL WAIVERS AND CERTIFICATIONS IN THIS SECTION.

SECTION 7.09. *Local Law Provisions*. If the Mortgagee sells the Mortgaged Property under the power of sale granted by this Mortgage, the following provisions shall apply:

(a) The notices described in Title 46 O.S. §40 and following, as amended (the "**Act**"), shall be given as and when required therein;

(b) All notices which are required to be given the Mortgagor under the Act may be given to the Mortgagor at the address which is set forth in the first paragraph of this Mortgage, or if such address has been changed pursuant to this Mortgage, to that changed address;

(c) The Mortgagee may purchase part or all of the Mortgaged Property at any such sale;

(d) The Mortgagor stipulates the total amounts owing under this Mortgage will have benefitted the Mortgagor substantially and are not unconscionable in amount, and therefore the total amount of such Secured Obligations, less the fair market value of the Mortgaged Property sold under such Act, and any prior indebtedness, shall be available as a deficiency judgment against the Mortgagor;

(e) The purchaser under such sale may seek and obtain a writ of assistance by application to the District Court of the county which the Mortgaged

Property is located, or the United States District Court having venue for actions arising in the county in which the Mortgaged Property is located;

(f) The Mortgagee may, at its option, proceed with foreclosure under judicial proceedings instead of exercising the rights of this Power of Sale;

(g) All other procedures and requirements of such Act shall be followed;

(h) After the completion of the sale as contemplated by such Act, the purchaser shall have all of the Mortgagor's right, title and interest in and to the Mortgaged Property free and clear of all rights of the Mortgagor, and free and clear of all rights of any person with a priority which is subordinate to the lien of this Mortgage, except any right which may be reserved under such Act;

(i) Any recitation in any notice, publication thereof, recordation thereof, or deed, of the existence of an event of default, giving, publication, service and recordation of notice, occurrence of the sale at the time and place set forth in such notice or any postponement authorized and effective under such Act, circumstances of sale and bidding, and compliance with the terms of such Act, shall be presumed to be statements of fact and no person shall be required to investigate the truthfulness or accuracy of any such recitation; and

(j) The proceeds of any such sale shall be applied first to the costs, attorney fees, and expenses of sale, next to any Secured Obligations other than principal or interest, next to unpaid interest included in the Secured Obligations, and finally to the principal amount of the Secured Obligations, except that if such application of proceeds conflicts with the requirements of such Act, the proceeds shall be applied as provided under such Act only to the extent of any such conflict.

SECTION 7.10. *Multisite Real Estate Transaction*. The Mortgagor acknowledges that this Mortgage is one of a number of mortgages, deeds of trust or similar instruments ("**Other Mortgages**") that secure the Secured Obligations. Mortgagor agrees that the Lien of this Mortgage shall be absolute and unconditional and shall not in any manner be affected or impaired by any acts or omissions whatsoever of Mortgagee, and without limiting the generality of the foregoing, the Lien hereof shall not be impaired by any acceptance by the Mortgagee of any security for or guarantees of the Secured Obligations, or by any failure, neglect or omission on the part of Mortgagee to realize upon or protect any Secured Obligation or any collateral security therefor including the Other Mortgages. The Lien hereof shall not in any manner be impaired or affected by any release (except as to the property released), sale, pledge, surrender, compromise, settlement, renewal, extension, indulgence, alteration, changing,

modification or disposition of any of the Secured Obligations or of any of the collateral security therefor, including the Other Mortgages or of any guarantee thereof, and, to the fullest extent permitted by Applicable Law, Mortgagee may at its discretion foreclose, exercise any power of sale, or exercise any other remedy available to it under any or all of the Other Mortgages without first exercising or enforcing any of its rights and remedies hereunder. Such exercise of Mortgagee's rights and remedies under any or all of the Other Mortgages shall not in any manner impair the indebtedness hereby secured or the Lien of this Mortgage and any exercise of the rights or remedies of Mortgagee hereunder shall not impair the Lien of any of the Other Mortgages or any of Mortgagee's rights and remedies thereunder. To the fullest extent permitted by Applicable Law, Mortgagor specifically consents and agrees the Mortgagee may exercise its rights and remedies hereunder and under the Other Mortgages separately or concurrently and in any order that it may deem appropriate and waives any rights of subrogation.

A POWER OF SALE HAS BEEN GRANTED IN THIS MORTGAGE. A POWER OF SALE MAY ALLOW THE MORTGAGEE TO TAKE THE MORTGAGED PROPERTY AND SELL IT WITHOUT GOING TO COURT IN A FORECLOSURE ACTION UPON DEFAULT BY THE MORTGAGOR UNDER THIS MORTGAGE.

IN WITNESS WHEREOF, the undersigned, by its duly elected officer(s) and pursuant to proper authority of its board of directors has duly executed, acknowledged and delivered this instrument as of the day and year first above written.

XEROX CORPORATION

By: /s/ RHONDA L. SEEGAL

Name: Rhonda L. Seegal
Title: Vice President and Treasurer

STATE OF Connecticut)
) ss
COUNTY OF Fairfield)

This instrument was acknowledged before me on June 23rd, 2003, by Rhonda L. Seegal as Vice President and Treasurer of Xerox Corporation, a New York corporation.

/s/ Barbara K. Fowler

Notary Public

Typed or Printed Name: Barbara K. Fowler

Commission number:

My commission expires: March 31, 2007

(Affix Notarial Seal)

EXHIBIT A

Description of Land

TRACT I

A portion of the Southwest Quarter (SW/4) of Section Thirty-four (34), Township Twelve (12) North, Range Five (5) West of the Indian Meridian, Canadian County, Oklahoma, and being more particularly described as follows:

BEGINNING at a point located from the Southeast corner of said Southwest Quarter, North 00°02’36” West, along the east line of said Southwest Quarter, a distance of 70.00 feet and North 89°56’46” West, parallel to and 70.00 feet North of the South line of said Section 34, a distance of 140.00 feet;

THENCE from said Point of Beginning and continuing North 89°56’46” West, parallel to the South line of said Section 34, a distance of 259.22 feet to the intersection of the North right-of-way line of Interstate Highway 40;

THENCE Northwesterly along said North right-of-way line of Interstate Highway 40, which said right-of-way line is the arc of a curve to the right, whose radius is 10,552.96 feet, a distance of 1046.66 feet to a point of tangency;

THENCE North 54°24’26” West, along said tangent, which said tangent is the North right-of-way line of Interstate Highway 40, a distance of 61.09 feet;

THENCE North 40°08’31” West, along said North right-of-way line of Interstate Highway 40, a distance of 43.64 feet;

THENCE North 50°53’06” West along said North right-of-way line a distance of 551.64 feet to a point of curvature of a curve to the right;

THENCE Northwesterly along the arc of said curve to the right, which said curve in the North right-of-way line of Interstate Highway 40 and whose radius is 1,784.86 feet, for a distance of 605.92 feet;

THENCE North 41°26’04” West, along said North right-of-way line of Interstate Highway 40, a distance of 252.42 feet;

THENCE North 29°55’38” West along said North right-of-way line of Interstate Highway 40 a distance of 413.56 feet to a point 125.00 feet East of the West line of said Section 34;

THENCE North 00°04’22” East, parallel to and 125.00 feet East of the West line of said Section 34, a distance of 593.78 feet to a point on the North line of said SW/4;

THENCE South 89°53’33” East along the North line of said SW/4 a distance of 2,412.00 feet;

THENCE South 00°02’36” East parallel to and 140.00 feet West of the East line of said SW/4 a distance of 2,573.49 feet to the Point or Place of Beginning.

LESS AND EXCEPT that portion taken by the Oklahoma Turnpike Authority in Canadian County District Court Case No. CJ-99-166, as recorded in Book 2288, page 737, described as follows:

A tract of land in the SW/4 of Section 34, Township 12 North, Range 5 West of the Indian Meridian, Canadian County, Oklahoma, being more particularly described as:

COMMENCING at the Southeast corner of said SW/4 (SE Corner being a Railroad Spike);

THENCE North 00°01’21” East on the East line of said SW/4, a distance of 70.00 feet to a point on the North right-of-way line of Reno Avenue;

THENCE South 89°55’29” West on the North right-of-way line of Reno Avenue, a distance of 281.16 feet to the True Point of Beginning;

THENCE South 89°55’29” West on the North right-of-way line of Reno Avenue, a distance of 118.06 feet to a point on the North right-of-way line of Interstate Highway 40;

THENCE Northwesterly on a curve to the right on the North right-of-way line of Interstate Highway 40, having a radius of 10552.96 feet (a chord bearing of North 56°52’46” West and a chord length of 1032.41 feet), for an arc length of 1032.82 feet to a point;

THENCE North 54°24’26” West, on the North right-of-way line of Interstate Highway 40, a distance of 61.09 feet to a point;

THENCE North 40°08’31” West, on the North right-of-way line of Interstate Highway 40, a distance of 43.64 feet to a point;

THENCE North 50°53’06” West, on the North right-of-way line of Interstate Highway 40, a distance of 6.99 feet to a point;

THENCE North 86°54’53” East, a distance of 62.47 feet to a point;

THENCE South 54°31’34” East, a distance of 61.81 feet to a point;

THENCE Southeasterly on a curve to the left, having a radius of 10500.78 feet (a chord bearing of South 57°36’27” East and a chord length of 1129.91 feet), for an arc length of 1129.46 feet to the Point or Place of Beginning.

TRACT II

Part of the South Half of Section Thirty-four (34), Township Twelve (12) North, Range Five (5) West of the Indian Meridian, Canadian County, Oklahoma, more particularly described as follows:

COMMENCING at the Southwest corner of said Section Thirty-four (34);

THENCE South 89°56’46” East, along the South line of Section Thirty-four (34) a distance of 2,542.36 feet to a point, said point lying 140.00 feet North 89°56’46” West of the South Quarter corner of said Section Thirty-four (34);

THENCE North 00°02’36” West 140.00 feet West of and parallel with the East line of the Southwest Quarter (SW/4) of said Section Thirty-four (34) a distance of 569.76 feet to the point of beginning;

THENCE continuing North 00°02’36” West and parallel with the East line of the Southwest Quarter (SW/4) a distance of 2073.72 feet to a point lying on the North line of said Southwest Quarter (SW/4);

THENCE South 89°53’33” East along said North line a distance of 140.00 feet to the Northeast corner of the said Southwest Quarter (SW/4);

THENCE continuing South 89°53’33” East along the North line of the Southeast Quarter (SE/4) of said Section Thirty-four (34) a distance of 923.59 feet;

THENCE South 00°06’28” West a distance of 457.89 feet;

THENCE North 88°10’26” West a distance of 116.01 feet;

THENCE South 81°45’44” West a distance of 319.08 feet;

THENCE South 43°09’44” West a distance of 499.81 feet;

THENCE South 89°57’14” West a distance of 148.44 feet to a point lying on the aforementioned East line of the Southwest Quarter (SW/4) of Section Thirty-four (34);

THENCE South 00°02’36” East on the East line a distance of 1207.02 feet to a point lying 570.00 feet North 00°02’36” West of the Southeast corner of the Southwest Quarter (SW/4) of said Section Thirty-four (34);

THENCE South 89°57’25” West a distance of 140.00 feet to the point of beginning.

TRACT III

A portion of the West Half (W/2) of Section Thirty-four (34), Township Twelve (12) North, Range Five (5) West of the Indian Meridian, Canadian County, Oklahoma, and more particularly described as follows:

Beginning at a point located from the Northwest corner of the Southwest Quarter (SW/4) of said Section 34, South 89°53’33” East along the North line of said SW/4 a distance of 1,117.00 feet to the point or place of beginning;

THENCE from said point of beginning North 00°06’27” East a distance of 50.00 feet;

THENCE South 89°53’33” East parallel to the North line of said SW/4 a distance of 300.00 feet;

THENCE South 00°06’27” West a distance of 50.00 feet;

THENCE North 89°53’33” West along the North line of said SW/4 a distance of 300.00 feet to the point or place of beginning.

The subject premises are also described in a survey prepared by Smith Roberts Baldischwiler dated November 29, 2000, last revised May 14, 2003, Project No. 107,321, as follows:

TRACT I

A portion of the Southwest Quarter (SW/4) of Section Thirty-four (34), Township Twelve (12) North, Range Five (5) West of the Indian Meridian, Canadian County, Oklahoma, and being more particularly described as follows:

BEGINNING at a point located from the Southeast corner of said Southwest Quarter, North 00°02'36" West, along the east line of said Southwest Quarter, a distance of 70.00 feet and North 89°56'46" West, parallel to and 70.00 feet North of the South line of said Section 34, a distance of 140.00 feet;

THENCE from said Point of Beginning and continuing North 89°56'46" West, parallel to the South line of said Section 34, a distance of 259.22 feet to the intersection of the North right-of-way line of Interstate Highway 40;

THENCE Northwesterly along said North right-of-way line of Interstate Highway 40, which said right-of-way line is the arc of a curve to the right, whose radius is 10,552.96 feet, (said curve subtended by a chord which bears North 57°15'42" West a chord distance of 1045.49 feet) an arc distance of 1045.91 feet (1,046.67 feet – record) to a point of tangency;

THENCE North 54°24'26" West, along said tangent, which said tangent is the North right-of-way line of Interstate Highway 40, a distance of 61.09 feet;

THENCE North 40°08'31" West, along said North right-of-way line of Interstate Highway 40, a distance of 43.64 feet;

THENCE North 50°53'06" West, along said North right-of-way line a distance of 551.64 feet to a point of curvature of a curve to the right;

THENCE Northwesterly along the arc of said curve to the right, which said curve in the North right-of-way line of Interstate Highway 40 and whose radius is 1,784.86 feet, (said curve subtended by a chord which bears North 41°09'35" West a chord distance of 603.01 feet) for an arc distance of 605.92 feet;

THENCE North 41°26'04" West, along said North right-of-way line of Interstate Highway 40, a distance of 252.42 feet;

THENCE North 29°55’38” West, along said North right-of-way line of Interstate Highway 40, a distance of 413.56 feet to a point 125.00 feet East of the West line of said Section 34;

THENCE North 00°04’22” East, parallel to and 125.00 feet East of the West line of said Section 34, a distance of 593.78 feet to a point on the North line of said SW/4;

THENCE South 89°53’33” East, along the North line of said Southwest Quarter, a distance of 2,412.00 feet;

THENCE South 00°02’36” East, parallel to and 140.00 feet West of the East line of said Southwest Quarter, a distance of 2,573.49 feet to the POINT OF BEGINNING.

LESS AND EXCEPT that portion taken by the Oklahoma Turnpike Authority in Canadian County District Court Case No. CJ-99-166, as recorded in Book 2288, page 737, described as follows:

A tract of land in the Southwest Quarter of Section 34, Township 12 North, Range 5 West of the Indian Meridian, Canadian County, Oklahoma, being more particularly described as:

COMMENCING at the Southeast corner of said Southwest Quarter;

THENCE North 00°02’36” West (North 00°01’21” East – Record), along the East line of said Southwest Quarter, a distance of 70.00 feet to a point on the North right-of-way line of Reno Avenue;

THENCE North 89°56’46” West (South 89°55’29” West – Record), along the North right-of-way line of Reno Avenue, a distance of 279.77 feet to the POINT OF BEGINNING;

THENCE North 89°56’46” West (South 89°55’29” West – Record), along the North right-of-way line of Reno Avenue, a distance of 118.06 feet to a point on the North right-of-way line of Interstate Highway 40;

THENCE Northwesterly on a curve to the right on the North right-of-way line of Interstate Highway 40, having a radius of 10,552.96 feet, for an arc length of 1045.91 feet (1,032.82 feet - Record);

THENCE North 54°24’26” West, along the North right-of-way line of Interstate Highway 40, a distance of 61.09 feet;

THENCE North 40°08’31” West, along the North right-of-way line of Interstate Highway 40, a distance of 43.64 feet;

THENCE North 50°53’06” West, along the North right-of-way line of Interstate Highway 40, a distance of 6.99 feet;

THENCE North 86°54’53” East, a distance of 62.47 feet;

THENCE South 54°31’34” East, a distance of 61.81 feet to a point;

THENCE Southeasterly on a curve to the left, having a radius of 10500.78 feet (a chord bearing of South 57°56’16” East and a chord length of 1142.21 feet (1137.36 feet - Record), for an arc length of 1142.76 feet (1129.46 feet - Record) to the Point or Place of Beginning.

Said tract of land contains an area of 4,486,734 square feet or 103.0012 acres, more or less.

TRACT II

Part of the South Half (S/2) of Section Thirty-four (34), Township Twelve (12) North, Range Five (5) West of the Indian Meridian, Canadian County, Oklahoma, more particularly described as follows:

COMMENCING at the Southeast corner of said Section Thirty-four (34);

THENCE North 00°02’36” West, along the East line of the Southwest Quarter (SW/4) of said Section Thirty-four (34), a distance of 569.99 feet to the POINT OF BEGINNING;

THENCE North 89°53’33” West a distance of 140.00 feet;

THENCE North 00°02’36” West, 140.00 feet West of and parallel to the East line of the Southwest Quarter (SW/4) of said Section Thirty-four (34), a distance of 2,073.72 feet to the North line of said Southwest Quarter;

THENCE South 89°53’33” East, along said North line, a distance of 1063.59 feet;

THENCE South 00°06’28” West a distance of 457.89 feet;

THENCE North 88°10’26” West a distance of 116.01 feet;

THENCE South 81°45’44” West a distance of 319.08 feet;

THENCE South 43°09’44” West a distance of 499.81 feet;

THENCE South 89°57’14” West a distance of 148.43 feet to a point lying on the aforementioned East line of the Southwest Quarter (SW/4) of Section Thirty-four (34);

THENCE South 00°02’36” East, along the East line, a distance of 1207.02 feet to the POINT OF BEGINNING;

Said tract of land contains an area of 856,671 square feet or 19.6665 acres, more or less.

TRACT III

A portion of the West Half (W/2) of Section Thirty-four (34), Township Twelve (12) North, Range Five (5) West of the Indian Meridian, Canadian County, Oklahoma, and more particularly described as follows:

BEGINNING at a point located from the Northwest corner of the Southwest Quarter (SW/4) of said Section 34, South 89°53’33” East along the North line of said SW/4 a distance of 1,117.00 feet to the point or place of beginning;

THENCE from said point of beginning North 00°06’27” East a distance of 50.00 feet;

THENCE South 89°53’33” East, parallel to the North line of said SW/4, a distance of 300.00 feet;

THENCE South 00°06’27” West a distance of 50.00 feet;

THENCE North 89°53’33” West, along the North line of said SW/4, a distance of 300.00 feet to the POINT OF BEGINNING.

Said tract of land contains an area of 15,000 square feet or 0.3444 acres, more or less.

EXHIBIT B

Permitted Encumbrances

Those liens and other matters described in the commitment to issue title insurance of First American Title Insurance Company, Title Commitment No. OK03-182489-OK11, dated April 28, 2003, First Revised May 19, 2003.

This instrument was prepared by the
attorney described below and, when recorded,
the recorded counterparts should be returned to:

Susan D. Kennedy, Esq.
Davis Polk & Wardwell
450 Lexington Avenue
New York, New York 10017

MORTGAGE, ASSIGNMENT OF LEASES AND RENTS, SECURITY AGREEMENT, FINANCING STATEMENT AND FIXTURE FILING

dated as of June 25, 2003

by
XEROX CORPORATION
the Mortgagor,

to

JPMORGAN CHASE BANK,
as Collateral Agent for the Lenders,
the Mortgagee

Property:
County of Monroe
State of New York

THIS INSTRUMENT CONTAINS AFTER-ACQUIRED PROPERTY PROVISIONS AND SECURES OBLIGATIONS CONTAINING PROVISIONS FOR CHANGES IN INTEREST RATES.

TABLE OF CONTENTS

THIS MORTGAGE, ASSIGNMENT OF LEASES AND RENTS, SECURITY AGREEMENT AND FIXTURE FILING (this "**Mortgage**") is dated as of June 25, 2003 by XEROX CORPORATION, a New York corporation, having an address at 800 Long Ridge Road, Stamford, Connecticut 06904 ("**Xerox**" or the "**Mortgagor**"), to JPMORGAN CHASE BANK, a New York banking corporation, as Collateral Agent for itself and the other Secured Parties (hereinafter defined) (the "**Mortgagee**"), having an address at 270 Park Avenue, New York, New York 10017.

W I T N E S S E T H:

RECITALS

WHEREAS, Xerox, the Overseas Borrowers from time to time party thereto, the Lenders party thereto, JPMorgan Chase Bank, as Administrative Agent, Collateral Agent and LC Issuing Bank, Deutsche Bank Securities Inc., as Syndication Agent, and Citicorp North America, Inc., Merrill Lynch, Pierce, Fenner & Smith Incorporated, UBS Securities LLC, as Co-Documentation Agents, are parties to a Credit Agreement dated as of June 19, 2003 (as amended from time to time, the "**Credit Agreement**"); and

WHEREAS, pursuant to the Credit Agreement, Xerox, the Subsidiary Guarantors party thereto and JPMorgan Chase Bank, as Collateral Agent, have entered into the Security Agreement; and

WHEREAS, the maximum amount of principal indebtedness that may be secured by this Mortgage at execution hereof or which under any contingency may become secured hereby at any time hereafter is $40,300,000 (the "**Secured Loan Amount**"); and

WHEREAS, the scheduled maturity date of the latest to mature of the Secured Obligations is September 30, 2008, or, if such day is not a Business Day, the next preceding Business Day.

GRANTING CLAUSES

NOW, THEREFORE, in consideration of the premises and other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, for the purpose of securing the due and punctual payment, performance and observance of the Secured Obligations and intending to be bound hereby, the Mortgagor does hereby GRANT, BARGAIN, SELL,

CONVEY, MORTGAGE, ASSIGN, TRANSFER and WARRANT to the Mortgagee and its successors as collateral agent, with power of sale and right of entry as hereinafter provided, and, to the extent covered by the UCC, does hereby GRANT and WARRANT to the Mortgagee a continuing first security interest in and to all of the property and rights described in the following Granting Clauses (all of which property and rights are collectively called the "**Mortgaged Property**"), to wit:

I. GRANTING CLAUSE

Land. All estate, right, title and interest of the Mortgagor in, to, under or derived from: the lots, pieces, tracts or parcels of land located in Monroe County, New York, more particularly described in Exhibit A (the "**Land**").

II. GRANTING CLAUSE

Improvements. All estate, right, title and interest of the Mortgagor in, to, under or derived from: all buildings, structures, facilities and other improvements of every kind and description now or hereafter located on or attached to the Land, including all parking areas, roads, driveways, walks, fences, walls, berms, recreation facilities, drainage facilities, lighting facilities and other site improvements; all water, sanitary and storm sewer, drainage, electricity, steam, gas, telephone, telecommunications and other utility equipment and facilities; all plumbing, lighting, heating, ventilating, air-conditioning, refrigerating, incinerating, compacting, fire protection and sprinkler, surveillance and security, vacuum cleaning, public address and communications equipment and systems; all screens, awnings, floor coverings, partitions, elevators, escalators, motors, electrical, computer and other wiring, machinery, pipes, fittings and racking and shelving; and all other items of fixtures, equipment and personal property of every kind and description, in each case now or hereafter located on the Land or affixed (actually or constructively) to the buildings and other improvements located on the Land which by the nature of their location thereon or affixation thereto are real property under Applicable Law; and including all materials intended for the construction, reconstruction, repair, replacement, alteration, addition or improvement of or to such buildings, equipment, fixtures, structures and improvements, all of which materials shall be deemed to be part of the Mortgaged Property immediately upon delivery thereof on the Land and to be part of the improvements immediately upon their incorporation therein (the foregoing being collectively called the "**Improvements**").

III. GRANTING CLAUSE

Equipment. All estate, right, title and interest of the Mortgagor in, to, under or derived from: all equipment, fixtures, chattels and articles of personal property owned by the Mortgagor or in which the Mortgagor has or shall acquire an interest, wherever situated, and now or hereafter located on, or in, or affixed (actually or constructively) to, the Land or the Improvements, whether or not affixed thereto and which are not real property under Applicable Law, including all partitions, shades, blinds, curtains, draperies, carpets, rugs, furniture and furnishings; all heating, lighting, plumbing, ventilating, air conditioning, refrigerating, gas, steam, electrical, incinerating and compacting plants, systems, fixtures and equipment; all elevators, stoves, ranges, other kitchen and laundry appliances, vacuum and other cleaning systems, call systems, switchboards, sprinkler systems and other fire prevention, alarm and extinguishing apparatus and materials; and all motors, machinery, pipes, conduits, dynamos, engines, compressors, generators, boilers, stokers, furnaces, pumps, trunks, ducts, appliances, equipment, utensils, tools, implements, fittings and fixtures, and including any of the foregoing that is temporarily removed from the Land or Improvements to be repaired and later reinstalled thereon or therein (the foregoing being collectively called the "**Equipment**"; and the Land with the Improvements thereon and the Equipment therein being collectively called the "**Property**"). If any of the Equipment under this Granting Clause is covered by an equipment lease, title retention or security agreement, (i) the grant under this Granting Clause (but not the definition of "Equipment" for the other purposes hereof) excludes any Equipment which cannot be transferred or encumbered by the Mortgagor without causing a termination of such agreement or default thereunder, otherwise (ii) the grant under this Granting Clause includes Mortgagor's right, title and interest in, to and under such agreement, together with the benefits of all deposits and payments now or hereafter made thereunder by or on behalf of the Mortgagor and subject to all of the terms and conditions of such agreement and the Liens and security interests thereunder, except as otherwise provided under the Security Agreement and the Credit Agreement.

IV. GRANTING CLAUSE

Appurtenant Rights. All estate, right, title and interest of the Mortgagor in, to, under or derived from: all tenements, hereditaments and appurtenances now or hereafter relating to the Property; the streets, roads, sidewalks and alleys abutting the Property; all strips and gores within or adjoining the Land; all land in the bed of any body of water adjacent to the Land; all land adjoining the Land created by artificial means or by accretion; all air space and rights to use air space above the Land; all development or similar rights now or hereafter appurtenant to the Land; all rights of ingress and egress now or hereafter appertaining to the

Property; all easements, servitudes, privileges and rights of way now or hereafter appertaining to the Property; and all royalties and other rights now or hereafter appertaining to the use and enjoyment of the Property, including alley, party walls, support, drainage, crop, timber, agricultural, horticultural, oil, gas and other mineral, water stock, riparian and other water rights now or hereafter appertaining to the use and enjoyment of the Property.

V. GRANTING CLAUSE

Agreements. All estate, right, title and interest of the Mortgagor in, to, under or derived from: all Insurance Policies (including all unearned premiums and dividends thereunder); all guarantees and warranties relating to the Property; all supply and service contracts for water, sanitary and storm sewer, drainage, electricity, steam, gas, telephone and other utilities now or hereafter relating to the Property; and all other contracts and agreements affecting or relating to the use, enjoyment or occupancy of the Property except to the extent that the grant of a security interest therein would constitute a material violation of a valid and enforceable restriction in favor of a third party unless and until all required consents shall have been obtained (all of the foregoing being collectively called the "**Agreements**").

VI. GRANTING CLAUSE

Leases. All estate, right, title and interest of the Mortgagor (under which Mortgagor is landlord, sublandlord or licensor) in, to, under or derived from: all Leases now or hereafter in effect, whether or not of record, for the use or occupancy of all or any part of the Property except to the extent that the grant of a security interest therein would constitute a material violation of a valid and enforceable lease with a third party unless and until all required consents shall have been obtained.

VII. GRANTING CLAUSE

Rents, Issues and Profits. All estate, right, title and interest of the Mortgagor in, to, under or derived from: all rents, royalties, issues, profits, receipts, revenue, income and other benefits now or hereafter accruing with respect to the Property, including all rents and other sums now or hereafter payable pursuant to the Leases; all other sums now or hereafter payable with respect to the use, occupancy, management, operation or control of the Property; and all other claims, rights and remedies now or hereafter belonging or accruing with respect to the Property, including fixed, additional and percentage rents, occupancy charges, security deposits, parking, maintenance, common area, tax, insurance, utility and service charges and contributions (whether collected under

the Leases or otherwise), proceeds of sale of electricity, gas, heating, air-conditioning and other utilities and services (whether collected under the Leases or otherwise), and deficiency rents and liquidated damages following default or cancellation (the foregoing rents and other sums described in this Granting Clause being collectively called the "**Rents**"), all of which the Mortgagor hereby irrevocably directs be paid to the Mortgagee, subject to the license granted to the Mortgagor pursuant to Section 5.07(b), to be held, applied and disbursed as provided in this Mortgage.

VIII. GRANTING CLAUSE

Permits. All estate, right, title and interest of the Mortgagor in, to, under or derived from all licenses, authorizations, certificates, variances, consents, approvals and other permits now or hereafter appertaining to the Property (the foregoing being collectively called the "**Permits**"), excluding from the grant under this Granting Clause (but not the definition of the term "**Permits**" for the other purposes hereof) any Permits which cannot be transferred or encumbered by the Mortgagor without causing a default thereunder or a termination thereof.

IX. GRANTING CLAUSE

Books and Records. All estate, right, title and interest of the Mortgagor in, to, under or derived from all books and records, including tenant files, credit files, customer files, computer print outs, files, programs and other computer and electronic materials and records, now or hereafter relating to the Property.

X. GRANTING CLAUSE

Intangible Property. All estate, right, title and interest of the Mortgagor in, to, under or derived from the Property and other intangible property not described in the foregoing Granting Clauses now or hereafter relating to the use and operation of the Property as a going concern.

XI. GRANTING CLAUSE

Deposits, Proceeds and Awards. All estate, right, title and interest of the Mortgagor in, to, under or derived from all amounts deposited with the Mortgagee under the Loan Documents with respect to the Property, including all Insurance Proceeds, Awards and title insurance proceeds under any title insurance policy now or hereafter held by the Mortgagor (the foregoing being collectively called "**Deposits**"), proceeds of any Transfer, financing, refinancing or conversion into cash or liquidated claims, whether voluntary or involuntary, of any of the Mortgaged Property; and all rights, dividends and other claims of any kind

whatsoever (including damage, secured, unsecured, priority and bankruptcy claims) now or hereafter relating to any of the Mortgaged Property (except to the extent that the grant of a security interest therein would constitute a material violation of a valid and enforceable restriction in favor of a third party unless and until all required consents shall have been obtained), all of which the Mortgagor hereby irrevocably directs be paid to the Mortgagee to the extent provided hereunder, to be held, applied and disbursed as provided in this Mortgage.

XII. GRANTING CLAUSE

Refunds, Credits or Reimbursements. All estate, right, title and interest of the Mortgagor in and to any and all real estate tax refunds payable to the Mortgagor with respect to the Property, and refunds, credits or reimbursements payable with respect to bonds, escrow accounts or other sums payable in connection with the use, development, or ownership of the Property.

XIII. GRANTING CLAUSE

Additional Property. All greater, additional or other estate, right, title and interest of the Mortgagor in, to, under or derived from the Mortgaged Property hereafter acquired by the Mortgagor, including all right, title and interest of the Mortgagor in, to, under or derived from all extensions, improvements, betterments, renewals, substitutions and replacements of, and additions and appurtenances to, any of the Mortgaged Property hereafter acquired by or released to the Mortgagor or constructed or located on, or attached to, the Property, in each case, immediately upon such acquisition, release, construction, location or attachment; all estate, right, title and interest of the Mortgagor in, to, under or derived from any other property and rights which are, by the provisions of the Security Documents, required to be subjected to the Lien hereof.

TO HAVE AND TO HOLD the Mortgaged Property, together with all estate, right, title and interest of the Mortgagor and anyone claiming by, through or under the Mortgagor in, to, under or derived from the Mortgaged Property and all rights and appurtenances relating thereto, to the Mortgagee and its successors and assigns, forever, subject to Permitted Liens.

PROVIDED ALWAYS that this Mortgage is upon the express condition that the Mortgaged Property shall be released from the Lien of this Mortgage in full or in part in the manner and at the time provided in Section 7.02; and provided further, that notwithstanding anything herein to the contrary, the Mortgaged Property shall include only the real property (including fixtures) hereinabove described and the Collateral described in the Security Agreement.

THE MORTGAGOR ADDITIONALLY COVENANTS AND AGREES WITH THE MORTGAGEE AS FOLLOWS:

ARTICLE 1

DEFINITIONS AND INTERPRETATIONS

SECTION 1.01. Definitions. (a) Capitalized terms used in this Mortgage, but not otherwise defined herein, are defined in, or are defined by reference in, the Credit Agreement or, if not therein, in the Security Agreement, and have the same meanings herein as therein.

(b) In addition, as used herein, the following terms have the following meanings:

"**Actionable Event of Default**" means an Event of Default specified in clause (a), (b), (h), (i) or (j) of Section 7.01 of the Credit Agreement.

"**Agreements**" is defined in Granting Clause V.

"**Awards**" means, at any time, all awards or payments paid or payable by reason of any Condemnation or in connection with any agreement with any condemning authority which has been made in settlement of any proceeding relating to a Condemnation.

"**Bankruptcy Code**" (or "**Code**") means the Bankruptcy Code of 1978, as amended.

"**Borrowers**" means Xerox and the Overseas Borrowers.

"**Business Day**" is defined in the Credit Agreement.

"**CA Secured Obligations**" means (a) all principal of and premium and interest (including, without limitation, any Post-Petition Interest) on any Loan outstanding from time to time or any LC Reimbursement Obligations under, or any promissory note issued pursuant to, the Credit Agreement and (b) all other amounts payable by any Borrower under the Credit Agreement or under any other Loan Document (as the same may hereafter be amended, restated, supplemented or otherwise modified from time to time) (including any Post-Petition Interest with respect to such amounts).

"**Casualty**" means any damage to, or destruction of, the Property by reason of fire or any other cause or event.

"**Collateral**" is defined in the Security Agreement.

"**Collateral Account**" is defined in the Security Agreement.

"**Collateral Agent**" is defined in the Recitals.

"**Condemnation**" means any condemnation or other taking or temporary or permanent requisition of the Property, any interest therein or right appurtenant thereto, or any change of grade affecting the Property, as the result of the exercise of any right of condemnation or eminent domain. A Transfer to a governmental authority in lieu or anticipation of Condemnation shall be deemed to be a Condemnation.

"**Contingent CA Secured Obligation**"means, at any time, any CA Secured Obligation (or portion thereof) that is contingent in nature at such time, including any CA Secured Obligation that is:

(i) an obligation to reimburse a Lender for drawings not yet made under a Letter of Credit issued by it;

(ii) any other obligation (including any guarantee) that is contingent in nature at such time; or

(iii) an obligation to provide collateral to secure any of the foregoing types of obligations.

"**Contingent Hedging Secured Obligation**" means, at any time, any Hedging Secured Obligation that is contingent in nature at such time, including any obligation under a Designated Hedging Agreement to make payments that cannot be quantified at such time.

"**Credit Agreement**" is defined in the second WHEREAS clause.

"**Deposits**" is defined in Granting Clause XI.

"**Designated Hedging Agreement**" is a hedging agreement designated by the Mortgagor under Section 21 of the Security Agreement.

"**Equipment**" is defined in Granting Clause .

"**Event of Default**" means an "Event of Default" under the Credit Agreement.

"**Existing Credit Agreement**" is defined in the first WHEREAS clause.

"**GAAP**" is defined in the Credit Agreement.

"**Hedging Secured Obligations**" means (i) with respect to any Secured Subsidiary Guarantor all obligations of such Secured Subsidiary Guarantor, whether as principal or as guarantor, under any Designated Hedging Agreement and any renewals or extensions thereof and (ii) with respect to Xerox, (x) all obligations of Xerox, whether as principal or as guarantor, and (y) all obligations of any Subsidiary (other than a Secured Subsidiary Guarantor) to the extent Xerox does not otherwise guarantee such obligations, each under any Designated Hedging Agreement and any renewals or extensions thereof.

"**Hedging Secured Parties**" means the Lenders and their Affiliates that are party to a Designated Hedging Agreement.

"**High Yield Indenture**" means that certain Indenture dated as of January 17, 2002 among Xerox and Wells Fargo Bank Minnesota, National Association, as Trustee, with respect to the 9¾% Senior Notes due 2009 (denominated in U.S. dollars).

"**Impositions**" means all taxes (including real estate taxes and transfer taxes), assessments (including all assessments for public improvements or benefits, whether or not commenced or completed prior to the date hereof), gas, electricity, steam, water, sewer or other rents, rates and charges, excises, levies, license fees, permit fees, inspection fees and other authorization fees and other charges, in each case whether general or special, ordinary or extraordinary, foreseen or unforeseen, of every character (including all interest and penalties thereon), which at any time may be assessed, levied, confirmed or imposed on or in respect of, or be a Lien upon, (i) the Property, any other Mortgaged Property or any interest therein, (ii) any occupancy, use or possession of, or activity conducted on, the Property, (iii) the Rents, or (iv) the Secured Obligations or the Security Documents, but excluding income, excess profits, franchise, capital stock, estate, inheritance, succession, gift or similar taxes of the Mortgagor or any Secured Party, except to the extent that such taxes of the Mortgagor or any Secured Party are imposed in whole or in part in lieu of, or as a substitute for, any taxes which are or would otherwise be Impositions.

"**Improvements**" is defined in Granting Clause II.

"**Insurance Policies**" means the insurance policies and coverages required to be maintained by the Mortgagor with respect to the Property pursuant to Section 5.07 of the Credit Agreement.

"**Insurance Premiums**" means all premiums payable under the Insurance Policies.

"**Insurance Proceeds**" means, at any time, all insurance proceeds or payments to which the Mortgagor may be or become entitled under the Insurance Policies by reason of any Casualty plus all insurance proceeds and payments to which the Mortgagor may be or become entitled by reason of any Casualty under any other insurance policies or coverages maintained by the Mortgagor with respect to the Property.

"**Insurance Requirements**" means all provisions of the Insurance Policies, all requirements of the issuer of any of the Insurance Policies and all orders, rules, regulations and any other requirements of the National Board of Fire Underwriters (or any other body exercising similar functions) applicable to the Property, any adjoining vaults, sidewalks, parking areas or driveways, or any use or condition thereof.

"**Land**" is defined in Granting Clause I.

"**LC Disbursement**" means a payment made by an LC Issuing Bank in respect of a drawing under a Letter of Credit.

"**LC Exposure**" means, at any time, the sum of (a) the aggregate undrawn amount of all Letters of Credit outstanding at such time plus (b) the aggregate amount of all LC Disbursements that have not yet been reimbursed by the Borrowers at such time. The LC Exposure of any Revolving Lender (as defined in the Credit Agreement) at any time will be its Revolving Percentage (as defined in the Credit Agreement) of the total LC Exposure at such time.

"**Lease**" means each lease, sublease, tenancy, subtenancy, license, franchise, concession or other occupancy agreement relating to the Property, together with any guarantee of the obligations of the tenant thereunder or any right to possession under the Bankruptcy Code or any other Applicable Law in the event of the rejection of any Lease by the landlord or its trustee pursuant to said Code or said Applicable Law.

"**Legal Requirements**" means all provisions of the Leases, Agreements, Permits and all provisions of Applicable Laws, statutes, codes, acts, ordinances, orders, judgments, decrees, injunctions, rules, regulations, directions and requirements of, and agreements with, governmental bodies, agencies or officials, now or hereafter applicable to the Property, or any use or condition thereof.

"**Lenders**" means the "Lenders" under the Credit Agreement.

"**Letter of Credit**" means any letter of credit issued pursuant to the Credit Agreement.

"**Lien**" is defined in the Credit Agreement.

"**Loan Documents**" is defined in the Credit Agreement.

"**Loans**" means loans made by the Lenders to the Borrowers pursuant to the Credit Agreement.

"**Material Adverse Effect**" is defined in Credit Agreement.

"**Mortgage**" is defined in the Preamble.

"**Mortgaged Property**" is defined in the Granting Clauses.

"**Mortgagee**" is defined in the Preamble.

"**Mortgagor**" is defined in the Preamble.

"**Non-Contingent CA Secured Obligation**" means at any time any CA Secured Obligation (or portion thereof) that is not a Contingent CA Secured Obligation at such time.

"**Other Mortgages**" is defined in Section 7.10.

"**Overseas Borrowers**" means (i) XCE, (ii) XCD and (iii) any other Qualified Foreign Subsidiary (as defined in the Credit Agreement) as to which an Election to Participate shall have been delivered to the Administrative Agent in accordance with Section 2.18 of the Credit Agreement; *provided* that the status of any of the foregoing as an Overseas Borrower shall terminate if and when an Election to Terminate (as defined in the Credit Agreement) is delivered to the Administrative Agent in accordance with Section 2.18 of the Credit Agreement.

"**Permits**" is defined in Granting Clause.

"**Permitted Encumbrances**" means the Security Interests, Liens and other matters described in Exhibit B hereto.

"**Permitted Liens**" means the Security Interests and Liens on the Collateral permitted to be created or assumed or to exist pursuant Section 6.01 of the Credit Agreement or pursuant to the Security Agreement.

"**Person**" is defined in the Credit Agreement.

"**Post-Default Rate**" means a rate per annum equal to the sum of 2% plus the rate applicable to Base Rate (as defined in the Credit Agreement) Loans from time to time.

"**Post-Petition Interest**" means, with respect to any obligation of any Person, any interest that accrues after the commencement of any case, proceeding or other action relating to the bankruptcy, insolvency or reorganization of such Person (or would accrue but for the operation of applicable bankruptcy or insolvency laws), whether or not such interest is allowed or allowable as a claim in any such proceeding.

"**Proceeds**" is defined in the Security Agreement.

"**Property**" is defined in Granting Clause III.

"**Receiver**" is defined in Section 5.02(a)(iv).

"**Release Conditions**" means the following conditions for releasing all the Mortgaged Property and terminating all the Security Interests:

(i) all Revolving Commitments under the Credit Agreement shall have expired or been terminated;

(ii) all Non-Contingent CA Secured Obligations shall have been paid in full; and

(iii) no Contingent CA Secured Obligation shall remain outstanding;

provided that the condition in clause (iii) shall not apply to outstanding Letters of Credit if (x) no Event of Default has occurred and is continuing and (y) Xerox or the applicable Borrower has granted to the Collateral Agent, for the benefit of the Revolving Lenders (or, if the obligations of the Revolving Lenders to reimburse the applicable LC Issuing Banks have been terminated, to such LC Issuing Banks), a Security Interest in Liquid Investments (or causes a bank acceptable to the Required Revolving Lenders or such LC Issuing Banks, as the case may be, to issue a letter of credit naming the Collateral Agent or such LC Issuing Banks as beneficiary) in an amount at least equal to 105% of the LC Exposure (plus any accrued and unpaid interest thereon) as of the date of such termination, on terms and conditions and pursuant to documentation reasonably satisfactory to the Required Revolving Lenders or such LC Issuing Banks, as the case may be.

"**Rents**" is defined in Granting Clause VII.

"**Required Lenders**" is defined in the Credit Agreement.

"**Restoration**" means the restoration, repair, replacement or rebuilding of the Property after a Casualty or Condemnation and "**Restore**" means to restore, repair, replace or rebuild the Property after a Casualty or Condemnation, in each case as nearly as possible to a value, utility and condition existing immediately prior to such Casualty or Condemnation.

"**Revolving Commitment**" is defined in the Credit Agreement.

"**Subsidiary**" means any subsidiary of Xerox.

"**Secured Loan Amount**" is defined in the fourth WHEREAS clause of this Mortgage.

"**Secured Obligations**" means (i) the CA Secured Obligations, (ii) the XCFI Secured Obligations, and, (iii) the Hedging Secured Obligations.

"**Secured Parties**" means (i) with respect to the CA Secured Obligations, the Agents, the Lenders and the LC Issuing Banks, (ii) with respect to the XCFI Secured Obligations, the Trustee under each of the XCFI Indentures (and any successor Trustee thereunder) for the benefit of the holders of the XCFI Debentures and (iii) with respect to the Hedging Secured Obligations, the Hedging Secured Parties.

"**Secured Subsidiary Guarantor**" means a Subsidiary Guarantor other than XCC.

"**Security Agreement**" means the Guarantee and Security Agreement dated as of June 25, 2003, among the Mortgagor, the Subsidiary Guarantors party thereto and the Mortgagee pursuant to which, among other things, the Mortgagor and the Secured Subsidiary Guarantors grant to the Mortgagee a security interest in certain collateral (as described therein).

"**Security Deposit**" means any payment, note, letter of credit or other security or deposit made or given by or on behalf of a tenant under a Lease as security for the performance of its obligations thereunder, and any interest accrued thereon.

"**Security Documents**" means the Security Agreement, this Mortgage, the Other Mortgages and each other Security Document (as defined in the Credit

Agreement) executed and delivered by a Domestic Credit Party (as defined in the Credit Agreement) pursuant to the Credit Agreement.

"**Security Interests**" means the security interests in the Collateral granted under the Domestic Security Documents securing the Secured Obligations.

"**Subsidiary Guarantors**" means each Subsidiary listed on the signature pages of the Security Agreement under the caption "Guarantors" and each Subsidiary that shall, at any time, after the date thereof, become a "Guarantor" pursuant to Section 20 of the Security Agreement.

"**Transfer**" means, when used as a noun, any sale, conveyance, disposition, assignment, lease, license or other transfer and, when used as a verb, to sell, convey, dispose, assign, lease, license or otherwise transfer, in each case (i) whether voluntary or involuntary, (ii) whether direct or indirect and (iii) including any agreement providing for a Transfer or granting any right or option providing for a Transfer.

"**UCC**" means the Uniform Commercial Code as in effect in the State in which the Mortgaged Property is located, *provided* that if by reason of mandatory provisions of law, the perfection or the effect of perfection or non-perfection or the priority of any Security Interest in any Collateral is governed by the Uniform Commercial Code as in effect in a jurisdiction other than the State in which the Mortgaged Property is located, "UCC" means the Uniform Commercial Code as in effect in such other jurisdiction for purposes of the provisions hereof relating to such perfection, effect of perfection or non-perfection or priority.

"**XCD**" means Xerox Canada Capital Ltd., a Canadian corporation.

"**XCE**" means Xerox Capital (Europe) plc, a company incorporated in England and Wales.

"**XCFI Debentures**" means (a) the 10.70% Sinking Fund Debentures due 2006 issued pursuant to that certain Trust Indenture dated as of December 15, 1986, as supplemented and amended by the First through Fourth Supplemental Trust Indentures, among Xerox Canada Finance Inc., Xerox Canada Inc., Xerox Canada Holdings Inc. and National Trust Company, as Trustee and (b) the 12.15% Sinking Fund Debentures due 2007 issued pursuant to that certain Trust Indenture dated as of October 27, 1987, as supplemented and amended by the First through Fourth Supplemental Trust Indentures, among Xerox Canada Finance Inc., Xerox Canada Inc., Xerox Canada Holdings Inc. and National Trust Company, as Trustee.

"**XCFI Indentures**" means (a) that certain Trust Indenture dated as of December 15, 1986, as supplemented and amended by the First through Fourth Supplemental Trust Indentures, among Xerox Canada Finance Inc., Xerox Canada Inc., Xerox Canada Holdings Inc. and National Trust Company, as Trustee and (b) that certain Trust Indenture dated as of October 27, 1987, as supplemented and amended by the First through Fourth Supplemental Trust Indentures, among Xerox Canada Finance Inc., Xerox Canada Inc., Xerox Canada Holdings Inc. and National Trust Company, as Trustee.

"**XCFI Secured Obligations**" means the obligations of the Mortgagor under the XCFI Indentures and shall include all amounts outstanding under the XCFI Debentures and accrued and unpaid interest and other amounts owing with respect thereto.

"**Xerox Guarantee**" means the Mortgagor's guarantee of the Overseas CA Secured Obligations (as defined in the Security Agreement).

(c) In this Mortgage, unless otherwise specified, references to this Mortgage, other Loan Documents, Leases, Permits and Agreements include all amendments, supplements, consolidations, replacements, restatements, extensions, renewals and other modifications thereof, in whole or in part.

SECTION 1.02. *Interpretation.* In this Mortgage, unless otherwise specified: (a) singular words include the plural and plural words include the singular; (b) words which include a number of constituent parts, things or elements, including the terms Leases, Improvements, Land, Secured Obligations, Property and Mortgaged Property, shall be construed as referring separately to each constituent part, thing or element thereof, as well as to all of such constituent parts, things or elements as a whole; (c) words importing any gender include the other genders; (d) references to any Person include such Person's successors and assigns and in the case of an individual, the word "**successors**" includes such Person's heirs, devisees, legatees, executors, administrators and personal representatives; (e) references to any statute or other law include all applicable rules, regulations and orders adopted or made thereunder and all statutes or other laws amending, consolidating or replacing the statute or law referred to; (f) the words "**consent**", "**approve**", "**agree**" and "**request**", and derivations thereof or words of similar import, mean the prior written consent, approval, agreement or request of the Person in question; (g) the words "**include**" and "**including**", and words of similar import, shall be deemed to be followed by the words "**without limitation**"; (h) the words "**hereto**", "**herein**", "**hereof**" and "**hereunder**", and words of similar import, refer to this Mortgage in its entirety; (i) references to Articles, Sections, Schedules, Exhibits, subsections, paragraphs and clauses are to the Articles, Sections, Schedules, Exhibits, subsections, paragraphs and clauses of

this Mortgage; (j) the Schedules and Exhibits to this Mortgage are incorporated herein by reference; (k) the titles and headings of Articles, Sections, Schedules, Exhibits, subsections, paragraphs and clauses are inserted as a matter of convenience and shall not affect the construction of this Mortgage; (l) all obligations of the Mortgagor hereunder shall be satisfied by the Mortgagor at the Mortgagor's sole cost and expense; and (m) all rights and powers granted to the Mortgagee hereunder shall be deemed to be coupled with an interest and be irrevocable.

SECTION 1.03. *Resolution of Drafting Ambiguities.* The Mortgagor acknowledges that it was represented by counsel in connection with this Mortgage, that it and its counsel reviewed and participated in the preparation and negotiation of this Mortgage and that any rule of construction to the effect that ambiguities are to be resolved against the drafting party or the Mortgagee shall not be employed in the interpretation of this Mortgage.

ARTICLE 2

CERTAIN REPRESENTATIONS, WARRANTIES AND COVENANTS

SECTION 2.01. *Title, Authority and Effectiveness.* (a) The Mortgagor represents and warrants that (i) the Mortgagor has good and marketable title to the fee simple interest in the Land and the Improvements, free and clear of all Liens other than the Permitted Liens and defects in title that could not reasonably be expected to result in a Material Adverse Effect; (ii) the Mortgagor is the owner of, or has a valid leasehold interest in, the Equipment and all other items constituting the Mortgaged Property, in each case free and clear of all Liens other than the Permitted Liens and defects in title that could not reasonably be expected to result in a Material Adverse Effect; (iii) to the knowledge of the appropriate property management personnel of the Mortgagor, as of the date hereof, neither the Mortgaged Property nor any interest therein is subject to any right of first refusal, option or other contractual right to purchase such Mortgaged Property or interest therein except as permitted under the Credit Agreement; and (iv) this Mortgage constitutes a valid, binding and enforceable agreement of the Mortgagor, enforceable in accordance with its terms, except as the enforceability thereof may be limited by bankruptcy, insolvency, reorganization or moratorium or other similar laws relating to the enforcement of creditors' rights generally and by general equitable principles, regardless of whether considered in a proceeding in equity or at law.

(b) The Mortgagor shall for as long as the Secured Obligations remain outstanding and except as otherwise permitted by the Credit Agreement, preserve,

protect, warrant and defend (i) its estate, right, title and interest in and to the Mortgaged Property, (ii) the validity, enforceability and priority of the Lien of this Mortgage on the Mortgaged Property, and (iii) the right, title and interest of the Mortgagee and any purchaser at any sale of the Mortgaged Property hereunder or relating hereto, in each case, against all other Liens, subject only to the Permitted Liens.

(c) The Mortgagor, at its sole cost and expense, shall (i) upon the request of the Mortgagee, promptly correct any defect or error which may be discovered in this Mortgage or any financing statement or other document relating hereto; and (ii) promptly execute, acknowledge, deliver, record and re-record, register and re-register, and file and re-file this Mortgage and any financing statements or other documents which the Mortgagee may require from time to time (all in form and substance reasonably satisfactory to the Mortgagee) in order (A) to effectuate, complete, perfect, continue or preserve the Lien of this Mortgage as a first Lien on the Mortgaged Property, whether now owned or hereafter acquired, subject only to the Permitted Liens, or (B) to effectuate, complete, perfect, continue or preserve any right, power or privilege granted or intended to be granted to the Mortgagee hereunder or otherwise accomplish the purposes of this Mortgage. To the fullest extent permitted by Applicable Law, the Mortgagor hereby authorizes the Mortgagee to execute and file financing statements or continuation statements without the Mortgagor's signature appearing thereon. The Mortgagor shall pay on demand the costs of, or incidental to, any recording or filing of any financing or continuation statement, or amendment thereto, concerning the Mortgaged Property.

(d) Upon the recording of this Mortgage in the appropriate county recording offices, the Lien of this Mortgage and the Security Interest in the Mortgaged Property constituting real property and fixtures granted hereby shall be a perfected first Lien on and Security Interest in such Mortgaged Property prior to all Liens on and security interests in such Property other than the Permitted Liens and defects in title that could not reasonably be expected to result in a Material Adverse Effect.

(e) Nothing herein shall be construed to subordinate the Lien of this Mortgage to any Permitted Lien to which the Lien of this Mortgage is not otherwise subordinate.

SECTION 2.02. *Secured Obligations.* The Mortgagor shall duly and punctually pay, perform and observe the Secured Obligations at the time and place and in the manner specified in the Credit Agreement and the other Loan Documents.

SECTION 2.03. *Impositions.* Except as may be otherwise permitted under the Credit Agreement, the Mortgagor shall (i) duly and punctually pay all Impositions that if not paid, could result in a Material Adverse Effect, other than Impositions that are being contested in accordance with the Credit Agreement; (ii) not make any deduction from or claim any credit on any Secured Obligation by reason of any Imposition and, to the extent permitted under Legal Requirements, hereby irrevocably waives any right to do so; and (iii) upon request, promptly deliver to the Mortgagee such information and documents with respect to the matters referred to in this Section as the Mortgagee shall reasonably request.

SECTION 2.04. *Insurance Requirements.* The Mortgagor represents and warrants that (i) as of the date hereof, the Property and the use and operation thereof comply in all material respects with all Insurance Requirements; (ii) as of the date hereof, there is no material default under any Insurance Requirement; and (iii) the execution, delivery and performance of this Mortgage will not contravene in any material respect any provision of or constitute a material default under any Insurance Requirement.

SECTION 2.05. *Care of the Property.* The Mortgagor shall (i) operate and maintain the Property, or use commercially reasonable efforts to cause the same to be operated and maintained, in good working order and condition in accordance with past practice, ordinary wear and tear excepted, except where failure to do so could not reasonably be expected to have a Material Adverse Effect; (ii) promptly make, or cause to be made, all Restorations of and to the Property required by the Credit Agreement and all other Restorations of and to the Property, whether interior or exterior, structural or nonstructural, foreseen or unforeseen, which may be necessary or appropriate to keep the Property in good order, repair and condition in accordance with past practice, which Restoration shall be equal in quality to or better than the Property as of the date hereof except where failures to do so could not reasonably be expected to have a Material Adverse Effect; and (iii) upon request, promptly deliver to the Mortgagee such information and documents with respect to the matters referred to in this Section as the Mortgagee shall reasonably request.

SECTION 2.06. *Liens.* The Mortgagor shall not create or permit to be created or to remain, and shall immediately discharge or cause to be discharged, any Lien on the Mortgaged Property or any interest therein, in each case (i) whether voluntarily or involuntarily created, (ii) whether directly or indirectly a Lien thereon and (iii) whether or not subordinated hereto, except, in each case, for Permitted Liens. The provisions of this Section shall apply to each and every Lien (other than Permitted Liens on the Mortgaged Property or any interest therein, regardless of whether or not a consent to, or waiver of a right to consent to, any other Lien thereon has been previously obtained in accordance with the terms of

the Loan Documents. Nothing herein shall obligate the Mortgagor to remove any inchoate statutory Lien in respect of obligations not yet due and payable.

SECTION 2.07. *Transfer.* The Mortgagor shall not Transfer, or suffer any Transfer of, the Mortgaged Property or any part thereof or interest therein, except as permitted or contemplated by Section 6.05 of the Credit Agreement or any other Loan Document. The provisions of this Section shall apply to each and every Transfer of the Mortgaged Property or any interest therein, regardless of whether or not a consent to, or waiver of a right to consent to, any other Transfer thereof has been previously obtained in accordance with the provisions of the Loan Documents.

SECTION 2.08. *Certain Amounts.* If the Mortgagee exercises any of its rights or remedies under this Mortgage, or if any actions or proceedings (including any bankruptcy, insolvency or reorganization proceedings) are commenced in which the Mortgagee is made a party and is obliged to defend or uphold or enforce this Mortgage or the rights of the Mortgagee hereunder or the terms of any Lease (and at such time an Event of Default shall have occurred and is continuing), or if a condemnation proceeding is instituted affecting the Mortgaged Property (and at such time an Event of Default shall have occurred and is continuing), the Mortgagor will pay all reasonable sums, including reasonable attorneys' fees and disbursements, incurred by the Mortgagee related to the exercise of any remedy or right of the Mortgagee pursuant hereto and the reasonable expenses of any such action or proceeding together with all statutory or other costs, disbursements and allowances, interest thereon from the date of demand for payment thereof at the Post-Default Rate, and such sums and the interest thereon shall, to the extent permissible by law, be a Lien on the Mortgaged Property prior to any right, title to, interest in or claim upon the Mortgaged Property attaching or accruing subsequent to the recording of this Mortgage and shall be secured by this Mortgage to the extent permitted by law. Any payment of amounts due under this Mortgage not made on or before the due date for such payments (including any applicable notice and grace period) shall accrue interest daily without notice from the due date until paid at the Post-Default Rate, and such interest at the Post-Default Rate shall be immediately due upon demand by the Mortgagee.

ARTICLE 3

INSURANCE, CASUALTY AND CONDEMNATION

SECTION 3.01. *Insurance.* (a) The Mortgagor shall maintain in full force and effect Insurance Policies with respect to the Property as required by Section 5.07 of the Credit Agreement.

(b) If at any time the area in which any Improvement is located is designated a "flood hazard area" in any Flood Insurance Rate Map published by the Federal Emergency Management Agency (or any successor agency), the Mortgagor shall obtain flood insurance in such total amount as the Mortgagee may from time to time reasonably require, and otherwise comply with the National Flood Insurance Program as set forth in the Flood Disaster Protection Act of 1973, as amended from time to time. As of the date hereof, the Mortgagee acknowledges that the Improvements are not located in a "flood hazard area."

SECTION 3.02. *Casualty.* The Mortgagor represents and warrants that, as of the date hereof, there is no material Casualty affecting the Property.

SECTION 3.03. *Condemnation.* The Mortgagor represents and warrants that, as of the date hereof, (i) it has not received any written notice of any Condemnation affecting the Property, (ii) to the knowledge of the appropriate property management personnel of the Mortgagor, there are no negotiations or proceedings which might result in such a Condemnation, and to the knowledge of the appropriate property management personnel of the Mortgagor, no such Condemnation is proposed or threatened.

ARTICLE 4

CERTAIN SECURED OBLIGATIONS

SECTION 4.01. *Maximum Amount of Indebtedness.* The maximum aggregate principal amount of indebtedness that is, or under any contingency may be, secured by this Mortgage (including a Borrower's obligation to reimburse advances made by any Lender following the occurrence and during the continuance of an Event of Default), either at execution or at any time thereafter, shall not exceed the Secured Loan Amount, plus, to the extent permissible under Applicable Law, amounts that Mortgagee expends after an Event of Default under this Mortgage to the extent that any such amounts shall constitute payment of (i) taxes, charges or assessments that may be imposed by law upon any Mortgaged Property; (ii) premiums on insurance policies covering any Mortgaged Property; (iii) expenses incurred in upholding the Lien of this Mortgage, including the

expenses of any litigation to prosecute or defend the rights and Lien created by this Mortgage; or (iv) any amount, cost or charge to which Mortgagee becomes subrogated, upon payment, whether under recognized principles of law or equity, or under express statutory authority; then, and in each such event, such amounts or costs, together with interest thereon, shall be added to the indebtedness secured hereby and shall be secured by this Mortgage.

SECTION 4.02. *Treatment of Borrowing and Repayments.* Pursuant to the Credit Agreement, the amount of the Secured Obligations may increase and decrease from time to time as Lenders advance, Borrowers repay, and Lenders readvance sums on account of the Secured Obligations, all as more fully described in the Credit Agreement; *provided* that, as more fully described in the Credit Agreement, the Term Loans under the Credit Agreement may not be reborrowed after they are repaid. For purposes of this Mortgage, so long as the unpaid balance of the Secured Obligations equal or exceed the Secured Loan Amount, the amount of the Secured Obligations secured by this Mortgage shall at all times equal only the Secured Loan Amount as more fully described in Section 4.01. Such Secured Loan Amount represents only a portion of the first sums advanced by Lenders with respect to the Secured Obligations.

SECTION 4.03. *Reduction of Secured Loan Amount.* The Secured Loan Amount shall be reduced only by the last and final sums that Borrowers repay with respect to the Secured Obligations and shall not be reduced by any intervening repayments of the Secured Obligations by Borrowers. As of the Effective Date, the total amount of the Secured Obligations exceeds the Secured Loan Amount, so that the Secured Loan Amount represents only a portion of the Secured Obligations actually outstanding.

SECTION 4.04. *Application of Payments and Repayments.* Notwithstanding anything herein or in any Security Document to the contrary, so long as the balance of the Secured Obligations exceeds the Secured Loan Amount, any payments and repayments of any Secured Obligation by any Borrower shall not be deemed to be applied against, or to reduce, the portion of the Secured Obligations secured by this Mortgage, as more fully described in Section 4.01. Such payments shall instead be deemed to reduce only such portions of the Secured Obligations as are secured by mortgages encumbering real property located outside the State of New York, which mortgages secure the entire Secured Obligations (except to the extent, if any, that specific mortgages in such states contain specific limitations on the amount secured).

SECTION 4.05. *Limitation on Prepayment; Effect of Excessive Prepayment.* In the event the aggregate unpaid balance of the Secured Obligations is reduced (as provided in Sections 4.03 and 4.04) below the Secured Loan

Amount this Mortgage shall not thereafter secure any further advances or readvances of Secured Obligations thereafter made pursuant to the Credit Agreement unless and until an additional instrument which evidences such further advances or readvances, if any, is recorded in the Office of the County Clerk of the county or counties of New York in which the Mortgaged Property is located and any mortgage recording taxes payable with respect to such instrument and/or such further advances or readvances are paid. Notwithstanding anything herein to the contrary, in the event the aggregate unpaid balance of the Secured Obligations is reduced (as provided in Sections 4.03 and 4.04) below the Secured Loan Amount and a Borrower thereafter requests further advances or readvances, the Mortgagor shall execute, acknowledge and record such an instrument in form and substance reasonably satisfactory to the Mortgagee and pay any additional mortgage recording taxes attributable thereto and/or to such further advances or readvances.

SECTION 4.06. *No Limitation on Certain Rights.* Nothing in the foregoing paragraphs relating to the Secured Loan Amount and treatment of payments, repayments, advances and readvances shall be deemed or construed to: (i) prevent Borrowers from fully prepaying the Loans in accordance with the Credit Agreement; (ii) prevent Borrowers from obtaining the release of the Mortgaged Property to the extent otherwise provided for in the Loan Documents; or (iii) limit or impair any Lender's remedies, including any Lender's right to require repayment of the Loans (as more fully described in the Credit Agreement) upon an Event of Default.

SECTION 4.07. *Right to Perform Obligations.* If an Event of Default arises as a result of the failure by Mortgagor to pay or perform any of its obligations under Section 2.03 or if an Actionable Event of Default shall have occurred and is continuing or upon an acceleration of the Loans in accordance with the terms of the Credit Agreement, the Mortgagee shall have the right, (i) with simultaneous notice if such payment or performance is necessary in the reasonable opinion of the Mortgagee to preserve the Mortgagee's rights under this Mortgage or with respect to the Mortgaged Property, or (ii) after notice given reasonably in advance to allow the Mortgagor an opportunity to cure, to pay or perform such obligation, *provided* the Mortgagor is not contesting payment or performance in accordance with the Credit Agreement, and further *provided* that no such payment or performance shall be construed to be a cure of any Default or waiver of any Default or Secured Obligation. If pursuant to this Section 4.07, the Mortgagee shall make any payment on behalf of the Mortgagor or shall incur hereunder any expense for which the Mortgagee is entitled to reimbursement pursuant to the provisions of the Loan Documents, such Secured Obligation shall be repayable on demand and shall bear interest from the date incurred at the Post-Default Rate. Such interest, and any other interest on the Secured Obligations

payable at the Post-Default Rate pursuant to the terms of the Loan Documents, shall accrue through the date paid notwithstanding any intervening judgment of foreclosure or sale. All such interest shall be part of the Secured Obligations and shall be secured by this Mortgage.

SECTION 4.08. *Changes in the Laws Regarding Taxation.* If after the date hereof there is enacted any Applicable Law deducting from the value of the Property for the purpose of taxation the Lien of any Security Document or changing in any way the Applicable Law for the taxation of mortgages, deeds of trust or other Liens or obligations secured thereby, or the manner of collection of such taxes, so as to adversely affect this Mortgage, the CA Secured Obligations, or any Secured Party holding CA Secured Obligations, upon demand by the Mortgagee or any other affected Secured Party holding CA Secured Obligations and to the fullest extent permitted under Applicable Law, the Mortgagor shall pay all taxes, assessments or other charges resulting therefrom or shall reimburse such Secured Party for all such taxes, assessments or other charges which such Secured Party is obligated to pay as a result thereof.

SECTION 4.09. *Indemnification.* The Mortgagor shall indemnify and hold harmless each Indemnitee (as defined in the Credit Agreement) from and against all losses, claims, damages, liabilities and related expenses, including reasonable fees, charges and disbursements of any counsel for any Indemnitee, incurred by or asserted against any Indemnitee, arising out of, in connection with, or as a result of, (a) the Mortgagee's exercise of any of its rights and remedies hereunder; (b) any accident, injury to or death of persons or loss of or damage to property occurring in, on or about the Mortgaged Property or any part thereof or on the adjoining sidewalks, curbs, adjacent property or adjacent parking areas, street or ways (other than to the extent the same may occur from and after ownership and possession of the Mortgaged Property is transferred to a purchaser at a foreclosure sale or otherwise); and (c) any other conduct or misconduct of the Mortgagor, any lessee or other occupant of any of the Mortgaged Property, or any of their respective agents, contractors, subcontractors, servants, employees, licensees or invitees (other than to the extent the same may occur from and after ownership and possession of the Mortgaged Property is transferred to a purchaser at a foreclosure sale or otherwise); *provided*, *however*, such indemnity shall not be available to any Indemnitee to the extent that such losses, claims, damages, liabilities or related expenses are determined by a court of competent jurisdiction in a final and unappealable judgment to have resulted from such Indemnitee's gross negligence or willful misconduct. Any amount payable under this Section will be payable on demand, be deemed a CA Secured Obligation and will bear interest pursuant to Section 4.07. The obligations of the Mortgagor under this Section shall survive the release of this Mortgage.

ARTICLE 5

DEFAULTS, REMEDIES AND RIGHTS

SECTION 5.01. *Events of Default*. (a) Any Event of Default under the Credit Agreement shall constitute an Event of Default hereunder.

(b) All notice and cure periods provided in the Credit Agreement shall run concurrently with any notice or cure periods provided under Applicable Law.

SECTION 5.02. *Remedies*. (a) Upon an acceleration of the Loans in accordance with the terms of the Credit Agreement and provided that the Ratings Condition shall not then be satisfied, the Mortgagee shall have the right and power to exercise any of the following remedies and rights, subject to mandatory provisions of Applicable Law, to wit:

(i) to institute a proceeding or proceedings, by advertisement, judicial process or otherwise as provided under Applicable Law, for the complete or partial foreclosure of this Mortgage or the complete or partial sale of the Mortgaged Property under the power of sale hereunder or under any Applicable Law; or

(ii) to sell the Mortgaged Property, and all estate, right, title, interest, claim and demand of the Mortgagor therein and thereto, and all rights of redemption thereof, at one or more sales, as an entirety or in parcels, with such elements of real or personal property, at such time and place and upon such terms as the Mortgagee may deem expedient or as may be required under Applicable Law, and in the event of a sale hereunder or under any Applicable Law of less than all of the Mortgaged Property, this Mortgage shall continue as a Lien on the remaining Mortgaged Property; or

(iii) to institute a suit, action or proceeding for the specific performance of any of the provisions of this Mortgage; or

(iv) to be entitled to the appointment of a receiver, supervisor, trustee, liquidator, conservator or other custodian (a "**Receiver**") of the Mortgaged Property, without notice to Mortgagor, to the fullest extent permitted by law, as a matter of right and without regard to, or the necessity to disprove, the adequacy of the security for the Secured Obligations or the solvency of the Mortgagor or any other Borrower, and the Mortgagor hereby, to the fullest extent permitted by Applicable Law, irrevocably waives such necessity and consents to such appointment, without notice, said appointee to be vested with the fullest powers

permitted under Applicable Law, including to the fullest extent permitted under Applicable Law those under Section 5.02(a)(v); or

(v) to enter upon the Property, by the Mortgagee or a Receiver (whichever is the Person exercising the rights under this clause), and, to the extent permitted under Applicable Law, exclude the Mortgagor and its managers, employees, contractors, agents and other representatives therefrom in accordance with Applicable Law, without liability for trespass, damages or otherwise, and take possession of all other Mortgaged Property and all books, records and accounts relating thereto, and upon demand the Mortgagor shall surrender possession of the Property, the other Mortgaged Property and such books, records and accounts to the Person exercising the rights under this clause; and having and holding the same, the Person exercising the rights under this clause may use, operate, manage, preserve, control and otherwise deal therewith and conduct the business thereof, either personally or by its managers, employees, contractors, agents or other representatives, without interference from the Mortgagor or its managers, employees, contractors, agents and other representatives; and, upon each such entry and from time to time thereafter, at the expense of the Mortgagor and the Mortgaged Property, without interference by the Mortgagor or its managers, employees, contractors, agents and other representatives, the Person exercising the rights under this clause may, as such Person deems expedient, (A) insure or reinsure the Property, (B) make all necessary or proper repairs, renewals, replacements, alterations, additions, Restorations, betterments and improvements to the Property and (C) in such Person's own name or, at the option of such Person, in the Mortgagor's name, exercise all rights, powers and privileges of the Mortgagor with respect to the Mortgaged Property, including the right to enter into Leases with respect to the Property, including Leases extending beyond the time of possession by the Person exercising the rights under this clause; and the Person exercising the rights under this clause shall not be liable to account for any action taken hereunder, other than for Rents actually received by such Person, and shall not be liable for any loss sustained by the Mortgagor resulting from any failure to let the Property or from any other act or omission of such Person, except to the extent such loss is caused by such Person's own willful misconduct or gross negligence; or

(vi) with or, to the fullest extent permitted by Applicable Law, without entry upon the Property, in the name of the Mortgagee or a Receiver (as required by law and whichever is the Person exercising the rights under this clause) or, at such Person's option, in the name of the Mortgagor, to collect, receive, sue for and recover all Rents and proceeds

of or derived from the Mortgaged Property, and after deducting therefrom all costs, expenses and liabilities of every character incurred by the Person exercising the rights under this clause in collecting the same and in using, operating, managing, preserving and controlling the Mortgaged Property and otherwise in exercising the rights under Section 5.02(a)(v) or any other rights hereunder, including all amounts necessary to pay Impositions, Rents, Insurance Premiums and other costs, expenses and liabilities relating to the Property, as well as compensation for the services of such Person and its managers, employees, contractors, agents or other representatives, to apply the remainder as provided in Section 5.06; or

(vii) to take any action with respect to any Mortgaged Property permitted under the UCC in accordance with the terms and conditions of the Domestic Security Agreement; or

(viii) to take any other action, or pursue any other remedy or right, as the Mortgagee may have under Applicable Law, and the Mortgagor does hereby grant the same to the Mortgagee; or

(ix) to exercise any rights and remedies pursuant to Article 14 of RPAPL entitled “Foreclosure of Mortgage by Power of Sale”; or

(x) to declare all sums secured hereby to be immediately due and payable, without presentment, demand, notice of any kind, protest or notice of protest, all of which are expressly waived.

(b) To the fullest extent permitted by Applicable Law,

(i) each remedy or right hereunder shall be in addition to, and not exclusive or in limitation of, any other remedy or right hereunder, under any other Loan Document or under Applicable Law;

(ii) every remedy or right hereunder, under any other Loan Document or under Applicable Law may be exercised concurrently or independently and whenever and as often as deemed appropriate by the Mortgagee;

(iii) no failure to exercise or delay in exercising any remedy or right hereunder, under any other Loan Document or under Applicable Law shall be construed as a waiver of any Default hereunder or under any other Loan Document;

(iv) no waiver of, failure to exercise or delay in exercising any remedy or right hereunder, under any other Loan Document or under Applicable Law upon any Default hereunder or under any other Loan Document shall be construed as a waiver of, or otherwise limit the exercise of, such remedy or right upon any other or subsequent Default hereunder or under any other Loan Document;

(v) no single or partial exercise of any remedy or right hereunder, under any other Loan Document or under Applicable Law upon any Default hereunder or under any other Loan Document shall preclude or otherwise limit the exercise of any other remedy or right hereunder, under any other Loan Document or under Applicable Law upon such Default or upon any other or subsequent Default hereunder or under any other Loan Document;

(vi) the acceptance by the Mortgagee or any other Secured Party of any payment less than the amount of the Secured Obligation in question shall be deemed to be an acceptance on account only and shall not be construed as a waiver of any Default hereunder or under any other Loan Document with respect thereto; and

(vii) the acceptance by the Mortgagee or any other Secured Party of any payment of, or on account of, any Secured Obligation shall not be deemed to be a waiver of any Default hereunder or under any other Loan Document with respect to any other Secured Obligation.

(c) If the Mortgagee has proceeded to enforce any remedy or right hereunder or with respect hereto by foreclosure, sale, entry or otherwise, it may compromise, discontinue or abandon such proceeding for any reason without notice to the Mortgagor or any other Person (other than other Secured Parties as may be required by the other Loan Documents or the XCFI Indentures), and, in the event that any such proceeding shall be discontinued, abandoned or determined adversely for any reason, the Mortgagor and the Mortgagee shall retain and be restored to their former positions and rights hereunder with respect to the Mortgaged Property, subject to the Lien hereof except to the extent any such adverse determination specifically provides to the contrary.

(d) For the purpose of carrying out any provisions of Section 2.01(c), 4.07, 5.02(a)(v), 5.02(a)(vi), 5.05 or 5.07 or any other provision hereunder authorizing the Mortgagee or any other Person to perform any action on behalf of the Mortgagor upon an Actionable Event of Default or upon an acceleration of the Loans in accordance with the terms of the Credit Agreement, the Mortgagor hereby irrevocably appoints the Mortgagee or a Receiver appointed pursuant to

Section 5.02(a)(vi) or such other Person (as the case may be as the Person appointed under this subsection) as the attorney-in-fact of the Mortgagor (with a power to substitute any other Person in its place as such attorney-in-fact) to act in the name of the Mortgagor or, at the option of the Person appointed to act under this subsection, in such Person's own name, to take the action authorized under Section 2.01(c), 4.07, 5.02(a)(v), 5.02(a)(vi), 5.05 or 5.07 or such other provision, and to execute, acknowledge and deliver any document in connection therewith or to take any other action incidental thereto as the Person appointed to act under this subsection shall deem appropriate in its discretion; and the Mortgagor hereby irrevocably authorizes and directs any other Person to rely and act on behalf of the foregoing appointment and a certificate of the Person appointed to act under this subsection that such Person is authorized to act under this subsection.

SECTION 5.03. *Waivers by the Mortgagor*. To the fullest extent permitted under Applicable Law, the Mortgagor shall not assert, and hereby irrevocably waives, any right or defense the Mortgagor may have under any statute or rule of law or equity now or hereafter in effect relating to (i) appraisement, valuation, homestead exemption, extension, moratorium, stay, statute of limitations, redemption, marshalling of the Mortgaged Property or the other assets of the Mortgagor, sale of the Mortgaged Property in any order or notice of deficiency or intention to accelerate any Secured Obligation; (ii) impairment of any right of subrogation or reimbursement; (iii) any requirement that at any time any action must be taken against any other Person, any portion of the Mortgaged Property or any other asset of the Mortgagor or any other Person; (iv) any provision barring or limiting the right of the Mortgagee to sell any Mortgaged Property after any other sale of any other Mortgaged Property or any other action against the Mortgagor or any other Person; (v) any provision barring or limiting the recovery by the Mortgagee of a deficiency after any sale of the Mortgaged Property; (vi) any other provision of Applicable Law which might defeat, limit or adversely affect any right or remedy of the Mortgagee or the holders of the Secured Obligations under or with respect to this Mortgage or any other Security Document as it relates to any Mortgaged Property; or (vii) the right of the Mortgagee to foreclose this Mortgage in its own name on behalf of all of the Secured Parties by judicial action as the real party in interest without the necessity of joining any other Secured Party.

SECTION 5.04. *Jurisdiction and Process*. (a) To the extent permitted under Applicable Law, in any suit, action or proceeding arising out of or relating to this Mortgage or any other Security Document as it relates to any Mortgaged Property, the Mortgagor irrevocably consents to (i) the jurisdiction of any state or federal court sitting in the State in which the Property is located and irrevocably waives any defense or objection which it may now or hereafter have to the jurisdiction of such court or the venue of such court for or the convenience of

such court as the forum for any such suit, action or proceeding, and (ii) the service of (A) any process in any such suit, action or proceeding, or (B) any notice relating to any sale, or the exercise of any other remedy by the Mortgagee hereunder by sending a copy of such process or notice by prepaid overnight courier or United States registered or certified mail, postage prepaid, return receipt requested to the Mortgagor at its address specified in or pursuant to Section 7.03, such service to be effective when received at the address specified or when delivery at such address is refused.

(b) Nothing in this Section shall affect the right of the Mortgagee to bring any suit, action or proceeding arising out of or relating to this Mortgage or any other Security Document in any court having jurisdiction under the provisions of any other Security Document or Applicable Law or to serve any process, notice of sale or other notice in any manner permitted by any other Security Document or Applicable Law.

SECTION 5.05. *Sales*. Subject to Section 4.01 and 5.02(a) and except as otherwise provided herein, to the fullest extent permitted under Applicable Law, at the election of the Mortgagee, the following provisions shall apply to any sale of the Mortgaged Property hereunder, whether made pursuant to the power of sale hereunder, any judicial proceeding or any judgment or decree of foreclosure or sale or otherwise:

(a) The Mortgagee or the court officer (whichever is the Person conducting any sale) may conduct any number of sales from time to time. The power of sale hereunder shall not be exhausted by any sale as to any part or parcel of the Mortgaged Property which is not sold, unless and until the Secured Obligations shall have been paid in full, and shall not be exhausted or impaired by any sale which is not completed or is defective. Any sale may be as a whole or in part or parcels and as provided in Section 5.03, the Mortgagor has thereby waived its right to direct the order in which the Mortgaged Property or any part or parcel thereof is sold.

(b) Any sale may be postponed or adjourned by public announcement at the time and place appointed for such sale or for such postponed or adjourned sale without further notice.

(c) After each sale, the Person conducting such sale shall execute and deliver to the purchaser or purchasers at such sale a good and sufficient instrument or instruments granting, conveying, assigning and transferring all right, title and interest of the Mortgagor in and to the Mortgaged Property sold and shall receive the proceeds of such sale and apply the same as provided in Section 5.06. The Mortgagor hereby irrevocably appoints the Person conducting such sale as the

attorney-in-fact of the Mortgagor (with full power to substitute any other Person in its place as such attorney-in-fact) to act in the name of the Mortgagor or, at the option of the Person conducting such sale, in such Person's own name, to make without warranty by such Person any conveyance, assignment, transfer or delivery of the Mortgaged Property sold, and to execute, acknowledge and deliver any instrument of conveyance, assignment, transfer or delivery or other document in connection therewith or to take any other action incidental thereto, as the Person conducting such sale shall deem appropriate in its discretion; and the Mortgagor hereby irrevocably authorizes and directs any other Person to rely and act upon the foregoing appointment and a certificate of the Person conducting such sale that such Person is authorized to act hereunder. Nevertheless, upon the request of such attorney-in-fact the Mortgagor shall promptly execute, acknowledge and deliver any documentation which such attorney-in-fact may reasonably require for the purpose of ratifying, confirming or effectuating the powers granted hereby or any such conveyance, assignment, transfer or delivery by such attorney-in-fact.

(d) Any statement of fact or other recital made in any instrument referred to in Section 5.05(c) given by the Person conducting any sale as to the nonpayment of any Secured Obligation, the occurrence of any Event of Default, the amount of the Secured Obligations due and payable, the request to the Mortgagee to sell, the notice of the time, place and terms of sale and of the Mortgaged Property to be sold having been duly given, the refusal, failure or inability of the Mortgagee to act, the appointment of any substitute or successor agent, any other act or thing having been duly done by the Mortgagor, the Mortgagee or any other such Person, shall be taken as conclusive and binding against all other Persons as evidence of the truth of the facts so stated or recited. The Person conducting any sale may appoint or delegate any other Person as agent to perform any act necessary or incident to such sale, including the posting of notices and the conduct of such sale, but in the name and on behalf of the Person conducting such sale.

(e) The receipt by the Person conducting any sale of the purchase money paid at such sale shall be sufficient discharge therefor to any purchaser of any Mortgaged Property sold, and no such purchaser, or its representatives, grantees or assigns, after paying such purchase price and receiving such receipt, shall be bound to see to the application of such purchase price or any part thereof upon or for any trust or purpose of this Mortgage or, in any manner whatsoever, be answerable for any loss, misapplication or nonapplication of any such purchase money or be bound to inquire as to the authorization, necessity, expediency or regularity of such sale.

(f) Subject to mandatory provisions of Applicable Law, any sale shall operate to divest all of the estate, right, title, interest, claim and demand

whatsoever, whether at law or in equity, of the Mortgagor in and to the Mortgaged Property sold, and shall be a perpetual bar both at law and in equity against the Mortgagor and any and all Persons claiming such Mortgaged Property or any interest therein by, through or under the Mortgagor.

(g) At any sale, the Mortgagee may bid for and acquire the Mortgaged Property sold and, in lieu of paying cash therefor, may make settlement for the purchase price by causing the Secured Parties to credit against the Secured Obligations, including the expenses of the sale and the cost of any enforcement proceeding hereunder, the amount of the bid made therefor to the extent necessary to satisfy such bid.

(h) If the Mortgagor or any Person claiming by, through or under the Mortgagor shall transfer or fail to surrender possession of the Mortgaged Property, after the exercise by the Mortgagee of the Mortgagee's remedies under Section 5.02(a)(v) or after any sale of the Mortgaged Property pursuant hereto, then the Mortgagor or such Person shall be deemed a tenant at sufferance of the purchaser at such sale, subject to eviction by means of summary process for possession of land, or subject to any other right or remedy available hereunder or under Applicable Law.

(i) Upon any sale, it shall not be necessary for the Person conducting such sale to have any Mortgaged Property being sold present or constructively in its possession.

(j) If a sale hereunder shall be commenced by the Mortgagee, the Mortgagee may at any time before the sale abandon the sale, and may institute suit for the collection of the Secured Obligations or for the foreclosure of this Mortgage; or if the Mortgagee should institute a suit for collection of the Secured Obligations or the foreclosure of this Mortgage, the Mortgagee may at any time before the entry of final judgment in said suit dismiss the same and sell the Mortgaged Property in accordance with the provisions of this Mortgage.

SECTION 5.06. *Proceeds*. Subject to Section 4.01 and except as otherwise provided herein or required under Applicable Law, the proceeds of any sale of, or other realization upon, the Mortgaged Property hereunder, whether made pursuant to the power of sale hereunder, any judicial proceeding or any judgment or decree of foreclosure or sale or otherwise shall be applied and paid in accordance with Section 14 of the Security Agreement.

SECTION 5.07. *Assignment of Leases*. (a) Subject to paragraph 5.07(d) below, the assignments of the Leases and the Rents under Granting Clauses VI and VII are and shall be present, absolute and irrevocable assignments by the

Mortgagor to the Mortgagee and, subject to the license to the Mortgagor under Section 5.07(b), the Mortgagee or a Receiver appointed pursuant to Section 5.02(a)(iv) (as the case may be as the Person exercising the rights under this Section) shall have the absolute, immediate and continuing right to collect and receive all Rents now or hereafter, including during any period of redemption, accruing with respect to the Property. At the request of the Mortgagee or such Receiver, the Mortgagor shall promptly execute, acknowledge, deliver, record, register and file any additional general assignment of the Leases or specific assignment of any Lease which the Mortgagee or such Receiver may reasonably require from time to time (all in form and substance satisfactory to the Mortgagee or such Receiver) to effectuate, complete, perfect, continue or preserve the assignments of the Leases and the Rents under Granting Clauses VI and VII. Neither the acceptance hereof nor the exercise of the rights and remedies hereunder nor any other action on the part of the Mortgagee or any Person exercising the rights of the Mortgagee hereunder shall be construed to be an assumption by the Mortgagee or any such Person of, or to otherwise make the Mortgagee or such Person liable or responsible for, any of the obligations of the Mortgagor under or with respect to the Leases or for any Rent, Security Deposit or other amount delivered to the Mortgagor, *provided* that the Mortgagee or any such Person exercising the rights of the Mortgagee hereunder shall be accountable as provided in Section 5.07(c) for any Rents, Security Deposits or other amounts actually received by the Mortgagee or such Person, as the case may be. Neither the acceptance hereof nor the exercise of the rights and remedies hereunder nor any other action on the part of the Mortgagee or any Person exercising the rights of the Mortgagee hereunder shall be construed to obligate the Mortgagee or any such Person to take any action under or with respect to the Leases or with respect to the Property, to incur any expense or perform or discharge any duty or obligation under or with respect to the Leases or with respect to the Property, to appear in or defend any action or proceeding relating to the Leases or the Property, to constitute the Mortgagee as a mortgagee in possession (unless the assignee hereunder actually enters and takes possession of the Property), or to be liable in any way for any injury or damage to person or property sustained by any Person in or about the Property other than to the extent caused by the willful misconduct or gross negligence of the Mortgagee or any Person exercising the rights of the Mortgagee hereunder.

(b) Prior to the occurrence of an Actionable Event of Default or the acceleration of the Loans in accordance with the terms of the Credit Agreement, the Mortgagor shall have a license granted hereby to collect and receive all Rents and apply the same subject to the provisions of the Loan Documents. This license shall terminate, at the option of the Mortgagee, upon the occurrence and during the continuance of an Actionable Event of Default or upon an acceleration of the Loans in accordance with the terms of the Credit Agreement.

(c) If an Actionable Event of Default has occurred and is continuing or upon an acceleration of the Loans in accordance with the terms of the Credit Agreement, the Mortgagee or a Receiver appointed pursuant to Section 5.02(a)(iv) (as the case may be as the Person exercising the rights under this Section) shall have the right to terminate the license granted under Section 5.07(b) by notice to the Mortgagor and to exercise the rights and remedies provided under Sections 5.07(a), 5.02(a)(v), 5.02(a)(vi) or any Applicable Law. If an Actionable Event of Default is continuing or upon an acceleration of the Loans in accordance with the terms of the Credit Agreement, upon demand by the Person exercising the rights under this Section, the Mortgagor shall promptly pay to such Person all Security Deposits under the Leases and all Rents allocable to any period after such Actionable Event of Default or acceleration of the Loans. Subject to Sections 5.02(a)(v) and 5.02(a)(vi) and any applicable requirement of law, any Rents received hereunder by such Receiver shall be promptly paid to the Mortgagee, and any Rents received hereunder by the Mortgagee shall be deposited in the applicable Collateral Account, to be held, applied and disbursed as provided in the Security Agreement, *provided* that, subject to Sections 5.02(a)(v) and 5.02(a)(vi) and any applicable requirement of law, any Security Deposits actually received by such Receiver shall be promptly paid to the Mortgagee, and any Security Deposits actually received by the Mortgagee shall be held, applied and disbursed as provided in the applicable Leases and Applicable Law.

(d) Nothing herein shall be construed to be an assumption by the Person exercising the rights under this Section, or otherwise to make such Person liable for the performance, of any of the obligations of the Mortgagor under the Leases, *provided* that such Person shall be accountable as provided in Section 5.07(c) for any Rents or Security Deposits actually received by such Person.

SECTION 5.08. *Dealing with the Mortgaged Property*. Subject to Section 7.02, the Mortgagee shall have the right to release any portion of the Mortgaged Property to or at the request of the Mortgagor, for such consideration as the Mortgagee may reasonably require without, as to the remainder of the Mortgaged Property, in any way impairing or affecting the Lien or priority of this Mortgage, or improving the position of any subordinate lienholder with respect thereto, or the position of any guarantor, endorser, co-maker or other obligor of the Secured Obligations, except to the extent that the Secured Obligations shall have been reduced by any actual monetary consideration received for such release and applied to the Secured Obligations, and may accept by assignment, pledge or otherwise any other property in place thereof as the Mortgagee may reasonably require without being accountable therefor to any other lienholder.

SECTION 5.09. *Information and Right of Entry*. (a) Upon reasonable request by the Mortgagee, the Mortgagor shall deliver to the Mortgagee promptly after such request or, if requested by the Mortgagee, on a continuing or periodic basis, any information, certificates and documents with respect to the matters referred to in this Mortgage as the Mortgagor shall reasonably request in order to protect its rights under this Mortgage or with respect to the Mortgaged Property.

(b) The Mortgagee and the representatives of the Mortgagee shall have the right, (i) with simultaneous notice, if any payment or performance is necessary in the reasonable opinion of the Mortgagee to preserve the Mortgagee's rights under this Mortgage or with respect to the Mortgaged Property, or (ii) after reasonable notice, in all other cases, to enter upon the Property at reasonable times, and with reasonable frequency, to inspect the Mortgaged Property or, subject to the provisions hereof, to exercise any right, power or remedy of the Mortgagee hereunder, *provided* that any Person so entering the Property shall not unreasonably interfere with the ordinary conduct of the Mortgagor's business, and *providedfurther* that no such entry on the Property, for the purpose of performing obligations under Section 4.07 or for any other purpose, shall be construed to be (x) possession of the Property by such Person or to constitute such Person as a mortgagee in possession, unless such Person exercises its right to take possession of the Property under Section 5.02(a)(v), or (y) a cure of any Default or waiver of any Default or Secured Obligation.

ARTICLE 6

SECURITY AGREEMENT AND FIXTURE FILING

SECTION 6.01. *Security Agreement*. (a) To the extent that the Mortgaged Property constitutes or includes personal property and equipment, including goods or items of personal property or equipment which are or are to become fixtures under Applicable Law, in each case to the extent the same constitutes "Collateral" under the Security Agreement, the Mortgagor hereby grants a security interest therein (and any Proceeds thereof) and this Mortgage shall also be construed as a pledge and a security agreement under the UCC; the Mortgagee shall be entitled with respect to such personal property and equipment to all remedies available under the Security Agreement in the manner and to the extent provided therein.

(b) Notwithstanding the foregoing, to the extent that the Mortgaged Property includes personal property or equipment covered by provisions in the Security Agreement or any other Security Document and such provisions are inconsistent with this Article 6, the provisions of the Security Agreement or such other Security Document shall govern with respect to such personal property and

equipment. Mortgagee shall have all rights with respect to the part of the Mortgaged Property that constitutes Collateral under the Security Agreement and is subject of a security interest afforded by the UCC.

(c) The Mortgagor hereby authorizes the Mortgagee to file a Record or Records (as defined in the UCC), including, without limitation, financing or continuation statements, and amendments thereto, in all jurisdictions and with all filing offices as the Mortgagee may determine, in its sole discretion, are necessary or advisable to perfect the lien and security interest granted to the Mortgagee herein without the Mortgagor's signature appearing thereon. Such financing statements may describe the collateral in the same manner as described herein or may contain an indication or description of collateral that describes such property in any other manner as the Mortgagee may determine, in its sole discretion, is necessary, advisable or prudent to ensure the perfection of the security interest in the collateral granted to the Mortgagee herein, including, without limitation, describing such property as all fixtures. The Mortgagor constitutes the Mortgagee its attorney-in-fact to execute and file any filings required or so requested for the foregoing purposes, all acts of such attorney being hereby ratified and confirmed; and such power, being coupled with an interest, shall be irrevocable until the Security Interest granted by the Mortgagor hereunder terminates pursuant to Section 7.02. The Mortgagor shall pay the costs of, or reasonable costs incidental to, any recording or filing of any financing or continuation statements or other documents recorded or filed pursuant hereto concerning the collateral described herein.

SECTION 6.02. *Fixture Filing*. To the extent that the Mortgaged Property includes goods or items of personal property which are or are to become fixtures under Applicable Law, and to the extent permitted under Applicable Law, the filing of this Mortgage in the real estate records of the county in which the Mortgaged Property is located shall also operate from the time of filing as a fixture filing with respect to such Mortgaged Property, and the following information is applicable for the purpose of such fixture filing, to wit:

(a) Name and Address of the debtor:

Xerox Corporation 800
Long Ridge Road
P.O. Box 1600
Stamford, Connecticut 06905

(b) Name and Address of the secured party:

JPMorgan Chase Bank, Collateral Agent

Collateral Control Unit 8-1111
Fannin 301
Houston, Texas 77002

(c) This document covers goods or items of personal property which are or are to become fixtures upon the Property.

(d) The name of the record owner of the real estate on which such fixtures are or are to be located is Xerox Corporation.

ARTICLE 7

MISCELLANEOUS

SECTION 7.01. *Concerning the Mortgagee*. (a) The provisions of Article VIII of the Credit Agreement shall inure to the benefit of the Mortgagee in respect of this Mortgage (as if the Mortgagee was an Administrative Agent referred to therein) and shall be binding upon the parties to the Credit Agreement. In furtherance and not in derogation of the rights, privileges and immunities of the Mortgagee therein set forth:

(i) The Mortgagee is authorized to take all such action as is provided to be taken by it as Mortgagee hereunder and all other action incidental thereto. As to any matters not expressly provided for herein (including the timing and methods of realization upon the Mortgaged Property) the Mortgagee shall act or refrain from acting in accordance with written instructions from the Required Lenders or, in the absence of such instructions, in accordance with its discretion.

(ii) The Mortgagee shall not be responsible for the existence, genuineness or value of any of the Mortgaged Property or for the validity, perfection, priority or enforceability of the Lien of this Mortgage on any of the Mortgaged Property, whether impaired by operation of law or by reason of any action or omission to act on its part hereunder. The Mortgagee shall have no duty to ascertain or inquire as to the performance or observance of any of the terms of this Mortgage by the Mortgagor.

(iii) For all purposes of the Security Documents, including determining the amounts of the Secured Obligations and whether a Secured Obligation is a Contingent CA Secured Obligation or not, the Mortgagee will be entitled to rely on information from (i) its own records for information as to the Lender and Agents, their Secured Obligations and actions taken by them, (ii) any Secured Party for information as to its Secured Obligations and

actions taken by it, to the extent that the Mortgagee has not obtained such information from the foregoing sources, and (iv) Xerox, to the extent that the Mortgagee has not obtained information from the foregoing sources.

(b) At any time or times, solely in order to comply with any Applicable Law, the Mortgagee may appoint another bank or trust company or one or more other Persons, either to act as co-agent or co-agents, jointly with the Mortgagee, or to act as separate agent or agents on behalf of the Lenders with such power and authority as may be necessary for the effectual operation of the provisions hereof and may be specified in the instrument of appointment (which may, in the discretion of the Mortgagee, include provisions for the protection of such co-agent or separate agent similar to the provisions of this Section 7.01).

SECTION 7.02. *Release of Mortgaged Property*. (a) Each Security Interest granted hereunder shall terminate, and all rights to the relevant Mortgaged Property shall revert to the Mortgagor, upon the satisfaction of all the Release Conditions, or otherwise to the extent permitted by and subject to the terms and conditions of Sections 9.02 and 9.03 of the Credit Agreement, including upon satisfaction of the Ratings Condition, as the case may be, provided that the lien of this Mortgage shall only terminate upon the written request of Xerox following and during the pendency of the satisfaction of the Ratings Condition.

(b) The Mortgagee may conclusively rely on any certificate delivered to it by the Mortgagor stating that the release of the Mortgaged Property is in accordance with and permitted by the terms of this Mortgage and the other Loan Documents.

(c) Notwithstanding anything to the contrary herein, if at any time prior to the termination of this Mortgage pursuant to this Section 7.02, the XCFI Secured Obligations are paid in full, all rights hereunder of the holders of XCFI Secured Obligations shall simultaneously terminate.

(d) Upon certification by the Mortgagor that an easement, right-of-way, restriction, reservation, permit, servitude or other similar encumbrance granted or to be granted by the Mortgagor does not materially detract from the value of or materially impair the use by the Mortgagor of the Mortgaged Property subject to such encumbrance, the Mortgagee shall execute such documents as are reasonably requested to subordinate this Mortgage to such encumbrance.

(e) Upon any termination of this Mortgage or release of Mortgaged Property as described in this Section 7.02, the Mortgagee shall, within fifteen (15)

Business Days of written request therefor, at the expense of the Mortgagor, execute, acknowledge and deliver to the Mortgagor such documents, without warranty, as the Mortgagor shall reasonably request to evidence the release and reassignment of Mortgaged Property or termination of this Mortgage, as the case may be.

SECTION 7.03. *Notices*. All notices, approvals, requests, demands and other communications hereunder shall be given in accordance with Section 21 of the Security Agreement. Any party may change its address, facsimile and/or e-mail address as provided in the Security Agreement.

SECTION 7.04. *Amendments in Writing*. No provision of this Mortgage shall be modified, waived or terminated, and no consent to any departure by the Mortgagor from any provision of this Mortgage shall be effective, unless the same shall be by an instrument in writing and signed by the Mortgagor and the Mortgagee in accordance with the Credit Agreement.

SECTION 7.05. *Severability*. All rights, powers and remedies provided in this Mortgage may be exercised only to the extent that the exercise thereof does not violate Applicable Law, and all the provisions of this Mortgage are intended to be subject to all mandatory provisions of Applicable Law and to be limited to the extent necessary so that they will not render this Mortgage illegal, invalid, unenforceable or not entitled to be recorded, registered or filed under Applicable Law. If any provision of this Mortgage or the application thereof to any Person or circumstance shall, to any extent, be illegal, invalid or unenforceable, or cause this Mortgage not to be entitled to be recorded, registered or filed, the remaining provisions of this Mortgage or the application of such provision to other Persons or circumstances shall not be affected thereby, and each provision of this Mortgage shall be valid and be enforced to the fullest extent permitted under Applicable Law.

SECTION 7.06. *Binding Effect*. (a) The provisions of this Mortgage shall be binding upon and inure to the benefit of each of the parties hereto and their respective successors and assigns.

(b) To the fullest extent permitted under Applicable Law, the provisions of this Mortgage binding upon the Mortgagor shall be deemed to be covenants which run with the land.

(c) Nothing in this Section shall be construed to permit the Mortgagor to Transfer or grant a Lien upon the Mortgaged Property contrary to the provisions of the Credit Agreement.

SECTION 7.07. *Governing Law*. THIS MORTGAGE SHALL BE GOVERNED BY AND CONSTRUED IN ACCORDANCE WITH THE LAWS OF THE STATE OF NEW YORK.

SECTION 7.08. *Waiver of Jury Trial*. EACH PARTY HERETO WAIVES, TO THE FULLEST EXTENT PERMITTED BY APPLICABLE LAW, ANY RIGHT IT MAY HAVE TO A TRIAL BY JURY IN ANY LEGAL PROCEEDING DIRECTLY OR INDIRECTLY ARISING OUT OF OR RELATING TO THIS MORTGAGE OR ANY TRANSACTION CONTEMPLATED HEREBY (WHETHER BASED ON CONTRACT, TORT OR ANY OTHER THEORY). EACH PARTY HERETO (A) CERTIFIES THAT NO REPRESENTATIVE, AGENT OR ATTORNEY OF ANY OTHER PARTY HAS REPRESENTED, EXPRESSLY OR OTHERWISE, THAT SUCH OTHER PARTY WOULD NOT, IN THE EVENT OF LITIGATION, SEEK TO ENFORCE THE FOREGOING WAIVER AND (B) ACKNOWLEDGES THAT IT AND THE OTHER PARTIES HERETO HAVE BEEN INDUCED TO ENTER INTO THIS AGREEMENT BY, AMONG OTHER THINGS, THE MUTUAL WAIVERS AND CERTIFICATIONS IN THIS SECTION.

SECTION 7.09. *Local Law Provisions*. This Mortgage is not a mortgage of real property principally improved or to be improved by one or more structures containing in the aggregate not more than six residential dwelling units, each dwelling unit having its own separate cooking facilities.

SECTION 7.10. *Multisite Real Estate Transaction*. The Mortgagor acknowledges that this Mortgage is one of a number of mortgages, deeds of trust or similar instruments ("**Other Mortgages**") that secure the Secured Obligations. Mortgagor agrees that the Lien of this Mortgage shall be absolute and unconditional and shall not in any manner be affected or impaired by any acts or omissions whatsoever of Mortgagee, and without limiting the generality of the foregoing, the Lien hereof shall not be impaired by any acceptance by the Mortgagee of any security for or guarantees of the Secured Obligations, or by any failure, neglect or omission on the part of Mortgagee to realize upon or protect any Secured Obligation or any collateral security therefor including the Other Mortgages. The Lien hereof shall not in any manner be impaired or affected by any release (except as to the property released), sale, pledge, surrender, compromise, settlement, renewal, extension, indulgence, alteration, changing, modification or disposition of any of the Secured Obligations or of any of the collateral security therefor, including the Other Mortgages or of any guarantee thereof, and, to the fullest extent permitted by Applicable Law, Mortgagee may at its discretion foreclose, exercise any power of sale, or exercise any other remedy available to it under any or all of the Other Mortgages without first exercising or enforcing any of its rights and remedies hereunder. Such exercise of Mortgagee's

rights and remedies under any or all of the Other Mortgages shall not in any manner impair the indebtedness hereby secured or the Lien of this Mortgage and any exercise of the rights or remedies of Mortgagee hereunder shall not impair the Lien of any of the Other Mortgages or any of Mortgagee's rights and remedies thereunder. To the fullest extent permitted by Applicable Law, Mortgagor specifically consents and agrees the Mortgagee may exercise its rights and remedies hereunder and under the Other Mortgages separately or concurrently and in any order that it may deem appropriate and waives any rights of subrogation.

IN WITNESS WHEREOF, the Mortgagor has executed and delivered this Mortgage as of the day first set forth above.

XEROX CORPORATION

By: /s/ RHONDA L. SEEGAL

Name: Rhonda L. Seegal
Title: Vice President and Treasuer

UNIFORM FORM CERTIFICATE OF ACKNOWLEDGMENT
(Outside of New York State)

Connecticut[1]) ss.:

On this 23rd day of June, in the year 2003, before me, the undersigned, personally appeared Rhonda L. Seegal, personally known to me or proved to me on the basis of satisfactory evidence to be the individual(s) whose name(s) is (are) subscribed to the within instrument and acknowledged to me that he/she/they executed the same in his/her/their capacity(ies), and that by his/her/their signature(s) on the instrument, the individual(s), or the person upon behalf of which the individual(s) acted, executed the instrument, and that such individual made such appearance before the undersigned in the Stamford, Connecticut[2].

/s/ BARBARA K. FOWLER

Notary Public

[Notary Seal]

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[1] Insert state, commonwealth, district, territory, possession or country where the acknowledgment is taken.

[2] Insert the city, county or other political subdivision and the state, commonwealth, district, territory, possession or country where the acknowledgment is taken.

EXHIBIT A

Description of Land

PARCEL I: SALT RD. & PHILLIPS RD., WEBSTER

Parcel A

ALL THAT TRACT OR PARCEL OF LAND, situate in the Town of Webster, County of Monroe, State of New York being part of Town Lot 7, Section 11 of the Salt Tract in Township 14, Range 4, being particularly bounded and described as follows:

Beginning at a point in the centerline of Phillips Road (66' wide) on the northerly line of property of Rochester Gas & Electric RGE (formerly New York Central Railroad – 100' wide); thence,

South 79°-35'-45" West, on said northerly line of RG&E, a distance of 1103.80 feet to a rebar with cap set on the southerly right of way line of Donovan Park (49.5' wide); thence,

North 01°-43'-15" West, a distance of 200.41 feet to a concrete monument found; thence,

South 85°-18'-45" West, a distance of 594.66 feet to a rebar with cap set; thence,

North 01°-38'-16" West, a distance of 1508.69 feet to a concrete monument found; thence,

North 01°-09'-45" West, a distance of 667.06 feet to a concrete monument found thence,

South 89°-24'-15" West, a distance of 247.42 feet to a concrete monument found; thence,

South 01°-36'-45" East, a distance of 92.50 feet to rebar in concrete found; thence,

South 89°-24'-15" West, passing through a concrete monument found on the easterly right of way line of Webster Road (66' wide), a total distance of 601.29 feet to a point in the centerline of said Webster Road; thence,

North 08°-51’-15” East, along said centerline, a distance of 290.75 feet to a point; thence,

North 89°-19’-20” East, along the southerly line of lands now or formerly of Diane Atkinson (L. 8864 of Deeds, P. 682), a distance of 289.26 feet to a concrete monument found; thence,

North 00°-40’-40” West, continuing along the easterly line of said Atkinson, a distance of 235.00 feet to a concrete monument found; thence,

South 89°-19’-20” West, passing through a concrete monument on said easterly right of way line of Webster Road, a total distance of 274.00 feet to a point in the centerline of said Webster Road, thence,

North 00°-40’-40” West, along said centerline of said Webster Road, a distance of 611.10 feet to a point; thence,

North 01°-12’-10” West, continuing along said centerline of said Webster Road, a distance of 176.99 feet to a point; thence,

North 88°-42’-00” East, along the southerly line of lands now or formerly of George Madison (L. 3220 of Deeds, P. 435), passing through a concrete monument on the easterly right of way line of Webster Road, a total distance of 299.70 feet to a concrete monument found; thence,

North 01°-12’-10” West, continuing along the easterly line of said Madison, a distance of 231.99 feet to a concrete monument found; thence,

South 88°-47’-50” West, continuing along the northerly line of said Madison, a distance of 249.70 feet to a rebar with cap set on the easterly right of way line of said Webster Road, as appropriated to the State of New York (Map 10, Parcel 10); thence,

North 01°-12’-10” West, on the easterly right of way line of said appropriation, a distance of 309.17 feet to a rebar with cap set; thence,

North 88°-52’-30” East, along the southerly line of the Mill Creek Subdivision (Liber 300 of Maps, Page 75), a distance of 1809.68 feet to a concrete monument found; thence,

North 01°-29’-25” West, along the easterly line of lands now or formerly of Anthony Bingo & Son Inc., a distance of 368.88 feet to a concrete monument found; thence,

PARCEL I – A Continued

North 88°-38’-35” East, continuing along the southerly line of lands now or formerly of Anthony Bingo & Son Inc., a distance of 264.49 feet to a concrete monument found; thence,

North 01°-29-25” West, continuing along the easterly line of lands now or formerly of Anthony Bingo & Son Inc., a distance of 132.00 feet to a concrete monument found; thence,

North 88°-41’-45” East, along the southerly line of lands now or formerly of Michael Syracusa (L. 7994 of Deeds, P. 221), a distance of 331.70 feet to a point in the centerline of Phillips Road (66’ wide); thence,

South 01°-33’-35” East, along said centerline of Phillips Road, a distance of 478.56 feet to a point; thence,

South 01°-34’-04” East, continuing along said centerline, a distance of 24.43 feet to a point; thence,

South 88°-52’-31” West, along the northerly line of lands now or formerly of 680 Basket Road Associates, a distance of 429.00 feet to a concrete monument found; thence,

South 01°-34’-04” East, continuing along the westerly line of said Basket Road Associates, a distance of 1015.09 feet to a point on the westerly line of lands now or formerly of the Tennis Club of Webster; thence,

South 01°-22’-44” East, continuing along the westerly line of said Tennis Club Webster, a distance of 396.45 feet to a concrete monument found; thence,

North 88°-45’-16” East, along the southerly line of lands now or formerly of R-NET (L. 8567, P. 66), a distance of 429.07 feet to a point in the centerline of said Phillips Road; thence,

South 01°-20’-14” East, along said centerline, a distance of 2416.95 feet to the Point of Beginning.

Parcel B Area = 176.029 +/- Acres to centerline of Roads.
172.921 +/- Acres to right-of-way lines.

Parcel B

ALL THAT TRACT OR PARCEL OF LAND, situate in the Town of Webster, County of Monroe, State of New York being part of Town Lot 7, Section 11 of the Salt Tract in Township 14, Range 4, being particularly bounded and described as follows:

Beginning at the centerline intersection of Schlegel Road (49.5’ wide) and Salt Road (66’ wide); thence,

South 01°-42’-25” East, along the centerline of said Salt Road, a distance of 3052.30 feet to a point on the division line between Xerox Corporation on the south and lands now or formerly of William G. Boulter (L. 8556 of Deeds, P. 384) on the north; thence,

North 88°-10’-10” East, along said division line, passing through a rebar found on the right of way line of Salt Road, a total distance of 1908.20 feet to a rebar with cap set; thence,

South 01°-35’-49” East, continuing along said division line a distance of 1542.00 feet to a rebar with cap set on the northerly line of lands now or formerly the County of Monroe Industrial Development Agency COMIDA (L. 8955 of Deeds, P. 40); thence,

South 89°-02’-44” West, along the northerly line of said COMIDA, a distance of 705.50 feet to a 5/8” rebar found; thence,

South 01°-52’-05” East, continuing along the westerly line of said COMIDA, a distance of 709.58 feet to a 5/8” rebar found at the northeast corner of lands now or formerly of COMIDA (L. 9310 of Deeds, P. 519); thence,

South 88°-07’-55” West, through a series of six 5/8” rebars found along said northerly line, a distance of 1201.73 feet to a point in the centerline of said Salt Road; thence,

South 01°-51’-25” East, along said centerline, a distance of 760.58 feet to a point on the division line between Xerox Corporation on the north and lands now or formerly of David Bertch (L. 6115 of Deeds, P. 90) on the south; thence,

South 88°-08’-35” West, along said division line, a distance of 233.00 feet to a rebar with cap set; thence,

South 01°-41’-55” East; continuing along said division line, a distance of 218.57 feet to a rebar with cap set; thence,

North 88°-33’-08” East, continuing along said division line, a distance of 233.00 feet to a point in the centerline of said Salt Road; thence,

South 01°-26’-52” East, along said centerline, a distance of 247.04 feet to a point on the division line between Xerox Corporation on the north and lands now or formerly of Charles Hain on the south; thence,

South 88°-33’-08” West, along said division line, a distance of 256.25 feet to a rebar with cap set; thence,

South 01°-26’-52” East; continuing along said division line, a distance of 170.00 feet to a rebar with cap set; thence,

North 88°-33’-08” East, continuing along said division line, a distance of 256.25 feet to a point in the centerline of said Salt Road; thence,

South 1°-26’-52” East, along said centerline, a distance of 320.10 feet to a point on the northerly line of lands of Rochester Gas & Electric Corporation (formerly New York Central Railroad); thence,

South 79°-35’-45” West, on said northerly line a distance of 5151.29 feet to a point in the centerline of Phillips Road (66’ wide); thence,

North 01°-20’-14” West, along said centerline of Phillips Road, a distance of 2824.00 feet to an angle point; thence,

North 01°-34’-04” West, continuing along said centerline, a distance of 1128.02 feet to an angle point; thence,

PARCEL I – B Continued

North 01°-33’-35” West, continuing along said centerline, a distance of 1549.43 feet to an angle point; thence,

North 01°-38-55” West, continuing along said centerline, a distance of 832.89 feet to a point on the division line between Xerox Corporation on the south and lands now or formerly of Salvatore Fico (L. 7517 of Deeds, P. 33) north; thence,

North 89°-01’-30” East, along the southerly line of said Fico, a distance of 297.94 feet to a concrete monument found; thence,

North 01°-38’-55” West, continuing along the easterly line of said Fico, a distance of 298.32 feet to a rebar with cap set; thence,

South 88°-21’-05” West, continuing along the northerly line of said Fico, a distance of 297.92 feet to a point in the centerline of said Phillips Road; thence,

North 01°-38’-55” West, along said centerline, a distance of 953.96 feet to a point; thence,

North 89°-04-45” East, along the southerly line of lands now or formerly of Francis Grundman (L. 5938 of Deeds, P. 15), a distance of 213.00 feet; thence,

North 01°-38’-55” West, continuing along the easterly line of said Grundman, a distance of 100.00 feet to a point; thence,

South 89°-04’-45” West, continuing along the northerly line of said Grundman, a distance of 213.00 feet to a point in the centerline of said Phillips Road; thence,

North 01°-38’-55” West, continuing along said centerline, a distance of 177.21 feet to the old centerline of Schlegel Road (49.5’ wide) thence,

North 89°-04’-45” East, along the old centerline of said Schlegel Road; a distance of 339.05 feet to a point; thence,

PARCEL I – B Continued

South 01°-39’-15” East, along the westerly line of lands now or formerly of Gerald & Shirley Moldenhauer; a distance of 177.21 feet to a rebar with cap set; thence,

North 89°-04’-45” East, continuing along the southerly line of said Moldenhauer, a distance of 132.00 feet to a rebar with cap set; thence,

South 01°-39’-15” East, along the westerly line of lands now or formerly of Anthony & Barbara Fornalik, a distance of 47.54 feet to a rebar with cap set; thence,

North 89°-04’-45” East, a long the southerly line of said Fornalik, Scott & Suzanne Sercu (L. 9098, P.513) and Bonnie Henderson (L. 7226, P. 181) a distance of 400.00 feet to a point; thence,

North 01°-39’-15” West, continuing along the easterly line of said Henderson, a distance of 224.75 feet to a point in the centerline of said Schlegel Road; thence,

North 89°-04’-45” East, continuing along said centerline of said Schlegel Road, a distance of 1730.09 feet to a point; thence,

South 00°-16’-25” East, along the westerly line of lands now or formerly of Holley Mossey (L. 9459 P. 194), a distance of 224.75 feet to a rebar with cap set; thence,

North 89°-04’-45” East, continuing along the southerly line of said Mossey and Marie Orlowski (L. 3732, P. 560), a distance of 200.00 feet to a point; thence,

North 00°-16’-25” East, continuing along the easterly line of said Orlowski, a distance of 224.75 feet to a point in the centerline of said Schlegel Road; thence,

North 89°-04’-45” East, continuing along said centerline, a distance of 2265.36 feet to the Point of Beginning.

Parcel B Area = 944.557 +/- Acres to centerline of Roads.
929.762 +/- Acres to right-of-way lines.

PARCEL II: 1350 JEFFERSON RD., HENRIETTA

Parcel A

ALL THAT TRACT OR PARCEL OF LAND, containing 50.58 acres, being a portion of Town Lot 3, of the Second Range of Lots, Township 12, Range 7, in the Town of Henrietta, County of Monroe, State of New York, and being more particularly bounded and described as follows:

Beginning at a concrete monument in the north right-of-way line of Jefferson Road, said monument being 44.2+ northerly at right angles form the New York State baseline station 236+61.1+; thence

1.N 20° -29’ -00” E, a distance of 1113.80 feet to a point; thence

2. S 87° -01’ -00” W, a distance of 535.40 feet to a point; thence

3. N 21° -09’ -00” E, a distance of 634.27 feet to a point; thence

4. N 86° -59’ -50” E, a distance of 1024.47 feet to a point; thence

5. S 00° -00’ -00” E, a distance of 675.77 feet to a point; thence

6. N 89° -58’ -48” E, a distance of 323.97 feet to a point; thence

7. S 00° -01’ -12” E, a distance of 206.63 feet to a point; thence

8. N 89° -58’ -48” E, a distance of 22.10 feet to a point; thence

9.S 00° -01’ -12” E, a distance of 14.21 feet to a point; thence

10.N 89° -59’ -51” E, a distance of 471.72 feet to a point; thence

11.S 20° -16’ -14” W, a distance of 244.27 feet to a point; thence

PARCEL II – A Continued

12.S 19° -55’ -52” W, a distance of 544.88 feet to a point on the northerly right-of-way of Jefferson Road, said point being 21.3 feet north of existing concrete monument as measured along the easterly property line extended; thence

13.S 89° -53’ -54” W, along the northerly right-of-way of Jefferson Road, a distance of 390.30 feet to a point; thence

14.S 81° -33’ -17” W, along said right-of-way, a distance of 137.73 feet to a point; thence

15.S 89° -54’ -04” W, along said right-of-way, a distance of 1127.96 feet to the Point of Beginning.

Parcel B

ALL THAT TRACT OR PARCEL OF LAND, situate in the Town Lots 1 and 3 of the Second Range of Lots, Township 12, Range 7, in the Town of Henrietta, County of Monroe, and State of New York, shown on map prepared by Sear, Brown Associates, P.C., dated September 26, 1983, and more particularly described as follows: Beginning at a point on the northerly line of Route 252 (Jefferson Road), at its intersection with westerly boundary of lands now or formerly owned by Norma Erdle, said point also being the southeasterly corner of lands now or formerly owned by Xerox Corporation, thence north 19° 55’ 52” east a distance of 544.88 feet to an iron pin; thence north 20° 16’ 14” east a distance of 244.27 feet to a pin, said pin being the point and place of beginning; thence (1) south 89° 59’ 51” west a distance of 471.72 feet to a point; thence (2) north 00° 01’ 12” west a distance of 14.21 feet to a point; thence (3) south 89° 58’ 48” west a distance of 22.10 feet to a point; thence (4) north 00° 01’ 12” west a distance of 206.63 feet to an iron pin; thence (5) south 89° 58’ 48” west a distance of 323.97 feet to an iron pin; thence (6) north 00° 00’ 00” east a distance of 675.77 feet to an iron pin; thence (7) south 86° 59’ 50” west a distance of 117.60 feet to an iron pin; thence (8) north 21° 13’ 00” east a distance of 528.34 feet to an iron pin; thence (9) north 86° 10’ 02” east a distance of 1292.99 feet to an iron pin; thence (10) south 20° 21’ 25” west a distance of 559.45 feet to an iron pin; thence (11) south 20° 29’ 55” west a distance of 720.10 feet to an iron pin; thence (12) south 20° 07’ 58” west a distance of 233.75 feet to an iron pin; thence (13) south 20° 16’ 14” west a distance of 54.14 feet to the point or place of beginning.

PARCEL II Continued

Parcel C

ALL THAT TRACT OR PARCEL OF LAND, situate in Town Lot 4 of the Second Range of lots, Township 12, Range 7, in the Town of Henrietta, County of Monroe, and State of New York, being bounded and described as follows:

BEGINNING at a point on the westerly line of Winton Road at the intersection with the southerly boundary of lands now or formerly of William D. Lane, as described in a deed recorded in the Monroe County Clerk's Office in Liber 3352 of Deeds at page 297, said point also being the northeasterly corner of lands now or formerly of James P. Wilmot;

RUNNING thence South 01 degrees 25 minutes 51 seconds East along the westerly line of Winton Road 50.01 feet to the southerly line of the Hofstra Road Access Parcel being described herein;

THENCE South 87 degrees 42 minutes 32 seconds West along the southerly line of the Hofstra Road Access Parcel 1275.90 feet to the East line of Town Lot Number 3 and the southeasterly corner of the premises above described as Parcel I;

THENCE along the easterly line of Parcel I North 20 degrees 16 minutes 14 seconds East, 54.14 feet to the northerly line of the Hofstra Road Access Parcel;

THENCE along the northerly line of said access Parcel North 87 degrees 42 minutes 32 seconds East 1255.88 feet to the westerly line of Winton Road at the point or place of beginning.

The above premises are alternatively described as follows:

ALL THAT TRACT OR PARCEL OF LAND, being a portion of Town Lot 1, 3 and 4 of the Second Range of Lots, Township 12, Range 7, in the Town of Henrietta, County of Monroe, State of New York, and being more particularly bounded and described as follows:

Beginning at a concrete monument in the north right-of-way line of Jefferson Road, said monument being 44.2'± northerly at right angles from the New York Sate baselines station 236+ 61.1'± ; thence

PARCEL II – C Continued

1.N 20° -29’ –00” E, a distance of 1113.80 feet to a point; thence

2.S 87° -01’ –00” W, a distance of 535.40 feet to a point; thence

3.N 21° -09’ –00” E, a distance of 634.27 feet to a point; thence

4.N 86° -59’ –50” E, a distance of 906.87 feet to a point; thence

5.N 21° -13’ –00” E, a distance of 528.34 feet to a point; thence

6.N 86° -10’ –02” E, a distance of 1292.99 feet to a point; thence

7.S 20° -21’ –25” W, a distance of 559.45 feet to a point; thence

8.S 20° - -29’ –55” W, a distance of 720.10 feet to a point; thence

9.S 20° -07’ –58” W, a distance of 233.75 feet to a point; thence

10.N 87° -42’ –32” E, a distance of 1255.88 feet to a point on the westerly right-of-way of Winton Road; thence

11.S 01° -25’ –51” E, a distance of 50.01’ southerly along the westerly right-of-way of Winton Road to a point; thence

12.S 87° -42’ –32” W, a distance of 1275.90 feet to a point; thence

13.S 20° -16’ –14” W, a distance of 244.27 feet to a point; thence

14.S 19° -55’ –52” W, a distance of 544.88 feet to a point on the northerly right-of-way of Jefferson Road; thence

15.S 89° - -53’ –54” W, along the northerly right-of-way of Jefferson Road, a distance of 390.30 feet to a point; thence

16.S 81° -33’ –17” W, along said right-of-way, a distance of 137.73 feet to a point; thence

PARCEL II – C Continued

17.S 89° -54’ –04” W, along said right-of-way, a distance of 1127.96 feet to the Point Beginning.

All as shown on an ALTA/ACSM Land Title Survey prepared by Sear-Brown, dated July 17, 2000, Project No. 1409103-SU1.

PARCEL III: 131 CHESTNUT ST. & 130 SOUTH CLINTON AVE., ROCHESTER

Parcel A

ALL THAT TRACT OR PARCEL OF LAND, situate in the City of Rochester, County of Monroe and State of New York, being lots 16, 17 and Part of Lots 14 and 15 of the Stone Tract and lots 16, 17, 18 and Part of Lot 19, Section M, of the Johnson and Seymour Tract, and Part of Cortland Street (now abandoned), and more particularly bounded and described as follows:

BEGINNING at the intersection of the southerly line of Broad Street East as established by the City of Rochester and the westerly line of Chestnut Street as so established; thence (1) south 87° 31’ 09” west along said southerly line of Broad Street East, making an interior angle of 89° 28’ 33” with said westerly line of Chestnut Street a distance of 328.76 feet to a point; thence (2) south 18° 16’ 11” east, and making an interior angle of 74° 12’ 40” with course (1) a distance of 57.10 feet to a point; thence (3) south 72° 47’ 47” west making an interior angle of 271° 03’ 58” with course (2) a distance of 202.55 feet to a point in the easterly line of Clinton Avenue South as established by the City of Rochester, said course being along the southerly line of lands now owned by the City of Rochester; thence (4) south 17° 38’ 02” east along said easterly line of Clinton Avenue South and making an interior angle of 89° 34’ 11” with course (3), a distance of 208.17 feet to the point of intersection of said east line of Clinton Avenue South with the north line of Court Street as established by the City of Rochester; thence (5) north 77° 34’ 03” east along said north line of Court Street, and making an interior angle of 95° 12’ 05” with course (4), a distance of 459.53 feet to the point of intersection of said north line of Court Street with said west line of Chestnut Street; thence (6) north 1° 57’ 24” west along said west line of Chestnut Street, and making an interior angle of 100° 28’ 33” with course (5), a distance of 227.96 feet to the point of beginning, all as shown on a survey thereof made by Smith & Denluck, Surveyors, dated July 13, 1965.

Together with all right, title and interest in and to a certain overhead pedestrian bridge, connecting the building on these premises with Midtown Tower on the north side of Broad Street East, in accordance with and pursuant to the terms of a certain ordinance of the City of Rochester adopted on September 22, 1964, permitting the construction of said bridge over the bed of Broad Street East, and all of the right, title and interest in and to the agreement with the City of Rochester executed pursuant to said ordinance on June 21, 1966.

Said premises are alternatively described as follows:

ALL THAT TRACT OR PARCEL OF LAND, situate in the City of Rochester, County of Monroe and State of New York, being Lots 16, 17 and part of Lots 14 and 15 of the Stone Tract and Lots 16, 17, 18 and part of Lot 19, Section M, of the Johnson and Seymour Tract, and part of Cortland Street (now abandoned), and more particularly bounded and described as follows:

Beginning at the intersection of the southerly line of Broad Street East as established by the City of Rochester and the westerly line of Chestnut Street as so established; thence (1) South 87° 31’ 09” West along said southerly line of East Broad Street, making an interior angle of 89° 28’ 33” with said westerly line of Chestnut Street a distance of 328.76 feet to a point; thence (2) South 18° 16’ 11” East, and making an interior angle of 74° 12’ 40” with course (1) a distance of 57.10 feet to a point; thence (3) South 72° 47’ 47” West making an interior angle of 271° 03’ 58” with course (2) a distance of 202.55 feet to a point in the easterly line of Clinton Avenue South as established by the City of Rochester, said course being along the southerly line of lands now owned by the City of Rochester; thence (4) South 17° 38’ 02” East along said easterly line of Clinton Avenue South and making an interior angle of 89° 34’ 11” with course (3), a distance of 208.17 feet to the point of intersection of said east line of South Clinton Avenue with the north line of Court Street, as established by the City of Rochester; thence (5) North 77° 34’ 03” East, along said north line of Court Street making an interior angle of 95° 12’ 05” with course (4) a distance of 459.53 feet to the point of intersection of said north line of Court Street with said west line of Chestnut Street, thence (6) North 1° 57’ 24” West along said west line of Chestnut Street, and making an interior angle of 100° 28’ 33” with course (5), a distance of 227.96 feet to the point of beginning.

All as shown on an ALTA/ACSM Land Title Survey prepared by Sear, Brown, dated March 26, 2001.

Parcel B

An exclusive easement (including, without limitation, all necessary air rights) to construct, re-construct, operate, repair, maintain and replace a ramp to provide handicapped access to the podium level of Xerox Square in, on and above certain land owned by the City of Rochester as granted in the Easement recorded on August 8, 1997 in Liver 8903 of Deeds, page 6, in the Office of the County Clerk of Monroe County.

EXHIBIT B

Permitted Encumbrances

Those security interests, liens and other matters described in the title insurance policy of First American Title Insurance Company, Title Commitment No. 905-M-95461 (Fast # 26205, 26206 and 26207), dated May 1, 2003.

This instrument was prepared by the
attorney described below in consultation
with counsel in the State in which the
Property is located and, when recorded,
the recorded counterparts should be returned to:

Susan D. Kennedy, Esq.
Davis Polk & Wardwell
450 Lexington Avenue
New York, New York 10017

LINE OF CREDIT DEED OF TRUST, ASSIGNMENT OF LEASES AND RENTS, SECURITY AGREEMENT, FINANCING STATEMENT AND FIXTURE FILING

dated as of June 25, 2003

by
XEROX CORPORATION
the Grantor

to

FIRST AMERICAN TITLE INSURANCE COMPANY
as Trustee
for the benefit of

JPMORGAN CHASE BANK
as Collateral Agent for the Lenders,
the Beneficiary

Property:
26600 SW Parkway
Wilsonville, Oregon
Clackamas County

Tax Lot Nos. 31W11 00200, 31W12 00500 and 31W12 00590

MAXIMUM PRINCIPAL AMOUNT TO BE ADVANCED: $1,000,000,000
LATEST MATURITY DATE: September 30, 2008 or, if such day is not a Business Day, the next preceding Business Day.

THIS INSTRUMENT CONTAINS AFTER-ACQUIRED PROPERTY PROVISIONS AND SECURES OBLIGATIONS CONTAINING PROVISIONS FOR CHANGES IN INTEREST RATES.

TABLE OF CONTENTS

THIS LINE OF CREDIT DEED OF TRUST, ASSIGNMENT OF LEASES AND RENTS, SECURITY AGREEMENT AND FIXTURE FILING (this "**Deed of Trust**") is dated as of June 25, 2003 by XEROX CORPORATION, a New York corporation, having an address at 800 Long Ridge Road, Stamford, Connecticut 06904 ("**Xerox**" or the "**Grantor**"), to FIRST AMERICAN TITLE INSURANCE COMPANY, a California corporation (the "**Trustee**"), for the benefit of JPMORGAN CHASE BANK, a New York banking corporation, as Collateral Agent for itself and the other Secured Parties (hereinafter defined) (the "**Beneficiary**"), having an address at 270 Park Avenue, New York, NY 10017.

W I T N E S S E T H:[1]

RECITALS

WHEREAS, Xerox, the Overseas Borrowers from time to time party thereto, the Lenders party thereto, JPMorgan Chase Bank, as Administrative Agent, Collateral Agent and LC Issuing Bank, Deutsche Bank Securities, Inc., as Syndication Agent, and Citicorp North America, Inc., Merrill Lynch, Pierce, Fenner & Smith Incorporated and UBS Securities LLC, as Co-Documentation Agents, are parties to a Credit Agreement dated as of June 19, 2003 (as amended from time to time, the "**Credit Agreement**"), and

WHEREAS, pursuant to the Credit Agreement, Xerox, the Subsidiary Guarantors party thereto and JPMorgan Chase Bank, as Collateral Agent, have entered into the Security Agreement; and

WHEREAS, the maximum amount of principal indebtedness that may be secured by this Deed of Trust at execution hereof or which under any contingency may become secured hereby at any time hereafter is $1,000,000,000 (the "**Secured Loan Amount**"); and

WHEREAS, the scheduled maturity date of the latest to mature of the Secured Obligations is September 30, 2008 or, if such day is not a Business Day, the next preceding Business Day.

GRANTING CLAUSES

NOW, THEREFORE, in consideration of the premises and other good and valuable consideration, the receipt and sufficiency of which are hereby

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[1] Capitalized terms are defined in, or are defined by reference in, Section 1.01.

acknowledged, for the purpose of securing the due and punctual payment, performance and observance of the Secured Obligations and intending to be bound hereby, the Grantor does hereby GRANT, BARGAIN, SELL, CONVEY, ASSIGN, TRANSFER and WARRANT to the Trustee, for the benefit of the Beneficiary as Collateral Agent for the Lenders, and their respective successors and assigns, with power of sale and right of entry as hereinafter provided, and, to the extent covered by the UCC, does hereby GRANT and WARRANT to the Beneficiary a continuing first security interest in and to all of the property and rights described in the following Granting Clauses (all of which property and rights are collectively called the "**Trust Property**"), to wit:

I. GRANTING CLAUSE

Land. All estate, right, title and interest of the Grantor in, to, under or derived from: the lots, pieces, tracts or parcels of land located in Clackamas County, Oregon, more particularly described in Exhibit A (the "**Land**").

II. GRANTING CLAUSE

Improvements. All estate, right, title and interest of the Grantor in, to, under or derived from: all buildings, structures, facilities and other improvements of every kind and description now or hereafter located on or attached to the Land, including all parking areas, roads, driveways, walks, fences, walls, berms, recreation facilities, drainage facilities, lighting facilities and other site improvements; all water, sanitary and storm sewer, drainage, electricity, steam, gas, telephone, telecommunications and other utility equipment and facilities; all plumbing, lighting, heating, ventilating, air-conditioning, refrigerating, incinerating, compacting, fire protection and sprinkler, surveillance and security, vacuum cleaning, public address and communications equipment and systems; all screens, awnings, floor coverings, partitions, elevators, escalators, motors, electrical, computer and other wiring, machinery, pipes, fittings and racking and shelving; and all other items of fixtures, equipment and personal property of every kind and description, in each case now or hereafter located on the Land or affixed (actually or constructively) to the buildings and other improvements located on the Land which by the nature of their location thereon or affixation thereto are real property under Applicable Law; and including all materials intended for the construction, reconstruction, repair, replacement, alteration, addition or improvement of or to such buildings, equipment, fixtures, structures and improvements, all of which materials shall be deemed to be part of the Trust Property immediately upon delivery thereof on the Land and to be part of the improvements immediately upon their incorporation therein (the foregoing being collectively called the "**Improvements**").

III. GRANTING CLAUSE

Equipment. All estate, right, title and interest of the Grantor in, to, under or derived from: all equipment, fixtures, chattels and articles of personal property owned by the Grantor or in which the Grantor has or shall acquire an interest, wherever situated, and now or hereafter located on, or in, or affixed (actually or constructively) to, the Land or the Improvements, whether or not affixed thereto and which are not real property under Applicable Law, including all partitions, shades, blinds, curtains, draperies, carpets, rugs, furniture and furnishings; all heating, lighting, plumbing, ventilating, air conditioning, refrigerating, gas, steam, electrical, incinerating and compacting plants, systems, fixtures and equipment; all elevators, stoves, ranges, other kitchen and laundry appliances, vacuum and other cleaning systems, call systems, switchboards, sprinkler systems and other fire prevention, alarm and extinguishing apparatus and materials; and all motors, machinery, pipes, conduits, dynamos, engines, compressors, generators, boilers, stokers, furnaces, pumps, trunks, ducts, appliances, equipment, utensils, tools, implements, fittings and fixtures, and including any of the foregoing that is temporarily removed from the Land or Improvements to be repaired and later reinstalled thereon or therein (the foregoing being collectively called the "**Equipment**"; and the Land with the Improvements thereon and the Equipment therein being collectively called the "**Property**"). If any of the Equipment under this Granting Clause is covered by an equipment lease, title retention or security agreement, (i) the grant under this Granting Clause (but not the definition of "Equipment" for the other purposes hereof) excludes any Equipment which cannot be transferred or encumbered by the Grantor without causing a termination of such agreement or default thereunder, otherwise (ii) the grant under this Granting Clause includes Grantor's right, title and interest in, to and under such agreement, together with the benefits of all deposits and payments now or hereafter made thereunder by or on behalf of the Grantor and subject to all of the terms and conditions of such agreement and the Liens and security interests thereunder, except as otherwise provided under the Security Agreement and the Credit Agreement.

IV. GRANTING CLAUSE

Appurtenant Rights. All estate, right, title and interest of the Grantor in, to, under or derived from: all tenements, hereditaments and appurtenances now or hereafter relating to the Property; the streets, roads, sidewalks and alleys abutting the Property; all strips and gores within or adjoining the Land; all land in the bed of any body of water adjacent to the Land; all land adjoining the Land created by artificial means or by accretion; all air space and rights to use air space above the Land; all development or similar rights now or hereafter appurtenant to the Land; all rights of ingress and egress now or hereafter appertaining to the Property; all easements, servitudes, privileges and rights of way now or hereafter appertaining

to the Property; and all royalties and other rights now or hereafter appertaining to the use and enjoyment of the Property, including alley, party walls, support, drainage, crop, timber, agricultural, horticultural, oil, gas and other mineral, water stock, riparian and other water rights now or hereafter appertaining to the use and enjoyment of the Property.

V. GRANTING CLAUSE

Agreements. All estate, right, title and interest of the Grantor in, to, under or derived from: all Insurance Policies (including all unearned premiums and dividends thereunder); all guarantees and warranties relating to the Property; all supply and service contracts for water, sanitary and storm sewer, drainage, electricity, steam, gas, telephone and other utilities now or hereafter relating to the Property; and all other contracts and agreements affecting or relating to the use, enjoyment or occupancy of the Property except to the extent that the grant of a security interest therein would constitute a material violation of a valid and enforceable restriction in favor of a third party unless and until all required consents shall have been obtained (all of the foregoing being collectively called the "**Agreements**").

VI. GRANTING CLAUSE

Leases. All estate, right, title and interest of the Grantor (under which Grantor is landlord, sublandlord or licensor) in, to, under or derived from: all Leases now or hereafter in effect, whether or not of record, for the use or occupancy of all or any part of the Property except to the extent that the grant of a security interest therein would constitute a material violation of a valid and enforceable lease with a third party unless and until all required consents shall have been obtained.

VII. GRANTING CLAUSE

Rents, Issues and Profits. All estate, right, title and interest of the Grantor in, to, under or derived from: all rents, royalties, issues, profits, receipts, revenue, income and other benefits now or hereafter accruing with respect to the Property, including all rents and other sums now or hereafter payable pursuant to the Leases; all other sums now or hereafter payable with respect to the use, occupancy, management, operation or control of the Property; and all other claims, rights and remedies now or hereafter belonging or accruing with respect to the Property, including fixed, additional and percentage rents, occupancy charges, security deposits, parking, maintenance, common area, tax, insurance, utility and service charges and contributions (whether collected under the Leases or otherwise), proceeds of sale of electricity, gas, heating, air-conditioning and other utilities and services (whether collected under the Leases or otherwise), and

deficiency rents and liquidated damages following default or cancellation (the foregoing rents and other sums described in this Granting Clause being collectively called the "**Rents**"), all of which the Grantor hereby irrevocably directs be paid to the Beneficiary, subject to the license granted to the Grantor pursuant to Section 5.07(b), to be held, applied and disbursed as provided in this Deed of Trust.

VIII. GRANTING CLAUSE

Permits. All estate, right, title and interest of the Grantor in, to, under or derived from all licenses, authorizations, certificates, variances, consents, approvals and other permits now or hereafter appertaining to the Property (the foregoing being collectively called the "**Permits**"), excluding from the grant under this Granting Clause (but not the definition of the term "**Permits**" for the other purposes hereof) any Permits which cannot be transferred or encumbered by the Grantor without causing a default thereunder or a termination thereof.

IX. GRANTING CLAUSE

Books and Records. All estate, right, title and interest of the Grantor in, to, under or derived from all books and records, including tenant files, credit files, customer files, computer print outs, files, programs and other computer and electronic materials and records, now or hereafter relating to the Property.

X. GRANTING CLAUSE

Intangible Property. All estate, right, title and interest of the Grantor in, to, under or derived from the Property and other intangible property not described in the foregoing Granting Clauses now or hereafter relating to the use and operation of the Property as a going concern.

XI. GRANTING CLAUSE

Deposits, Proceeds and Awards. All estate, right, title and interest of the Grantor in, to, under or derived from all amounts deposited with the Beneficiary under the Loan Documents with respect to the Property, including all Insurance Proceeds, Awards and title insurance proceeds under any title insurance policy now or hereafter held by the Grantor (the foregoing being collectively called "**Deposits**"), proceeds of any Transfer, financing, refinancing or conversion into cash or liquidated claims, whether voluntary or involuntary, of any of the Trust Property; and all rights, dividends and other claims of any kind whatsoever (including damage, secured, unsecured, priority and bankruptcy claims) now or hereafter relating to any of the Trust Property (except to the extent that the grant of a security interest therein would constitute a material violation of a valid and

enforceable restriction in favor of a third party unless and until all required consents shall have been obtained), all of which the Grantor hereby irrevocably directs be paid to the Beneficiary to the extent provided hereunder, to be held, applied and disbursed as provided in this Deed of Trust.

XII. GRANTING CLAUSE

Refunds, Credits or Reimbursements. All estate, right, title and interest of the Grantor in and to any and all real estate tax refunds payable to the Grantor with respect to the Property, and refunds, credits or reimbursements payable with respect to bonds, escrow accounts or other sums payable in connection with the use, development, or ownership of the Property.

XIII. GRANTING CLAUSE

Additional Property. All greater, additional or other estate, right, title and interest of the Grantor in, to, under or derived from the Trust Property hereafter acquired by the Grantor, including all right, title and interest of the Grantor in, to, under or derived from all extensions, improvements, betterments, renewals, substitutions and replacements of, and additions and appurtenances to, any of the Trust Property hereafter acquired by or released to the Grantor or constructed or located on, or attached to, the Property, in each case, immediately upon such acquisition, release, construction, location or attachment; all estate, right, title and interest of the Grantor in, to, under or derived from any other property and rights which are, by the provisions of the Security Documents, required to be subjected to the Lien hereof.

TO HAVE AND TO HOLD the Trust Property, together with all estate, right, title and interest of the Grantor and anyone claiming by, through or under the Grantor in, to, under or derived from the Trust Property and all rights and appurtenances relating thereto, to the Beneficiary and its successors and assigns, forever, subject to Permitted Liens.

PROVIDED ALWAYS the Liens on Restricted Collateral granted herein or in any Domestic Security Document will only secure at any time an amount of Secured Obligations not to exceed the Basket Lien Available Amount at such time.

PROVIDED ALWAYS that this Deed of Trust is upon the express condition that the Trust Property shall be released from the Lien of this Deed of Trust in full or in part in the manner and at the time provided in Section 7.02; and provided further, that notwithstanding anything herein to the contrary, the Trust Property shall include only the real property (including fixtures) hereinabove described and the Collateral described in the Security Agreement.

THE GRANTOR ADDITIONALLY COVENANTS AND AGREES WITH THE BENEFICIARY AS FOLLOWS:

ARTICLE 1

DEFINITIONS AND INTERPRETATIONS

SECTION 1.01. *Definitions*. (a) Capitalized terms used in this Deed of Trust, but not otherwise defined herein, are defined in, or are defined by reference in, the Credit Agreement or, if not therein, in the Security Agreement, and have the same meanings herein as therein.

(b) In addition, as used herein, the following terms have the following meanings:

"**Actionable Event of Default**" means an Event of Default specified in clause (a), (b), (h), (i) or (j) of Section 7.01 of the Credit Agreement.

"**Agreements**" is defined in Granting Clause V.

"**Awards**" means, at any time, all awards or payments paid or payable by reason of any Condemnation or in connection with any agreement with any condemning authority which has been made in settlement of any proceeding relating to a Condemnation.

"**Bankruptcy Code**" (or "**Code**") means the Bankruptcy Code of 1978, as amended.

"Basket Lien Available Amount" means at any time an amount equal to (a) the maximum amount of "indebtedness" or "debt" (whichever is used in each Reference Indenture, as defined in such Reference Indenture when used in this definition) that, in reliance solely upon the Reference Basket Lien Provisions, could be outstanding and secured by a Lien or other arrangement on the properties and assets referred to therein without requiring such Lien or other arrangement to equally and ratably secure indebtedness (or debt) outstanding under any of the Reference Indentures (such determination to be made assuming that at least one dollar of indebtedness (or debt) remains outstanding under at least one Reference Indenture, even if all such indebtedness (or debt) has actually been repaid in full), less (b) the principal amount of all outstanding indebtedness (or debt) (other than the Loans, the LC Exposure and the XCFI Debentures) that is secured by any Lien or other arrangement that is permitted solely in reliance on any of the Reference Basket Lien Provisions (such determination to be made assuming that at least one dollar of indebtedness (or debt) remains outstanding under at least one Reference

Indenture, even if all such indebtedness (or debt) has been repaid in full), provided that (x) on any day an Event of Default described in Sections 7.01(h), 7.01(i) or 7.01(j) of the Credit Agreement has occurred, the Basket Lien Available Amount shall be fixed at an amount never less than the amount in effect on such day and shall no longer be subject to decrease below such amount (but shall remain subject to increase and subsequent decrease down to such amount) and (y) if at any time there is no Reference Indenture with a Reference Basket Lien Provision (or other Indenture with a provision substantially identical to any Reference Basket Lien Provision) under which any indebtedness (or debt) is outstanding (other than the XCFI Debentures), the Basket Lien Available Amount shall thereafter be an unlimited amount.

"**Beneficiary**" is defined in the Preamble.

"**Borrowers**" means Xerox and the Overseas Borrowers.

"**Business Day**" is defined in the Credit Agreement.

"**CA Secured Obligations**" means (a) all principal of and premium and interest (including, without limitation, any Post-Petition Interest) on any Loan outstanding from time to time or any LC Reimbursement Obligations under, or any promissory note issued pursuant to, the Credit Agreement and (b) all other amounts payable by any Borrower under the Credit Agreement or under any other Loan Document (as the same may hereafter be amended, restated, supplemented or otherwise modified from time to time) (including any Post-Petition Interest with respect to such amounts).

"**Casualty**" means any damage to, or destruction of, the Property by reason of fire or any other cause or event.

"**Collateral**" is defined in the Security Agreement.

"**Collateral Account**" is defined in the Security Agreement.

"**Collateral Agent**" is defined in the Recitals.

"**Condemnation**" means any condemnation or other taking or temporary or permanent requisition of the Property, any interest therein or right appurtenant thereto, or any change of grade affecting the Property, as the result of the exercise of any right of condemnation or eminent domain. A Transfer to a governmental authority in lieu or anticipation of Condemnation shall be deemed to be a Condemnation.

"**Contingent CA Secured Obligation**" means, at any time, any CA Secured Obligation (or portion thereof) that is contingent in nature at such time, including any CA Secured Obligation that is:

(i) an obligation to reimburse a Lender for drawings not yet made under a Letter of Credit issued by it;

(ii) any other obligation (including any guarantee) that is contingent in nature at such time; or

(iii) an obligation to provide collateral to secure any of the foregoing types of obligations.

"**Contingent Hedging Secured Obligation**" means, at any time, any Hedging Secured Obligation that is contingent in nature at such time, including any obligation under a Designated Hedging Agreement to make payments that cannot be quantified at such time.

"**Credit Agreement**" is defined in the second WHEREAS clause.

"**Deed of Trust**" is defined in the Preamble.

"**Deposits**" is defined in Granting Clause XI.

"**Designated Hedging Agreement**" is a hedging agreement designated by the Grantor under Section 21 of the Security Agreement.

"**Equipment**" is defined in Granting Clause III.

"**Event of Default**" means an "Event of Default" under the Credit Agreement.

"**Existing Credit Agreement**" is defined in the first WHEREAS clause.

"**GAAP**" is defined in the Credit Agreement.

"**Grantor**" is defined in the Preamble.

"**Hedging Secured Obligations**" means (i) with respect to any Secured Subsidiary Guarantor all obligations of such Secured Subsidiary Guarantor, whether as principal or as guarantor, under any Designated Hedging Agreement and any renewals or extensions thereof and (ii) with respect to Xerox, (x) all obligations of Xerox, whether as principal or as guarantor, and (y) all obligations

of any Subsidiary (other than a Secured Subsidiary Guarantor) to the extent Xerox does not otherwise guarantee such obligations, each under any Designated Hedging Agreement and any renewals or extensions thereof.

"**Hedging Secured Parties**" means the Lenders and their Affiliates that are party to a Designated Hedging Agreement.

"**High Yield Indenture**" means that certain Indenture dated as of January 17, 2002 among Xerox and Wells Fargo Bank Minnesota, National Association, as Trustee, with respect to the 9 3/4 Senior Notes due 2009 (denominated in U.S. dollars).

"**Identified Indenture**" means each indenture identified in Schedule 1.01I of the Credit Agreement as replaced from time to time pursuant to Section 5.01(f) of the Credit Agreement.

"**Impositions**" means all taxes (including real estate taxes and transfer taxes), assessments (including all assessments for public improvements or benefits, whether or not commenced or completed prior to the date hereof), gas, electricity, steam, water, sewer or other rents, rates and charges, excises, levies, license fees, permit fees, inspection fees and other authorization fees and other charges, in each case whether general or special, ordinary or extraordinary, foreseen or unforeseen, of every character (including all interest and penalties thereon), which at any time may be assessed, levied, confirmed or imposed on or in respect of, or be a Lien upon, (i) the Property, any other Trust Property or any interest therein, (ii) any occupancy, use or possession of, or activity conducted on, the Property, (iii) the Rents, or (iv) the Secured Obligations or the Security Documents, but excluding income, excess profits, franchise, capital stock, estate, inheritance, succession, gift or similar taxes of the Grantor or any Secured Party, except to the extent that such taxes of the Grantor or any Secured Party are imposed in whole or in part in lieu of, or as a substitute for, any taxes which are or would otherwise be Impositions.

"**Improvements**" is defined in Granting Clause II.

"**Insurance Policies**" means the insurance policies and coverages required to be maintained by the Grantor with respect to the Property pursuant to Section 5.07 of the Credit Agreement.

"**Insurance Premiums**" means all premiums payable under the Insurance Policies.

"**Insurance Proceeds**" means, at any time, all insurance proceeds or payments to which the Grantor may be or become entitled under the Insurance

Policies by reason of any Casualty plus all insurance proceeds and payments to which the Grantor may be or become entitled by reason of any Casualty under any other insurance policies or coverages maintained by the Grantor with respect to the Property.

"**Insurance Requirements**" means all provisions of the Insurance Policies, all requirements of the issuer of any of the Insurance Policies and all orders, rules, regulations and any other requirements of the National Board of Fire Underwriters (or any other body exercising similar functions) applicable to the Property, any adjoining vaults, sidewalks, parking areas or driveways, or any use or condition thereof.

"**Land**" is defined in Granting Clause I.

"**LC Disbursement**" means a payment made by an LC Issuing Bank in respect of a drawing under a Letter of Credit.

"**LC Exposure**" means, at any time, the sum of (a) the aggregate undrawn amount of all Letters of Credit outstanding at such time plus (b) the aggregate amount of all LC Disbursements that have not yet been reimbursed by the Borrowers at such time. The LC Exposure of any Revolving Lender (as defined in the Credit Agreement) at any time will be its Revolving Percentage (as defined in the Credit Agreement) of the total LC Exposure at such time.

"**Lease**" means each lease, sublease, tenancy, subtenancy, license, franchise, concession or other occupancy agreement relating to the Property, together with any guarantee of the obligations of the tenant thereunder or any right to possession under the Bankruptcy Code or any other Applicable Law in the event of the rejection of any Lease by the landlord or its trustee pursuant to said Code or said Applicable Law.

"**Legal Requirements**" means all provisions of the Leases, Agreements, Permits and all provisions of Applicable Laws, statutes, codes, acts, ordinances, orders, judgments, decrees, injunctions, rules, regulations, directions and requirements of, and agreements with, governmental bodies, agencies or officials, now or hereafter applicable to the Property, or any use or condition thereof.

"**Lenders**" means the "Lenders" under the Credit Agreement.

"**Letter of Credit**" means any letter of credit issued pursuant to the Credit Agreement.

"**Lien**" is defined in the Credit Agreement.

"**Loan Documents**" is defined in the Credit Agreement.

"**Loans**" means loans made by the Lenders to the Borrowers pursuant to the Credit Agreement.

"**Material Adverse Effect**" is defined in Credit Agreement.

"**Non-Contingent CA Secured Obligation**" means at any time any CA Secured Obligation (or portion thereof) that is not a Contingent CA Secured Obligation at such time.

"**Other Mortgages**" is defined in Section 7.11.

"**Overseas Borrowers**" means (i) XCE, (ii) XCD and (iii) any other Qualified Foreign Subsidiary (as defined in the Credit Agreement) as to which an Election to Participate shall have been delivered to the Administrative Agent in accordance with Section 2.18 of the Credit Agreement; *provided* that the status of any of the foregoing as an Overseas Borrower shall terminate if and when an Election to Terminate (as defined in the Credit Agreement) is delivered to the Administrative Agent in accordance with Section 2.18 of the Credit Agreement.

"**Permits**" is defined in Granting Clause VIII.

"**Permitted Encumbrances**" means the Security Interests, Liens and other matters described in Exhibit B hereto.

"**Permitted Liens**" means the Security Interests and Liens on the Collateral permitted to be created or assumed or to exist pursuant Section 6.01 of the Credit Agreement or pursuant to the Security Agreement.

"**Person**" is defined in the Credit Agreement.

"**Post-Default Rate**" means a rate per annum equal to the sum of 2% plus the rate applicable to Base Rate (as defined in the Credit Agreement) Loans from time to time.

"**Post-Petition Interest**" means, with respect to any obligation of any Person, any interest that accrues after the commencement of any case, proceeding or other action relating to the bankruptcy, insolvency or reorganization of such Person (or would accrue but for the operation of applicable bankruptcy or insolvency laws), whether or not such interest is allowed or allowable as a claim in any such proceeding.

"**Proceeds**" is defined in the Security Agreement.

"**Property**" is defined in Granting Clause III.

"**Receiver**" is defined in Section 5.02(a)(iv).

"**Reference Basket Lien Provisions**" means the first proviso (not in a parenthetical) to Section 1012(a) of the High Yield Indenture and any equivalent provisions in the other Reference Indentures.

"**Reference Indentures**" means (a) initially, the High Yield Indenture and the Identified Indentures and (b) if all of the Debt (as defined in the Credit Agreement) issued under all of the High Yield Indenture and the Identified Indentures has been repaid in full, from time to time thereafter such other Indenture (as defined in the Credit Agreement) governing outstanding debt of Xerox (which must have a provision governing the creation of liens securing Debt of Xerox and its Subsidiaries that, to the reasonable satisfaction of the Administrative Agent, is substantially identical to the comparable provision in the High Yield Indenture) as shall have been designated by Xerox in a notice to the Administrative Agent (with a copy of such indenture attached thereto), it being understood that even if all of the Debt issued under the Indentures described in clause (a) has been repaid in full, such Indentures shall remain as the Reference Indentures until Xerox has so designated another indenture pursuant to this clause (b).

"**Release Conditions**"means the following conditions for releasing all the Trust Property and terminating all the Security Interests:

(i) all Revolving Commitments under the Credit Agreement shall have expired or been terminated;

(ii) all Non-Contingent CA Secured Obligations shall have been paid in full; and

(iii) no Contingent CA Secured Obligation shall remain outstanding;

provided that the condition in clause (iii) shall not apply to outstanding Letters of Credit if (x) no Event of Default has occurred and is continuing and (y) Xerox or the applicable Borrower has granted to the Collateral Agent, for the benefit of the Revolving Lenders (or, if the obligations of the Revolving Lenders to reimburse the applicable LC Issuing Banks have been terminated, to such LC Issuing Banks), a Security Interest in Liquid Investments (or causes a bank acceptable to the Required Revolving Lenders or such LC Issuing Banks, as the case may be, to issue a letter of credit naming the Collateral Agent or such LC Issuing Banks as

beneficiary) in an amount at least equal to 105% of the LC Exposure (plus any accrued and unpaid interest thereon) as of the date of such termination, on terms and conditions and pursuant to documentation reasonably satisfactory to the Required Revolving Lenders or such LC Issuing Banks, as the case may be.

"**Rents**" is defined in Granting Clause VII.

"**Required Lenders**" is defined in the Credit Agreement.

"**Restoration**" means the restoration, repair, replacement or rebuilding of the Property after a Casualty or Condemnation and "**Restore**" means to restore, repair, replace or rebuild the Property after a Casualty or Condemnation, in each case as nearly as possible to a value, utility and condition existing immediately prior to such Casualty or Condemnation.

"**Restricted Collateral**" means the Collateral of Xerox or any Restricted Secured Subsidiary Guarantor (and any Proceeds of such Collateral shall also constitute "Restricted Collateral").

"**Restricted Secured Subsidiary Guarantor**" means a Secured Subsidiary Guarantor that is a "Specified Subsidiary" under the High Yield Indenture or that falls within an equivalent category under any other Reference Indentures.

"**Revolving Commitment**" is defined in the Credit Agreement.

"**Subsidiary**" means any subsidiary of Xerox.

"**Secured Loan Amount**" is defined in the second to the last WHEREAS clause of this Deed of Trust.

"**Secured Obligations**" means (i) the CA Secured Obligations, (ii) the XCFI Secured Obligations, and, (iii) the Hedging Secured Obligations.

"**Secured Parties**" means (i) with respect to the CA Secured Obligations, the Agents, the Lenders and the LC Issuing Banks, (ii) with respect to the XCFI Secured Obligations, the Trustee under each of the XCFI Indentures (and any successor Trustee thereunder) for the benefit of the holders of the XCFI Debentures and (iii) with respect to the Hedging Secured Obligations, the Hedging Secured Parties.

"**Secured Subsidiary Guarantor**" means a Subsidiary Guarantor other than XCC.

"**Security Agreement**" means the Guarantee and Security Agreement dated as of June 25, 2003, among the Grantor, the Subsidiary Guarantors party thereto and the Beneficiary pursuant to which, among other things, the Grantor and the Secured Subsidiary Guarantors grant to the Beneficiary a security interest in certain collateral (as described therein).

"**Security Deposit**" means any payment, note, letter of credit or other security or deposit made or given by or on behalf of a tenant under a Lease as security for the performance of its obligations thereunder, and any interest accrued thereon.

"**Security Documents**" means the Security Agreement, this Deed of Trust, the Other Mortgages and each other Security Document (as defined in the Credit Agreement) executed and delivered by a Domestic Credit Party (as defined in the Credit Agreement) pursuant to the Credit Agreement.

"**Security Interests**" means the security interests in the Collateral granted under the Security Documents securing the Secured Obligations.

"**Subsidiary Guarantors**" means each Subsidiary listed on the signature pages of the Security Agreement under the caption "Guarantors" and each Subsidiary that shall, at any time, after the date thereof, become a "Guarantor" pursuant to Section 20 of the Security Agreement.

"**Transfer**" means, when used as a noun, any sale, conveyance, disposition, assignment, lease, license or other transfer and, when used as a verb, to sell, convey, dispose, assign, lease, license or otherwise transfer, in each case (i) whether voluntary or involuntary, (ii) whether direct or indirect and (iii) including any agreement providing for a Transfer or granting any right or option providing for a Transfer.

"**Trust Property**" is defined in the Granting Clauses.

"**UCC**" means the Uniform Commercial Code as in effect in the State in which the Trust Property is located, *provided* that if by reason of mandatory provisions of law, the perfection or the effect of perfection or non-perfection or the priority of any Security Interest in any Collateral is governed by the Uniform Commercial Code as in effect in a jurisdiction other than the State in which the Trust Property is located, "UCC" means the Uniform Commercial Code as in effect in such other jurisdiction for purposes of the provisions hereof relating to such perfection, effect of perfection or non-perfection or priority.

"**XCD**" means Xerox Canada Capital Ltd., a Canadian corporation.

"**XCE**" means Xerox Capital (Europe) plc, a company incorporated in England and Wales.

"**XCFI Debentures**" means (a) the 10.70% Sinking Fund Debentures due 2006 issued pursuant to that certain Trust Indenture dated as of December 15, 1986, as supplemented and amended by the First through Fourth Supplemental Trust Indentures, among Xerox Canada Finance Inc., Xerox Canada Inc., Xerox Canada Holdings Inc. and National Trust Company, as Trustee and (b) the 12.15% Sinking Fund Debentures due 2007 issued pursuant to that certain Trust Indenture dated as of October 27, 1987, as supplemented and amended by the First through Fourth Supplemental Trust Indentures, among Xerox Canada Finance Inc., Xerox Canada Inc., Xerox Canada Holdings Inc. and National Trust Company, as Trustee.

"**XCFI Indentures**" means (a) that certain Trust Indenture dated as of December 15, 1986, as supplemented and amended by the First through Fourth Supplemental Trust Indentures, among Xerox Canada Finance Inc., Xerox Canada Inc., Xerox Canada Holdings Inc. and National Trust Company, as Trustee and (b) that certain Trust Indenture dated as of October 27, 1987, as supplemented and amended by the First through Fourth Supplemental Trust Indentures, among Xerox Canada Finance Inc., Xerox Canada Inc., Xerox Canada Holdings Inc. and National Trust Company, as Trustee.

"**XCFI Secured Obligations**" means the obligations of the Grantor under the XCFI Indentures and shall include all amounts outstanding under the XCFI Debentures and accrued and unpaid interest and other amounts owing with respect thereto.

"**Xerox Guarantee**" means the Grantor's guarantee of the Overseas CA Secured Obligations (as defined in the Security Agreement).

(c) In this Deed of Trust, unless otherwise specified, references to this Deed of Trust, other Loan Documents, Leases, Permits and Agreements include all amendments, supplements, consolidations, replacements, restatements, extensions, renewals and other modifications thereof, in whole or in part.

SECTION 1.02. *Interpretation*. In this Deed of Trust, unless otherwise specified: (a) singular words include the plural and plural words include the singular; (b) words which include a number of constituent parts, things or elements, including the terms Leases, Improvements, Land, Secured Obligations, Property and Trust Property, shall be construed as referring separately to each constituent part, thing or element thereof, as well as to all of such constituent parts, things or elements as a whole; (c) words importing any gender include the other genders; (d) references to any Person include such Person's successors and

assigns and in the case of an individual, the word "**successors**" includes such Person's heirs, devisees, legatees, executors, administrators and personal representatives; (e) references to any statute or other law include all applicable rules, regulations and orders adopted or made thereunder and all statutes or other laws amending, consolidating or replacing the statute or law referred to; (f) the words "**consent**", "**approve**", "**agree**" and "**request**", and derivations thereof or words of similar import, mean the prior written consent, approval, agreement or request of the Person in question; (g) the words "**include**" and "**including**", and words of similar import, shall be deemed to be followed by the words "**without limitation**"; (h) the words "**hereto**", "**herein**", "**hereof**" and "**hereunder**", and words of similar import, refer to this Deed of Trust in its entirety; (i) references to Articles, Sections, Schedules, Exhibits, subsections, paragraphs and clauses are to the Articles, Sections, Schedules, Exhibits, subsections, paragraphs and clauses of this Deed of Trust; (j) the Schedules and Exhibits to this Deed of Trust are incorporated herein by reference; (k) the titles and headings of Articles, Sections, Schedules, Exhibits, subsections, paragraphs and clauses are inserted as a matter of convenience and shall not affect the construction of this Deed of Trust; (l) all obligations of the Grantor hereunder shall be satisfied by the Grantor at the Grantor's sole cost and expense; and (m) all rights and powers granted to the Beneficiary hereunder shall be deemed to be coupled with an interest and be irrevocable.

SECTION 1.03. *Resolution of Drafting Ambiguities*. The Grantor acknowledges that it was represented by counsel in connection with this Deed of Trust, that it and its counsel reviewed and participated in the preparation and negotiation of this Deed of Trust and that any rule of construction to the effect that ambiguities are to be resolved against the drafting party or the Beneficiary shall not be employed in the interpretation of this Deed of Trust.

ARTICLE 2

CERTAIN REPRESENTATIONS, WARRANTIES AND COVENANTS

SECTION 2.01. *Title, Authority and Effectiveness*. (a) The Grantor represents and warrants that (i) the Grantor has good and marketable title to the fee simple interest in the Land and the Improvements, free and clear of all Liens other than the Permitted Liens and defects in title that could not reasonably be expected to result in a Material Adverse Effect; (ii) the Grantor is the owner of, or has a valid leasehold interest in, the Equipment and all other items constituting the Trust Property, in each case free and clear of all Liens other than the Permitted Liens and defects in title that could not reasonably be expected to result in a Material Adverse Effect; (iii) to the knowledge of the appropriate property

management personnel of the Grantor, as of the date hereof, neither the Trust Property nor any interest therein is subject to any right of first refusal, option or other contractual right to purchase such Trust Property or interest therein except as permitted under the Credit Agreement; and (iv) this Deed of Trust constitutes a valid, binding and enforceable agreement of the Grantor, enforceable in accordance with its terms, except as the enforceability thereof may be limited by bankruptcy, insolvency, reorganization or moratorium or other similar laws relating to the enforcement of creditors' rights generally and by general equitable principles, regardless of whether considered in a proceeding in equity or at law.

(b) The Grantor shall for as long as the Secured Obligations remain outstanding and except as otherwise permitted by the Credit Agreement, preserve, protect, warrant and defend (i) its estate, right, title and interest in and to the Trust Property, (ii) the validity, enforceability and priority of the Lien of this Deed of Trust on the Trust Property, and (iii) the right, title and interest of the Beneficiary and any purchaser at any sale of the Trust Property hereunder or relating hereto, in each case, against all other Liens, subject only to the Permitted Liens.

(c) The Grantor, at its sole cost and expense, shall (i) upon the request of the Beneficiary, promptly correct any defect or error which may be discovered in this Deed of Trust or any financing statement or other document relating hereto; and (ii) promptly execute, acknowledge, deliver, record and re-record, register and re-register, and file and re-file this Deed of Trust and any financing statements or other documents which the Beneficiary may require from time to time (all in form and substance reasonably satisfactory to the Beneficiary) in order (A) to effectuate, complete, perfect, continue or preserve the Lien of this Deed of Trust as a first Lien on the Trust Property, whether now owned or hereafter acquired, subject only to the Permitted Liens, or (B) to effectuate, complete, perfect, continue or preserve any right, power or privilege granted or intended to be granted to the Beneficiary hereunder or otherwise accomplish the purposes of this Deed of Trust. To the fullest extent permitted by Applicable Law, the Grantor hereby authorizes the Beneficiary to execute and file financing statements or continuation statements without the Grantor's signature appearing thereon. The Grantor shall pay on demand the costs of, or incidental to, any recording or filing of any financing or continuation statement, or amendment thereto, concerning the Trust Property.

(d) Upon the recording of this Deed of Trust in the appropriate county recording offices, the Lien of this Deed of Trust and the Security Interest in the Trust Property constituting real property and fixtures granted hereby shall be a perfected first Lien on and Security Interest in such Trust Property prior to all Liens on and security interests in such Property other than the Permitted Liens and defects in title that could not reasonably be expected to result in a Material Adverse Effect.

(e) Nothing herein shall be construed to subordinate the Lien of this Deed of Trust to any Permitted Lien to which the Lien of this Deed of Trust is not otherwise subordinate.

SECTION 2.02. *Secured Obligations*. The Grantor shall duly and punctually pay, perform and observe the Secured Obligations at the time and place and in the manner specified in the Credit Agreement and the other Loan Documents.

SECTION 2.03. *Impositions*. Except as may be otherwise permitted under the Credit Agreement, the Grantor shall (i) duly and punctually pay all Impositions that if not paid, could result in a Material Adverse Effect, other than Impositions that are being contested in accordance with the Credit Agreement; (ii) not make any deduction from or claim any credit on any Secured Obligation by reason of any Imposition and, to the extent permitted under Legal Requirements, hereby irrevocably waives any right to do so; and (iii) upon request, promptly deliver to the Beneficiary such information and documents with respect to the matters referred to in this Section as the Beneficiary shall reasonably request.

SECTION 2.04. *Insurance Requirements*. The Grantor represents and warrants that (i) as of the date hereof, the Property and the use and operation thereof comply in all material respects with all Insurance Requirements; (ii) as of the date hereof, there is no material default under any Insurance Requirement; and (iii) the execution, delivery and performance of this Deed of Trust will not contravene in any material respect any provision of or constitute a material default under any Insurance Requirement.

SECTION 2.05. *Care of the Property*. The Grantor shall (i) operate and maintain the Property, or use commercially reasonable efforts to cause the same to be operated and maintained, in good working order and condition in accordance with past practice, ordinary wear and tear excepted, except where failure to do so could not reasonably be expected to have a Material Adverse Effect; (ii) promptly make, or cause to be made, all Restorations of and to the Property required by the Credit Agreement and all other Restorations of and to the Property, whether interior or exterior, structural or nonstructural, foreseen or unforeseen, which may be necessary or appropriate to keep the Property in good order, repair and condition in accordance with past practice, which Restoration shall be equal in quality to or better than the Property as of the date hereof except where failures to do so could not reasonably be expected to have a Material Adverse Effect; and (iii) upon request, promptly deliver to the Beneficiary such information and documents with respect to the matters referred to in this Section as the Beneficiary shall reasonably request.

SECTION 2.06. *Liens*. The Grantor shall not create or permit to be created or to remain, and shall immediately discharge or cause to be discharged, any Lien on the Trust Property or any interest therein, in each case (i) whether voluntarily or involuntarily created, (ii) whether directly or indirectly a Lien thereon and (iii) whether or not subordinated hereto, except, in each case, for Permitted Liens. The provisions of this Section shall apply to each and every Lien (other than Permitted Liens on the Trust Property or any interest therein, regardless of whether or not a consent to, or waiver of a right to consent to, any other Lien thereon has been previously obtained in accordance with the terms of the Loan Documents. Nothing herein shall obligate the Grantor to remove any inchoate statutory Lien in respect of obligations not yet due and payable.

SECTION 2.07. *Transfer*. The Grantor shall not Transfer, or suffer any Transfer of, the Trust Property or any part thereof or interest therein, except as permitted or contemplated by Section 6.05 of the Credit Agreement or any other Loan Document. The provisions of this Section shall apply to each and every Transfer of the Trust Property or any interest therein, regardless of whether or not a consent to, or waiver of a right to consent to, any other Transfer thereof has been previously obtained in accordance with the provisions of the Loan Documents.

SECTION 2.08. *Certain Amounts*. If the Beneficiary exercises any of its rights or remedies under this Deed of Trust, or if any actions or proceedings (including any bankruptcy, insolvency or reorganization proceedings) are commenced in which the Beneficiary is made a party and is obliged to defend or uphold or enforce this Deed of Trust or the rights of the Beneficiary hereunder or the terms of any Lease, or if a condemnation proceeding is instituted affecting the Trust Property, the Grantor will pay all reasonable sums, including reasonable attorneys' fees and disbursements, incurred by the Beneficiary related to the exercise of any remedy or right of the Beneficiary pursuant hereto and the reasonable expenses of any such action or proceeding together with all statutory or other costs, disbursements and allowances, interest thereon from the date of demand for payment thereof at the Post-Default Rate, and such sums and the interest thereon shall, to the extent permissible by law, be a Lien on the Trust Property prior to any right, title to, interest in or claim upon the Trust Property attaching or accruing subsequent to the recording of this Deed of Trust and shall be secured by this Deed of Trust to the extent permitted by law. Any payment of amounts due under this Deed of Trust not made on or before the due date for such payments (including any applicable notice and grace period) shall accrue interest daily without notice from the due date until paid at the Post-Default Rate, and such interest at the Post-Default Rate shall be immediately due upon demand by the Beneficiary.

ARTICLE 3

INSURANCE, CASUALTY AND CONDEMNATION

SECTION 3.01. *Insurance*. (a) The Grantor shall maintain in full force and effect Insurance Policies with respect to the Property as required by Section 5.07 of the Credit Agreement.

(b) If at any time the area in which any Improvement is located is designated a "flood hazard area" in any Flood Insurance Rate Map published by the Federal Emergency Management Agency (or any successor agency), the Grantor shall obtain flood insurance in such total amount as the Beneficiary may from time to time reasonably require, and otherwise comply with the National Flood Insurance Program as set forth in the Flood Disaster Protection Act of 1973, as amended from time to time. As of the date hereof, the Beneficiary acknowledges that the Improvements are not located in a "flood hazard area."

SECTION 3.02. *Casualty*. The Grantor represents and warrants that, as of the date hereof, there is no material Casualty affecting the Property.

SECTION 3.03. *Condemnation*. The Grantor represents and warrants that, as of the date hereof, (i) it has not received any written notice of any Condemnation affecting the Property, (ii) to the knowledge of the appropriate property management personnel of the Grantor, there are no negotiations or proceedings which might result in such a Condemnation, and (iii) to the knowledge of the appropriate property management personnel of the Grantor, no such Condemnation is proposed or threatened.

ARTICLE 4

CERTAIN SECURED OBLIGATIONS

SECTION 4.01. *Revolving Loans*. The Secured Obligations secured by this Deed of Trust include Revolving Loans made under the Credit Agreement in the maximum principal or face amount of $700,000,000 which are advanced, paid and readvanced from time to time. Notwithstanding the amount outstanding at any particular time, this Deed of Trust secures the total amount of the Secured Obligations up to the Secured Loan Amount, *provided, however,* Liens on Restricted Collateral granted pursuant to this Deed of Trust or in any Security Document will only secure at any time an amount of Secured Obligations not to exceed the Basket Lien Available Amount at such time. The unpaid balance of the Loans may at certain times be, or be reduced to, zero. A zero balance, by itself, does not affect any Lender's obligations to advance Loans which are

obligatory subject to the conditions stated in the Credit Agreement. Each of the interest of the Beneficiary hereunder and the priority of the Lien of this Deed of Trust will remain in full force and effect with respect to all of the Secured Obligations notwithstanding such a zero balance of the Loans, and the Lien of this Deed of Trust will not be extinguished until this Deed of Trust has been terminated pursuant to Section 7.02.

SECTION 4.02. *Right to Perform Obligations*. If an Event of Default arises as a result of the failure by Grantor to pay or perform any of its obligations under Section 2.03 or if an Actionable Event of Default shall have occurred and is continuing or upon an acceleration of the Loans in accordance with the terms of the Credit Agreement, the Beneficiary shall have the right, (i) with simultaneous notice if such payment or performance is necessary in the reasonable opinion of the Beneficiary to preserve the Beneficiary's rights under this Deed of Trust or with respect to the Trust Property, or (ii) after notice given reasonably in advance to allow the Grantor an opportunity to cure, to pay or perform such obligation, *provided* the Grantor is not contesting payment or performance in accordance with the Credit Agreement, and further *provided* that no such payment or performance shall be construed to be a cure of any Default or waiver of any Default or Secured Obligation. If pursuant to this Section 4.02, the Beneficiary shall make any payment on behalf of the Grantor or shall incur hereunder any expense for which the Beneficiary is entitled to reimbursement pursuant to the provisions of the Loan Documents, such Secured Obligation shall be repayable on demand and shall bear interest from the date incurred at the Post-Default Rate. Such interest, and any other interest on the Secured Obligations payable at the Post-Default Rate pursuant to the terms of the Loan Documents, shall accrue through the date paid notwithstanding any intervening judgment of foreclosure or sale. All such interest shall be part of the Secured Obligations and shall be secured by this Deed of Trust.

SECTION 4.03. *Changes in the Laws Regarding Taxation*. If after the date hereof there is enacted any Applicable Law deducting from the value of the Property for the purpose of taxation the Lien of any Security Document or changing in any way the Applicable Law for the taxation of mortgages, deeds of trust or other Liens or obligations secured thereby, or the manner of collection of such taxes, so as to adversely affect this Deed of Trust, the CA Secured Obligations, or any Secured Party holding CA Secured Obligations, upon demand by the Beneficiary or any other affected Secured Party holding CA Secured Obligations and to the fullest extent permitted under Applicable Law, the Grantor shall pay all taxes, assessments or other charges resulting therefrom or shall reimburse such Secured Party for all such taxes, assessments or other charges which such Secured Party is obligated to pay as a result thereof.

SECTION 4.04. *Indemnification*. The Grantor shall indemnify and hold harmless each Indemnitee (as defined in the Credit Agreement) from and against all losses, claims, damages, liabilities and related expenses, including reasonable fees, charges and disbursements of any counsel for any Indemnitee, incurred by or asserted against any Indemnitee, arising out of, in connection with, or as a result of, (a) the Beneficiary's exercise of any of its rights and remedies hereunder; (b) any accident, injury to or death of persons or loss of or damage to property occurring in, on or about the Trust Property or any part thereof or on the adjoining sidewalks, curbs, adjacent property or adjacent parking areas, street or ways (other than to the extent the same may occur from and after ownership and possession of the Trust Property is transferred to a purchaser at a foreclosure sale or otherwise); and (c) any other conduct or misconduct of the Grantor, any lessee or other occupant of any of the Trust Property, or any of their respective agents, contractors, subcontractors, servants, employees, licensees or invitees (other than to the extent the same may occur from and after ownership and possession of the Trust Property is transferred to a purchaser at a foreclosure sale or otherwise); *provided*, *however*, such indemnity shall not be available to any Indemnitee to the extent that such losses, claims, damages, liabilities or related expenses are determined by a court of competent jurisdiction in a final and unappealable judgment to have resulted from such Indemnitee's gross negligence or willful misconduct. Any amount payable under this Section will be payable on demand, be deemed a CA Secured Obligation and will bear interest pursuant to Section 4.02. The obligations of the Grantor under this Section shall survive the release of this Deed of Trust.

ARTICLE 5

DEFAULTS, REMEDIES AND RIGHTS

SECTION 5.01. *Events of Default*. (a) Any Event of Default under the Credit Agreement shall constitute an Event of Default hereunder.

(b) All notice and cure periods provided in the Credit Agreement shall run concurrently with any notice or cure periods provided under Applicable Law.

SECTION 5.02. *Remedies*. (a) Upon an acceleration of the Loans in accordance with the terms of the Credit Agreement and provided that the Ratings Condition shall not then be satisfied, each of the Trustee and the Beneficiary shall have the right and power to exercise any of the following remedies and rights, subject to mandatory provisions of Applicable Law, to wit:

(i) to institute a proceeding or proceedings, by advertisement, judicial process or otherwise as provided under Applicable Law, for the

complete or partial foreclosure of this Deed of Trust or the complete or partial sale of the Trust Property under the power of sale hereunder or under any Applicable Law; or

(ii) to sell the Trust Property, and all estate, right, title, interest, claim and demand of the Grantor therein and thereto, and all rights of redemption thereof, at one or more sales, as an entirety or in parcels, with such elements of real or personal property, at such time and place and upon such terms as the Beneficiary may deem expedient or as may be required under Applicable Law, and in the event of a sale hereunder or under any Applicable Law of less than all of the Trust Property, this Deed of Trust shall continue as a Lien on the remaining Trust Property; or

(iii) to institute a suit, action or proceeding for the specific performance of any of the provisions of this Deed of Trust; or

(iv) to be entitled to the appointment of a receiver, supervisor, trustee, liquidator, conservator or other custodian (a "**Receiver**") of the Trust Property, without notice to Grantor, to the fullest extent permitted by law, as a matter of right and without regard to, or the necessity to disprove, the adequacy of the security for the Secured Obligations or the solvency of the Grantor or any other Borrower, and the Grantor hereby, to the fullest extent permitted by Applicable Law, irrevocably waives such necessity and consents to such appointment, without notice, said appointee to be vested with the fullest powers permitted under Applicable Law, including to the fullest extent permitted under Applicable Law those under Section 5.02(a)(v); or

(v) to enter upon the Property, by the Beneficiary, Trustee or a Receiver (whichever is the Person exercising the rights under this clause), and, to the extent permitted under Applicable Law, exclude the Grantor and its managers, employees, contractors, agents and other representatives therefrom in accordance with Applicable Law, without liability for trespass, damages or otherwise, and take possession of all other Trust Property and all books, records and accounts relating thereto, and upon demand the Grantor shall surrender possession of the Property, the other Trust Property and such books, records and accounts to the Person exercising the rights under this clause; and having and holding the same, the Person exercising the rights under this clause may use, operate, manage, preserve, control and otherwise deal therewith and conduct the business thereof, either personally or by its managers, employees, contractors, agents or other representatives, without interference from the Grantor or its managers, employees, contractors, agents and other representatives; and, upon each such entry and from time to time

thereafter, at the expense of the Grantor and the Trust Property, without interference by the Grantor or its managers, employees, contractors, agents and other representatives, the Person exercising the rights under this clause may, as such Person deems expedient, (A) insure or reinsure the Property, (B) make all necessary or proper repairs, renewals, replacements, alterations, additions, Restorations, betterments and improvements to the Property and (C) in such Person's own name or, at the option of such Person, in the Grantor's name, exercise all rights, powers and privileges of the Grantor with respect to the Trust Property, including the right to enter into Leases with respect to the Property, including Leases extending beyond the time of possession by the Person exercising the rights under this clause; and the Person exercising the rights under this clause shall not be liable to account for any action taken hereunder, other than for Rents actually received by such Person, and shall not be liable for any loss sustained by the Grantor resulting from any failure to let the Property or from any other act or omission of such Person, except to the extent such loss is caused by such Person's own willful misconduct or gross negligence; or

(vi) with or, to the fullest extent permitted by Applicable Law, without entry upon the Property, in the name of the Beneficiary, Trustee or a Receiver (as required by law and whichever is the Person exercising the rights under this clause) or, at such Person's option, in the name of the Grantor, to collect, receive, sue for and recover all Rents and proceeds of or derived from the Trust Property, and after deducting therefrom all costs, expenses and liabilities of every character incurred by the Person exercising the rights under this clause in collecting the same and in using, operating, managing, preserving and controlling the Trust Property and otherwise in exercising the rights under Section 5.02(a)(v) or any other rights hereunder, including all amounts necessary to pay Impositions, Rents, Insurance Premiums and other costs, expenses and liabilities relating to the Property, as well as compensation for the services of such Person and its managers, employees, contractors, agents or other representatives, to apply the remainder as provided in Section 5.06; or

(vii) to take any action with respect to any Trust Property permitted under the UCC in accordance with the terms and conditions of the Domestic Security Agreement; or

(viii) to take any other action, or pursue any other remedy or right, as the Beneficiary or the Trustee may have under Applicable Law, and the Grantor does hereby grant the same to the Beneficiary or the Trustee (as the case may be); or

(ix) to exercise any statutory power of sale; or

(x) to declare all sums secured hereby to be immediately due and payable, without presentment, demand, notice of any kind, protest or notice of protest, all of which are expressly waived.

(b) To the fullest extent permitted by Applicable Law,

(i) each remedy or right hereunder shall be in addition to, and not exclusive or in limitation of, any other remedy or right hereunder, under any other Loan Document or under Applicable Law;

(ii) every remedy or right hereunder, under any other Loan Document or under Applicable Law may be exercised concurrently or independently and whenever and as often as deemed appropriate by the Beneficiary;

(iii) no failure to exercise or delay in exercising any remedy or right hereunder, under any other Loan Document or under Applicable Law shall be construed as a waiver of any Default hereunder or under any other Loan Document;

(iv) no waiver of, failure to exercise or delay in exercising any remedy or right hereunder, under any other Loan Document or under Applicable Law upon any Default hereunder or under any other Loan Document shall be construed as a waiver of, or otherwise limit the exercise of, such remedy or right upon any other or subsequent Default hereunder or under any other Loan Document;

(v) no single or partial exercise of any remedy or right hereunder, under any other Loan Document or under Applicable Law upon any Default hereunder or under any other Loan Document shall preclude or otherwise limit the exercise of any other remedy or right hereunder, under any other Loan Document or under Applicable Law upon such Default or upon any other or subsequent Default hereunder or under any other Loan Document;

(vi) the acceptance by the Beneficiary or any other Secured Party of any payment less than the amount of the Secured Obligation in question shall be deemed to be an acceptance on account only and shall not be construed as a waiver of any Default hereunder or under any other Loan Document with respect thereto; and

(vii) the acceptance by the Beneficiary or any other Secured Party of any payment of, or on account of, any Secured Obligation shall not be deemed to be a waiver of any Default hereunder or under any other Loan Document with respect to any other Secured Obligation.

(c) If the Beneficiary or the Trustee has proceeded to enforce any remedy or right hereunder or with respect hereto by foreclosure, sale, entry or otherwise, it may compromise, discontinue or abandon such proceeding for any reason without notice to the Grantor or any other Person (other than other Secured Parties as may be required by the other Loan Documents or the XCFI Indentures), and, in the event that any such proceeding shall be discontinued, abandoned or determined adversely for any reason, the Grantor, the Trustee and the Beneficiary shall retain and be restored to their former positions and rights hereunder with respect to the Trust Property, subject to the Lien hereof except to the extent any such adverse determination specifically provides to the contrary.

(d) For the purpose of carrying out any provisions of Section 2.01(c), 4.02, 5.02(a)(v), 5.02(a)(vi), 5.05 or 5.07 or any other provision hereunder authorizing the Beneficiary or any other Person to perform any action on behalf of the Grantor upon an Actionable Event of Default or upon an acceleration of the Loans in accordance with the terms of the Credit Agreement, the Grantor hereby irrevocably appoints the Beneficiary, the Trustee or a Receiver appointed pursuant to Section 5.02(a)(vi) or such other Person (as the case may be as the Person appointed under this subsection) as the attorney-in-fact of the Grantor (with a power to substitute any other Person in its place as such attorney-in-fact) to act in the name of the Grantor or, at the option of the Person appointed to act under this subsection, in such Person's own name, to take the action authorized under Section 2.01(c), 4.02, 5.02(a)(v), 5.02(a)(vi), 5.05 or 5.07 or such other provision, and to execute, acknowledge and deliver any document in connection therewith or to take any other action incidental thereto as the Person appointed to act under this subsection shall deem appropriate in its discretion; and the Grantor hereby irrevocably authorizes and directs any other Person to rely and act on behalf of the foregoing appointment and a certificate of the Person appointed to act under this subsection that such Person is authorized to act under this subsection.

SECTION 5.03. *Waivers by the Grantor*. To the fullest extent permitted under Applicable Law, the Grantor shall not assert, and hereby irrevocably waives, any right or defense the Grantor may have under any statute or rule of law or equity now or hereafter in effect relating to (i) appraisement, valuation, homestead exemption, extension, moratorium, stay, statute of limitations, redemption, marshalling of the Trust Property or the other assets of the Grantor, sale of the Trust Property in any order or notice of deficiency or intention to accelerate any Secured Obligation; (ii) impairment of any right of subrogation or reimbursement; (iii) any requirement that at any time any action must be taken

against any other Person, any portion of the Trust Property or any other asset of the Grantor or any other Person; (iv) any provision barring or limiting the right of the Beneficiary or the Trustee to sell any Trust Property after any other sale of any other Trust Property or any other action against the Grantor or any other Person; (v) any provision barring or limiting the recovery by the Beneficiary of a deficiency after any sale of the Trust Property; (vi) any other provision of Applicable Law which might defeat, limit or adversely affect any right or remedy of the Beneficiary, the Trustee (as applicable) or the holders of the Secured Obligations under or with respect to this Deed of Trust or any other Security Document as it relates to any Trust Property; or (vii) the right of the Beneficiary or the Trustee to foreclose this Deed of Trust in its own name on behalf of all of the Secured Parties by judicial action as the real party in interest without the necessity of joining any other Secured Party.

SECTION 5.04. *Jurisdiction and Process*. (a) To the extent permitted under Applicable Law, in any suit, action or proceeding arising out of or relating to this Deed of Trust or any other Security Document as it relates to any Trust Property, the Grantor irrevocably consents to (i) the jurisdiction of any state or federal court sitting in the State in which the Property is located and irrevocably waives any defense or objection which it may now or hereafter have to the jurisdiction of such court or the venue of such court for or the convenience of such court as the forum for any such suit, action or proceeding, and (ii) the service of (A) any process in any such suit, action or proceeding, or (B) any notice relating to any sale, or the exercise of any other remedy by the Beneficiary or the Trustee hereunder by sending a copy of such process or notice by prepaid overnight courier or United States registered or certified mail, postage prepaid, return receipt requested to the Grantor at its address specified in or pursuant to Section 7.03, such service to be effective when received at the address specified or when delivery at such address is refused.

(b) Nothing in this Section shall affect the right of the Beneficiary or the Trustee to bring any suit, action or proceeding arising out of or relating to this Deed of Trust or any other Security Document in any court having jurisdiction under the provisions of any other Security Document or Applicable Law or to serve any process, notice of sale or other notice in any manner permitted by any other Security Document or Applicable Law.

SECTION 5.05. *Sales*. Subject to Section 4.01 and 5.02(a) and except as otherwise provided herein, to the fullest extent permitted under Applicable Law, at the election of the Beneficiary, the following provisions shall apply to any sale of the Trust Property hereunder, whether made pursuant to the power of sale hereunder, any judicial proceeding or any judgment or decree of foreclosure or sale or otherwise:

(a) The Beneficiary, the Trustee or the court officer (whichever is the Person conducting any sale) may conduct any number of sales from time to time. The power of sale hereunder shall not be exhausted by any sale as to any part or parcel of the Trust Property which is not sold, unless and until the Secured Obligations shall have been paid in full, and shall not be exhausted or impaired by any sale which is not completed or is defective. Any sale may be as a whole or in part or parcels and as provided in Section 5.03, the Grantor has thereby waived its right to direct the order in which the Trust Property or any part or parcel thereof is sold.

(b) Any sale may be postponed or adjourned by public announcement at the time and place appointed for such sale or for such postponed or adjourned sale without further notice.

(c) After each sale, the Person conducting such sale shall execute and deliver to the purchaser or purchasers at such sale a good and sufficient instrument or instruments granting, conveying, assigning and transferring all right, title and interest of the Grantor in and to the Trust Property sold and shall receive the proceeds of such sale and apply the same as provided in Section 5.06. The Grantor hereby irrevocably appoints the Person conducting such sale as the attorney-in-fact of the Grantor (with full power to substitute any other Person in its place as such attorney-in-fact) to act in the name of the Grantor or, at the option of the Person conducting such sale, in such Person's own name, to make without warranty by such Person any conveyance, assignment, transfer or delivery of the Trust Property sold, and to execute, acknowledge and deliver any instrument of conveyance, assignment, transfer or delivery or other document in connection therewith or to take any other action incidental thereto, as the Person conducting such sale shall deem appropriate in its discretion; and the Grantor hereby irrevocably authorizes and directs any other Person to rely and act upon the foregoing appointment and a certificate of the Person conducting such sale that such Person is authorized to act hereunder. Nevertheless, upon the request of such attorney-in-fact the Grantor shall promptly execute, acknowledge and deliver any documentation which such attorney-in-fact may reasonably require for the purpose of ratifying, confirming or effectuating the powers granted hereby or any such conveyance, assignment, transfer or delivery by such attorney-in-fact.

(d) Any statement of fact or other recital made in any instrument referred to in Section 5.05(c) given by the Person conducting any sale as to the nonpayment of any Secured Obligation, the occurrence of any Event of Default, the amount of the Secured Obligations due and payable, the request to the Beneficiary or the Trustee to sell, the notice of the time, place and terms of sale and of the Trust Property to be sold having been duly given, the refusal, failure or inability of the Beneficiary or the Trustee to act, the appointment of any substitute or successor agent, any other act or thing having been duly done by the Grantor,

the Beneficiary, the Trustee or any other such Person, shall be taken as conclusive and binding against all other Persons as evidence of the truth of the facts so stated or recited. The Person conducting any sale may appoint or delegate any other Person as agent to perform any act necessary or incident to such sale, including the posting of notices and the conduct of such sale, but in the name and on behalf of the Person conducting such sale.

(e) The receipt by the Person conducting any sale of the purchase money paid at such sale shall be sufficient discharge therefor to any purchaser of any Trust Property sold, and no such purchaser, or its representatives, grantees or assigns, after paying such purchase price and receiving such receipt, shall be bound to see to the application of such purchase price or any part thereof upon or for any trust or purpose of this Deed of Trust or, in any manner whatsoever, be answerable for any loss, misapplication or nonapplication of any such purchase money or be bound to inquire as to the authorization, necessity, expediency or regularity of such sale.

(f) Subject to mandatory provisions of Applicable Law, any sale shall operate to divest all of the estate, right, title, interest, claim and demand whatsoever, whether at law or in equity, of the Grantor in and to the Trust Property sold, and shall be a perpetual bar both at law and in equity against the Grantor and any and all Persons claiming such Trust Property or any interest therein by, through or under the Grantor.

(g) At any sale, the Beneficiary may bid for and acquire the Trust Property sold and, in lieu of paying cash therefor, may make settlement for the purchase price by causing the Secured Parties to credit against the Secured Obligations, including the expenses of the sale and the cost of any enforcement proceeding hereunder, the amount of the bid made therefor to the extent necessary to satisfy such bid.

(h) If the Grantor or any Person claiming by, through or under the Grantor shall transfer or fail to surrender possession of the Trust Property, after the exercise by the Beneficiary or the Trustee of the remedies under Section 5.02(a)(v) or after any sale of the Trust Property pursuant hereto, then the Grantor or such Person shall be deemed a tenant at sufferance of the purchaser at such sale, subject to eviction by means of summary process for possession of land, or subject to any other right or remedy available hereunder or under Applicable Law.

(i) Upon any sale, it shall not be necessary for the Person conducting such sale to have any Trust Property being sold present or constructively in its possession.

(j) If a sale hereunder shall be commenced by the Beneficiary or the Trustee, the Beneficiary or the Trustee may at any time before the sale abandon the sale, and may institute suit for the collection of the Secured Obligations or for the foreclosure of this Deed of Trust; or if the Beneficiary or the Trustee should institute a suit for collection of the Secured Obligations or the foreclosure of this Deed of Trust, the Beneficiary or the Trustee may at any time before the entry of final judgment in said suit dismiss the same and sell the Trust Property in accordance with the provisions of this Deed of Trust.

SECTION 5.06. *Proceeds*. Except as otherwise provided herein or required under Applicable Law, the proceeds of any sale of, or other realization upon, the Trust Property hereunder, whether made pursuant to the power of sale hereunder, any judicial proceeding or any judgment or decree of foreclosure or sale or otherwise shall be applied and paid in accordance with Section 14 of the Security Agreement.

Notwithstanding anything to the contrary contained herein or in any other Domestic Security Document, the aggregate amount of proceeds of all sales of, and other realizations upon, Restricted Collateral applied pursuant to this Article 5 or Section 14 of the Security Agreement shall not at any time exceed the Basket Lien Available Amount at such time.

SECTION 5.07. *Assignment of Leases*. (a) Subject to paragraph 5.07(d) below, the assignments of the Leases and the Rents under Granting Clauses VI and VII are and shall be present, absolute and irrevocable assignments by the Grantor to the Beneficiary and, subject to the license to the Grantor under Section 5.07(b), the Beneficiary or a Receiver appointed pursuant to Section 5.02(a)(iv) (as the case may be as the Person exercising the rights under this Section) shall have the absolute, immediate and continuing right to collect and receive all Rents now or hereafter, including during any period of redemption, accruing with respect to the Property. At the request of the Beneficiary or such Receiver, the Grantor shall promptly execute, acknowledge, deliver, record, register and file any additional general assignment of the Leases or specific assignment of any Lease which the Beneficiary or such Receiver may reasonably require from time to time (all in form and substance satisfactory to the Beneficiary or such Receiver) to effectuate, complete, perfect, continue or preserve the assignments of the Leases and the Rents under Granting Clauses VI and VII. Neither the acceptance hereof nor the exercise of the rights and remedies hereunder nor any other action on the part of the Beneficiary or any Person exercising the rights of the Beneficiary hereunder shall be construed to be an assumption by the Beneficiary or any such Person of, or to otherwise make the Beneficiary or such Person liable or responsible for, any of the obligations of the Grantor under or with respect to the Leases or for any Rent, Security Deposit or other amount delivered to the Grantor, *provided* that the Beneficiary or any such Person exercising the rights of the

Beneficiary hereunder shall be accountable as provided in Section 5.07(c) for any Rents, Security Deposits or other amounts actually received by the Beneficiary or such Person, as the case may be. Neither the acceptance hereof nor the exercise of the rights and remedies hereunder nor any other action on the part of the Beneficiary or any Person exercising the rights of the Beneficiary hereunder shall be construed to obligate the Beneficiary or any such Person to take any action under or with respect to the Leases or with respect to the Property, to incur any expense or perform or discharge any duty or obligation under or with respect to the Leases or with respect to the Property, to appear in or defend any action or proceeding relating to the Leases or the Property, to constitute the Beneficiary as a mortgagee in possession (unless the assignee hereunder actually enters and takes possession of the Property), or to be liable in any way for any injury or damage to person or property sustained by any Person in or about the Property other than to the extent caused by the willful misconduct or gross negligence of the Beneficiary or any Person exercising the rights of the Beneficiary hereunder.

(b) Prior to the occurrence of an Actionable Event of Default or the acceleration of the Loans in accordance with the terms of the Credit Agreement, the Grantor shall have a license granted hereby to collect and receive all Rents and apply the same subject to the provisions of the Loan Documents. This license shall terminate, at the option of the Beneficiary, upon the occurrence and during the continuance of an Actionable Event of Default or upon an acceleration of the Loans in accordance with the terms of the Credit Agreement.

(c) If an Actionable Event of Default has occurred and is continuing or upon an acceleration of the Loans in accordance with the terms of the Credit Agreement, the Beneficiary or a Receiver appointed pursuant to Section 5.02(a)(iv) (as the case may be as the Person exercising the rights under this Section) shall have the right to terminate the license granted under Section 5.07(b) by notice to the Grantor and to exercise the rights and remedies provided under Sections 5.07(a), 5.02(a)(v), 5.02(a)(vi) or any Applicable Law. If an Actionable Event of Default is continuing or upon an acceleration of the Loans in accordance with the terms of the Credit Agreement, upon demand by the Person exercising the rights under this Section, the Grantor shall promptly pay to such Person all Security Deposits under the Leases and all Rents allocable to any period after such Actionable Event of Default or acceleration of the Loans. Subject to Sections 5.02(a)(v) and 5.02(a)(vi) and any applicable requirement of law, any Rents received hereunder by such Receiver shall be promptly paid to the Beneficiary, and any Rents received hereunder by the Beneficiary shall be deposited in the applicable Collateral Account, to be held, applied and disbursed as provided in the Security Agreement, *provided* that, subject to Sections 5.02(a)(v) and 5.02(a)(vi) and any applicable requirement of law, any Security Deposits actually received by such Receiver shall be promptly paid to the Beneficiary, and any Security

Deposits actually received by the Beneficiary shall be held, applied and disbursed as provided in the applicable Leases and Applicable Law.

(d) Nothing herein shall be construed to be an assumption by the Person exercising the rights under this Section, or otherwise to make such Person liable for the performance, of any of the obligations of the Grantor under the Leases, *provided* that such Person shall be accountable as provided in Section 5.07(c) for any Rents or Security Deposits actually received by such Person.

SECTION 5.08. *Dealing with the Trust Property*. Subject to Section 7.02, the Beneficiary shall have the right to release any portion of the Trust Property to or at the request of the Grantor, for such consideration as the Beneficiary may reasonably require without, as to the remainder of the Trust Property, in any way impairing or affecting the Lien or priority of this Deed of Trust, or improving the position of any subordinate lienholder with respect thereto, or the position of any guarantor, endorser, co-maker or other obligor of the Secured Obligations, except to the extent that the Secured Obligations shall have been reduced by any actual monetary consideration received for such release and applied to the Secured Obligations, and may accept by assignment, pledge or otherwise any other property in place thereof as the Beneficiary may reasonably require without being accountable therefor to any other lienholder.

SECTION 5.09. *Information and Right of Entry*. (a) Upon reasonable request by the Beneficiary, the Grantor shall deliver to the Beneficiary promptly after such request or, if requested by the Beneficiary, on a continuing or periodic basis, any information, certificates and documents with respect to the matters referred to in this Deed of Trust as the Grantor shall reasonably request in order to protect its rights under this Deed of Trust or with respect to the Trust Property.

(b) The Beneficiary and the representatives of the Beneficiary shall have the right, (i) with simultaneous notice, if any payment or performance is necessary in the reasonable opinion of the Beneficiary to preserve the Beneficiary's rights under this Deed of Trust or with respect to the Trust Property, or (ii) after reasonable notice, in all other cases, to enter upon the Property at reasonable times, and with reasonable frequency, to inspect the Trust Property or, subject to the provisions hereof, to exercise any right, power or remedy of the Beneficiary hereunder, *provided* that any Person so entering the Property shall not unreasonably interfere with the ordinary conduct of the Grantor's business, and *provided further* that no such entry on the Property, for the purpose of performing obligations under Section 4.02 or for any other purpose, shall be construed to be (x) possession of the Property by such Person or to constitute such Person as a mortgagee in possession, unless such Person exercises its right to take possession of the Property under Section 5.02(a)(v), or (y) a cure of any Default or waiver of any Default or Secured Obligation.

ARTICLE 6

SECURITY AGREEMENT AND FIXTURE FILING

SECTION 6.01. *Security Agreement*. (a) To the extent that the Trust Property constitutes or includes personal property and equipment, including goods or items of personal property or equipment which are or are to become fixtures under Applicable Law, in each case to the extent the same constitutes "Collateral" under the Security Agreement, the Grantor hereby grants a security interest therein (and any Proceeds thereof) and this Deed of Trust shall also be construed as a pledge and a security agreement under the UCC; the Beneficiary shall be entitled with respect to such personal property and equipment to all remedies available under the Security Agreement in the manner and to the extent provided therein.

(b) Notwithstanding the foregoing, to the extent that the Trust Property includes personal property or equipment covered by provisions in the Security Agreement or any other Security Document and such provisions are inconsistent with this Article 6, the provisions of the Security Agreement or such other Security Document shall govern with respect to such personal property and equipment. Beneficiary shall have all rights with respect to the part of the Trust Property that constitutes Collateral under the Security Agreement and is subject of a security interest afforded by the UCC.

(c) The Grantor hereby authorizes the Beneficiary to file a Record or Records (as defined in the UCC), including, without limitation, financing or continuation statements, and amendments thereto, in all jurisdictions and with all filing offices as the Beneficiary may determine, in its sole discretion, are necessary or advisable to perfect the lien and security interest granted to the Beneficiary herein without the Grantor's signature appearing thereon. Such financing statements may describe the collateral in the same manner as described herein or may contain an indication or description of collateral that describes such property in any other manner as the Beneficiary may determine, in its sole discretion, is necessary, advisable or prudent to ensure the perfection of the security interest in the collateral granted to the Beneficiary herein, including, without limitation, describing such property as all fixtures. The Grantor constitutes the Beneficiary its attorney-in-fact to execute and file any filings required or so requested for the foregoing purposes, all acts of such attorney being hereby ratified and confirmed; and such power, being coupled with an interest, shall be irrevocable until the Security Interest granted by the Grantor hereunder terminates pursuant to Section 7.02. The Grantor shall pay the costs of, or reasonable costs incidental to, any recording or filing of any financing or continuation statements or other documents recorded or filed pursuant hereto concerning the collateral described herein.

SECTION 6.02. *Fixture Filing*. To the extent that the Trust Property includes goods or items of personal property which are or are to become fixtures under Applicable Law, and to the extent permitted under Applicable Law, the filing of this Deed of Trust in the real estate records of the county in which the Trust Property is located shall also operate from the time of filing as a fixture filing with respect to such Trust Property, and the following information is applicable for the purpose of such fixture filing, to wit:

(a) Name and Address of the debtor:

Xerox Corporation
800 Long Ridge Road
P.O. Box 1600
Stamford, Connecticut 06905

(b) Name and Address of the secured party:

JPMorgan Chase Bank, Collateral Agent
Collateral Control Unit 8-1111
Fannin 301
Houston, TX 77002

(c) This document covers goods or items of personal property which are or are to become fixtures upon the Property.

(d) The name of the record owner of the real estate on which such fixtures are or are to be located is Xerox Corporation.

ARTICLE 7

MISCELLANEOUS

SECTION 7.01. *Concerning the Beneficiary*. (a) The provisions of Article VIII of the Credit Agreement shall inure to the benefit of the Beneficiary in respect of this Deed of Trust (as if the Beneficiary was an Administrative Agent referred to therein) and shall be binding upon the parties to the Credit Agreement. In furtherance and not in derogation of the rights, privileges and immunities of the Beneficiary therein set forth:

(i) The Beneficiary is authorized to take all such action as is provided to be taken by it as Beneficiary hereunder and all other action incidental thereto. As to any matters not expressly provided for herein (including the timing and methods of realization upon the Trust Property)

the Beneficiary shall act or refrain from acting in accordance with written instructions from the Required Lenders or, in the absence of such instructions, in accordance with its discretion.

(ii) The Beneficiary shall not be responsible for the existence, genuineness or value of any of the Trust Property or for the validity, perfection, priority or enforceability of the Lien of this Deed of Trust on any of the Trust Property, whether impaired by operation of law or by reason of any action or omission to act on its part hereunder. The Beneficiary shall have no duty to ascertain or inquire as to the performance or observance of any of the terms of this Deed of Trust by the Grantor.

(iii) For all purposes of the Security Documents, including determining the amounts of the Secured Obligations and whether a Secured Obligation is a Contingent CA Secured Obligation or not, the Beneficiary will be entitled to rely on information from (i) its own records for information as to the Lender and Agents, their Secured Obligations and actions taken by them, (ii) any Secured Party for information as to its Secured Obligations and actions taken by it, to the extent that the Beneficiary has not obtained such information from the foregoing sources, and (iv) Xerox, to the extent that the Beneficiary has not obtained information from the foregoing sources.

(b) At any time or times, solely in order to comply with any Applicable Law, the Beneficiary may appoint another bank or trust company or one or more other Persons, either to act as co-agent or co-agents, jointly with the Beneficiary, or to act as separate agent or agents on behalf of the Lenders with such power and authority as may be necessary for the effectual operation of the provisions hereof and may be specified in the instrument of appointment (which may, in the discretion of the Beneficiary, include provisions for the protection of such co-agent or separate agent similar to the provisions of this Section 7.01).

SECTION 7.02. *Release of Trust Property*. (a) Each Security Interest granted hereunder shall terminate, and all rights to the relevant Trust Property shall revert to the Grantor, upon the satisfaction of all the Release Conditions, or otherwise to the extent permitted by and subject to the terms and conditions of Sections 9.02 and 9.03 of the Credit Agreement, including upon satisfaction of the Ratings Condition, as the case may be, provided that the lien of this Deed of Trust shall only terminate upon the written request of Xerox following and during the pendency of the satisfaction of the Ratings Condition.

(b) The Beneficiary may conclusively rely on any certificate delivered to it by the Grantor stating that the release of the Trust Property is in accordance

with and permitted by the terms of this Deed of Trust and the other Loan Documents.

(c) Notwithstanding anything to the contrary herein, if at any time prior to the termination of this Deed of Trust pursuant to this Section 7.02, the XCFI Secured Obligations are paid in full, all rights hereunder of the holders of XCFI Secured Obligations shall simultaneously terminate.

(d) Upon certification by the Grantor that an easement, right-of-way, restriction, reservation, permit, servitude or other similar encumbrance granted or to be granted by the Grantor does not materially detract from the value of or materially impair the use by the Grantor of the Trust Property subject to such encumbrance, the Beneficiary shall execute such documents as are reasonably requested to subordinate this Deed of Trust to such encumbrance.

(e) Upon any termination of this Deed of Trust or release of Trust Property as described in this Section 7.02, the Beneficiary shall, within fifteen (15) Business Days of written request therefor, at the expense of the Grantor, execute, acknowledge and deliver to the Grantor such documents, without warranty, as the Grantor shall reasonably request to evidence the release or reconveyance of Trust Property or termination of this Deed of Trust, as the case may be.

SECTION 7.03. *Notices*. All notices, approvals, requests, demands and other communications hereunder shall be given in accordance with Section 21 of the Security Agreement. Any party may change its address, facsimile and/or e-mail address as provided in the Security Agreement.

SECTION 7.04. *Amendments in Writing*. No provision of this Deed of Trust shall be modified, waived or terminated, and no consent to any departure by the Grantor from any provision of this Deed of Trust shall be effective, unless the same shall be by an instrument in writing and signed by the Grantor and the Beneficiary in accordance with the Credit Agreement.

SECTION 7.05. *Severability*. All rights, powers and remedies provided in this Deed of Trust may be exercised only to the extent that the exercise thereof does not violate Applicable Law, and all the provisions of this Deed of Trust are intended to be subject to all mandatory provisions of Applicable Law and to be limited to the extent necessary so that they will not render this Deed of Trust illegal, invalid, unenforceable or not entitled to be recorded, registered or filed under Applicable Law. If any provision of this Deed of Trust or the application thereof to any Person or circumstance shall, to any extent, be illegal, invalid or unenforceable, or cause this Deed of Trust not to be entitled to be recorded, registered or filed, the remaining provisions of this Deed of Trust or the application of

such provision to other Persons or circumstances shall not be affected thereby, and each provision of this Deed of Trust shall be valid and be enforced to the fullest extent permitted under Applicable Law.

SECTION 7.06. *Binding Effect*. (a) The provisions of this Deed of Trust shall be binding upon and inure to the benefit of each of the parties hereto and their respective successors and assigns.

(b) To the fullest extent permitted under Applicable Law, the provisions of this Deed of Trust binding upon the Grantor shall be deemed to be covenants which run with the land.

(c) Nothing in this Section shall be construed to permit the Grantor to Transfer or grant a Lien upon the Trust Property contrary to the provisions of the Credit Agreement.

SECTION 7.07. *Governing Law*. THIS DEED OF TRUST AND THE RIGHTS AND OTHER OBLIGATIONS OF THE PARTIES HEREUNDER AND THEREUNDER SHALL BE CONSTRUED IN ACCORDANCE WITH AND BE GOVERNED BY THE LAWS OF THE STATE OF NEW YORK (WITHOUT GIVING EFFECT TO THE PRINCIPLES THEREOF RELATING TO CONFLICTS OF LAW); PROVIDED, HOWEVER, THAT WITH RESPECT TO THE PROVISIONS WHICH RELATE TO WARRANTIES OF TITLE, THE CREATION, PERFECTION, PRIORITY OR ENFORCEMENT OF LIENS ON REAL PROPERTY AND OTHER RIGHTS AND REMEDIES AGAINST SECURITY CONSTITUTING REAL PROPERTY, AND WITH RESPECT TO THE PROVISIONS WHICH RELATE TO THE PERFECTION, PRIORITY OR ENFORCEMENT OF LIENS ON PERSONAL PROPERTY THE LAWS OF THE STATE OF OREGON SHALL GOVERN.

SECTION 7.08. *Waiver of Jury Trial*. EACH PARTY HERETO WAIVES, TO THE FULLEST EXTENT PERMITTED BY APPLICABLE LAW, ANY RIGHT IT MAY HAVE TO A TRIAL BY JURY IN ANY LEGAL PROCEEDING DIRECTLY OR INDIRECTLY ARISING OUT OF OR RELATING TO THIS DEED OF TRUST OR ANY TRANSACTION CONTEMPLATED HEREBY (WHETHER BASED ON CONTRACT, TORT OR ANY OTHER THEORY). EACH PARTY HERETO (A) CERTIFIES THAT NO REPRESENTATIVE, AGENT OR ATTORNEY OF ANY OTHER PARTY HAS REPRESENTED, EXPRESSLY OR OTHERWISE, THAT SUCH OTHER PARTY WOULD NOT, IN THE EVENT OF LITIGATION, SEEK TO ENFORCE THE FOREGOING WAIVER AND (B) ACKNOWLEDGES THAT IT AND THE OTHER PARTIES HERETO HAVE BEEN INDUCED TO ENTER INTO THIS AGREEMENT BY, AMONG OTHER THINGS, THE MUTUAL WAIVERS AND CERTIFICATIONS IN THIS SECTION.

SECTION 7.09. *The Trustee*. (a) The Grantor hereby irrevocably appoints the Trustee to act in that capacity hereunder and the Trustee hereby accepts such appointment. The Grantor hereby irrevocably ratifies and confirms all acts which the Trustee shall lawfully take in accordance with the provisions hereof.

(b) The Trustee may, at its option, resign as trustee hereunder by notice given to the Beneficiary, and such resignation shall be effective on the earlier to occur of (i) the date which is 30 days after the date on which the Trustee gives such notice to the Beneficiary or (ii) the date on which a successor trustee is appointed by the Beneficiary and accepts such appointment.

(c) The Beneficiary may, at its option, with or without cause or notice, remove the Trustee, appoint a successor trustee or appoint an additional trustee or trustees (including a separate trustee for each jurisdiction in which the Trust Property is located) hereunder by an instrument in writing executed and acknowledged by the Beneficiary and accepted by such successor or additional trustee and recorded, registered or filed in the real estate records of the jurisdiction in which the Trust Property affected by such instrument is located; and, thereupon, without further act, deed or conveyance, such substitute or additional trustee shall be fully vested with all estate, right, title and interest of its predecessor or co-trustee in, to, under or derived from the Trust Property and all rights, powers, privileges and obligations of such predecessor or co-trustee, with the same effect as if such successor or additional trustee had originally been named as trustee or co-trustee hereunder. The execution, acknowledgment and recording, registration or filing of such an instrument shall be conclusive evidence against the Grantor and all other Persons of the proper removal of the Trustee and substitution or addition of the successor or additional trustee; and, if the Beneficiary or such successor or additional trustee is a corporation, the execution and acknowledgment by an officer of such corporation shall be conclusive evidence against all other Persons of the due authorization, execution and delivery thereof by such corporation.

(d) Notwithstanding anything herein to the contrary, the Trustee shall not exercise or waive the exercise of any of its rights, powers or remedies hereunder or otherwise act or refrain from acting hereunder unless directed to do so by the Beneficiary, and the Trustee shall exercise or waive the exercise of any of its rights, powers or remedies hereunder and otherwise act or refrain from acting when and in the manner directed by the Beneficiary, provided that the Trustee (i) shall not be required to follow any direction of the Beneficiary if the Trustee has been advised by counsel that such action would violate applicable law, (ii) shall not be required to expend or risk its own funds or otherwise incur any financial liability in connection with such action if it has grounds for believing that repayment of such funds or adequate indemnity against such risk or

liability is not assured to it, and (iii) shall be entitled to exercise its rights under Section 7.09(e) without such direction by the Beneficiary.

(e) The Trustee shall be entitled to receive, and the Grantor shall pay, reasonable and customary compensation to the Trustee for its services rendered hereunder after any Event of Default and reimbursement to the Trustee for its expenses (including attorneys' fees and expenses) in connection herewith or the exercise of any right, power or remedy hereunder.

(f) The Trustee shall not be liable with respect to any act taken or omitted by it in good faith in accordance with any direction of the Beneficiary. Except for willful misconduct or gross negligence, the Trustee shall not be liable (iv) in acting upon any direction, demand, request, notice, statement or other document believed by it in good faith to be genuine and delivered by the Person empowered to do so, (v) for any error in judgment or mistake of fact or law made in good faith, or (vi) for any action taken or omitted by it in accordance with the provisions of this Deed of Trust. The Trustee shall not be responsible to see to the recording, registration or filing of this Deed of Trust or any financing statement relating hereto in any jurisdiction or for the payment of any fees, charges or taxes in connection therewith. No co-trustee hereunder shall be liable for any act or omission of any other co-trustee.

(g) All moneys received by the Trustee hereunder (other than amounts payable to the Trustee pursuant to Section 7.09(e)) shall be held by the Trustee in trust for the purposes for which such moneys were received; and, except as provided herein or under mandatory provisions of applicable law, the Trustee need not segregate such moneys from any other moneys and shall have no liability to pay interest thereon, except such interest as it may actually earn thereon.

SECTION 7.10. *Local Law Provisions*. Appendix A contains certain provisions which are incorporated herein by reference and made a part of this Deed of Trust as a result of the laws of the State in which the Property is located (the "Local Law Provisions"). To the extent there is any conflict between the foregoing provisions of this Deed of Trust and the Local Law Provisions, the Local Law Provisions shall control.

SECTION 7.11. *Multisite Real Estate Transaction*. The Grantor acknowledges that this Deed of Trust is one of a number of mortgages, deeds of trust or similar instruments ("**Other Mortgages**") that secure the Secured Obligations. Grantor agrees that the Lien of this Deed of Trust shall be absolute and unconditional and shall not in any manner be affected or impaired by any acts or omissions whatsoever of Beneficiary, and without limiting the generality of the foregoing, the Lien hereof shall not be impaired by any acceptance by the Beneficiary of any security for or guarantees of the Secured Obligations, or by any

failure, neglect or omission on the part of Beneficiary to realize upon or protect any Secured Obligation or any collateral security therefor including the Other Mortgages. The Lien hereof shall not in any manner be impaired or affected by any release (except as to the property released), sale, pledge, surrender, compromise, settlement, renewal, extension, indulgence, alteration, changing, modification or disposition of any of the Secured Obligations or of any of the collateral security therefor, including the Other Mortgages or of any guarantee thereof, and, to the fullest extent permitted by Applicable Law, Beneficiary may at its discretion foreclose, exercise any power of sale, or exercise any other remedy available to it under any or all of the Other Mortgages without first exercising or enforcing any of its rights and remedies hereunder. Such exercise of Beneficiary's rights and remedies under any or all of the Other Mortgages shall not in any manner impair the indebtedness hereby secured or the Lien of this Deed of Trust and any exercise of the rights or remedies of Beneficiary hereunder shall not impair the Lien of any of the Other Mortgages or any of Beneficiary's rights and remedies thereunder. To the fullest extent permitted by Applicable Law, Grantor specifically consents and agrees the Beneficiary may exercise its rights and remedies hereunder and under the Other Mortgages separately or concurrently and in any order that it may deem appropriate and waives any rights of subrogation.

IN WITNESS WHEREOF, the Grantor has executed and delivered this Deed of Trust as of the day first set forth above.

XEROX CORPORATION

By: /s/ RHONDA L. SEEGAL

Name: Rhonda L. Seegal
Title: Vice President and Treasurer

STATE OF Connecticut)
) ss
COUNTY OF Fairfield)

The foregoing instrument was acknowledged before me on this 23rd day of June, 2003, by Rhonda L. Seegal, who is the Vice President and Treasurer of Xerox Corporation, a New York corporation, on behalf of the corporation.

/s/ Barbara K. Fowler

Notary Public, State of Connecticut

My Commission Expires: March 31, 2007

EXHIBIT A

Description of the Land

Real property in the City of Wilsonville, County of Clackamas, State of Oregon, described as follows:

PARCEL I:

A part of the Southeast one-quarter of the Northeast one-quarter of Section 11, and a part of the Southwest one-quarter of the Northwest one-quarter of Section 12, Township 3 South, Range 1 West, of the Willamette Meridian, in the City of Wilsonville, County of Clackamas and State of Oregon, more particularly described as follows:

Beginning at the stone marking the one-quarter section corner between Sections 11 and 12, Township 3 South, Range 1 West, of the Willamette Meridian; thence 1321.15 feet South 89°53’30” East along the one-quarter section line in Section 12, to an iron pipe; thence 1296.8 feet North 0°18’30” East to an iron rod on the South line of the County Road; thence 2444.7 feet North 89°53’30” West to an iron rod in the East line of the State Highway right-of-way passing a rod at 1321.2 feet on the section line; thence 1297.02 feet South 0°27’45” West along said right-of-way line to an iron rod passing a rod 527.65 feet at Survey Sta #450.00; thence 1126.82 feet South 89°55’ East along the one-quarter section line in Section 11 to the point of beginning.

PARCEL II:

That portion of the following described property lying North of the North of a tract of land described in Deed to Mentor Graphics Corporation, an Oregon corporation, recorded December 10, 1988 as Fee No. 88 52581:

Beginning at the East one-quarter corner of Section 11, Township 3 South, Range 1 West, of the Willamette Meridian, in the City of Wilsonville, County of Clackamas and State of Oregon; thence South along the East boundary of said section 1570.00 feet, more or less, to the Northeast corner of the tract conveyed to the Trustees of the Gillespie Decals, Inc. Employee Profit Sharing Plan by Deed recorded July 30, 1970 as Fee No. 70-15002; thence North 89°55’ West along the North boundary of said tract, 737.64 feet to the Northwest corner thereof and a point on the East boundary of East Frontage Road (County Road No. 217); thence Northwesterly along the Easterly boundary of East Frontage Road, 1270.00 feet, more or less, to a point in the East boundary of the tract conveyed to the State of Oregon, by and through its State Highway Department by Book 449, page 333,

Deed Records; thence North along the East boundary of said tract, 350.00 feet, more or less, to the Northeast corner thereof and a point in the East-West one-quarter section line of said Section 11; thence South 89°55’ East along said one-quarter section line, 1126.82 feet to the point of beginning.

PARCEL III:

That portion of the following described property lying North of the North line of a tract of land described in Deed to Mentor Graphics Corporation, an Oregon corporation, recorded December 10, 1988 as Fee No. 88-52581:

A part of Section 12, Township 3 South, Range 1 West, of the Willamette Meridian, in the City of Wilsonville, County of Clackamas and State of Oregon, described as follows:

Beginning at the one-quarter section corner between Sections 11 and 12, Township 3 South, Range 1 West, of the Willamette Meridian, from said beginning point running South 89°55’ East, 1700.96 feet to a point; thence South 0°22’ West 2642.55 feet to a point; thence West 850.48 feet to a point; thence North 0°22’ East, 1536.33 feet to a point; thence West 850.48 feet to a point on the West line of Section 12; thence North 0°22’ East along said West line of Section 12, a distance of 1103.67 feet to the place of beginning.

ALSO that portion of the following described property lying North of the North line of a tract of land described in Deed to Mentor Graphics Corporation, an Oregon corporation, recorded December 10, 1988 as Fee No. 88 52581:

A part of Section 12, Township 3 South, Range 1 West, of the Willamette Meridian, in the City of Wilsonville, County of Clackamas and State of Oregon, described as follows:

Beginning at the Southwest corner of said Section 12; thence North 0°22’ East, 1536.33 feet along the West line of said section; thence South 89°58’2” East 850.48 feet; thence South 0°22’ West 1536.33 feet to the South line of said Section 12; thence North 89°58’25” West along the South line of said Section 12, 850.48 feet to the point of beginning.

PARCEL IV:

A parcel of land situated in the Northwest one-quarter of Section 12, Township 3 South, Range 1 West, of the Willamette Meridian, in the City of Wilsonville, County of Clackamas and State of Oregon, being a portion of that tract conveyed to Tektronix, Inc., by Deed recorded as Document No. 74-16760,

Clackamas County Deed Records; said parcel being more particularly described as follows:

Beginning at the Southwest corner of said tract and running thence North 01°22’25” East 1275.99 feet to the Southerly line of that tract described in Document No. 89-42968, said Deed Records; thence South 88°47’52” East 440.95 feet to the Westerly right-of-way of Canyon Creek Road North; thence Southeasterly along said right-of-way along a 40.00 foot radius, non-tangent curve right (the long chord of which bears South 21°59’28” East 31.61 feet) an arc distance of 32.50 feet; thence South 01°17’04” West 96.67 feet; thence Southwesterly along a 1369.00 foot radius curve right (the long chord of which bears South 04°42’56” West 163.87 feet) an arc distance of 163.97 feet; thence South 08°08’49” West 352.73 feet; thence Southwesterly along a 1831.00 foot radius curve left (the long chord of which bears South 05°43’54” West 154.32 feet) an arc distance of 154.37 feet; thence South 03°18’59” West 227.34 feet; thence Southwesterly along a 2969.00 foot radius curve right (the long chord of which bears South 04°42’28” West 144.18 feet) an arc distance of 144.19 feet; thence South 06°05’56” West 111.94 feet to the South line of said Northwest quarter; thence North 88°48’43” West 365.45 feet to the point of beginning.

EXCEPTING that portion described in Deed to City of Wilsonville recorded March 7, 1997 as Fee No. 97-016879.

EXHIBIT B

Permitted Encumbrances

Those security interests, liens and other matters described in the preliminary report to issue title insurance of First American Title Insurance Company, Order No. NCS-26210-BOS1, dated April 23, 2003.

Appendix A

Local Law Provisions

Pursuant to Section 7.10 of this Deed of Trust, this Appendix and the following terms and conditions are hereby attached to, incorporated into and made a part of this instrument.

1. Exercise of Power of Sale. (a) For any sale under the power of sale granted by this Deed of Trust, Beneficiary or Trustee shall record and give all notices required by law and then, upon the expiration of such time as is required by law, Trustee may sell the Trust Property upon any terms and conditions specified by Beneficiary and permitted by applicable law. Trustee may postpone any sale by public announcement at the time and place noticed for the sale. If the Trust Property includes several lots or parcels, Beneficiary in its discretion may designate their order of sale or may elect to sell all of them as an entirety. The Trust Property, real, personal, and mixed, may be sold in one parcel. Any person permitted by law to do so may purchase at any sale. Upon any sale, Trustee shall execute and deliver to the purchaser or purchasers a deed or deeds conveying the Trust Property sold, but without any covenant or warranty, express or implied, and the recitals in the Trustee's deed showing that the sale was conducted in compliance with all the requirements of law shall be prima facie evidence of such compliance and conclusive evidence thereof in favor of bona fide purchasers and encumbrancers for value.

(b) Wherever in this Deed of Trust any power or right is granted to the Beneficiary related to exercise of the statutory power of sale under any applicable laws of the State of Oregon, such power or right also shall be deemed granted upon the Trustee.

2. No Violation of Usury Laws. Interest, fees, and charges collected or to be collected in connection with the indebtedness secured hereby shall not exceed the maximum, if any, permitted by applicable law. If any such law is interpreted so that such interest, fees, or charges would exceed any such maximum and Grantor is entitled to the benefit of such law, then (a) such interest, fees, or charges shall be reduced to the permitted maximum; and (b) any sums already paid to Beneficiary which exceeded the permitted maximum shall be refunded. Beneficiary may choose to make the refund either by treating the payments, to the extent of the excess, as prepayments of principal (without application of any prepayment fee) or by making a direct payment to the person(s) entitled thereto. The provisions of this Section shall control over any inconsistent provision of this Deed of Trust or any other Loan Documents.

3. Forbearance by Beneficiary Not a Waiver. Any forbearance by Beneficiary in exercising any right or remedy hereunder or otherwise afforded by applicable law shall not be a waiver of or preclude the exercise of any other right or remedy, and no waiver by Beneficiary of any particular default by Grantor shall constitute a waiver of any other default or of any similar default in the future. Without limiting the generality of the foregoing, the acceptance by Beneficiary of payment of any sum secured by this Deed of Trust after the due date thereof shall not be a waiver of Beneficiary's right either to require prompt payment when due of all other sums so secured or to declare a default for failure to make prompt payment. The procurement of insurance or the payment of taxes or other liens or charges by Beneficiary shall not be a waiver of Beneficiary's right to accelerate the maturity of the indebtedness secured by this Deed of Trust, nor shall Beneficiary's receipt of any awards, proceeds, or damages under the provisions of the Credit Agreement and the Security Agreement operate to cure or waive Grantor's default in payment of sums secured by this Deed of Trust.

4. NOTICE. UNDER OREGON LAW, MOST AGREEMENTS, PROMISES AND COMMITMENTS MADE BY A LENDER AFTER OCTOBER 3, 1989, CONCERNING LOANS AND OTHER CREDIT EXTENSIONS WHICH ARE NOT FOR PERSONAL, FAMILY OR HOUSEHOLD PURPOSES OR SECURED SOLELY BY THE BORROWER'S RESIDENCE MUST BE IN WRITING, EXPRESS CONSIDERATION AND BE SIGNED BY THE LENDER TO BE ENFORCEABLE.

5. WARNING. AS DESCRIBED IN THE CREDIT AGREEMENT, UNDER THE CIRCUMSTANCES PROVIDED THEREIN, WE MAY PURCHASE INSURANCE AT YOUR EXPENSE TO PROTECT OUR INTEREST. THIS INSURANCE MAY, BUT NEED NOT, ALSO PROTECT YOUR INTEREST. IF THE PROPERTY BECOMES DAMAGED, THE COVERAGE WE PURCHASE MAY NOT PAY ANY CLAIM YOU MAKE OR ANY CLAIM MADE AGAINST YOU. YOU MAY LATER CANCEL THIS COVERAGE BY PROVIDING EVIDENCE THAT YOU HAVE OBTAINED PROPERTY COVERAGE ELSEWHERE.

YOU ARE RESPONSIBLE FOR THE COST OF INSURANCE PURCHASED BY US. THE COST OF THIS INSURANCE MAY BE ADDED TO THE OBLIGATIONS SECURED HEREBY. IF THE COST IS ADDED TO SUCH OBLIGATIONS, THE INTEREST RATE SET FORTH IN THE CREDIT AGREEMENT WILL APPLY TO THIS ADDED AMOUNT. THE EFFECTIVE DATE OF COVERAGE MAY BE THE DATE YOUR PRIOR COVERAGE LAPSED OR THE DATE YOU FAILED TO PROVIDE PROOF OF COVERAGE.

THE COVERAGE WE PURCHASE MAY BE CONSIDERABLY MORE EXPENSIVE THAN INSURANCE YOU CAN OBTAIN ON YOUR OWN AND NOT SATISFY ANY NEED FOR PROPERTY DAMAGE COVERAGE OR ANY MANDATORY LIABILITY INSURANCE REQUIREMENTS IMPOSED BY APPLICABLE LAW.

THIS INSTRUMENT WILL NOT ALLOW USE OF THE PROPERTY DESCRIBED IN THIS INSTRUMENT IN VIOLATION OF APPLICABLE LAND USE LAWS AND REGULATIONS. BEFORE SIGNING OR ACCEPTING THIS INSTRUMENT, THE PERSON ACQUIRING FEE TITLE TO THE PROPERTY SHOULD CHECK WITH THE APPROPRIATE CITY OR COUNTY PLANNING DEPARTMENT TO VERIFY APPROVED USES AND TO DETERMINE ANY LIMITS ON LAWSUITS AGAINST FARMING OR FOREST PRACTICES AS DEFINED IN ORS 30.930.

XEROX CORPORATION,
as ISSUER,

and

WELLS FARGO BANK MINNESOTA, NATIONAL ASSOCIATION,
as TRUSTEE

THIRD SUPPLEMENTAL INDENTURE

Dated as of June 25, 2003

To

The Indenture, dated as of January 17, 2002,
among Xerox Corporation, as Issuer, and
Wells Fargo Bank Minnesota, National Association, as Trustee,
Relating to the Company's 9 3/4% Senior Notes due 2009
(Denominated in U.S. Dollars), as supplemented by the First Supplemental Indenture thereto, dated as of June 21, 2002 and the Second Supplemental Indenture thereto, dated as of July 30, 2002

THIRD SUPPLEMENTAL INDENTURE

THIS THIRD SUPPLEMENTAL INDENTURE (the "Supplemental Indenture"), dated as of June 25, 2003, among XEROX CORPORATION, a corporation duly organized and existing under the laws of the State of New York (the "Company"), the Guarantors listed on the signature pages hereto (the "Guarantors") and WELLS FARGO BANK MINNESOTA, NATIONAL ASSOCIATION, a national banking association, as trustee (the "Trustee).

WHEREAS, the Company has heretofore executed and delivered to the Trustee an Indenture, dated as of January 17, 2002, as supplemented by the First Supplemental Indenture thereto, dated as of June 21, 2002 and the Second Supplemental Indenture thereto, dated as of July 30, 2002 (as supplemented, the "Indenture"), providing for the issuance of an aggregate principal amount of $600,000,000 of its 9 3/4 % Senior Notes due 2009 (the "Notes");

WHEREAS, pursuant to Section 1013(c) of the Indenture, the Company shall have the right to cause certain of its subsidiaries to execute a guarantee in respect of the Company's obligations under the Notes; and

WHEREAS, pursuant to Section 901(6) of the Indenture, the Company and the Trustee are authorized to execute and deliver this Supplemental Indenture.

NOW THEREFORE, in consideration of the foregoing and for other good and valuable consideration, the receipt of which is hereby acknowledged, the Guarantors, the Company and the Trustee mutually covenant and agree as follows

1. Definitions. Capitalized terms used but not otherwise defined herein shall have the meanings assigned to such terms in the Indenture.

2. Agreement to Guarantee. The Guarantors hereby jointly and severally agree to fully and unconditionally guarantee all of the Company's obligations under the Notes and the Indenture (each, a "Guarantee"), including the prompt payment in full when due of the principal of, premium on, if any, interest and, without duplication, Additional Interest, if any, on the Notes and all other amounts payable by the Company under the Indenture and the Notes, subject to any applicable grace period, whether at maturity, by acceleration or otherwise, and interest on any overdue principal and any overdue interest on the Notes and all other obligations of the Company to the Holders or the Trustee hereunder or under the Notes, and to be bound by all applicable provisions of the Indenture and the Notes.

3. Release of Guarantees. Any Guarantee shall be automatically and unconditionally released upon the release (other than by reason of payment under such guarantee) of such Guarantor's guarantee of the Credit Agreement, dated as of June 19, 2003, among the Company, Xerox Capital (Europe) plc, Xerox Canada Capital Ltd., the lenders from time to time party thereto, JPMorgan Chase Bank, as Administrative Agent for the Lenders, and as the Collateral Agent and LC Issuing Bank, Deutsche Bank

Securities Inc., as Syndication Agent and Citicorp North America, Inc., Merrill Lynch, Pierce, Fenner & Smith Incorporated and UBS Securities LLC as Co-Documentation Agents. Any Guarantee shall also be automatically and unconditionally released upon: (i) the designation of such Guarantor as an Unrestricted Subsidiary in compliance with the provisions of the Indenture or (ii) any transaction, including without limitation, any sale, exchange or transfer, to any Person not an Affiliate of the Company, of the Company's Capital Stock in, or all or substantially all the property of, such Guarantor, which transaction is in compliance with the terms of the Indenture, and which results in the Guarantor ceasing to be a Subsidiary of the Company and, in the case of either clause (i) or clause (ii), such Guarantor is released from all guarantees, if any, by it of other Capital Markets Debt of the Company.

4. Ratification of Indenture; Supplemental Part of Indenture. Except as expressly amended hereby, the Indenture is in all respects ratified and confirmed and all the terms, conditions and provisions thereof shall remain in full force and effect. This Supplemental Indenture shall form a part of the Indenture for all purposes, and every holder of the Notes heretofore or hereafter authenticated and delivered shall be bound hereby.

5. Governing Law. **THIS SUPPLEMENTAL INDENTURE SHALL BE GOVERNED BY, AND CONSTRUED IN ACCORDANCE WITH, THE LAW OF THE STATE OF NEW YORK BUT WITHOUT GIVING EFFECT TO APPLICABLE PRINCIPLES OF CONFLICTS OF LAW TO THE EXTENT THAT THE APPLICATION OF THE LAW OF ANOTHER JURISDICTION WOULD BE REQUIRED THEREBY.**

6. Multiple Originals. The parties may sign any number of copies of this Supplemental Indenture. Each signed copy shall be an original, but all of them together represent the same agreement. One signed copy is enough to prove this Supplemental Indenture.

7. Effect of Headings. The Section headings herein are for convenience only and shall not affect the construction hereof.

8. Successors. All agreements of the Company and the Guarantors in this Supplemental Indenture shall bind their successors. All agreements of the Trustee in this Supplemental Indenture shall bind its successors.

9. Separability Clause. In case any provision of this Supplemental Indenture shall be invalid, illegal or unenforceable, the validity, legality and enforceability of the remaining provisions shall not in any way be affected or impaired thereby.

10. Conflict with Trust Indenture Act. If any provision hereof limits, qualifies or conflicts with any provision of the Trust Indenture Act of 1939, as amended (the "Trust Indenture Act"), such provision or requirement of the Trust Indenture Act shall control.

If any provision of this Supplemental Indenture modifies or excludes any provision of the Trust Indenture Act that may be so modified or excluded, the latter provision shall be deemed to apply to this Supplemental Indenture as so modified or excluded, as the case may be.

IN WITNESS WHEREOF, the parties hereto have caused this Supplemental Indenture to be duly executed, and attested, as of the date first above written.

XEROX CORPORATION

By: /s/ RHONDA SEEGAL

Name: Rhonda Seegal
Titles: Vice President and Treasurer

GUARANTORS:

INTELLIGENT ELECTRONICS, INC.

By: /s/ ROBERT HOPE

Name: Robert Hope
Title: Treasurer

XEROX INTERNATIONAL JOINT MARKETING, INC.

By: /s/ JAMES FIRESTONE

Name: James Firestone
Title: President and Treasurer

WELLS FARGO BANK MINNESOTA, NATIONAL ASSOCIATION

By: /s/ JANE Y. SCHWEIGER

Name: Jane Y. Schweiger
Title: Vice President

XEROX CORPORATION,
as ISSUER,

and

WELLS FARGO BANK MINNESOTA, NATIONAL ASSOCIATION,
as TRUSTEE

THIRD SUPPLEMENTAL INDENTURE

Dated as of June 25, 2003

To

The Indenture, dated as of January 17, 2002,
among Xerox Corporation, as Issuer, and
Wells Fargo Bank Minnesota, National Association, as Trustee,
Relating to the Company's 9 3/4% Senior Notes due 2009
(Denominated in Euro), as supplemented by the First Supplemental Indenture thereto,
dated as of June 21, 2002 and the Second Supplemental Indenture thereto, dated as of
July 30, 2002

THIRD SUPPLEMENTAL INDENTURE

THIS THIRD SUPPLEMENTAL INDENTURE (the "Supplemental Indenture"), dated as of June 25, 2003, among XEROX CORPORATION, a corporation duly organized and existing under the laws of the State of New York (the "Company"), the Guarantors listed on the signature pages hereto (the "Guarantors") and WELLS FARGO BANK MINNESOTA, NATIONAL ASSOCIATION, a national banking association, as trustee (the "Trustee).

WHEREAS, the Company has heretofore executed and delivered to the Trustee an Indenture, dated as of January 17, 2002, as supplemented by the First Supplemental Indenture thereto, dated as of June 21, 2002 and the Second Supplemental Indenture thereto, dated as of July 30, 2002 (as supplemented, the "Indenture"), providing for the issuance of an aggregate principal amount of $600,000,000 of its 9 3/4% Senior Notes due 2009 (the "Notes");

WHEREAS, pursuant to Section 1013(c) of the Indenture, the Company shall have the right to cause certain of its subsidiaries to execute a guarantee in respect of the Company's obligations under the Notes; and

WHEREAS, pursuant to Section 901(6) of the Indenture, the Company and the Trustee are authorized to execute and deliver this Supplemental Indenture.

NOW THEREFORE, in consideration of the foregoing and for other good and valuable consideration, the receipt of which is hereby acknowledged, the Guarantors, the Company and the Trustee mutually covenant and agree as follows

1. Definitions. Capitalized terms used but not otherwise defined herein shall have the meanings assigned to such terms in the Indenture.

2. Agreement to Guarantee. The Guarantors hereby jointly and severally agree to fully and unconditionally guarantee all of the Company's obligations under the Notes and the Indenture (each, a "Guarantee"), including the prompt payment in full when due of the principal of, premium on, if any, interest and, without duplication, Additional Interest, if any, on the Notes and all other amounts payable by the Company under the Indenture and the Notes, subject to any applicable grace period, whether at maturity, by acceleration or otherwise, and interest on any overdue principal and any overdue interest on the Notes and all other obligations of the Company to the Holders or the Trustee hereunder or under the Notes, and to be bound by all applicable provisions of the Indenture and the Notes.

3. Release of Guarantees. Any Guarantee shall be automatically and unconditionally released upon the release (other than by reason of payment under such guarantee) of such Guarantor's guarantee of the Credit Agreement, dated as of June 19, 2003, among the Company, Xerox Capital (Europe) plc, Xerox Canada Capital Ltd., the lenders from time to time party thereto, JPMorgan Chase Bank, as Administrative Agent for the Lenders, and as the Collateral Agent and LC Issuing Bank, Deutsche Bank

Securities Inc., as Syndication Agent and Citicorp North America, Inc., Merrill Lynch, Pierce, Fenner & Smith Incorporated and UBS Securities LLC as Co-Documentation Agents. Any Guarantee shall also be automatically and unconditionally released upon: (i) the designation of such Guarantor as an Unrestricted Subsidiary in compliance with the provisions of the Indenture or (ii) any transaction, including without limitation, any sale, exchange or transfer, to any Person not an Affiliate of the Company, of the Company's Capital Stock in, or all or substantially all the property of, such Guarantor, which transaction is in compliance with the terms of the Indenture, and which results in the Guarantor ceasing to be a Subsidiary of the Company and, in the case of either clause (i) or clause (ii), such Guarantor is released from all guarantees, if any, by it of other Capital Markets Debt of the Company.

4. Ratification of Indenture; Supplemental Part of Indenture. Except as expressly amended hereby, the Indenture is in all respects ratified and confirmed and all the terms, conditions and provisions thereof shall remain in full force and effect. This Supplemental Indenture shall form a part of the Indenture for all purposes, and every holder of the Notes heretofore or hereafter authenticated and delivered shall be bound hereby.

5. Governing Law. **THIS SUPPLEMENTAL INDENTURE SHALL BE GOVERNED BY, AND CONSTRUED IN ACCORDANCE WITH, THE LAW OF THE STATE OF NEW YORK BUT WITHOUT GIVING EFFECT TO APPLICABLE PRINCIPLES OF CONFLICTS OF LAW TO THE EXTENT THAT THE APPLICATION OF THE LAW OF ANOTHER JURISDICTION WOULD BE REQUIRED THEREBY.**

6. Multiple Originals. The parties may sign any number of copies of this Supplemental Indenture. Each signed copy shall be an original, but all of them together represent the same agreement. One signed copy is enough to prove this Supplemental Indenture.

7. Effect of Headings. The Section headings herein are for convenience only and shall not affect the construction hereof.

8. Successors. All agreements of the Company and the Guarantors in this Supplemental Indenture shall bind their successors. All agreements of the Trustee in this Supplemental Indenture shall bind its successors.

9. Separability Clause. In case any provision of this Supplemental Indenture shall be invalid, illegal or unenforceable, the validity, legality and enforceability of the remaining provisions shall not in any way be affected or impaired thereby.

10. Conflict with Trust Indenture Act. If any provision hereof limits, qualifies or conflicts with any provision of the Trust Indenture Act of 1939, as amended (the "Trust Indenture Act"), such provision or requirement of the Trust Indenture Act shall control.

If any provision of this Supplemental Indenture modifies or excludes any provision of the Trust Indenture Act that may be so modified or excluded, the latter provision shall be deemed to apply to this Supplemental Indenture as so modified or excluded, as the case may be.

IN WITNESS WHEREOF, the parties hereto have caused this Supplemental Indenture to be duly executed, and attested, as of the date first above written.

XEROX CORPORATION

By: /s/ RHONDA SEEGAL

Name: Rhonda Seegal
Titles: Vice President and Treasurer

GUARANTORS:

INTELLIGENT ELECTRONICS, INC.

By: /s/ ROBERT HOPE

Name: Robert Hope
Title: Treasurer

XEROX INTERNATIONAL JOINT MARKETING, INC.

By: /s/ JAMES FIRESTONE

Name: James Firestone
Title: President and Treasurer

WELLS FARGO BANK MINNESOTA, NATIONAL ASSOCIATION

By: /s/ JANE Y. SCHWEIGER

Name: Jane Y. Schweiger
Title:Vice President

Exhibit 5.1

[Blank Rome LLP letterhead]

Phone: 215-569-5500
Fax: 215-569-5555
Email: www.blankrome.com

June 25, 2003

Xerox Corporation
800 Long Ridge Road
Stamford, CT 06904

Re: 7 1/8% Senior Notes due 2010
and 7 5/8% Senior Notes due 2013

Ladies and Gentlemen:

We have acted as special Pennsylvania counsel to Xerox Corporation, a New York corporation ("Xerox"), with respect to its wholly owned subsidiary Intelligent Electronics, Inc., a Pennsylvania corporation ("IEI"), in connection with the public offering and sale by Xerox of $700 million aggregate principal amount of 7 1/8% Senior Notes due 2010 (the "Seven Year Notes") and $550 million aggregate principal amount of 7 5/8% Senior Notes due 2013 (the "Ten Year Notes" and, together with the Seven Year Notes, the "Notes") to be issued under the First Supplemental Indenture among Xerox, Xerox International Joint Marketing, Inc. ("XIJMI") and IEI (XIJMI and IEI collectively, the "Guarantors") and Wells Fargo Bank Minnesota, National Association, as trustee, dated as of June 25, 2003, (the "Supplemental Indenture"), to the Indenture, dated as of June 25, 2003 (the "Base Indenture" and, together with the Supplemental Indenture, the "Indenture"), among Xerox and Wells Fargo Bank Minnesota, National Association, as trustee. Section 1401 of the Supplemental Indenture provides for the guarantee by IEI of obligations of Xerox under the Indenture as set forth therein. Section 1402 of the Supplemental Indenture provides for the endorsement on each Note of a notation of such guarantee by IEI (the "IEI Guaranty").

This opinion is being furnished in accordance with the requirements of Item 601(b)(5) of Regulation S-K under the Securities Act of 1933, as amended (the "Act").

Although as special counsel to Xerox, we have advised it in connection with certain matters referred to us by it, our services to Xerox are limited to specific matters so referred. Consequently, we do not have knowledge of other transactions or matters in which Xerox is engaged or its day-to-day business or other activities.

In rendering the opinion set forth herein, we have examined and relied on originals or copies of the documents listed in Exhibit A (the "Transaction Documents") and such other instruments, documents and certificates, including certificates of public officials and officers of IEI, as we have deemed necessary or appropriate. In rendering the opinion expressed below, we have assumed that: (a) all the Transaction Documents and other documents referred to in this

opinion letter have been or will be duly executed, delivered and authenticated by (except to the extent set forth below as to IEI) and constitute legal, valid, binding and enforceable obligations of all of the parties to such documents, (b) all of the signatories to such documents (except to the extent set forth below as to IEI) have been or will be duly authorized, and (c) all the parties to such documents have (except to the extent set forth below as to IEI) been duly organized and are validly existing and have the power and authority (corporate and otherwise) to execute and perform such documents.

In addition, we have assumed the genuineness of all signatures, the legal capacity of natural persons, the authenticity of all documents submitted to us as originals, the conformity to original documents of all documents submitted to us as facsimile, electronic, certified or photostatic copies, and the authenticity of the originals of such copies. We have not made any independent investigation in providing this opinion letter other than the document examination described above.

Based upon and subject to the assumptions, limitations and qualifications heretofore and hereafter set forth in this opinion letter, in our opinion, the IEI Guaranty has been duly authorized, executed and delivered by IEI under the laws of the Commonwealth of Pennsylvania ("Commonwealth").

In addition to the assumptions, limitations and qualifications set forth above, the opinion set forth above is also subject to the following additional assumptions, limitations and qualifications:

A. The rights of the parties to the Transaction Documents may be subject to the requirement that such parties act in good faith and in a commercially reasonable manner.

B. The subsistence of IEI in the Commonwealth is based solely on the Officer's Secretary's Certificate dated as of June 25, 2003 of IEI attached hereto as Exhibit B. On June 25, 2003, we also contacted by telephone the Corporation Bureau of the Pennsylvania Department of State which then confirmed that IEI is duly incorporated under the laws of the Commonwealth and remains subsisting.

C. We express no opinion as to whether IEI is in compliance with any federal, state or local law, rule or regulation.

The opinion expressed herein is limited to the laws of the Commonwealth, and we express no opinion as to the applicability or the effect of the laws of any jurisdiction other than the laws of the Commonwealth. Notwithstanding the foregoing, no opinion is expressed with regard to, or as to the effect on the opinion expressed herein of, any law, rule or regulation of the Commonwealth relating to (a) pollution or protection of the environment, (b) labor, employee

rights and benefits, or occupational safety and health, or (c) (1) antitrust matters, (2) tax matters, (3) anti-fraud matters or (4) securities regulation.

The opinion expressed herein is based on laws in effect on the date hereof, which laws are subject to change without possible retroactive effect. We assume no obligation to supplement this opinion letter if any applicable law, rule or regulation changes after the date of this opinion letter or if we become aware of any facts that might change the opinion expressed above after the date of this opinion letter.

We hereby consent to the filing of this opinion with the Securities and Exchange Commission (the "Commission") as an exhibit to a Current Report on Form 8-K that will be incorporated by reference into the Registration Statement (as defined in Exhibit A). In giving this consent, we do not thereby admit that we are included in the category of persons whose consent is required under Section 7 of the Act or the Rules and Regulations of the Commission.

Very truly yours,

BLANK ROME LLP

Exhibit A

(a) The registration statement on Form S-3 (File Nos. 333-101164 and 333-101164-01, -03 and –05 through –13) of Xerox and the Guarantors relating to the Notes and other securities of Xerox filed with the Commission under the Act and Pre-Effective Amendments No. 1, No. 2 and No 3 thereto (such registration statement, as so amended and declared effective by the Commission on June 10, 2003, being herein referred to as the "Registration Statement");

(b) the prospectus, dated June 10, 2003, relating to the offering of Notes of Xerox, which forms a part of and is included in the Registration Statement;

(c) the prospectus supplement, dated June 19, 2003, relating to the offering of the Notes;

(d) an executed copy of the Underwriting Agreement, dated June 19, 2003 (the "Underwriting Agreement") among Xerox and Deutsche Bank Securities Inc., J.P. Morgan Securities Inc., Citigroup Global Markets Inc., Goldman, Sachs & Co., Merrill Lynch, Pierce, Fenner & Smith Incorporated, UBS Securities LLC, Banc One Capital markets, Inc., Bear, Stearns & Co. Inc., Danske Markets Inc., BNP Paribas Securities Corp., Credit Suisse First Boston LLC, Fleet Securities, Inc. and PNC Capital Markets, Inc., as Representatives of the several underwriters;

(e) an executed copy of each of the IEI Guaranty and the Notes;

(f) an executed copy of the Indenture;

(g) certificate of the Senior Vice President and Chief Financial Officer of Xerox, dated as of June 19, 2003, establishing the terms and conditions of the Notes;

(h) the Certificate of Incorporation of IEI, as certified by an officer of IEI (the "IEI Certificate of Incorporation");

(i) the By-Laws of IEI, as certified by an officer of IEI, as being in full force and effect on the date hereof (the "IEI By-Laws");

(j) resolutions of the Board of Directors of IEI adopted on June 19, 2003, relating to, among other things, the issuance of the IEI Guaranty, as certified by an officer of IEI;

(k) form of Current Report on Form 8-K to be filed with the Commission to which this opinion is to be filed as an exhibit;

(l) Officer's Certificate of IEI, dated as of June 25, 2003; and

(m) Secretary's Certificate of IEI, dated as of June 25, 2003.

Exhibit 5.2

[Letterhead of Skadden, Arps, Slate, Meagher & Flom LLP]

June 25, 2003

Xerox Corporation
800 Long Ridge Road
Stamford, CT 06904

Re: Xerox Corporation
Registration Statement on Form S-3

Ladies and Gentlemen:

We have acted as special counsel to Xerox Corporation, a New York corporation (the "Company"), in connection with the public offering and sale by the Company of $700 million aggregate principal amount of 7 1/8% Senior Notes due 2010 (the "Seven Year Notes") and $550 million aggregate principal amount of 7 5/8% Senior Notes due 2013 (the "Ten Year Notes" and, together with the Seven Year Notes, the "Notes") to be issued under the Supplemental Indenture, dated as of June 25, 2003 (the "Supplemental Indenture"), among the Company, the Guarantors (as defined below) and Wells Fargo Bank Minnesota, National Association, as trustee (the "Trustee") to an indenture, dated as of June 25, 2003 (together with the Supplemental Indenture, the "Indenture"), between the Company and the Trustee. The Indenture provides that the Notes are to be guaranteed (the "Guarantees", and together with the Notes, the "Securities") by Xerox International Joint Marketing, Inc., a Delaware corporation ("XIJM"), and Intelligent Electronics, Inc., a Pennsylvania corporation ("Intelligent Electronics"), each of which is a wholly-owned subsidiary of the Company (each a "Guarantor" and, together, the "Guarantors").

This opinion is being furnished in accordance with the requirements of Item 601(b)(5) of Regulation S-K under the Securities Act of 1933, as amended (the "Act").

In rendering the opinions set forth herein, we have examined and relied on originals or copies of the following:

(a) the registration statement on Form S-3 (File Nos. 333-101164 and 333-101164-01, -03 and -05 through -13) of the Company and the Guarantors relating to the Securities and other securities of the Company filed with the Securities and Exchange Commission (the "Commission") under the Act, allowing for delayed offerings pursuant to Rule 415 of the General Rules and Regulations under the Act (the "Rules and Regulations"), and Pre-Effective Amendments No. 1, No. 2 and No. 3 thereto (such registration statement, as so amended and declared effective by the Commission on June 10, 2003, being hereinafter referred to as the "Registration Statement");

(b) the prospectus, dated June 10, 2003, relating to the offering of securities of the Company, which forms a part of and is included in the Registration Statement;

(c) the prospectus supplement, dated June 19, 2003, relating to the offering of the Securities;

(d) an executed copy of the Underwriting Agreement, dated June 19, 2003 (the "Underwriting Agreement"), among the Company and Deutsche Bank Securities Inc., J.P. Morgan Securities Inc., Citigroup Global Markets Inc., Goldman, Sachs & Co., Merrill Lynch, Pierce, Fenner & Smith Incorporated, UBS Securities LLC, Banc One Capital Markets, Inc., Bear, Stearns & Co. Inc., Danske Markets Inc., BNP Paribas Securities Corp., Credit Suisse First Boston LLC, Fleet Securities, Inc. and PNC Capital Markets, Inc., as Representatives of the several Underwriters;

(e) the Securities;

(f) an executed copy of the Indenture;

(g) the Statement of Eligibility and Qualification under the Trust Indenture Act of 1939, as amended, on Form T-1, of the Trustee;

(h) the Restated Certificate of Incorporation of the Company, as amended, as certified by the Secretary of State of the State of New York on June 25, 2003;

(i) the By-Laws of the Company, as certified by the Vice President and Secretary of the Company as being in full force and effect on the date hereof;

(j) resolutions of the Board of Directors of the Company, adopted on October 14, 2002, December 10, 2002 and May 15, 2003, relating to, among other things, the issuance and sale of the Notes;

(k) certificate of the Senior Vice President and Chief Financial Officer of the Company, dated as of June 19, 2003, establishing the terms and conditions of the Securities;

(l) the Certificate of Incorporation of XIJM, as certified by the Secretary of State of the State of Delaware on June 25, 2003 (the "XIJM Certificate of Incorporation");

(m) the By-Laws of XIJM, as certified by James A. Firestone, President and Chief Executive Officer of XIJM, as being in full force and effect on the date hereof (the "XIJM By-Laws"); and

(n) resolutions of the Board of Directors of XIJM, adopted on June 19, 2003, relating to, among other things, the issuance of the Guarantee by XIJM.

We have also examined originals or copies, certified or otherwise identified to our satisfaction, of such records of the Company and such agreements, certificates and receipts of public officials, certificates of officers or other representatives of the Company and others, and such other documents as we have deemed necessary or appropriate as a basis for the opinions set forth below.

In our examination, we have assumed the legal capacity of all natural persons, the genuineness of all signatures, the authenticity of all documents submitted to us as originals, the conformity to original documents of all documents submitted to us as facsimile, electronic, certified or photostatic copies, and the authenticity of the originals of such copies. In making our examination of executed documents,

and for the purposes of this opinion, we have assumed that the parties thereto, other than the Company and XIJM, had the power, corporate or other, to enter into and perform all obligations thereunder and have also assumed the due authorization by all requisite action, corporate or other, and the execution and delivery by such parties of such documents and (except to the extent set forth in paragraph 2 below) the validity and binding effect thereof on such parties. As to any facts material to the opinions expressed herein that we did not independently establish or verify, we have relied upon statements and representations of officers and other representatives of the Company and of public officials and others. We have also assumed that Intelligent Electronics has been duly organized and is validly existing under the laws of the Commonwealth of Pennsylvania, and has complied with all aspects of applicable laws of jurisdictions other than the United States of America and the State of New York in connection with the transactions contemplated by the Transaction Documents (as defined below).

Our opinions set forth herein are limited to the Delaware General Corporation Law and the laws of the State of New York which are normally applicable to the Securities and to the extent that judicial or regulatory orders or decrees or consents, approvals, licenses, authorizations, validations, filings, recordings or registrations with governmental authorities are relevant, to those required under such laws (all of the foregoing being referred to as "Opined on Law"). We do not express any opinion with respect to the law of any jurisdiction other than Opined on Law or as to the effect of any such non-opined on law on the opinions herein stated.

The opinions set forth below are subject to the following qualifications, further assumptions and limitations:

(a) we do not express any opinion as to the effect on the opinions expressed herein of (i) the compliance or noncompliance of any party to each of the the Underwriting Agreement, the Indenture and the Securities (collectively, the "Transaction Documents") (other than with respect to the Company and the Guarantors to the extent set forth herein) with any state, federal or other laws or regulations applicable to it or them or (ii) the legal or regulatory status or the nature of the business of any such other party;

(b) we have assumed that the Company has received the entire amount of the consideration contemplated by the resolutions of the Board of Directors of the Company authorizing the issuance of the Securities;

(c) the validity or enforcement of any agreements or instruments may be limited by applicable bankruptcy, insolvency, reorganization, moratorium or other similar laws affecting creditors' rights generally and by general principles of equity (regardless of whether enforceability is considered in a proceeding in equity or at law);

(d) we do not express any opinion as to the applicability or effect of any fraudulent transfer, preference or similar law on each of the Underwriting Agreement, the Indenture or the Guarantees or any transactions contemplated thereby; and

(e) to the extent any opinion relates to the enforceability of the choice of New York law and choice of New York forum provisions of the Transaction Documents, it is rendered in reliance upon N.Y. Gen. Oblig. Law §§ 5-1401, 5-1402 (McKinney 2001) and N.Y. C.P.L.R. 327(b) (McKinney 2001) and is subject to the qualifications that such enforceability (i) may be limited by public policy considerations of any jurisdiction, other than the courts of the State of New York, in which enforcement of such provisions, or of a judgment upon an agreement containing such provisions, is sought and (ii) does not apply to the extent provided to the contrary in subsection two of Section 1-105 of the New York Uniform Commercial Code.

Based upon and subject to the foregoing, we are of the opinion that:

1. the Notes have been duly authorized and executed by the Company, and the Notes duly constitute valid and binding obligations of the Company entitled to the benefits of the Indenture and are enforceable against the Company in accordance with their terms; and

2. the Guarantee has been duly authorized by XIJM, and assuming that the Guarantees have been duly authorized, executed and delivered by Intelligent Electronics under the laws of the Commonwealth of Pennsylvania, the Guarantees constitute the valid and binding obligation of the applicable Guarantor, and are enforceable against such Guarantor in accordance with their terms.

In rendering the opinions set forth above, we have assumed that the execution and delivery by the Company and the Guarantors of each of the Transaction Documents and the performance by the Company and the Guarantors of their respective obligations thereunder do not and will not violate, conflict with or constitute a default under any agreement or instrument to which the Company, the

Guarantors or their respective properties is subject, except we make no such assumption with respect to those agreements and instruments which have been identified to us by the Company as being material to it and the Guarantors and which are listed as exhibits in Part IV of the Company's Annual Report on Form 10-K for the year ended December 31, 2002 and filed with the Commission on March 31, 2003.

We hereby consent to the filing of this opinion with the Commission as an exhibit to a Current Report on Form 8-K that will be incorporated by reference into the Registration Statement. In giving this consent, we do not thereby admit that we are included in the category of persons whose consent is required under Section 7 of the Act or the Rules and Regulations of the Commission.

Very truly yours,

/S/ SKADDEN, ARPS, SLATE, MEAGHER & FLOM LLP