

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

FORM 10-Q

(Mark One)

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

For the quarterly period ended: June 30, 2017

OR

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

For the transition period from to

Commission File Number 001-04471



XEROX CORPORATION

(Exact Name of Registrant as specified in its charter)

New York

(State or other jurisdiction of
incorporation or organization)

P.O. Box 4505, 201 Merritt 7
Norwalk, Connecticut

(Address of principal executive offices)

16-0468020

(IRS Employer
Identification No.)

06851-1056

(Zip Code)

(203) 968-3000

(Registrant's telephone number, including area code)

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

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§ 232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes No

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

Large accelerated filer Accelerated filer Non-accelerated filer
(Do not check if smaller reporting company) Smaller reporting company Emerging growth company

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

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

Class

Common Stock, \$1 par value

Outstanding at June 30, 2017

254,169,785 shares

FORWARD-LOOKING STATEMENTS

This Quarterly Report on Form 10-Q and any exhibits to this Report may contain "forward-looking statements" as defined in the Private Securities Litigation Reform Act of 1995. The words "anticipate," "believe," "estimate," "expect," "intend," "will," "should" and similar expressions, as they relate to us, are intended to identify forward-looking statements. These statements reflect Management's current beliefs, assumptions and expectations and are subject to a number of factors that may cause actual results to differ materially. Such factors include, but are not limited to: our ability to address our business challenges in order to reverse revenue declines, reduce costs and increase productivity so that we can invest in and grow our business; changes in economic conditions, political conditions, trade protection measures, licensing requirements and tax laws in the United States and in the foreign countries in which we do business; changes in foreign currency exchange rates; our ability to successfully develop new products, technologies and service offerings and to protect our intellectual property rights; the risk that multi-year contracts with governmental entities could be terminated prior to the end of the contract term and that civil or criminal penalties and administrative sanctions could be imposed on us if we fail to comply with the terms of such contracts and applicable law; the risk that partners, subcontractors and software vendors will not perform in a timely, quality manner; actions of competitors and our ability to promptly and effectively react to changing technologies and customer expectations; our ability to obtain adequate pricing for our products and services and to maintain and improve cost efficiency of operations, including savings from restructuring actions; the risk that individually identifiable information of customers, clients and employees could be inadvertently disclosed or disclosed as a result of a breach of our security systems; reliance on third parties, including subcontractors, for manufacturing of products and provision of services; our ability to manage changes in the printing environment and markets and expand equipment placements; interest rates, cost of borrowing and access to credit markets; funding requirements associated with our employee pension and retiree health benefit plans; the risk that our operations and products may not comply with applicable worldwide regulatory requirements, particularly environmental regulations and directives and anti-corruption laws; the outcome of litigation and regulatory proceedings to which we may be a party; the risk that we do not realize all of the expected strategic and financial benefits from the separation and spin-off of our Business Process Outsourcing (BPO) business; and other factors that are set forth in the "Risk Factors" section, the "Legal Proceedings" section, the "Management's Discussion and Analysis of Financial Condition and Results of Operations" section and other sections of this Quarterly Report on Form 10-Q, our Quarterly Report on Form 10-Q for the quarter ended March 31, 2017 and our 2016 Annual Report on Form 10-K filed with the Securities and Exchange Commission (SEC). Xerox assumes no obligation to update any forward-looking statements as a result of new information or future events or developments, except as required by law.

Fuji Xerox Co., Ltd. ("Fuji Xerox") is a joint venture between Xerox Corporation and Fujifilm Holdings Corporation ("Fujifilm") in which Xerox holds a noncontrolling 25% equity interest and Fujifilm holds the remaining equity interest. Given our status as a minority investor, we have limited contractual and other rights to information with respect to Fuji Xerox matters. On April 20, 2017, Fujifilm publicly announced it had formed an independent investigation committee (IIC) to conduct a review of the appropriateness of the accounting practices at Fuji Xerox's New Zealand subsidiary. Fujifilm publicly announced that the IIC completed its review during the second quarter 2017 and identified additional adjustments from the amount initially disclosed by Fujifilm bringing the total aggregate adjustments to approximately JPY 40 billion (approximately \$360 million based on the Yen/U.S. Dollar spot exchange rate at March 31, 2017 of 111.89). The increase in adjustments related to subsequent findings by the IIC in their investigation primarily related to misstatements at Fuji Xerox's Australian subsidiary, as well as certain other adjustments. We determined that our cumulative share of the revised amount of total adjustments identified as part of the investigation was approximately \$90 million and impacted our fiscal years 2009 through 2017. Based on our procedures, as well as those performed by Fuji Xerox and Fujifilm, we concluded that the cumulative correction of the misstatements in our historical financial statements would have had a material effect on our current year consolidated financial statements. Accordingly, we concluded that we should revise our previously issued annual and interim consolidated financial statements for 2014, 2015 and 2016 and the first quarter of 2017 the next time they are filed. The Fujifilm audited financial statements were issued in Japan on July 31, 2017, and our review of this matter has been completed. However, at this time, we can provide no assurances relative to the outcome of any potential governmental investigations or any consequences thereof that may happen as a result of this matter.

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For additional information about Xerox Corporation and access to our Annual Reports to Shareholders and SEC filings, free of charge, please visit our website at www.xerox.com/investor. Any information on or linked from the website is not incorporated by reference into this Form 10-Q.

PART I — FINANCIAL INFORMATION
ITEM 1 — FINANCIAL STATEMENTS

XEROX CORPORATION
CONDENSED CONSOLIDATED STATEMENTS OF INCOME (UNAUDITED)

(in millions, except per-share data)	Three Months Ended June 30,		Six Months Ended June 30,	
	2017	2016	2017	2016
Revenues				
Sales	\$ 1,010	\$ 1,126	\$ 1,946	\$ 2,129
Services, maintenance and rentals	1,483	1,585	2,925	3,114
Financing	74	82	150	165
Total Revenues	2,567	2,793	5,021	5,408
Costs and Expenses				
Cost of sales	619	696	1,186	1,310
Cost of services, maintenance and rentals	884	953	1,784	1,903
Cost of financing	33	32	66	65
Research, development and engineering expenses	106	119	224	245
Selling, administrative and general expenses	643	691	1,307	1,392
Restructuring and related costs	40	47	160	147
Amortization of intangible assets	15	16	29	30
Other expenses, net	34	48	88	93
Total Costs and Expenses	2,374	2,602	4,844	5,185
Income before Income Taxes and Equity Income	193	191	177	223
Income tax expense	43	18	19	16
Equity in net income of unconsolidated affiliates	20	26	60	60
Income from Continuing Operations	170	199	218	267
Loss from discontinued operations, net of tax	—	(38)	(6)	(73)
Net Income	170	161	212	194
Less: Net income attributable to noncontrolling interests	4	3	6	5
Net Income Attributable to Xerox	\$ 166	\$ 158	\$ 206	\$ 189
Amounts Attributable to Xerox:				
Net income from continuing operations	\$ 166	\$ 196	\$ 212	\$ 262
Net loss from discontinued operations	—	(38)	(6)	(73)
Net Income Attributable to Xerox	\$ 166	\$ 158	\$ 206	\$ 189
Basic Earnings (Loss) per Share⁽¹⁾:				
Continuing operations	\$ 0.64	\$ 0.75	\$ 0.81	\$ 0.99
Discontinued operations	—	(0.15)	(0.03)	(0.29)
Total Basic Earnings per Share	\$ 0.64	\$ 0.60	\$ 0.78	\$ 0.70
Diluted Earnings (Loss) per Share⁽¹⁾:				
Continuing operations	\$ 0.63	\$ 0.75	\$ 0.80	\$ 0.98
Discontinued operations	—	(0.15)	(0.02)	(0.28)
Total Diluted Earnings per Share	\$ 0.63	\$ 0.60	\$ 0.78	\$ 0.70

(1) Reflects our one-for-four reverse stock split that became effective on June 14, 2017. Refer to Note 1 - Basis of Presentation for further information.

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

XEROX CORPORATION
CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME (UNAUDITED)

(in millions)	Three Months Ended June 30,		Six Months Ended June 30,	
	2017	2016	2017	2016
Net income	\$ 170	\$ 161	\$ 212	\$ 194
Less: Net income attributable to noncontrolling interests	4	3	6	5
Net Income Attributable to Xerox	166	158	206	189
Other Comprehensive Income (Loss), Net⁽¹⁾:				
Translation adjustments, net	204	(82)	337	107
Unrealized (losses) gains, net	(14)	24	(6)	33
Changes in defined benefit plans, net	(29)	20	(3)	(92)
Other Comprehensive Income (Loss), Net	161	(38)	328	48
Less: Other comprehensive (loss) income, net attributable to noncontrolling interests	—	(1)	1	(1)
Other Comprehensive Income (Loss), Net Attributable to Xerox	161	(37)	327	49
Comprehensive Income, Net	331	123	540	242
Less: Comprehensive income, net attributable to noncontrolling interests	4	2	7	4
Comprehensive Income, Net Attributable to Xerox	\$ 327	\$ 121	\$ 533	\$ 238

(1) Refer to Note 16 - Other Comprehensive Income (Loss) for gross components of Other Comprehensive Income (Loss), reclassification adjustments out of Accumulated Other Comprehensive Loss and related tax effects.

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

XEROX CORPORATION
CONDENSED CONSOLIDATED BALANCE SHEETS (UNAUDITED)

<small>(in millions, except share data in thousands)</small>	June 30, 2017	December 31, 2016
Assets		
Cash and cash equivalents	\$ 1,246	\$ 2,223
Accounts receivable, net	1,037	961
Billed portion of finance receivables, net	84	90
Finance receivables, net	1,278	1,256
Inventories	944	841
Assets of discontinued operations	—	1,002
Other current assets	389	619
Total current assets	4,978	6,992
Finance receivables due after one year, net	2,341	2,398
Equipment on operating leases, net	464	475
Land, buildings and equipment, net	636	660
Investments in affiliates, at equity	1,398	1,294
Intangible assets, net	286	290
Goodwill	3,893	3,787
Deferred tax assets, long-term	1,481	1,472
Other long-term assets	690	683
Total Assets	\$ 16,167	\$ 18,051
Liabilities and Equity		
Short-term debt and current portion of long-term debt	\$ 765	\$ 1,011
Accounts payable	1,202	1,126
Accrued compensation and benefits costs	373	420
Unearned income	191	187
Liabilities of discontinued operations	—	1,002
Other current liabilities	883	908
Total current liabilities	3,414	4,654
Long-term debt	4,236	5,305
Pension and other benefit liabilities	2,281	2,240
Post-retirement medical benefits	676	698
Other long-term liabilities	188	193
Total Liabilities	10,795	13,090
Commitments and Contingencies (See Note 18)		
Convertible Preferred Stock	214	214
Common stock	254	254
Additional paid-in capital	3,875	3,858
Retained earnings	5,004	4,934
Accumulated other comprehensive loss	(4,010)	(4,337)
Xerox shareholders' equity	5,123	4,709
Noncontrolling interests	35	38
Total Equity	5,158	4,747
Total Liabilities and Equity	\$ 16,167	\$ 18,051
Shares of common stock issued and outstanding	254,170	253,594

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

XEROX CORPORATION
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS (UNAUDITED)

(in millions)	Three Months Ended June 30,		Six Months Ended June 30,	
	2017	2016	2017	2016
Cash Flows from Operating Activities:				
Net income	\$ 170	\$ 161	\$ 212	\$ 194
Loss from discontinued operations, net of tax	—	38	6	73
Income from continuing operations	170	199	218	267
Adjustments required to reconcile net income to cash flows from operating activities:				
Depreciation and amortization	135	144	268	286
Provision for receivables	10	11	23	24
Provision for inventory	7	6	12	15
Net (gain) loss on sales of businesses and assets	(1)	3	(1)	(17)
Undistributed equity in net income of unconsolidated affiliates	10	5	(30)	(29)
Stock-based compensation	12	7	25	17
Restructuring and asset impairment charges	33	43	143	141
Payments for restructurings	(67)	(24)	(127)	(45)
Defined benefit pension cost	37	33	99	76
Contributions to defined benefit pension plans	(23)	(34)	(46)	(68)
Increase in accounts receivable and billed portion of finance receivables	(63)	(111)	(140)	(160)
Collections of deferred proceeds from sales of receivables	51	74	99	133
(Increase) decrease in inventories	(30)	7	(88)	(92)
Increase in equipment on operating leases	(50)	(68)	(102)	(130)
Decrease in finance receivables	69	21	134	85
Collections on beneficial interest from sales of finance receivables	5	7	11	15
Decrease (increase) in other current and long-term assets	14	46	(43)	9
Decrease in accounts payable and accrued compensation	(21)	(90)	—	(166)
(Decrease) increase in other current and long-term liabilities	—	(50)	3	(114)
Net change in income tax assets and liabilities	5	10	(36)	(22)
Net change in derivative assets and liabilities	44	(66)	99	(49)
Other operating, net	(4)	86	12	170
Net cash provided by operating activities of continuing operations	343	259	533	346
Net cash used in operating activities of discontinued operations	(15)	(82)	(95)	(194)
Net cash provided by operating activities	328	177	438	152
Cash Flows from Investing Activities:				
Cost of additions to land, buildings and equipment	(13)	(27)	(30)	(46)
Proceeds from sales of land, buildings and equipment	—	1	1	20
Cost of additions to internal use software	(8)	(11)	(17)	(24)
Acquisitions, net of cash acquired	(65)	—	(76)	(18)
Other investing, net	9	3	10	4
Net cash used in investing activities of continuing operations	(77)	(34)	(112)	(64)
Net cash used in investing activities of discontinued operations	—	(33)	—	(128)
Net cash used in investing activities	(77)	(67)	(112)	(192)
Cash Flows from Financing Activities:				
Net proceeds on short-term debt	—	249	1	998
Proceeds from issuance of long-term debt	2	5	5	9
Payments on long-term debt	(2)	(257)	(1,330)	(965)
Common stock dividends	(64)	(78)	(145)	(149)
Preferred stock dividends	(4)	(6)	(10)	(12)
Proceeds from issuances of common stock	—	2	—	3
Repurchases related to stock-based compensation	(1)	—	(8)	—
Distributions to noncontrolling interests	(11)	(1)	(12)	(12)
Proceeds from Conduent	—	—	161	—
Other financing	—	(1)	—	(1)
Net cash used in financing activities	(80)	(87)	(1,338)	(129)

Effect of exchange rate changes on cash and cash equivalents	30	(8)	35	4
Increase in cash of discontinued operations	—	(18)	—	(20)
Increase (decrease) in cash and cash equivalents	201	(3)	(977)	(185)
Cash and cash equivalents at beginning of period	1,045	1,046	2,223	1,228
Cash and Cash Equivalents at End of Period	\$ 1,246	\$ 1,043	\$ 1,246	\$ 1,043

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

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XEROX CORPORATION
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)

(in millions, except per-share data and where otherwise noted)

Note 1 – Basis of Presentation

References herein to “we,” “us,” “our,” the “company” and “Xerox” refer to Xerox Corporation and its consolidated subsidiaries unless the context suggests otherwise.

We have prepared the accompanying unaudited Condensed Consolidated Financial Statements in accordance with the accounting policies described in our 2016 Annual Report on Form 10-K (2016 Annual Report), and the interim reporting requirements of Form 10-Q. Accordingly, certain information and note disclosures normally included in our annual financial statements prepared in accordance with accounting principles generally accepted in the United States of America have been condensed or omitted. You should read these Condensed Consolidated Financial Statements in conjunction with the Consolidated Financial Statements included in our 2016 Annual Report.

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

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

Overview

On December 31, 2016, Xerox Corporation completed the Separation of its Business Process Outsourcing (BPO) business from its Document Technology and Document Outsourcing (DT/DO) business (the “Separation”). The Separation was accomplished through the transfer of the BPO business into a new legal entity, Conduent Incorporated (“Conduent”), and then distributing one hundred percent (100%) of the outstanding common stock of Conduent to Xerox Corporation stockholders (the “Distribution”). The Separation and Distribution were structured to be tax-free for Xerox Corporation stockholders for federal income tax purposes. Conduent is now an independent public company trading on the New York Stock Exchange (“NYSE”) under the symbol “CNDT”. After the Separation, Xerox retained the DT/DO businesses and Xerox does not beneficially own any shares of Conduent common stock.

As a result of the Separation and Distribution, the financial position and results of operations of the BPO business are presented as discontinued operations and, as such, have been excluded from continuing operations for all periods presented. The accompanying Notes to the Condensed Consolidated Financial Statements have all been revised to reflect the effect of the Separation and Distribution and all prior year balances have been revised accordingly to reflect continuing operations only. The historical statements of Comprehensive Income (Loss) and Shareholders’ Equity have not been revised to reflect the Separation and instead reflect the Separation and Distribution as a final adjustment to the balances at December 31, 2016. Refer to Note 5 - Divestitures for additional information regarding discontinued operations.

In connection with the Separation, Xerox entered into several agreements with Conduent to (1) effect the legal and structural separation of Xerox and Conduent, (2) govern the relationship between Xerox and Conduent up to and after the completion of the Separation and (3) allocate between Xerox and Conduent various assets, liabilities and obligations, including, among other things, employee benefits and tax-related assets and liabilities. The agreements entered into included a separation and distribution agreement, a transition service agreement, a tax matters agreement, an employee matters agreement, an intellectual property agreement and a trademark license agreement.

Segment Discussion

Following the separation of the BPO business, we realigned our operations to better manage the business and serve our customers and the markets in which we operate. In 2017 we transitioned to a geographic focus and are primarily organized from a sales perspective on the basis of “go-to-market” sales channels. These sales channels are structured to serve a range of customers for our products and services. As a result of this transition and change in structure, we concluded that we have one operating and reportable segment - the design, development and sale of document management systems and solutions. Our chief executive officer was identified as the chief operating decision maker (“CODM”). All of the company’s activities are interrelated, and each activity is dependent upon and supportive of the other, including product development, supply chain and back-office support services. In addition,

all significant operating decisions are largely based upon an analysis of Xerox at the consolidated level, including assessments related to the company's incentive compensation plan, as well as operating decisions at the Board level.

Reverse Stock Split

On May 23, 2017, the Board of Directors authorized a reverse stock split of the issued and outstanding Xerox common stock at a ratio of one-for-four shares, together with the proportionate reduction in the authorized shares of its common stock from 1,750,000,000 shares to 437,500,000 shares. Shareholder approval for the reverse stock split was obtained at the company's Annual Shareholder Meeting on May 23, 2017 and the reverse stock split became effective on June 14, 2017. At the effective time, every four shares of the company's common stock that were issued and outstanding were automatically combined into one issued and outstanding share, without any change in par value of such shares. Accordingly, we reclassified \$760 from Common stock to Additional paid-in capital. The reverse stock split also correspondingly affected all outstanding Xerox equity awards and outstanding convertible securities.

All authorized, issued and outstanding stock and per share amounts contained in the accompanying Condensed Consolidated Financial Statements have been adjusted to reflect this reverse stock split for all prior periods presented.

Note 2 – Correction of Fuji Xerox Misstatement in Prior Period Financial Statements

Fuji Xerox is a joint venture between Xerox Corporation and Fujifilm Holdings Corporation ("Fujifilm") in which Xerox holds a noncontrolling 25% equity interest and Fujifilm holds the remaining equity interest. On April 20, 2017, Fujifilm publicly announced it had formed an independent investigation committee (IIC) to conduct a review of the appropriateness of the accounting practices at Fuji Xerox's New Zealand subsidiary related to the recovery of receivables associated with certain bundled leasing transactions that occurred in, or prior to, Fuji Xerox's fiscal year ending March 31, 2016. In first quarter 2017, Xerox's Equity in net income of unconsolidated affiliates included an out-of-period charge of approximately \$30¹, which represented our estimated share at that time of the cumulative Fujifilm adjustments from this initial review of JPY 22 billion (approximately \$200 based on the Yen/U.S. Dollar spot exchange rate at March 31, 2017 of 111.89), as publicly disclosed by Fujifilm. In the first quarter 2017, the impact of this adjustment was not considered to be material to any of our previously issued financial statements nor was it considered to be material to Xerox's anticipated full year 2017 results.

The IIC's review, completed during the second quarter 2017, subsequently identified additional adjustments from the amount initially disclosed by Fujifilm and recorded by Xerox in the first quarter 2017, bringing the total aggregate adjustments to approximately JPY 40 billion (approximately \$360 based on the Yen/U.S. Dollar spot exchange rate at March 31, 2017 of 111.89). The additional adjustments identified by the IIC during the second quarter 2017, primarily related to misstatements at Fuji Xerox's Australian subsidiary, as well as certain other adjustments. We determined that our cumulative share of the revised amount of total adjustments identified as part of the investigation was approximately \$90² and impacted our fiscal years 2009 through 2017.

Accordingly, in the second quarter 2017, we updated our previous materiality evaluation with the additional adjustments identified by the IIC during the second quarter 2017 and determined that the misstatements to our Equity in net income of unconsolidated affiliates in prior years and the first quarter of 2017 continued to be immaterial to our previously issued financial statements. However, based on this updated evaluation, we concluded that the cumulative correction of these misstatements would have had a material effect on our current year consolidated financial statements. Accordingly, we will revise our previously issued annual and interim consolidated financial statements for 2014, 2015 and 2016 and the first quarter of 2017 the next time they are filed. Certain of the corrections discussed above affected periods prior to fiscal year 2014, and this effect has been reflected as a cumulative, net of tax adjustment to reduce retained earnings as of January 1, 2014 by \$69. The effect of the revision on our previously issued financial statements is provided in the tables below. Amounts throughout the consolidated financial statements and notes thereto have been adjusted to incorporate the revised amounts, where applicable.

- (1) The difference between the \$30 out-of-period adjustment recorded in the first quarter 2017 and the revision adjustment of \$24 in the revision table for the three months ended March 31, 2017 primarily relates to the additional adjustments subsequently identified as part of the IIC review as described above.
- (2) The difference between the aggregate revision to retained earnings and the \$90 impact at March 31, 2017 is primarily due to currency and the impact of adjustments recorded directly by Xerox in the first quarter 2017.

Revised Annual Consolidated Statements of Income

The following tables reconcile selected lines from the company's first quarter of 2017 and fiscal years of 2016, 2015 and 2014 Consolidated Statements of Income (Loss) from the previously reported amounts to the revised amounts:

(in millions)	Three Months Ended March 31, 2017			Year Ended December 31, 2016		
	As Reported	Adjustment ⁽¹⁾	As Revised	As Reported	Adjustment	As Revised
Equity in net income of unconsolidated affiliates	\$ 16	\$ 24	\$ 40	\$ 121	\$ 6	\$ 127
Income from Continuing Operations	24	24	48	627	6	633
Net Income (Loss)	18	24	42	(466)	6	(460)
Net Income (Loss) Attributable to Xerox	16	24	40	(477)	6	(471)
Net income from continuing operations attributable to Xerox	\$ 22	\$ 24	\$ 46	\$ 616	\$ 6	\$ 622
Basic Earnings (Loss) per Share:						
Continuing operations	\$ 0.07	\$ 0.10	\$ 0.17	\$ 2.33	\$ 0.03	\$ 2.36
Total	\$ 0.05	\$ 0.09	\$ 0.14	\$ (1.98)	\$ 0.03	\$ (1.95)
Diluted Earnings (Loss) per Share:						
Continuing operations	\$ 0.07	\$ 0.09	\$ 0.16	\$ 2.31	\$ 0.02	\$ 2.33
Total	\$ 0.05	\$ 0.09	\$ 0.14	\$ (1.96)	\$ 0.03	\$ (1.93)

(in millions)	Year Ended December 31, 2015			Year Ended December 31, 2014		
	As Reported	Adjustment	As Revised	As Reported	Adjustment	As Revised
Equity in net income of unconsolidated affiliates	\$ 135	\$ (26)	\$ 109	\$ 160	\$ (18)	\$ 142
Income from Continuing Operations	866	(26)	840	1,052	(18)	1,034
Net Income	492	(26)	466	1,036	(18)	1,018
Net Income Attributable to Xerox	474	(26)	448	1,013	(18)	995
Net income from continuing operations attributable to Xerox	\$ 848	\$ (26)	\$ 822	\$ 1,029	\$ (18)	\$ 1,011
Basic Earnings per Share:						
Continuing operations	\$ 3.10	\$ (0.10)	\$ 3.00	\$ 3.48	\$ (0.06)	\$ 3.42
Total	\$ 1.69	\$ (0.10)	\$ 1.59	\$ 3.43	\$ (0.06)	\$ 3.37
Diluted Earnings per Share:						
Continuing operations	\$ 3.06	\$ (0.09)	\$ 2.97	\$ 3.43	\$ (0.06)	\$ 3.37
Total	\$ 1.67	\$ (0.09)	\$ 1.58	\$ 3.38	\$ (0.06)	\$ 3.32

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

Revised Consolidated Statements of Comprehensive Income (Loss)

The following tables reconcile selected lines from the company's first quarter of 2017 and fiscal years of 2016, 2015 and 2014 Consolidated Statements of Comprehensive Income (Loss) from the previously reported amounts to the revised amounts:

(in millions)	Three Months Ended March 31, 2017			Year Ended December 31, 2016		
	As Reported	Adjustment	As Revised	As Reported	Adjustment	As Revised
Net Income (Loss)	\$ 18	\$ 24	\$ 42	\$ (466)	\$ 6	\$ (460)
Net Income (Loss) Attributable to Xerox	16	24	40	(477)	6	(471)
Translation adjustments, net	\$ 136	\$ (3)	\$ 133	\$ (346)	\$ (1)	\$ (347)
Other Comprehensive Income (Loss), Net	170	(3)	167	(235)	(1)	(236)
Other Comprehensive Income (Loss), Net Attributable to Xerox	169	(3)	166	(232)	(1)	(233)
Comprehensive Income (Loss), Net	\$ 188	\$ 21	\$ 209	\$ (701)	\$ 5	\$ (696)
Comprehensive Income (Loss), Net Attributable to Xerox	185	21	206	(709)	5	(704)

(in millions)	Year Ended December 31, 2015			Year Ended December 31, 2014		
	As Reported	Adjustment	As Revised	As Reported	Adjustment	As Revised
Net Income	\$ 492	\$ (26)	\$ 466	\$ 1,036	\$ (18)	\$ 1,018
Net Income Attributable to Xerox	474	(26)	448	1,013	(18)	995
Translation adjustments, net	\$ (660)	\$ 9	\$ (651)	\$ (734)	\$ 6	\$ (728)
Other Comprehensive Loss, Net	(484)	9	(475)	(1,381)	6	(1,375)
Other Comprehensive Loss, Net Attributable to Xerox	(483)	9	(474)	(1,380)	6	(1,374)
Comprehensive Income (Loss), Net	\$ 8	\$ (17)	\$ (9)	\$ (345)	\$ (12)	\$ (357)
Comprehensive Loss, Net Attributable to Xerox	(9)	(17)	(26)	(367)	(12)	(379)

Revised Consolidated Balance Sheets

The following table reconciles selected lines from the company's Consolidated Balance Sheet at March 31, 2017 and December 31, 2016 and 2015 from the previously reported amounts to the revised amounts:

(in millions)	As of March 31, 2017			As of December 31, 2016			As of December 31, 2015		
	As Reported	Adjustment	As Revised	As Reported	Adjustment	As Revised	As Reported	Adjustment	As Revised
Investments in affiliates, at equity	\$ 1,477	\$ (73)	\$ 1,404	\$ 1,388	\$ (94)	\$ 1,294	\$ 1,382	\$ (99)	\$ 1,283
Total Assets	15,916	(73)	15,843	18,145	(94)	18,051	25,541	(99)	25,442
Retained earnings	\$ 4,987	\$ (81)	\$ 4,906	\$ 5,039	\$ (105)	\$ 4,934	\$ 9,686	\$ (111)	\$ 9,575
Accumulated other comprehensive loss	(4,179)	8	(4,171)	(4,348)	11	(4,337)	(4,642)	12	(4,630)
Xerox shareholders' equity	4,926	(73)	4,853	4,803	(94)	4,709	9,074	(99)	8,975
Total Equity	4,966	(73)	4,893	4,841	(94)	4,747	9,117	(99)	9,018
Total Liabilities and Equity	15,916	(73)	15,843	18,145	(94)	18,051	25,541	(99)	25,442

Revised Consolidated Statements of Cash Flows from Operations

The revision did not have an impact on the company's operating cash flows. The following table reconciles selected lines from the company's first quarter of 2017 and fiscal years of 2016, 2015 and 2014 Consolidated Statements of Cash Flows from the previously reported amounts to the revised amounts:

(in millions)	Three Months Ended March 31, 2017			Year Ended December 31, 2016		
	As Reported	Adjustment	As Revised	As Reported	Adjustment	As Revised
Cash Flows from Operating Activities:						
Net Income (Loss)	\$ 18	\$ 24	\$ 42	\$ (466)	\$ 6	\$ (460)
Income from Continuing Operations	24	24	48	627	6	633
Undistributed equity in net income of unconsolidated affiliates	\$ (16)	\$ (24)	\$ (40)	\$ (69)	\$ (6)	\$ (75)

(in millions)	Year Ended December 31, 2015			Year Ended December 31, 2014		
	As Reported	Adjustment	As Revised	As Reported	Adjustment	As Revised
Cash Flows from Operating Activities:						
Net Income	\$ 492	\$ (26)	\$ 466	\$ 1,036	\$ (18)	\$ 1,018
Income from Continuing Operations	866	(26)	840	1,052	(18)	1,034
Undistributed equity in net income of unconsolidated affiliates	\$ (79)	\$ 26	\$ (53)	\$ (91)	\$ 18	\$ (73)

Revised Quarterly Results of Operations

The following tables reconcile selected lines from the company's 2016 and 2015 quarterly Consolidated Statements of Income (Loss) from the previously reported amounts to the revised amounts:

(in millions)	Three Months Ended March 31, 2016			Three Months Ended June 30, 2016		
	As Reported	Adjustment	As Revised	As Reported	Adjustment	As Revised
Equity in net income of unconsolidated affiliates	\$ 37	\$ (3)	\$ 34	\$ 22	\$ 4	\$ 26
Income from Continuing Operations	71	(3)	68	195	4	199
Net Income	36	(3)	33	157	4	161
Net Income Attributable to Xerox	34	(3)	31	154	4	158
Basic Earnings per Share:						
Continuing operations	\$ 0.25	\$ (0.01)	\$ 0.24	\$ 0.74	\$ 0.01	\$ 0.75
Total	\$ 0.11	\$ (0.01)	\$ 0.10	\$ 0.59	\$ 0.01	\$ 0.60
Diluted Earnings per Share:						
Continuing operations	\$ 0.24	\$ (0.01)	\$ 0.23	\$ 0.73	\$ 0.02	\$ 0.75
Total	\$ 0.11	\$ (0.01)	\$ 0.10	\$ 0.58	\$ 0.02	\$ 0.60

(in millions)	Three Months Ended September 30, 2016			Three Months Ended December 31, 2016		
	As Reported	Adjustment	As Revised	As Reported	Adjustment	As Revised
Equity in net income of unconsolidated affiliates	\$ 39	\$ 1	\$ 40	\$ 23	\$ 4	\$ 27
Income from Continuing Operations	177	1	178	184	4	188
Net Income (Loss)	185	1	186	(844)	4	(840)
Net Income (Loss) Attributable to Xerox	182	1	183	(847)	4	(843)

Basic Earnings (Loss) per Share:

Continuing operations	\$ 0.66	\$ —	\$ 0.66	\$ 0.69	\$ 0.02	\$ 0.71
Total	\$ 0.69	\$ —	\$ 0.69	\$ (3.37)	\$ 0.02	\$ (3.35)

Diluted Earnings (Loss) per Share:

Continuing operations	\$ 0.65	\$ 0.01	\$ 0.66	\$ 0.68	\$ 0.02	\$ 0.70
Total	\$ 0.68	\$ 0.01	\$ 0.69	\$ (3.32)	\$ 0.02	\$ (3.30)

(in millions)	Three Months Ended March 31, 2015			Three Months Ended June 30, 2015		
	As Reported	Adjustment	As Revised	As Reported	Adjustment	As Revised
Equity in net income of unconsolidated affiliates	\$ 34	\$ (18)	\$ 16	\$ 29	\$ (4)	\$ 25
Income from Continuing Operations	189	(18)	171	210	(4)	206
Net Income	230	(18)	212	17	(4)	13
Net Income Attributable to Xerox	225	(18)	207	12	(4)	8

Basic Earnings per Share:

Continuing operations	\$ 0.64	\$ (0.06)	\$ 0.58	\$ 0.73	\$ (0.01)	\$ 0.72
Total	\$ 0.79	\$ (0.07)	\$ 0.72	\$ 0.02	\$ (0.01)	\$ 0.01

Diluted Earnings per Share:

Continuing operations	\$ 0.63	\$ (0.06)	\$ 0.57	\$ 0.72	\$ (0.01)	\$ 0.71
Total	\$ 0.78	\$ (0.07)	\$ 0.71	\$ 0.02	\$ (0.01)	\$ 0.01

(in millions)	Three Months Ended September 30, 2015			Three Months Ended December 31, 2015		
	As Reported	Adjustment	As Revised	As Reported	Adjustment	As Revised
Equity in net income of unconsolidated affiliates	\$ 40	\$ —	\$ 40	\$ 32	\$ (4)	\$ 28
Income from Continuing Operations	206	—	206	261	(4)	257
Net (Loss) Income	(31)	—	(31)	276	(4)	272
Net (Loss) Income Attributable to Xerox	(34)	—	(34)	271	(4)	267

Basic (Loss) Earnings per Share:

Continuing operations	\$ 0.75	\$ —	\$ 0.75	\$ 0.99	\$ (0.02)	\$ 0.97
Total	\$ (0.16)	\$ —	\$ (0.16)	\$ 1.05	\$ (0.02)	\$ 1.03

Diluted (Loss) Earnings per Share:

Continuing operations	\$ 0.75	\$ —	\$ 0.75	\$ 0.98	\$ (0.02)	\$ 0.96
Total	\$ (0.16)	\$ —	\$ (0.16)	\$ 1.04	\$ (0.02)	\$ 1.02

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

Note 3 – Recent Accounting Pronouncements

Revenue Recognition

In May 2014, the FASB issued **ASU 2014-09, Revenue from Contracts with Customers (Topic 606)**, to supersede nearly all existing revenue recognition guidance under U.S. GAAP. The core principle of ASU 2014-09 is to recognize revenues when promised goods or services are transferred to customers in an amount that reflects the consideration that is expected to be received for those goods or services. ASU 2014-09 defines a five step process to achieve this core principle and, in doing so, it is possible more judgment and estimates may be required within the revenue recognition process than required under existing U.S. GAAP, including identifying performance obligations in the contract, estimating the amount of variable consideration to include in the transaction price and allocating the transaction price to each separate performance obligation. ASU 2014-09 is effective for our fiscal year beginning January 1, 2018. Subsequent to the issuance of ASU 2014-09, the FASB issued the following ASU's which amend or provide additional guidance on topics addressed in ASU 2014-09. In March 2016, the FASB issued ASU 2016-08, Revenue Recognition - Principal versus Agent (reporting revenue gross versus net). In April 2016, the FASB issued ASU 2016-10, Revenue Recognition - Identifying Performance Obligations and Licenses. In May 2016, the FASB issued ASU 2016-12, Revenue Recognition - Narrow Scope Improvements and Practical Expedients. We will adopt this standard beginning January 1, 2018 and expect to use the permitted modified retrospective method. Under current revenue recognition guidance, a significant majority of our revenue is recorded when we invoice customers, as that is normally the point at which all the revenue recognition criteria are met. Under ASU 2014-09, we expect the unit of accounting, that is, the identification of performance obligations, will be consistent with current revenue guidance. Additionally, based on the nature of our contracts, we expect to continue to recognize revenue upon invoicing the customer for the large majority of our revenue when we adopt ASU 2014-09. Accordingly, the adoption of this standard is not expected to have a material impact for the large majority of our revenues. Lastly, a significant portion of our equipment sales are either recorded as sales-type leases or through direct sales to distributors and resellers and these sales are not expected to be impacted by the adoption of ASU 2014-09. We are continuing to evaluate certain contracts, which are more complex or where revenue recognition criteria are not currently met when invoicing occurs, to determine their treatment under ASU 2014-09. Although at this time we do not expect a material change in our revenue recognition, we expect to continue to evaluate the impact of our pending adoption of ASU 2014-09 on our consolidated financial statements throughout the remainder of 2017. Additionally, we are also assessing the impacts of the additional disclosures required by ASU 2014-09 and cost deferral guidance required by ASU 2014-09. Our deferral of costs are minimal under our current practice and therefore the new guidance is expected to require more cost deferrals upon adoption. We are currently assessing the types and amounts of costs that may be eligible for deferral under the new standard.

Leases

In February 2016, the FASB issued **ASU 2016-02, Leases**. This update requires the recognition of leased assets and lease obligations by lessees for those leases currently classified as operating leases under existing lease guidance. Short term leases with a term of 12 months or less are not required to be recognized. The update also requires disclosure of key information about leasing arrangements to increase transparency and comparability among organizations. The accounting for lessors does not fundamentally change except for changes to conform and align guidance to the lessee guidance as well as to the new revenue recognition guidance in ASU 2014-09. This update is effective for our fiscal year beginning January 1, 2019. We are currently evaluating the impact of the adoption of ASU 2016-02 on our consolidated financial statements. The aggregate undiscounted value of our operating lease commitments at December 31, 2016 was approximately \$450.

Cash Flows

In August 2016, the FASB issued **ASU 2016-15, Statement of Cash Flows - Classification of Certain Cash Receipts and Cash Payments**. This update provides specific guidance on eight cash flow classification issues where current GAAP is either unclear or does not include specific guidance. This update is effective for our fiscal year beginning January 1, 2018. This update includes specific guidance which requires cash collected on beneficial interests received in a sale of receivables be classified as inflows from investing activities. Currently, those collections are reported in operating cash flows. We reported \$270 and \$305 of collections on beneficial interests as operating cash inflows on the Statement of Cash Flows for the years ended December 31, 2016 and 2015, respectively. The other seven issues noted in this update are not expected to have a material impact on our financial condition, results of operations or cash flows.

Additionally, in November 2016 the FASB issued **ASU 2016-18**, *Statement of Cash Flows - Restricted Cash*. The update requires that amounts generally described as restricted cash and restricted cash equivalents should be included with cash and cash equivalents when reconciling the beginning-of-period and end-of-period total amounts shown on the statement of cash flows. We held \$131 and \$179 of restricted cash, currently reported in other current or long-term assets at June 30, 2017 and December 31, 2016, respectively. This update is effective for our fiscal year beginning January 1, 2018. We are currently evaluating the impact, if any, that the adoption of ASU 2016-18 may have on our statements of cash flows in future reporting periods.

Stock Compensation

In March 2016, the FASB issued **ASU 2016-09**, *Compensation - Stock Compensation, Improvements to Employee Share-Based Payment Accounting (Topic 718)*. This update includes provisions to simplify certain aspects related to the accounting for share-based awards and the related financial statement presentation. The update also requires that excess tax benefits and deficiencies be recorded in the income statement when the awards vest or are settled as compared to equity as allowed under certain conditions by current US GAAP. This change is required to be adopted prospectively in the period of adoption. In addition, the ASU modifies the classification of certain share-based payment activities within the statements of cash flows and these changes are required to be applied retrospectively to all periods presented. We adopted ASU 2016-09 effective for our fiscal year beginning January 1, 2017. The adoption of ASU No. 2016-09 did not have a material impact on our financial condition, results of operations or cash flows. However, the impacts may vary and may add volatility to our income tax expense in future periods depending upon, among other things, the level of tax expense and the price of the company's common stock at the date of vesting for share-based awards. For the three and six months ended June 30, 2017, we recognized \$0 and \$2, respectively, of additional tax expense related to the application of this update.

Income Taxes

In October 2016, the FASB issued **ASU 2016-16**, *Income Taxes - Intra-Entity Transfers of Assets Other than Inventory*. This update requires recognition of the income-tax consequences of an intra-entity transfer of assets other than inventory when the transfer occurs. Under current GAAP, recognition of the income tax consequences for asset transfers other than inventory could not be recognized until the asset was sold to a third party. This update is effective for our fiscal year beginning January 1, 2018 and should be applied on a modified retrospective basis through a cumulative-effect adjustment directly to retained earnings as of the beginning of the period of adoption. We are currently evaluating the impact of the adoption of ASU 2016-16 on our consolidated financial statements.

Financial Instruments - Credit Losses

In June 2016, the FASB issued **ASU 2016-13**, *Financial Instruments Credit Losses - Measurement of Credit Losses on Financial Instruments*, which requires measurement and recognition of expected credit losses for financial assets. The update impacts financial assets and net investment in leases that are not accounted for at fair value through net income. This update is effective for our fiscal year beginning January 1, 2020, with early adoption permitted as of January 1, 2019. We are currently evaluating the impact of the adoption of ASU 2016-13 on our consolidated financial statements.

Retirement Benefits

In March 2017, the FASB issued **ASU 2017-07**, *Compensation - Retirement Benefits (Topic 715): Improving the Presentation of Net Periodic Pension Cost and Net Periodic Postretirement Benefit Cost*. This update changes how employers that sponsor defined benefit pension plans and other postretirement plans present the net periodic benefit cost in the income statement. An employer is required to report the service cost component in the same line item or items as other compensation costs arising from services rendered by the pertinent employees during the period. Other components of net retirement benefit cost are required to be presented in the income statement separately from the service cost component and outside a subtotal of income from operations, if one is presented. The amendment also allows only the service cost component to be eligible for capitalization, when applicable. This update is effective for us beginning January 1, 2018. The amendment will be applied retrospectively for the presentation requirements and prospectively for the capitalization of the service cost component requirements. The adoption of this update is not expected to have a material impact on our financial condition, results of operations or cash flows. Refer to Note 14 - Employee Benefit Plans for the service cost component and other components of net retirement benefit cost.

Other Updates

In 2017, 2016 and 2015, the FASB also issued the following Accounting Standards Updates which did not have or are not expected to have a material impact on our financial condition, results of operations or cash flows upon adoption. Those updates are as follows:

- **Service Concession Arrangements: ASU 2017-10**, (Topic 853) *Determining the Customer of the Operation Services (a consensus of the FASB Emerging Issues Task Force)*. This update is effective for our fiscal year beginning January 1, 2018.
- **Compensation - Stock Compensation: ASU 2017-09**, (Topic 718) *Scope of Modification Accounting*. This update is effective for our fiscal year beginning January 1, 2018.
- **Other Income - Gains and Losses from the Derecognition of Nonfinancial Assets: ASU 2017-05**, (Subtopic 610-20) *Clarifying the Scope of Asset Derecognition Guidance and Accounting for Partial Sales of Nonfinancial Assets*. This update is effective for our fiscal year beginning January 1, 2018.
- **Intangibles - Goodwill and Other: ASU 2017-04**, *Simplifying the Goodwill Impairment Test*. This update is effective for our fiscal year beginning January 1, 2020, with early adoption permitted.
- **Business Combinations: ASU 2017-01**, *Business Combinations (Topic 805) Clarifying the Definition of a Business*. This update is effective for our fiscal year beginning January 1, 2018.
- **Equity Method Accounting: ASU 2016-07**, *Equity Method and Joint Venture Accounting (Topic 353), Simplifying the Transition to the Equity Method of Accounting*. This update was effective for our fiscal year beginning January 1, 2017.
- **Financial Instruments - Classification and Measurement: ASU 2016-01**, *Financial Instruments - Recognition and Measurement of Financial Instruments and Financial Liabilities*. This update is effective for our fiscal year beginning January 1, 2018.
- **Inventory: ASU 2015-11**, *Simplifying the Subsequent Measurement of Inventory*, which was effective for our fiscal year beginning January 1, 2017.

Note 4 – Acquisitions

Xerox is focused on increasing its Small and Mid-sized (SMB) coverage through resellers and partners (including multi-brand dealers) and continued distribution acquisitions. During 2017, distribution acquisitions totaled \$76 and included the acquisition of **MT Business Technologies, Inc. (MT Business)**, an Ohio-based multi-brand dealer, and one smaller multi-brand dealer in Iowa. MT Business provides office equipment, productivity solutions and managed print services to organizations throughout Ohio and South Eastern Michigan. The acquisition of MT Business opens new market opportunities in Ohio, including large metropolitan areas such as Cleveland and Columbus.

The operating results of these acquisitions are not material to our financial statements and are included within our results from the acquisition dates. The purchase prices were all cash and were primarily allocated to intangible assets and goodwill based on management's estimates which included, in certain situations, third-party valuations.

Note 5 – Divestitures

Business Process Outsourcing (BPO)

As previously disclosed, on December 31, 2016, Xerox completed the Separation of its BPO business through the Distribution of all of the issued and outstanding stock of Conduent to Xerox Corporation stockholders. As a result of the Separation and Distribution, the financial position and results of operations of the BPO Business are presented as discontinued operations and, as such, have been excluded from continuing operations for all periods presented.

Separation costs are included in Loss from discontinued operations, net of tax, in the accompanying Condensed Consolidated Statements of Income.

	Three Months Ended June 30,		Six Months Ended June 30,	
	2017	2016	2017	2016
Separation costs	\$ —	\$ 28	\$ 8	\$ 36

Separation costs are primarily for third-party investment banking, accounting, legal, consulting and other similar types of services related to the Separation transaction as well as costs associated with the operational separation of the two companies, such as those related to human resources, brand management, real estate and information management to the extent they were not capitalized. Separation costs also include the costs associated with bonuses and restricted stock grants awarded to employees for retention through the Separation.

Summarized financial information for our Discontinued Operations is as follows:

	Three Months Ended June 30,		Six Months Ended June 30,	
	2017	2016	2017	2016
Revenues	\$ —	\$ 1,597	\$ —	\$ 3,268
Cost of services	—	1,343	—	2,752
Other expenses ⁽¹⁾	—	300	8	611
Total costs and expenses	—	1,643	8	3,363
Net loss before income taxes	—	(46)	(8)	(95)
Income tax benefit	—	8	2	22
Loss from discontinued operations, net of tax	\$ —	\$ (38)	\$ (6)	\$ (73)

⁽¹⁾ The three and six months ended June 30, 2016 include \$6 and \$7, respectively, of interest on the \$1.0 billion Senior Unsecured Term Facility, which was required to be repaid upon completion of the Separation and therefore was reported in the Loss from discontinued operations.

Refer to Note 11 - Debt for additional information regarding the Separation Debt Activity.

In January 2017, as provided for in the Separation Agreement, we received a distribution from Conduent of \$161 representing the final adjustment required to set Conduent's cash balance at \$225 as of the Separation. This amount was recorded as a receivable from Conduent included in Other Current Assets at December 31, 2016. The cash receipt was reported in Cash Flows from Financing Activities in the Condensed Consolidated Statement of Cash Flows as it represented an adjustment to our Distribution of Conduent.

Note 6 – Accounts Receivable, Net

Accounts receivable, net were as follows:

	June 30, 2017	December 31, 2016
Invoiced	\$ 713	\$ 651
Accrued	380	374
Allowance for doubtful accounts	(56)	(64)
Accounts Receivable, Net	\$ 1,037	\$ 961

We perform ongoing credit evaluations of our customers and adjust credit limits based upon customer payment history and current creditworthiness. The allowance for uncollectible accounts receivable is determined principally on the basis of past collection experience as well as consideration of current economic conditions and changes in our customer collection trends.

Accounts Receivable Sales Arrangements

Accounts receivable sales arrangements are utilized in the normal course of business as part of our cash and liquidity management. We have facilities in the U.S., Canada and several countries in Europe that enable us to sell certain accounts receivable, without recourse, to third-parties. The accounts receivables sold are generally short-term trade receivables with payment due dates of less than 60 days.

All of our arrangements involve the sale of our entire interest in groups of accounts receivable for cash. In most instances, a portion of the sales proceeds are held back by the purchaser and payment is deferred until collection of the related receivables sold. Such holdbacks are not considered legal securities nor are they certificated. We report collections on such receivables as operating cash flows in the Condensed Consolidated Statements of Cash Flows because such receivables are the result of an operating activity and the associated interest rate risk is de minimis due to their short-term nature. Our risk of loss following the sales of accounts receivable is limited to the outstanding deferred purchase price receivable. These receivables are included in Other current assets in the accompanying Consolidated Balance Sheets and were \$57 and \$48 at June 30, 2017 and December 31, 2016, respectively.

Under most of the arrangements, we continue to service the sold accounts receivable. When applicable, a servicing liability is recorded for the estimated fair value of the servicing. The amounts associated with the servicing liability were not material.

Of the accounts receivable sold and derecognized from our balance sheet, \$548 and \$531 remained uncollected as of June 30, 2017 and December 31, 2016, respectively.

Accounts receivable sales were as follows:

	Three Months Ended June 30,		Six Months Ended June 30,	
	2017	2016	2017	2016
Accounts receivable sales	\$ 567	\$ 582	\$ 1,078	\$ 1,174
Deferred proceeds	56	59	108	130
Loss on sales of accounts receivable	3	4	6	8
Estimated increase (decrease) to operating cash flows ⁽¹⁾	54	(11)	(11)	15

⁽¹⁾ Represents the difference between current and prior period receivable sales adjusted for the effects of: (i) the deferred proceeds, (ii) collections prior to the end of the quarter and, (iii) currency.

Note 7 - Finance Receivables, Net

Finance Receivables – Allowance for Credit Losses and Credit Quality

Finance receivables include sales-type leases, direct financing leases and installment loans arising from the marketing of our equipment. Our finance receivable portfolios are primarily in the U.S., Canada and Europe. We generally establish customer credit limits and estimate the allowance for credit losses on a country or geographic basis. Our policy and methodology used to establish our allowance for doubtful accounts has been consistently applied over all periods presented.

The following table is a rollforward of the allowance for doubtful finance receivables as well as the related investment in finance receivables:

Allowance for Credit Losses:	United States	Canada	Europe	Other ⁽²⁾	Total
Balance at December 31, 2016	\$ 55	\$ 16	\$ 37	\$ 2	\$ 110
Provision	4	—	5	—	9
Charge-offs	(6)	(2)	(2)	—	(10)
Recoveries and other ⁽³⁾	—	2	—	—	2
Balance at March 31, 2017	\$ 53	\$ 16	\$ 40	\$ 2	\$ 111
Provision	4	1	1	—	6
Charge-offs	(10)	(1)	(3)	—	(14)
Recoveries and other ⁽³⁾	1	—	4	—	5
Balance at June 30, 2017	\$ 48	\$ 16	\$ 42	\$ 2	\$ 108
Finance receivables as of June 30, 2017 collectively evaluated for impairment⁽⁴⁾	\$ 2,028	\$ 383	\$ 1,336	\$ 64	\$ 3,811
Balance at December 31, 2015⁽¹⁾	\$ 54	\$ 17	\$ 45	\$ 2	\$ 118
Provision	4	1	5	—	10
Charge-offs	(2)	(2)	(2)	—	(6)
Recoveries and other ⁽³⁾	1	2	1	—	4
Balance at March 31, 2016	\$ 57	\$ 18	\$ 49	\$ 2	\$ 126
Provision	—	1	7	—	8
Charge-offs	(3)	(2)	(3)	—	(8)
Recoveries and other ⁽³⁾	—	1	(2)	—	(1)
Balance at June 30, 2016	\$ 54	\$ 18	\$ 51	\$ 2	\$ 125
Finance receivables as of June 30, 2016 collectively evaluated for impairment⁽⁴⁾	\$ 2,149	\$ 389	\$ 1,424	\$ 64	\$ 4,026

(1) In the first quarter 2016, as a result of an internal reorganization, a U.S. leasing unit previously classified in Other was reclassified to the U.S. Prior year amounts have been revised to conform to current year presentation.

(2) Includes developing market countries and smaller units.

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

(4) Total Finance receivables exclude the allowance for credit losses of \$108 and \$125 at June 30, 2017 and 2016, respectively.

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

- **Investment grade:** This rating includes accounts with excellent to good business credit, asset quality and capacity to meet financial obligations. These customers are less susceptible to adverse effects due to shifts in economic conditions or changes in circumstance. The rating generally equates to a Standard & Poor's (S&P) rating of BBB- or better. Loss rates in this category are normally less than 1%.
- **Non-investment grade:** This rating includes accounts with average credit risk that are more susceptible to loss in the event of adverse business or economic conditions. This rating generally equates to a BB S&P rating. Although we experience higher loss rates associated with this customer class, we believe the risk is somewhat mitigated by the fact that our leases are fairly well dispersed across a large and diverse customer base. In addition, the higher loss rates are largely offset by the higher rates of return we obtain with such leases. Loss rates in this category are generally in the range of 2% to 4%.

- **Substandard:** This rating includes accounts that have marginal credit risk such that the customer's ability to make repayment is impaired or may likely become impaired. We use numerous strategies to mitigate risk including higher rates of interest, prepayments, personal guarantees, etc. Accounts in this category include customers who were downgraded during the term of the lease from investment and non-investment grade evaluation when the lease was originated. Accordingly, there is a distinct possibility for a loss of principal and interest or customer default. The loss rates in this category are approximately 10%.

Credit quality indicators are updated at least annually and the credit quality of any given customer can change during the life of the portfolio. Details about our finance receivables portfolio based on industry and credit quality indicators are as follows:

	June 30, 2017				December 31, 2016			
	Investment Grade	Non-investment Grade	Substandard	Total Finance Receivables	Investment Grade	Non-investment Grade	Substandard	Total Finance Receivables
Finance and other services	\$ 162	\$ 341	\$ 98	\$ 601	\$ 181	\$ 342	\$ 95	\$ 618
Government and education	490	60	8	558	543	57	8	608
Graphic arts	116	115	95	326	138	102	107	347
Industrial	81	77	24	182	82	78	24	184
Healthcare	81	47	16	144	79	47	17	143
Other	69	95	53	217	82	103	53	238
Total United States	999	735	294	2,028	1,105	729	304	2,138
Finance and other services	53	43	21	117	54	43	15	112
Government and education	48	5	3	56	52	6	2	60
Graphic arts	36	33	30	99	39	37	24	100
Industrial	20	12	9	41	21	13	6	40
Other	32	26	12	70	33	25	8	66
Total Canada	189	119	75	383	199	124	55	378
France	191	231	50	472	181	222	51	454
U.K./Ireland ⁽⁴⁾	96	155	11	262	95	148	10	253
Central ⁽¹⁾	187	145	18	350	182	148	19	349
Southern ⁽²⁾	38	150	13	201	36	131	14	181
Nordics ⁽³⁾	28	22	1	51	26	22	1	49
Total Europe	540	703	93	1,336	520	671	95	1,286
Other	37	23	4	64	35	15	2	52
Total	\$ 1,765	\$ 1,580	\$ 466	\$ 3,811	\$ 1,859	\$ 1,539	\$ 456	\$ 3,854

(1) Switzerland, Germany, Austria, Belgium and Holland.

(2) Italy, Greece, Spain and Portugal.

(3) Sweden, Norway, Denmark and Finland.

(4) The December 31, 2016 amounts have been revised to conform to 2017 presentation.

The aging of our billed finance receivables is based upon the number of days an invoice is past due and is as follows:

June 30, 2017							
	Current	31-90 Days Past Due	>90 Days Past Due	Total Billed	Unbilled	Total Finance Receivables	>90 Days and Accruing
Finance and other services	\$ 12	\$ 1	\$ 1	\$ 14	\$ 587	\$ 601	\$ 10
Government and education	14	—	3	17	541	558	19
Graphic arts	14	1	—	15	311	326	6
Industrial	4	—	1	5	177	182	5
Healthcare	4	—	1	5	139	144	5
Other	6	1	1	8	209	217	4
Total United States	54	3	7	64	1,964	2,028	49
Canada	3	—	—	3	380	383	9
France	3	—	—	3	469	472	14
U.K./Ireland	3	—	—	3	259	262	—
Central ⁽¹⁾	2	1	1	4	346	350	6
Southern ⁽²⁾	6	1	1	8	193	201	6
Nordics ⁽³⁾	—	—	—	—	51	51	—
Total Europe	14	2	2	18	1,318	1,336	26
Other	3	—	—	3	61	64	—
Total	\$ 74	\$ 5	\$ 9	\$ 88	\$ 3,723	\$ 3,811	\$ 84

December 31, 2016							
	Current	31-90 Days Past Due	>90 Days Past Due	Total Billed	Unbilled	Total Finance Receivables	>90 Days and Accruing
Finance and other services	\$ 13	\$ 3	\$ 1	\$ 17	\$ 601	\$ 618	\$ 11
Government and education	10	4	3	17	591	608	25
Graphic arts	13	1	—	14	333	347	5
Industrial	4	1	1	6	178	184	5
Healthcare	3	1	1	5	138	143	5
Other	9	2	1	12	226	238	5
Total United States	52	12	7	71	2,067	2,138	56
Canada	3	—	—	3	375	378	8
France	3	—	—	3	451	454	20
U.K./Ireland	2	1	—	3	250	253	1
Central ⁽¹⁾	2	1	—	3	346	349	5
Southern ⁽²⁾	5	1	1	7	174	181	6
Nordics ⁽³⁾	1	—	—	1	48	49	1
Total Europe	13	3	1	17	1,269	1,286	33
Other	3	—	—	3	49	52	—
Total	\$ 71	\$ 15	\$ 8	\$ 94	\$ 3,760	\$ 3,854	\$ 97

(1) Switzerland, Germany, Austria, Belgium and Holland.

(2) Italy, Greece, Spain and Portugal.

(3) Sweden, Norway, Denmark and Finland.

Note 8 – Inventories

The following is a summary of Inventories by major category:

	June 30, 2017	December 31, 2016
Finished goods	\$ 783	\$ 713
Work-in-process	59	47
Raw materials	102	81
Total Inventories	\$ 944	\$ 841

Note 9 – Investment in Affiliates, at Equity

Our Equity in net income of unconsolidated affiliates was as follows:

	Three Months Ended June 30,		Six Months Ended June 30,	
	2017	2016	2017	2016
Fuji Xerox	\$ 18	\$ 23	\$ 55	\$ 53
Other investments	2	3	5	7
Total Equity in Net Income of Unconsolidated Affiliates	\$ 20	\$ 26	\$ 60	\$ 60

Fuji Xerox

Equity in net income of Fuji Xerox is affected by certain adjustments required to reflect the deferral of profit associated with intercompany sales. These adjustments may result in recorded equity income that is different from that implied by our 25% ownership interest.

Refer to Note 2 - Correction of Fuji Xerox Misstatement in Prior Period Financial Statements for additional information regarding the results of a review of accounting practices at Fuji Xerox and the associated impact of adjustments from that review on previously reported Equity in net income of unconsolidated affiliates. The summarized financial data below for Fuji Xerox has likewise been revised accordingly to reflect the impact of those adjustments:

	Three Months Ended June 30,		Six Months Ended June 30,	
	2017	2016	2017	2016
Summary of Operations:				
Revenues	\$ 2,325	\$ 2,450	\$ 4,884	\$ 5,092
Costs and expenses	2,191	2,316	4,543	4,772
Income before income taxes	134	134	341	320
Income tax expense	32	42	76	91
Net Income	102	92	265	229
Less: Net income – noncontrolling interests	1	2	2	4
Net Income – Fuji Xerox	\$ 101	\$ 90	\$ 263	\$ 225
Weighted Average Exchange Rate ⁽¹⁾	111.01	108.05	112.42	111.93

(1) Represents Yen/U.S. Dollar exchange rate used to translate.

Note 10 – Restructuring Programs

During the six months ended June 30, 2017, we recorded net restructuring and asset impairment charges of \$143, which included approximately \$160 of severance costs related to headcount reductions of approximately 1,500 employees worldwide and \$3 of lease cancellation costs. These costs were partially offset by \$20 of net reversals, primarily resulting from changes in estimated reserves from prior period initiatives.

We also recorded \$17 of costs during the six months ended June 30, 2017, primarily related to professional support services associated with the implementation of the Strategic Transformation program.

Information related to restructuring program activity is outlined below:

	Severance and Related Costs	Lease Cancellation and Other Costs	Asset Impairments ⁽²⁾	Total
Balance at December 31, 2016	\$ 104	\$ 23	\$ —	\$ 127
Provision	110	2	—	112
Reversals	(2)	—	—	(2)
Net current period charges⁽¹⁾	108	2	—	110
Charges against reserve and currency	(58)	(1)	—	(59)
Balance at March 31, 2017	\$ 154	\$ 24	\$ —	\$ 178
Provision	50	1	—	51
Reversals	(13)	(5)	—	(18)
Net current period charges⁽¹⁾	37	(4)	—	33
Charges against reserve and currency	(43)	(17)	—	(60)
Balance at June 30, 2017	\$ 148	\$ 3	\$ —	\$ 151

(1) Represents net amount recognized within the Condensed Consolidated Statements of Income for the period shown for restructuring and asset impairments charges.

(2) Charges associated with asset impairments represent the write-down of the related assets to their new cost basis and are recorded concurrently with the recognition of the provision.

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

	Three Months Ended June 30,		Six Months Ended June 30,	
	2017	2016	2017	2016
Charges against reserve and currency	\$ (60)	\$ (25)	\$ (119)	\$ (44)
Asset impairments	—	—	—	—
Effects of foreign currency and other non-cash items	(7)	1	(8)	(1)
Restructuring Cash Payments	\$ (67)	\$ (24)	\$ (127)	\$ (45)

Note 11 – Debt

Debt Exchange

In March 2017, we completed a private offering to exchange portions of certain outstanding Senior Notes due 2018 through 2020 (collectively, the old notes), listed below, for \$300 of new Senior Notes due 2022 and \$322 in cash consideration, which includes a \$22 exchange premium.

The following principal amounts of each series of old notes were validly tendered and subsequently cancelled:

Maturity Date	Coupon	Principal Amount Exchanged	4.07% Senior Notes Due March 2022	Cash Consideration
Senior Notes due May 15, 2018	6.350%	\$ 260	\$ 130	\$ 143
Senior Notes due March 15, 2019	2.750%	94	47	48
Senior Notes due December 15, 2019	5.625%	96	48	56
Senior Notes due May 15, 2020	2.800%	87	44	43
Senior Notes due August 20, 2020	3.500%	38	19	20
Senior Notes due September 1, 2020	2.750%	25	12	12
Total		\$ 600	\$ 300	\$ 322

The new Senior Notes bear a fixed coupon rate of 4.07% and are due in March 2022. There were no other significant changes to the terms between the old and new Senior Notes. We recorded a loss of approximately \$9 for the exchange premium and other carrying value adjustments related to the portion of the old notes exchanged for cash. However, the old notes exchanged for the new Senior Notes were accounted for as a debt modification and therefore approximately \$9 related to the exchange premium and other carrying value adjustments for that portion was carried over as an adjustment to the carrying value of new Senior Notes and is expected to be accreted over the term of the new Senior Notes. Transaction costs incurred on the exchange and paid to third parties of \$4 were expensed as part of the loss.

Separation Debt Activity

In connection with the Separation, Conduent made a cash distribution of approximately \$1.8 billion to Xerox in the fourth quarter 2016. Xerox used a portion of the cash distribution proceeds to repay its \$1.0 billion Senior Unsecured Term Facility in January 2017, which was required to be repaid upon completion of the Separation. This \$1.0 billion of cash and debt was excluded from the Cash and cash equivalents and Total Debt at December 31, 2016, respectively, and was reported in Current Assets and Current Liabilities of discontinued operations at December 31, 2016, respectively. In addition, due to the segregation of this cash at year-end, the payment was treated as a non-cash activity for the quarter ended March 31, 2017. Interest expense associated with this borrowing incurred during 2016 was included in Loss from discontinued operations, net of tax. Xerox used the balance of the proceeds received as well as cash on hand to repay its \$500 6.75% Senior Notes and \$500 2.95% Senior Notes that came due in first quarter 2017.

Interest Expense and Income

Interest expense and interest income were as follows:

	Three Months Ended June 30,		Six Months Ended June 30,	
	2017	2016	2017	2016
Interest expense ⁽¹⁾	\$ 57	\$ 74	\$ 126	\$ 161
Interest income ⁽²⁾	76	84	154	168

(1) Includes Cost of financing as well as non-financing interest expense that is included in Other expenses, net in the Condensed Consolidated Statements of Income.

(2) Includes Finance income as well as other interest income that is included in Other expenses, net in the Condensed Consolidated Statements of Income.

Note 12 – Financial Instruments

Interest Rate Risk Management

We use interest rate swap agreements to manage our interest rate exposure and to achieve a desired proportion of variable and fixed rate debt. These derivatives may be designated as **fair value hedges** or **cash flow hedges** depending on the nature of the risk being hedged.

Fair Value Hedges

As of June 30, 2017, pay variable/receive fixed interest rate swaps with notional amounts of \$300 and net asset fair value of \$5 were designated and accounted for as fair value hedges. The swaps were structured to hedge the fair value of related debt by converting them from fixed rate instruments to variable rate instruments.

The following is a summary of our fair value hedges at June 30, 2017:

Debt Instrument	Year First Designated	Notional Amount	Net Fair Value	Weighted Average Interest Rate Paid	Interest Rate Received	Basis	Maturity
Senior Note 2021	2014	\$ 300	\$ 5	2.69%	4.5%	Libor	2021

Foreign Exchange Risk Management

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

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

At June 30, 2017 and December 31, 2016, we had outstanding forward exchange and purchased option contracts with gross notional values of \$2,665 and \$3,149 respectively, with terms of less than 12 months. The associated currency exposures being hedged at June 30, 2017 were materially consistent with our year-end currency exposures, with the exception of our Euro/U.K. Pound Sterling exposure, which decreased by approximately \$580 (currencies hedged - buy/sell). There has not been any material change in our hedging strategy.

Foreign Currency Cash Flow Hedges

We designate a portion of our foreign currency derivative contracts as cash flow hedges of our foreign currency-denominated expenses. The net liability fair value of these contracts were \$26 and \$20 as of June 30, 2017 and December 31, 2016, respectively.

Summary of Derivative Instruments Fair Value

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

Designation of Derivatives	Balance Sheet Location	June 30, 2017	December 31, 2016
Derivatives Designated as Hedging Instruments			
Foreign exchange contracts - forwards	Other current assets	\$ —	\$ 6
	Other current liabilities	(26)	(26)
Interest rate swaps	Other long-term assets	5	4
	Other long-term liabilities	—	—
	Net Designated Derivative Liability	\$ (21)	\$ (16)
Derivatives NOT Designated as Hedging Instruments			
Foreign exchange contracts – forwards	Other current assets	\$ 3	\$ 82
	Other current liabilities	(33)	(13)
	Net Undesignated Derivative (Liability) Asset	\$ (30)	\$ 69
Summary of Derivatives			
	Total Derivative Assets	\$ 8	\$ 92
	Total Derivative Liabilities	(59)	(39)
	Net Derivative (Liability) Asset	\$ (51)	\$ 53

Summary of Derivative Instruments Gains (Losses)

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

Designated Derivative Instruments Gains (Losses)

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

Gain (Loss) on Derivative Instruments	Three Months Ended June 30,		Six Months Ended June 30,	
	2017	2016	2017	2016
Fair Value Hedges - Interest rate contracts				
Derivative gain recognized in interest expense	\$ 2	\$ 2	\$ 1	\$ 11
Hedged item loss recognized in interest expense	(2)	(2)	(1)	(11)
Cash Flow Hedges - Foreign exchange forward contracts and options				
Derivative (loss) gain recognized in OCI (effective portion)	\$ (22)	\$ 41	\$ (13)	\$ 57
Derivative (loss) gain reclassified from AOCL to income - Cost of sales (effective portion)	(4)	8	(8)	7

During the three and six months ended June 30, 2017 and 2016 no amount of ineffectiveness was recorded in earnings for these designated cash flow hedges and all components of each derivative's gain (loss) was included in the assessment of hedge effectiveness. In addition, no amount was recorded for an underlying exposure that did not occur or was not expected to occur.

As of June 30, 2017, a net after-tax loss of \$19 was recorded in accumulated other comprehensive loss associated with our cash flow hedging activity. The entire balance is expected to be reclassified into net income within the next 12 months, providing an offsetting economic impact against the underlying anticipated transactions.

Non-Designated Derivative Instruments (Losses) Gains

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

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

Derivatives NOT Designated as Hedging Instruments	Location of Derivative (Loss) Gain	Three Months Ended June 30,		Six Months Ended June 30,	
		2017	2016	2017	2016
Foreign exchange contracts – forwards	Other expense – Currency (loss) gain, net	\$ (14)	\$ 78	\$ (10)	\$ 149

Net currency gains and losses are included in Other expenses, net and include the mark-to-market adjustments of the derivatives not designated as hedging instruments and the related cost of those derivatives as well as the re-measurement of foreign currency-denominated assets and liabilities. For the three and six months ended June 30, 2017, currency losses, net were \$(1) and \$(4), respectively. For the three and six months ended June 30, 2016, currency gains (losses), net were \$1 and \$(3), respectively.

Note 13 – Fair Value of Financial Assets and Liabilities

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

	June 30, 2017		December 31, 2016	
Assets:				
Foreign exchange contracts - forwards	\$	3	\$	88
Interest rate swaps		5		4
Deferred compensation investments in mutual funds		16		15
Total	\$	24	\$	107
Liabilities:				
Foreign exchange contracts - forwards	\$	59	\$	39
Deferred compensation plan liabilities		18		17
Total	\$	77	\$	56

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

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

Summary of Other Financial Assets and Liabilities

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

	June 30, 2017		December 31, 2016	
	Carrying Amount	Fair Value	Carrying Amount	Fair Value
Cash and cash equivalents	\$ 1,246	\$ 1,246	\$ 2,223	\$ 2,223
Accounts receivable, net	1,037	1,037	961	961
Short-term debt	765	781	1,011	1,015
Long-term debt	4,236	4,407	5,305	5,438

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

Note 14 – Employee Benefit Plans

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

Components of Net Periodic Benefit Costs:	Three Months Ended June 30,					
	Pension Benefits				Retiree Health	
	U.S. Plans		Non-U.S. Plans		2017	2016
	2017	2016	2017	2016	2017	2016
Service cost	\$ 1	\$ 1	\$ 8	\$ 10	\$ 1	\$ 2
Interest cost	32	34	38	51	7	8
Expected return on plan assets	(30)	(35)	(54)	(67)	—	—
Recognized net actuarial loss	6	7	19	17	—	—
Amortization of prior service credit	(1)	(1)	(1)	(1)	(1)	(1)
Recognized settlement loss	19	17	—	—	—	—
Defined Benefit Plans	27	23	10	10	7	9
Defined contribution plans	7	8	7	7	n/a	n/a
Net Periodic Benefit Cost	34	31	17	17	7	9
Other changes in plan assets and benefit obligations recognized in Other Comprehensive Income (Loss):						
Net actuarial loss (gain) ⁽¹⁾	12	134	—	—	(11)	(34)
Amortization of prior service credit	1	1	1	1	1	1
Amortization of net actuarial loss	(25)	(24)	(19)	(17)	—	—
Total Recognized in Other Comprehensive Income (Loss)⁽²⁾	(12)	111	(18)	(16)	(10)	(33)
Total Recognized in Net Periodic Benefit Cost and Other Comprehensive Income (Loss)	\$ 22	\$ 142	\$ (1)	\$ 1	\$ (3)	\$ (24)
Components of Net Periodic Benefit Costs:	Six Months Ended June 30,					
	Pension Benefits				Retiree Health	
	U.S. Plans		Non-U.S. Plans		2017	2016
	2017	2016	2017	2016	2017	2016
Service cost	\$ 2	\$ 2	\$ 15	\$ 16	\$ 2	\$ 3
Interest cost	66	71	77	101	14	16
Expected return on plan assets	(61)	(74)	(107)	(129)	—	—
Recognized net actuarial loss	11	12	38	34	—	1
Amortization of prior service credit	(1)	(1)	(2)	(2)	(2)	(2)
Recognized settlement loss	61	46	—	—	—	—
Defined Benefit Plans	78	56	21	20	14	18
Defined contribution plans	13	15	14	16	n/a	n/a
Net Periodic Benefit Cost	91	71	35	36	14	18
Other changes in plan assets and benefit obligations recognized in Other Comprehensive Income:						
Net actuarial loss (gain) ⁽¹⁾	20	257	—	—	(11)	(34)
Amortization of prior service credit	1	1	2	2	2	2
Amortization of net actuarial loss	(72)	(58)	(38)	(34)	—	(1)
Total Recognized in Other Comprehensive Income⁽²⁾	(51)	200	(36)	(32)	(9)	(33)
Total Recognized in Net Periodic Benefit Cost and Other Comprehensive Income	\$ 40	\$ 271	\$ (1)	\$ 4	\$ 5	\$ (15)

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

(2) Amounts represent the pre-tax effect included within Other comprehensive income (loss). Refer to Note 16 - Other Comprehensive Income (Loss) for related tax effects and the after-tax amounts.

Contributions

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

	Six Months Ended June 30,		Year Ended December 31,	
	2017	2016	Estimated 2017	2016
U.S. Plans	\$ 12	\$ 11	\$ 174	\$ 24
Non-U.S. Plans	34	57	176	154
Total Pension	\$ 46	\$ 68	\$ 350	\$ 178

Retiree Health	\$ 32	\$ 30	\$ 63	\$ 61
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The estimated 2017 U.S. pension plan contributions of \$174 include \$150 for our domestic tax-qualified defined benefit plans, comprised of \$15 to meet the minimum funding requirements and \$135 of additional voluntary contributions.

Note 15 – Shareholders' Equity

As previously disclosed in Note 1 - Basis of Presentation, a one-for-four reverse stock split became effective on June 14, 2017 for all authorized, issued and outstanding shares of Xerox common stock. Accordingly, all share and per share amounts have been adjusted to reflect this reverse stock split for all prior periods presented.

The historical statements of Shareholders' Equity were not revised to reflect the effect of the Separation and instead reflect the Separation as a final adjustment to the balances at December 31, 2016. Refer to Note 5 - Divestitures for additional information regarding the Separation.

	Common Stock	Additional Paid-in Capital	Retained Earnings	AOCL ⁽³⁾	Xerox Shareholders' Equity	Non-controlling Interests	Total Equity
Balance at December 31, 2016	\$ 254	\$ 3,858	\$ 4,934	\$ (4,337)	\$ 4,709	\$ 38	\$ 4,747
Comprehensive income, net	—	—	206	327	533	7	540
Cash dividends declared - common ⁽¹⁾	—	—	(129)	—	(129)	—	(129)
Cash dividends declared - preferred ⁽²⁾	—	—	(7)	—	(7)	—	(7)
Stock option and incentive plans, net	—	17	—	—	17	—	17
Distributions to noncontrolling interests	—	—	—	—	—	(10)	(10)
Balance at June 30, 2017	\$ 254	\$ 3,875	\$ 5,004	\$ (4,010)	\$ 5,123	\$ 35	\$ 5,158

	Common Stock	Additional Paid-in Capital	Retained Earnings	AOCL ⁽³⁾	Xerox Shareholders' Equity	Non- controlling Interests	Total Equity
Balance at December 31, 2015	\$ 253	\$ 3,777	\$ 9,575	\$ (4,630)	\$ 8,975	\$ 43	\$ 9,018
Comprehensive income, net	—	—	189	49	238	4	242
Cash dividends declared - common ⁽¹⁾	—	—	(159)	—	(159)	—	(159)
Cash dividends declared - preferred ⁽²⁾	—	—	(12)	—	(12)	—	(12)
Stock option and incentive plans, net	—	30	—	—	30	—	30
Distributions to noncontrolling interests	—	—	—	—	—	(9)	(9)
Balance at June 30, 2016	\$ 253	\$ 3,807	\$ 9,593	\$ (4,581)	\$ 9,072	\$ 38	\$ 9,110

(1) Cash dividends declared on common stock of \$0.25 per share in each quarter of 2017 and \$0.31 per share in each quarter of 2016.

(2) Cash dividends declared on preferred stock of \$20.00 per share in each quarter of 2017 and 2016.

(3) Refer to Note 16 - Other Comprehensive Income (Loss) for components of AOCL.

Treasury Stock

There were no repurchases of Xerox Common Stock pursuant to Board authorized share repurchase programs during first or second quarter 2017.

Note 16 - Other Comprehensive Income (Loss)

As previously disclosed in Note 1 - Basis of Presentation, the historical statements of Other Comprehensive Income (Loss) have not been revised to reflect the effect of the Separation. Refer to Note 5 - Divestitures for additional information regarding the Separation. Other Comprehensive Income (Loss) is comprised of the following:

	Three Months Ended June 30,				Six Months Ended June 30,			
	2017		2016		2017		2016	
	Pre-tax	Net of Tax	Pre-tax	Net of Tax	Pre-tax	Net of Tax	Pre-tax	Net of Tax
Translation Adjustments Gains (Losses)	\$ 204	\$ 204	\$ (80)	\$ (82)	\$ 338	\$ 337	\$ 111	\$ 107
Unrealized (Losses) Gains:								
Changes in fair value of cash flow hedges - (losses) gains	(22)	(17)	41	30	(13)	(11)	57	39
Changes in cash flow hedges reclassified to earnings ⁽¹⁾	4	2	(8)	(5)	8	4	(7)	(5)
Other gains (losses)	1	1	(1)	(1)	1	1	(1)	(1)
Net Unrealized (Losses) Gains	(17)	(14)	32	24	(4)	(6)	49	33
Defined Benefit Plans (Losses) Gains:								
Net actuarial losses	(1)	(1)	(100)	(62)	(9)	(6)	(223)	(138)
Prior service amortization ⁽²⁾	(3)	(2)	(3)	(2)	(5)	(3)	(5)	(3)
Actuarial loss amortization/settlement ⁽²⁾	44	30	41	28	110	74	93	63
Fuji Xerox changes in defined benefit plans, net ⁽³⁾	8	8	(25)	(25)	21	21	(100)	(100)
Other (losses) gains ⁽⁴⁾	(64)	(64)	81	81	(89)	(89)	86	86
Changes in Defined Benefit Plans (Losses) Gains	(16)	(29)	(6)	20	28	(3)	(149)	(92)
Other Comprehensive Income (Loss)	171	161	(54)	(38)	362	328	11	48
Less: Other comprehensive (loss) income attributable to noncontrolling interests	—	—	(1)	(1)	1	1	(1)	(1)
Other Comprehensive Income (Loss) Attributable to Xerox	\$ 171	\$ 161	\$ (53)	\$ (37)	\$ 361	\$ 327	\$ 12	\$ 49

(1) Reclassified to Cost of sales - refer to Note 12 - Financial Instruments for additional information regarding our cash flow hedges.

(2) Reclassified to Total Net Periodic Benefit Cost - refer to Note 14 - Employee Benefit Plans for additional information.

(3) Represents our share of Fuji Xerox's benefit plan changes.

(4) Primarily represents currency impact on cumulative amount of benefit plan net actuarial losses and prior service credits in AOCL.

Accumulated Other Comprehensive Loss (AOCL)

AOCL is comprised of the following:

	June 30, 2017	December 31, 2016
Cumulative translation adjustments	\$ (1,927)	\$ (2,263)
Other unrealized losses, net	(19)	(13)
Benefit plans net actuarial losses and prior service credits ⁽¹⁾	(2,064)	(2,061)
Total Accumulated Other Comprehensive Loss Attributable to Xerox	\$ (4,010)	\$ (4,337)

(1) Includes our share of Fuji Xerox.

Note 17 – Earnings per Share

As previously disclosed in Note 1 - Basis of Presentation, a one-for-four reverse stock split became effective on June 14, 2017 for all authorized, issued and outstanding shares of Xerox common stock. Accordingly, all share and per share amounts have been adjusted to reflect this reverse stock split for all prior periods presented.

The following table sets forth the computation of basic and diluted earnings per share of common stock (shares in thousands):

	Three Months Ended June 30,		Six Months Ended June 30,	
	2017	2016	2017	2016
Basic Earnings (Loss) per Share:				
Net income from continuing operations attributable to Xerox	\$ 166	\$ 196	\$ 212	\$ 262
Accrued dividends on preferred stock	(3)	(6)	(7)	(12)
Adjusted Net income from continuing operations available to common shareholders	163	190	205	250
Net loss from discontinued operations attributable to Xerox	—	(38)	(6)	(73)
Adjusted Net income available to common shareholders	\$ 163	\$ 152	\$ 199	\$ 177
Weighted average common shares outstanding	254,193	253,321	254,107	253,291
Basic Earnings (Loss) per Share:				
Continuing operations	\$ 0.64	\$ 0.75	\$ 0.81	\$ 0.99
Discontinued operations	—	(0.15)	(0.03)	(0.29)
Basic Earnings per Share	\$ 0.64	\$ 0.60	\$ 0.78	\$ 0.70
Diluted Earnings (Loss) per Share:				
Net income from continuing operations attributable to Xerox	\$ 166	\$ 196	\$ 212	\$ 262
Accrued dividends on preferred stock	—	(6)	(7)	(12)
Adjusted Net income from continuing operations available to common shareholders	166	190	205	250
Net loss from discontinued operations attributable to Xerox	—	(38)	(6)	(73)
Adjusted Net income available to common shareholders	\$ 166	\$ 152	\$ 199	\$ 177
Weighted average common shares outstanding	254,193	253,321	254,107	253,291
Common shares issuable with respect to:				
Stock options	—	205	—	209
Restricted stock and performance shares	2,275	1,979	2,190	1,789
Convertible preferred stock	6,742	—	—	—
Adjusted Weighted average common shares outstanding	263,210	255,505	256,297	255,289
Diluted Earnings (Loss) per Share:				
Continuing operations	\$ 0.63	\$ 0.75	\$ 0.80	\$ 0.98
Discontinued operations	—	(0.15)	(0.02)	(0.28)
Diluted Earnings per Share	\$ 0.63	\$ 0.60	\$ 0.78	\$ 0.70
The following securities were not included in the computation of diluted earnings per share as they were either contingently issuable shares or shares that if included would have been anti-dilutive:				
Stock options	—	486	—	483
Restricted stock and performance shares	2,375	3,977	2,460	4,167
Convertible preferred stock	—	6,742	6,742	6,742
Total Anti-Dilutive Securities	2,375	11,205	9,202	11,392
Dividends per Common Share	\$ 0.25	\$ 0.31	\$ 0.50	\$ 0.62

Note 18 – Contingencies and Litigation

Legal Matters

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

Brazil Tax and Labor Contingencies

Our Brazilian operations are involved in various litigation matters and have received or been the subject of numerous governmental assessments related to indirect and other taxes, as well as disputes associated with former employees and contract labor. The tax matters, which comprise a significant portion of the total contingencies, principally relate to claims for taxes on the internal transfer of inventory, municipal service taxes on rentals and gross revenue taxes. We are disputing these tax matters and intend to vigorously defend our positions. Based on the opinion of legal counsel and current reserves for those matters deemed probable of loss, we do not believe that the ultimate resolution of these matters will materially impact our results of operations, financial position or cash flows.

The labor matters principally relate to claims made by former employees and contract labor for the equivalent payment of all social security and other related labor benefits, as well as consequential tax claims, as if they were regular employees. As of June 30, 2017, the total amounts related to the unreserved portion of the tax and labor contingencies, inclusive of any related interest, amounted to approximately \$600, with the decrease from our December 31, 2016 balance of approximately \$750, primarily related to closed cases, partially offset by interest. With respect to the unreserved balance of \$600, the majority has been assessed by management as being remote as to the likelihood of ultimately resulting in a loss to the company. In connection with the above proceedings, customary local regulations may require us to make escrow cash deposits or post other security of up to half of the total amount in dispute. As of June 30, 2017, we had \$76 of escrow cash deposits for matters we are disputing and additional letters of credit and surety bonds of approximately \$142 and \$94, respectively, which include associated indexation. There were no liens on any of our Brazilian assets as of June 30, 2017. Generally, any escrowed amounts would be refundable and any liens would be removed to the extent the matters are resolved in our favor. We routinely assess all these matters as to probability of ultimately incurring a liability against our Brazilian operations and record our best estimate of the ultimate loss in situations where we assess the likelihood of an ultimate loss as probable.

Litigation Against the Company

State of Texas v. Xerox Corporation, Xerox State Healthcare, LLC, and ACS State Healthcare, LLC: On May 9, 2014, the State of Texas, via the Texas Office of Attorney General (the “State”), filed a lawsuit in the 53rd Judicial District Court of Travis County, Texas. The lawsuit alleges that Xerox Corporation, Xerox State Healthcare, LLC and ACS State Healthcare (collectively “the Defendants”) violated the Texas Medicaid Fraud Prevention Act in the administration of ACS’s contract with the Texas Department of Health and Human Services (“HHSC”). Xerox Corporation provided a guaranty of contractual performance with respect to the ACS contract. The State alleges that the Defendants made false representations of material facts regarding the processes, procedures, implementation and results regarding the prior authorization of orthodontic claims. The State seeks recovery of actual damages, two times the amount of any overpayments made as a result of unlawful acts, civil penalties, pre- and post-judgment interest and all costs and attorneys’ fees. The State references the amount in controversy as exceeding hundreds of millions of dollars. The Defendants filed their Answer in June 2014 denying all allegations. On August 4, 2017, the State of Texas filed a Second Amended Petition, which makes substantially similar allegations and seeks similar remedies as the original lawsuit. The defendants will continue to vigorously defend themselves in this matter. This matter is a “Conduent Liability”, as defined in the Separation and Distribution Agreement dated as of December

31, 2016 between Xerox Corporation and Conduent Incorporated, for which Conduent is required to indemnify Xerox. Conduent is entitled to direct the defense of this matter.

Oklahoma Firefighters Pension and Retirement System v. Xerox Corporation, Ursula M. Burns, Luca Maestri, Kathryn A. Mikells, Lynn R. Blodgett, Robert K. Zapfel, David H. Bywater and Mary Scanlon:

On October 21, 2016, the Oklahoma Firefighters Pension and Retirement System ("plaintiff") filed a purported securities class action complaint against Xerox Corporation, Ursula Burns, Luca Maestri, Kathryn Mikells, Lynn Blodgett and Robert Zapfel (collectively, "defendants") in the U.S. District Court for the Southern District of New York on behalf of the plaintiff and certain purchasers or acquirers of Xerox common stock. The complaint alleged that defendants made false and misleading statements, in violation of Sections 10(b) and 20(a) of the Securities Exchange Act and SEC Rule 10b-5, relating to the operations and prospects of Xerox's Health Enterprise business. Plaintiff sought, among other things, unspecified monetary damages and attorneys' fees. Other, similar lawsuits may follow. On December 28, 2016, the Court entered a stipulated order setting out a schedule for amendment of the complaint and for defendants' response to that complaint following the Court's appointment of lead plaintiff under the Private Securities Litigation Reform Act. On February 28, 2017, the Court issued an opinion and order appointing the Arkansas Public Employees Retirement System ("APERS") as lead plaintiff. On May 1, 2017, APERS filed an amended complaint, alleging substantially similar claims and seeking substantially similar relief, but adding David Bywater and Mary Scanlon as defendants. On June 30, 2017, defendants moved to dismiss the amended complaint. Xerox will vigorously defend against this matter. At this time, it is premature to make any conclusion regarding the probability of incurring material losses in this litigation. Should developments cause a change in our determination as to an unfavorable outcome, or result in a final adverse judgment or settlement, there could be a material adverse effect on our results of operations, cash flows and financial position in the period in which such change in determination, judgment, or settlement occurs.

Other Contingencies

We have issued or provided approximately \$386 of guarantees as of June 30, 2017 in the form of letters of credit or surety bonds issued to i) support certain insurance programs; ii) support our obligations related to the Brazil tax and labor contingencies; and iii) support certain contracts, primarily with public sector customers, which require us to provide a surety bond as a guarantee of our performance of contractual obligations.

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

Indemnifications

We have indemnified, subject to certain deductibles and limits, the purchasers of businesses or divested assets for the occurrence of specified events under certain of our divestiture agreements. Where appropriate, an obligation for such indemnifications is recorded as a liability. Since the obligated amounts of these types of indemnifications are often not explicitly stated and/or are contingent on the occurrence of future events, the overall maximum amount of the obligation under such indemnifications cannot be reasonably estimated. Other than obligations recorded as liabilities at the time of divestiture, we have not historically made significant payments for these indemnifications. Additionally, under certain of our acquisition agreements, we have provided for additional consideration to be paid to the sellers if established financial targets are achieved post-closing. We have recognized liabilities for these contingent obligations based on an estimate of the fair value of these contingencies at the time of acquisition. Contingent obligations related to indemnifications arising from our divestitures and contingent consideration provided for by our acquisitions are not expected to be material to our financial position, results of operations or cash flows.

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

The following Management's Discussion and Analysis (MD&A) is intended to help the reader understand the results of operations and financial condition of Xerox Corporation. MD&A is provided as a supplement to, and should be read in conjunction with, our Condensed Consolidated Financial Statements and the accompanying notes.

Throughout this document, references to "we," "our," the "company," and "Xerox" refer to Xerox Corporation and its subsidiaries. References to "Xerox Corporation" refer to the stand-alone parent company and do not include its subsidiaries.

Currency Impact

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

Overview

Fuji Xerox Accounting Review

Fuji Xerox is a joint venture between Xerox Corporation and Fujifilm Holdings Corporation ("Fujifilm"), in which Xerox holds a noncontrolling 25% equity interest. On April 20, 2017, Fujifilm publicly announced it had formed an independent investigation committee (IIC) to conduct a review of the appropriateness of the accounting practices at Fuji Xerox's New Zealand subsidiary. During the second quarter 2017, the IIC's review of the appropriateness of the accounting practices at Fuji Xerox related to the recovery of receivables associated with certain bundled leasing transactions in Fuji Xerox's New Zealand and Australian subsidiaries was completed. The review identified total adjustments of approximately JPY 40 billion (approximately \$360 million based on the YEN/U.S. Dollar spot exchange rate of 111.89 at March 31, 2017) were required to Fuji Xerox's results for the period 2009 through 2017. Xerox determined that its share of that amount was approximately \$90 million². Although the company determined that the impact to its equity income was immaterial to its previously issued financial statements, the cumulative correction would have a material effect on the company's current year consolidated financial statements. Accordingly, Xerox will revise its previously issued annual consolidated financial statements for 2014, 2015 and 2016 and the first quarter of 2017 the next time they are filed. Prior period amounts throughout this section have been adjusted to incorporate the revised amounts, where applicable. Refer to Note 2- Correction of Fuji Xerox Misstatement in Prior Period Financial Statements for additional information regarding this matter.

Reverse Stock Split

On May 23, 2017, the Board of Directors authorized and shareholders approved a reverse stock split of outstanding Xerox common stock at a ratio of one-for-four shares, together with the proportionate reduction in the authorized shares of its common stock from 1,750,000,000 shares to 437,500,000 shares. The reverse stock split became effective on June 14, 2017. Refer to Note 1- Basis of Presentation in the Condensed Consolidated Financial Statements for additional information regarding the reverse stock split.

Segment Changes

Following the separation of the BPO business, we realigned our operations to better manage the business and serve our customers and the markets in which we operate. In 2017, we transitioned to a geographic focus and are primarily organized from a sales perspective on the basis of "go-to-market" sales channels. These sales channels are structured to serve a range of customers for our products and services. As a result of this transition and change in structure, we concluded that we have one operating and reportable segment - the design, development and sale of document management systems and solutions. Our chief executive officer was identified as the chief operating decision maker ("CODM"). All of the company's activities are interrelated, and each activity is dependent upon and supportive of the other, including product development, supply chain and back-office support services. In addition, all significant operating decisions are largely based upon an analysis of Xerox at the consolidated level, including assessments related to the company's incentive compensation plans, as well as at the Board level.

Separation Update

On December 31, 2016, Xerox Corporation completed the separation of its Business Process Outsourcing (BPO) business from its Document Technology and Document Outsourcing (DT/DO) business (the "Separation"). The Separation was accomplished through the transfer of the BPO business into a new legal entity, Conduent Incorporated ("Conduent"), and then distributing one hundred percent (100%) of the outstanding common stock of Conduent to Xerox Corporation stockholders (the "Distribution"). Conduent is now an independent public company trading on the New York Stock Exchange ("NYSE") under the symbol "CNDT". As a result of the Separation and Distribution, the BPO business is presented as a discontinued operation and, as such, has been excluded from continuing operations for all periods presented. Refer to Note 5 - Divestitures in the Condensed Consolidated Financial Statements for additional information regarding the Separation.

Second Quarter 2017 Review

Total revenue of \$2.57 billion for the second quarter 2017 declined 8.1% from second quarter 2016 including a 1.7-percentage point negative impact from currency. Post-sale revenue of \$2.02 billion, which represented 79% of total revenues, declined 5.7% including a 1.8-percentage point negative impact from currency. The decline in post-sale revenue primarily reflects lower equipment installs and sales in prior periods and an ongoing decline in page volumes. Equipment revenues of \$546 million declined by 16.0%, with a 1.4-percentage point negative impact from currency. The decline in equipment revenue was driven primarily by lower mid-range sales, which partially reflects the impact of the timing of new products, a slower roll-out associated with a large portfolio transition and ongoing black-and-white revenue declines that reflected overall market decline trends. Equipment revenues were also impacted by price declines of approximately 5%. Total revenue of \$5.02 billion for the six months ended June 30, 2017 declined 7.2% from the prior year period including a 1.8-percentage point negative impact from currency. Post-sale revenue of \$3.97 billion, which represented 79% of total revenues, declined 5.8% including a 1.9-percentage point negative impact from currency. Equipment revenues of \$1.05 billion declined by 12.1%, with a 1.5-percentage point negative impact from currency.

Net income from continuing operations attributable to Xerox for the three and six months ended June 30, 2017 was \$166 million and \$212 million, respectively, and included after-tax costs of \$61 million and \$193 million, respectively, related to the amortization of intangible assets, restructuring and related costs, non-service retirement-related costs and other discrete items, resulting in adjusted¹ net income from continuing operations attributable to Xerox of \$227 million and \$405 million, respectively. Net income from continuing operations attributable to Xerox for three and six months ended June 30, 2016 was \$196 million and \$262 million, respectively, and included after-tax costs of \$61 million and \$178 million, respectively, related to the amortization of intangible assets, restructuring and related costs and non-service retirement-related costs, resulting in adjusted¹ net income from continuing operations attributable to Xerox of \$257 million and \$440 million, respectively. The decrease in net income from continuing operations attributable to Xerox and adjusted¹ net income for the three and six months ended June 30, 2017 as compared to the prior year periods was primarily due to higher income tax expense as the impact from lower revenues and unfavorable transaction currency was offset by productivity benefits and costs savings from our Strategic Transformation program including restructuring initiatives and lower interest expense. The decrease in net income from continuing operations attributable to Xerox for the six months ended June 30, 2017 was also impacted by higher restructuring and related costs and non-service retirement-related costs as compared to the prior year.

Operating cash flow from continuing operations for the six months ended June 30, 2017 was \$533 million, as compared to \$346 million for the prior year period. The increase is primarily due to working capital improvements as well as increased cash flows from the run-off of finance assets due to lower originations and installs. Cash used in investing activities from continuing operations was \$112 million and included \$76 million for acquisitions during the six months ended June 30, 2017. Cash used in financing activities of \$1,338 million primarily reflects payments of \$1.0 billion on Senior Notes, net payments of \$326 million on the tender and exchange of certain Senior Notes, and dividend payments of \$155 million partially offset by proceeds of \$161 million from the final cash adjustment with Conduent.

2017 Outlook

We continue to expect total revenues to decline for 2017 in the mid-single digits range, excluding the impact of currency, which at June 30, 2017 exchange rates, is expected to have about a 0.9-percentage point negative impact on total revenues in 2017. However, we do expect to see improving revenue trends during the second half of the year as we start to realize the benefits from new product launches and other growth initiatives, which will build through the second half of the year with the greatest benefit expected in the fourth quarter. Reported and adjusted¹ earnings are expected to be in line with our full-year expectations.

We continue to expect full year 2017 operating cash flows from continuing operations to be between \$700 million and \$900 million including higher cash requirements for pension contributions and restructuring payments. Capital expenditures, inclusive of internal use software, are expected to be approximately \$175 million.

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

(2) The difference between the aggregate revision to retained earnings and the \$90 impact at March 31, 2017 is primarily due to currency and the impact of adjustments recorded directly by Xerox in the first quarter 2017.

Financial Review

Revenues

(in millions)	Three Months Ended June 30,				Six Months Ended June 30,				Six Months Ended June 30,	
	2017	2016	% Change	CC % Change	2017	2016	% Change	CC % Change	% of Total Revenue 2017	% of Total Revenue 2016
Equipment sales	\$ 546	\$ 650	(16.0)%	(14.6)%	\$ 1,048	\$ 1,192	(12.1)%	(10.6)%	21%	22%
Post sale revenue	2,021	2,143	(5.7)%	(3.9)%	3,973	4,216	(5.8)%	(3.9)%	79%	78%
Total Revenue	\$ 2,567	\$ 2,793	(8.1)%	(6.4)%	\$ 5,021	\$ 5,408	(7.2)%	(5.4)%	100%	100%
Reconciliation to Condensed Consolidated Statements of Income:										
Sales	\$ 1,010	\$ 1,126	(10.3)%	(9.0)%	\$ 1,946	\$ 2,129	(8.6)%	(7.0)%		
Less: Supplies, paper and other sales	(464)	(476)	(2.5)%	(1.3)%	(898)	(937)	(4.2)%	(2.5)%		
Equipment sales⁽¹⁾	\$ 546	\$ 650	(16.0)%	(14.6)%	\$ 1,048	\$ 1,192	(12.1)%	(10.6)%		
Services, maintenance and rentals	\$ 1,483	\$ 1,585	(6.4)%	(4.4)%	\$ 2,925	\$ 3,114	(6.1)%	(4.1)%		
Add: Supplies, paper and other sales	464	476	(2.5)%	(1.3)%	898	937	(4.2)%	(2.5)%		
Add: Financing	74	82	(9.8)%	(8.0)%	150	165	(9.1)%	(7.4)%		
Post sale revenue⁽¹⁾	\$ 2,021	\$ 2,143	(5.7)%	(3.9)%	\$ 3,973	\$ 4,216	(5.8)%	(3.9)%		
North America	\$ 1,534	\$ 1,654	(7.3)%	(6.9)%	\$ 3,007	\$ 3,196	(5.9)%	(5.9)%	60%	59%
International	895	982	(8.9)%	(4.6)%	1,747	1,901	(8.1)%	(3.1)%	35%	35%
Other	138	157	(12.1)%	(12.1)%	267	311	(14.1)%	(14.1)%	5%	6%
Total Revenue⁽²⁾	\$ 2,567	\$ 2,793	(8.1)%	(6.4)%	\$ 5,021	\$ 5,408	(7.2)%	(5.4)%	100%	100%
Memo:										
Managed Document Services ⁽³⁾	\$ 834	\$ 887	(6.0)%	(3.9)%	\$ 1,653	\$ 1,723	(4.1)%	(1.8)%	33%	32%

CC - See "Currency Impact" section for a description of Constant Currency.

(1) Equipment sales revenue in 2016 has been revised to reclassify certain Global Imaging Systems equipment sales to other sales, which are included in Post sale revenue.

(2) Refer to the "Geographic Sales Channels and Product and Offerings Definitions" section.

(3) Excluding equipment revenue, Managed Document Services (MDS) was \$736 million and \$754 million, respectively, for the three months ended June 30, 2017 and 2016, representing a decline of 2.4% including 2.2-percentage point negative impact from currency. For the six months ended June 30, 2017 and 2016, excluding equipment revenue, MDS was \$1,449 million and \$1,480 million, respectively, representing a decline of 2.1% including a 2.2-percentage point negative impact from currency.

Second quarter 2017 total revenues decreased 8.1% as compared to second quarter 2016, with a 1.7-percentage point negative impact from currency. Second quarter 2017 total revenues reflect the following:

Post sale revenue decreased 5.7% as compared to second quarter 2016, with a 1.8-percentage point negative impact from currency. Post sale revenue is comprised of the following:

- **Services, maintenance and rentals revenue** includes rental and maintenance revenue (including bundled supplies) as well as the post sale component of the document services revenue from our Managed Document Services (MDS) offerings, and revenues from our Communication and Marketing Solutions (CMS) offerings that transferred to Xerox from the Business Process Outsourcing (BPO) business upon Separation. These revenues declined 6.4%, with a 2.0-percentage point negative impact from currency; the decline at constant currency¹ reflected lower signings and installs in prior periods and the ongoing decline in page volumes.
- **Supplies, paper and other sales** includes unbundled supplies and other sales. These revenues declined 2.5%, with a 1.2-percentage point negative impact from currency. The decline at constant currency¹ was driven by lower original equipment manufacturer (OEM) supplies as well as lower supplies demand consistent with lower equipment sales in prior periods.
- **Financing revenue** is generated from financed equipment sale transactions. The 9.8% decline in these revenues reflected a declining finance receivables balance due to lower equipment sales in prior periods, along with a 1.8-percentage point negative impact from currency.

Total revenues for the six months ended June 30, 2017 decreased 7.2% as compared to the prior year period, with a 1.8-percentage point negative impact from currency. Year-to-date 2017 total revenues reflect the following:

Post sale revenue decreased 5.8% as compared to the prior year period, with a 1.9-percentage point negative impact from currency. Post sale revenue is comprised of the following:

- **Services, maintenance and rentals revenue** includes rental and maintenance revenue (including bundled supplies) as well as the post sale component of the document services revenue from our Managed Document Services (MDS) offerings, and revenues from our Communication and Marketing Solutions (CMS) offerings that transferred to Xerox from the Business Process Outsourcing (BPO) business upon Separation. These revenues declined 6.1%, with a 2.0-percentage point negative impact from currency; the decline at constant currency¹ reflected lower signings and installs in prior periods and the ongoing decline in page volumes.
- **Supplies, paper and other sales** includes unbundled supplies and other sales. These revenues declined 4.2%, with a 1.7-percentage point negative impact from currency. The decline at constant currency¹ was driven by lower original equipment manufacturer (OEM) supplies as well as lower supplies demand (both in U.S. and European channels) consistent with lower equipment sales in prior periods, partly offset by higher supplies sales in developing markets which benefited partially from a weak first quarter in 2016.
- **Financing revenue** is generated from financed equipment sale transactions. The 9.1% decline in these revenues reflected a declining finance receivables balance due to lower equipment sales in prior periods, along with a 1.7-percentage point negative impact from currency.

Equipment Sales Revenue

(in millions)	Three Months Ended June 30,				Six Months Ended June 30,				Six Months Ended June 30,	
	2017	2016	% Change	CC % Change	2017	2016	% Change	CC % Change	% of Total Revenue 2017	% of Total Revenue 2016
Entry	\$ 92	\$ 102	(9.8)%	(8.6)%	\$ 180	\$ 196	(8.2)%	(7.1)%	17%	17%
Mid-range	342	415	(17.6)%	(16.3)%	659	762	(13.5)%	(12.1)%	64%	64%
High-end	106	126	(15.9)%	(13.9)%	199	225	(11.6)%	(9.4)%	19%	19%
Other	6	7	NM	NM	10	9	NM	NM	NM	NM
Equipment sales⁽¹⁾	\$ 546	\$ 650	(16.0)%	(14.6)%	\$ 1,048	\$ 1,192	(12.1)%	(10.6)%	100%	100%

(1) Equipment sales revenue in 2016 has been revised to reclassify certain Global Imaging Systems equipment sales to other sales, which are included in Post sale Revenue.

Equipment sales revenue for the three months ended June 30, 2017 decreased 16.0% as compared to second quarter 2016, with a 1.4-percentage point negative impact from currency. Revenue declined across all product areas and was impacted by price declines of approximately 5% (which were in-line with our historic impact). The decline in mid-range sales was in part due to the anticipated impact of the timing of new products further exacerbated by a slower roll-out associated with a large portfolio transition, and ongoing black-and-white revenue declines that reflected overall market decline trends; in addition, the second quarter of 2016 benefited from an earlier roll-out of the i-series product portfolio refresh. The decline in high-end sales reflected primarily lower revenues from our black-and-white systems, consistent with overall market decline trends, along with the impact of elevated partner sales in the prior year associated with drupa, and timing and delays related to the recent launch of the Versant entry production color system; the declines were partially mitigated by higher sales of our continuous feed inkjet systems. The decline in entry sales reflects lower OEM activity, and an unfavorable mix caused by higher install activity associated with new ConnectKey products that are at the lower end of the portfolio, as well as low-end printers in developing markets.

Equipment sales revenue for the six months ended June 30, 2017 decreased 12.1% as compared to the prior year period, with a 1.5-percentage point negative impact from currency. Revenue declined across all product areas and was impacted by price declines of approximately 5% (which were in-line with our historic impact). The decline in mid-range sales reflects lower revenue from color and black-and-white systems consistent with overall market decline trends, as well as the anticipated impact of the timing of new product launches further exacerbated by a slower roll-out associated with a large portfolio transition. The decline in high-end sales reflects lower revenues from our black-and-white systems, consistent with overall market decline trends, as well as, high-end color production systems, partially mitigated by higher sales of our continuous feed inkjet color systems. High-end color sales also included lower digital front-end (DFE) sales to Fuji Xerox. The decline in entry sales reflects lower OEM activity, and an unfavorable mix caused by higher install activity associated with new ConnectKey products that were at the lower end of the portfolio, as well as low-end printers in developing markets.

Revenue Metrics

Total Installs

Install activity includes Managed Document Services and Xerox-branded products shipped to Global Imaging Systems. Detail by product group is shown below:

Installs for the second quarter 2017:

Entry⁽¹⁾

- 24% increase in color multifunction devices, reflecting demand for recently launched products in this space.
- 10% increase in black-and-white multifunction devices, driven largely by a higher activity for low-end printers in developing markets.

Mid-Range⁽²⁾

- 15% decrease in mid-range color installs, reflecting the transition to the new product portfolio, partly offset by growth in developing markets.
- 14% decrease in mid-range black-and-white, reflecting overall market decline as well as the impact of transitioning to the new product portfolio, partly offset by growth in developing markets.

High-End⁽²⁾

- 9% decrease in high-end color systems, as growth from continuous feed color and the recently launched Versant products was offset by a decline in iGen and older entry-production products.
- 34% decrease in high-end black-and-white systems reflects overall market decline and trends, and higher declines in North America.

Installs for the six months ended June 30, 2017:

Entry⁽¹⁾

- 19% increase in color multifunction devices, reflecting demand for recently launched products in this space.
- 6% increase in black-and-white multifunction devices, driven largely by a higher activity for low-end printers in developing markets.

Mid-Range⁽²⁾

- 8% decrease in mid-range color installs, reflecting the transition to the new product portfolio, partly offset by growth in developing markets.
- 19% decrease in mid-range black-and-white, reflecting overall market decline as well as the impact of transitioning to the new product portfolio.

High-End⁽²⁾

- 12% decrease in high-end color systems due to timing of installs and upcoming product launches.
- 30% decrease in high-end black-and-white systems reflects overall market decline and trends and higher declines in North America.

Note: Descriptions of “Entry”, “Mid-Range” and “High-End” are defined below in the *Geographic Sales Channels and Product and Offerings Definitions* discussion.

Signings

Signings are defined as estimated future revenues from contracts signed during the period, including renewals of existing contracts. Our reported signings mostly represent those from our Enterprise deals, as we do not currently include signings from our growing partner print services offerings or those from our Global Imaging Systems channel. Our signings, expressed in Total Contract Value (TCV), were as follows:

(in millions)	Three Months Ended June 30,				Six Months Ended June 30,			
	2017	2016	% Change	CC % Change	2017	2016	% Change	CC % Change
Signings	\$ 643	\$ 700	(8.1)%	(6.5)%	\$ 1,155	\$ 1,266	(8.8)%	(7.1)%

Note: TCV is the estimated total contractual revenue related to signed contracts.

Signings for the three months ended June 30, 2017 decreased 8.1% from the second quarter 2016 with a 1.6-percentage point unfavorable impact from currency, reflecting a lower contribution from new business. Signings for the six months ended June 30, 2017 decreased 8.8% from the prior year period with a 1.7-percentage point unfavorable impact from currency, reflecting a lower contribution from new business. On a trailing twelve month (TTM) basis, signings decreased 9.8% from the comparable prior year period, with a 4.5-percentage point unfavorable impact from currency.

New business TCV declined 35.2% from the second quarter 2016 with a 1.6-percentage point unfavorable impact from currency. New business TCV for the six months ended June 30, 2017 decreased 24.3% from the prior year period, with a 1.9-percentage point unfavorable impact from currency. On a TTM basis, new business TCV decreased 27.3% from the comparable prior year period with a 3.7-percentage point unfavorable impact from currency. This performance is the result of ongoing competitive pressure in the market as well as the timing of new products amplified by the longer sales cycles in this area of the business.

Renewal Rate

Renewal rate is defined as the annual recurring revenue (ARR) on contracts that are renewed during the period as a percentage of ARR on all contracts for which a renewal decision was made during the period. Second quarter 2017 contract renewal rate was 86%, an increase of 4-percentage points as compared to our full year 2016 renewal rate of 82%.

CC - See "Currency Impact" section for a description of Constant Currency.

Geographic Sales Channels and Product and Offerings Definitions

Our business is aligned to a geographic focus and is primarily organized on the basis of two main go-to-market sales channels, which are structured to serve a range of customers for our products and services:

- North America, which includes our sales channels in the U.S. and Canada.
- International, which includes our sales channels in Europe, Eurasia, Latin America, Middle East, Africa and India.
- Other primarily includes our OEM business, as well as sales to and royalties from Fuji Xerox, and our licensing revenue.

Our products and offerings include:

- “Entry”, which includes A4 devices and desktop printers. Prices in this product group can range from approximately \$150 to \$3,000.
- “Mid-Range”, which includes A3 Office and Light Production devices that generally serve workgroup environments in mid to large enterprises. Prices in this product group can range from approximately \$2,000 to \$75,000+.
- “High-End”, which includes production printing and publishing systems that generally serve the graphic communications marketplace and large enterprises. Prices for these systems can range from approximately \$30,000 to \$1,000,000+.
- Managed Document Services (MDS) revenue, which includes solutions and services that span from managing print to automating processes to managing content. Our primary offerings within MDS are Managed Print Services (including from Global Imaging Systems), as well as workflow automation services, and Centralized Print Services and Solutions (CPS). MDS excludes Communications and Marketing Solutions (CMS).

- (1) *Entry installations exclude OEM sales; including OEM sales, Entry color multifunction devices decreased 10% and 12%, respectively, for the three and six months ended June 30, 2017. Entry black-and-white multifunction devices increased 4% for the three months ended June 30, 2017 and were flat for the six months ended June 30, 2017.*
- (2) *Mid-range and High-end color installations exclude Fuji Xerox digital front-end sales; including Fuji Xerox digital front-end sales, Mid-range color devices decreased 15% and 8% respectively, for the three and six months ended June 30, 2017 while High-end color systems decreased 14% and 20%, respectively for the three and six months ended June 30, 2017.*

Costs, Expenses and Other Income

Summary of Key Financial Ratios

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

(in millions)	Three Months Ended June 30,					
	Reported			Adjusted ⁽¹⁾		
	2017	2016	B/(W)	2017	2016	B/(W)
Gross Profit	\$ 1,031	\$ 1,112	\$ (81)	\$ 1,045	\$ 1,124	\$ (79)
RD&E	106	119	13	102	113	11
SAG	643	691	48	624	677	53
Equipment Gross Margin	28.5%	29.9%	(1.4) pts.	N/A	N/A	N/A
Post sale Gross Margin	43.3%	42.9%	0.4 pts.	44.0%	43.4%	0.6 pts.
Total Gross Margin	40.2%	39.8%	0.4 pts.	40.7%	40.2%	0.5 pts.
RD&E as a % of Revenue	4.1%	4.3%	0.2 pts.	4.0%	4.0%	— pts.
SAG as a % of Revenue	25.0%	24.7%	(0.3) pts.	24.3%	24.2%	(0.1) pts.
Pre-tax Income	\$ 193	\$ 191	\$ 2	N/A	N/A	N/A
Pre-tax Income Margin	7.5%	6.8%	0.7 pts.	N/A	N/A	N/A
Adjusted Operating Profit	N/A	N/A	N/A	342	361	(19)
Adjusted Operating Margin	N/A	N/A	N/A	13.3%	12.9%	0.4 pts.
Memo:						
Non-service retirement-related costs	\$ 37	\$ 32	\$ (5)	N/A	N/A	N/A

(in millions)	Six Months Ended June 30,					
	Reported			Adjusted ⁽¹⁾		
	2017	2016	B/(W)	2017	2016	B/(W)
Gross Profit	\$ 1,985	\$ 2,130	\$ (145)	\$ 2,022	\$ 2,159	\$ (137)
RD&E	224	245	21	212	231	19
SAG	1,307	1,392	85	1,257	1,357	100
Equipment Gross Margin	29.4%	30.2%	(0.8) pts.	N/A	N/A	N/A
Post sale Gross Margin	42.2%	42.0%	0.2 pts.	43.1%	42.7%	0.4 pts.
Total Gross Margin	39.5%	39.4%	0.1 pts.	40.3%	39.9%	0.4 pts.
RD&E as a % of Revenue	4.5%	4.5%	— pts.	4.2%	4.3%	0.1 pts.
SAG as a % of Revenue	26.0%	25.7%	(0.3) pts.	25.0%	25.1%	0.1 pts.
Pre-tax Income	\$ 177	\$ 223	\$ (46)	N/A	N/A	N/A
Pre-tax Income Margin	3.5%	4.1%	(0.6) pts.	N/A	N/A	N/A
Adjusted Operating Profit	N/A	N/A	N/A	616	632	(16)
Adjusted Operating Margin	N/A	N/A	N/A	12.3%	11.7%	0.6 pts.
Memo:						
Non-service retirement-related costs	\$ 99	\$ 78	\$ (21)	N/A	N/A	N/A

(1) See the "Non-GAAP Financial Measures" section for an explanation of the non-GAAP financial measure. In fourth quarter 2016, we began to include Equity in net income of unconsolidated affiliates in the calculation of adjusted operating income and margin. Prior periods have been restated accordingly to conform to current year presentation.

Pre-tax Income Margin

Second quarter 2017 pre-tax income margin of 7.5% increased 0.7-percentage points as compared to second quarter 2016. The increase was primarily driven by cost and expense reduction (net of higher non-service retirement-related costs) that outpaced the rate of revenue decline, along with lower interest expense, included in Other expenses, net, and lower restructuring.

Pre-tax income margin for the six months ended June 30, 2017 of 3.5% declined 0.6-percentage points as compared to the prior year period. The decrease was primarily due to the first quarter decline of 1.9% which was only partially mitigated in the second quarter. The first quarter decline reflected higher restructuring, higher non-service retirement-related costs and higher Other expenses, net.

Additional analysis on changes in non-service retirement-related costs, restructuring and related costs, amortization of intangible assets and other expenses, net are included in subsequent sections.

Adjusted¹ Operating Margin

Second quarter 2017 adjusted¹ operating margin of 13.3% increased 0.4-percentage points as compared to second quarter 2016. The improvement was driven primarily by cost productivity and savings from strategic transformation, including restructuring savings, that outpaced the rate of revenue decline. Those improvements were partly offset by adverse transaction currency of 1.0-percentage point.

Adjusted¹ operating margin for the six months ended June 30, 2017 of 12.3% increased 0.6-percentage points as compared to the prior year period. The improvement was driven primarily by cost productivity and savings from strategic transformation, including restructuring savings, that outpaced the rate of revenue decline. Those improvements were partly offset by adverse transaction currency of 1.0-percentage point.

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

Gross Margin

Second quarter 2017 gross margin of 40.2% increased by 0.4-percentage points compared to second quarter 2016. On an adjusted¹ basis, gross margin of 40.7% increased by 0.5-percentage points. This performance reflects cost savings from strategic transformation and cost productivity, partly offset by adverse transaction currency of 1.0-percentage point.

Gross margin for the six months ended June 30, 2017 of 39.5% was 0.1-percentage points higher compared to the prior year period. On an adjusted¹ basis, gross margin of 40.3% increased by 0.4-percentage points. This performance reflects cost savings from strategic transformation and cost productivity, partly offset by adverse transaction currency of 1.0-percentage point.

Second quarter 2017 equipment gross margin of 28.5% decreased 1.4-percentage points as compared to second quarter 2016, as a result of adverse transaction currency and pricing, along with an unfavorable mix towards entry sales, that more than offset product cost productivity.

Equipment gross margin for the six months ended June 30, 2017 of 29.4% decreased 0.8-percentage points as compared to the prior year period, as a result of adverse transaction currency and pricing, along with an unfavorable mix towards entry sales, that more than offset product cost productivity.

Second quarter 2017 post sale gross margin of 43.3% increased 0.4-percentage points as compared to second quarter 2016. On an adjusted¹ basis, post sale gross margin of 44.0% improved 0.6-percentage points, as a result of cost savings from strategic transformation, including restructuring, which more than offset the pace of revenue decline and the impact of adverse transaction currency.

Post sale gross margin for the six months ended June 30, 2017 of 42.2% improved 0.2-percentage points as compared to the prior year period. On an adjusted¹ basis, post sale gross margin of 43.1% improved 0.4-percentage points, as a result of cost savings from strategic transformation, including restructuring, which more than offset the pace of revenue decline and the impact of adverse transaction currency.

(1) Refer to the Key Financial Ratios reconciliation table in the "Non-GAAP Financial Measures" section.

Research, Development and Engineering Expenses (RD&E)

(in millions)	Three Months Ended June 30,			Six Months Ended June 30,		
	2017	2016	Change	2017	2016	Change
R&D	\$ 81	\$ 95	\$ (14)	\$ 177	\$ 196	\$ (19)
Sustaining engineering	25	24	1	47	49	(2)
Total RD&E Expenses	\$ 106	\$ 119	\$ (13)	\$ 224	\$ 245	\$ (21)

Second quarter 2017 RD&E as a percentage of revenue of 4.1% decreased 0.2-percentage points from second quarter 2016. On an adjusted¹ basis, RD&E was 4.0% of revenue and was flat compared to second quarter 2016.

RD&E of \$106 million decreased by \$13 million compared to second quarter 2016. On an adjusted¹ basis, RD&E of \$102 million decreased by \$11 million and reflected savings from strategic transformation including restructuring savings and the transfer of resources to Electronics for Imaging (EFI), a third-party print server supplier.

RD&E as a percentage of revenue for the six months ended June 30, 2017 of 4.5% was flat from the prior year period. On an adjusted¹ basis, RD&E was 4.2% of revenue and decreased 0.1-percentage points compared to the prior year period.

RD&E of \$224 million decreased by \$21 million compared to the prior year period. On an adjusted¹ basis, RD&E of \$212 million decreased by \$19 million and reflected savings from strategic transformation including restructuring savings. We strategically coordinate our R&D investments with Fuji Xerox.

(1) Refer to the Key Financial Ratios reconciliation table in the "Non-GAAP Financial Measures" section.

Selling, Administrative and General Expenses (SAG)

SAG as a percentage of revenue of 25.0% increased by 0.3-percentage points from second quarter 2016. On an adjusted¹ basis, SAG was 24.3% of revenue and increased 0.1-percentage points, reflecting the impact of lower revenues only partly mitigated by productivity and cost savings from strategic transformation.

SAG of \$643 million was \$48 million lower than second quarter 2016. On an adjusted¹ basis, SAG of \$624 million decreased \$53 million, including an approximate \$13 million favorable impact from currency and reflecting primarily cost savings, including savings from restructuring, as well as a decrease in selling expenses related to lower incentives and marketing expenses consistent with lower revenues. Bad debt expense of \$9 million was \$1 million lower and remained at less than one percent of receivables.

SAG as a percentage of revenue for the six months ended June 30, 2017 of 26.0% increased by 0.3-percentage points from the prior year period. On an adjusted¹ basis, SAG was 25.0% of revenue and decreased 0.1-percentage points, reflecting the decline in productivity and cost savings from strategic transformation, including restructuring savings, which more than outpaced the decline in revenues.

SAG of \$1,307 million for the six months ended June 30, 2017 was \$85 million lower than the prior year period. On an adjusted¹ basis, SAG of \$1,257 million decreased \$100 million, including an approximate \$26 million favorable impact from currency and reflecting primarily cost savings, including savings from restructuring, as well as a decrease in selling expenses related to lower incentives and marketing expenses consistent with lower revenues. Bad debt expense for the six months ended June 30, 2017 of \$22 million was flat and remained at less than one percent of receivables.

(1) Refer to the Key Financial Ratios reconciliation table in the "Non-GAAP Financial Measures" section.

Non-Service Retirement-Related Costs

Non-service retirement-related costs increased \$5 million and \$21 million, respectively, for the three and six months ended June 30, 2017 compared to the respective prior year periods. Both period increases were primarily driven by higher losses from pension settlements in the U.S., which are expected to continue although the increase should be lower than originally expected at the beginning of the year.

Restructuring and Related Costs

During second quarter 2017, we recorded net restructuring and asset impairment charges of \$33 million as well as \$7 million of additional costs primarily related to professional support services associated with the implementation of the Strategic Transformation program.

Second quarter 2017 net restructuring and asset impairment charges of \$33 million included \$50 million of severance costs related to headcount reductions of approximately 500 employees worldwide and \$1 million of lease cancellation costs. The second quarter 2017 actions impacted several functional areas, with approximately 35% focused on gross margin improvements, approximately 60% on SAG reductions, and the remainder focused on RD&E optimization. These costs were partially offset by \$18 million of net reversals for changes in estimated reserves from prior period initiatives, primarily reflecting unanticipated attrition and other job changes prior to completion of certain restructuring initiatives, as well as a \$5 million favorable adjustment on the early termination of the lease for our corporate airplane.

During the six months ended June 30, 2017, we recorded net restructuring and asset impairment charges of \$143 million as well as \$17 million of additional costs primarily related to professional support services associated with the implementation of the Strategic Transformation program.

Six months ended June 30, 2017 net restructuring and asset impairment charges of \$143 million included \$160 million of severance costs related to headcount reductions of approximately 1,500 employees worldwide and \$3 million of lease cancellation costs partially offset by \$20 million of net reversals for changes in estimated reserves from prior period initiatives, primarily reflecting unanticipated attrition and other job changes prior to completion of the restructuring initiatives, as well as a \$5 million favorable adjustment on the early termination of the lease for our corporate airplane.

During second quarter 2016, restructuring and related costs were \$47 million which included restructuring and asset impairment charges of \$43 million as well as \$4 million of additional costs primarily related to professional support services associated with the implementation of the Strategic Transformation program.

Second quarter 2016 net restructuring and asset impairment charges of \$43 million included \$51 million of severance costs related to headcount reductions of approximately 850 employees worldwide and \$1 million of lease cancellation costs. The second quarter 2016 actions impacted several functional areas, with approximately 40% focused on gross margin improvements, approximately 50% on SAG reductions and approximately 10% focused on RD&E optimization. These costs were partially offset by \$4 million of net reversals for changes in estimated reserves from prior period initiatives, as well as a gain of \$5 million from the sale of real estate impaired in prior periods.

During the six months ended June 30, 2016, we recorded net restructuring and asset impairment charges of \$141 million as well as \$6 million of additional costs primarily related to professional support services associated with the implementation of the Strategic Transformation program.

Six months ended June 30, 2016 net restructuring and asset impairment charges of \$141 million included \$149 million of severance costs related to headcount reductions of approximately 2,250 employees worldwide and \$2 million of lease cancellation costs partially offset by \$5 million of net reversals for changes in estimated reserves from prior period initiatives, as well as a gain of \$5 million from the sale of real estate impaired in prior periods.

The restructuring reserve balance as of June 30, 2017 for all programs was \$151 million, of which \$148 million is expected to be spent over the next twelve months.

We expect to incur additional restructuring and related costs of approximately \$35 million in third quarter 2017 for actions and initiatives that have not yet been finalized. For full-year 2017, we expect to incur restructuring and related costs of approximately \$225 million.

Refer to Note 10 - Restructuring Programs in the Condensed Consolidated Financial Statements for additional information regarding our restructuring programs.

Amortization of Intangible Assets

Amortization of intangible assets for the six months ended June 30, 2017 of \$29 million was \$1 million lower compared to the prior year period.

Worldwide Employment

Worldwide employment was approximately 36,900 as of June 30, 2017 and decreased by approximately 700 from December 31, 2016. The reduction is primarily due to the impact of restructuring and productivity-related reductions partially offset by acquisitions.

Other Expenses, Net

(in millions)	Three Months Ended June 30,		Six Months Ended June 30,	
	2017	2016	2017	2016
Non-financing interest expense	\$ 24	\$ 42	\$ 60	\$ 96
Interest income	(2)	(2)	(4)	(3)
(Gains) losses on sales of businesses and assets	(1)	3	(1)	(17)
Currency losses (gains), net	1	(1)	4	3
Litigation matters	2	—	2	1
Loss on sales of accounts receivables	3	4	6	8
Loss on early extinguishment of debt	—	—	13	—
All other expenses, net	7	2	8	5
Total Other expenses, net	\$ 34	\$ 48	\$ 88	\$ 93

Non-Financing Interest Expense

Non-financing interest expense for the three and six months ended June 30, 2017 of \$24 million and \$60 million, respectively, decreased \$18 million and \$36 million, respectively, as compared to the prior year comparable periods. When combined with financing interest expense (Cost of financing), total interest expense declined by \$17 million and \$35 million, respectively, from the prior year comparable periods primarily due to a lower debt balance reflecting the repayment of approximately \$1.3 billion of debt in the first quarter 2017 as well as repayment of approximately \$1.0 billion in 2016.

Gains on Sales of Businesses and Assets

Gains on sales of businesses and assets for the six months ended June 30, 2017 declined \$16 million, as compared to the prior year period, primarily related to the sale of surplus technology assets in 2016.

Loss on Early Extinguishment of Debt

During the first quarter of 2017, we recorded a \$13 million loss associated with the repayment of \$300 million in Senior Notes.

Refer to Note 11 - Debt in the Condensed Consolidated Financial Statements for additional information regarding the Debt Exchange.

Income Taxes

Second quarter 2017 effective tax rate was 22.3%. On an adjusted¹ basis, second quarter 2017 tax rate was 27.0%. Both rates were lower than the U.S. statutory tax rate primarily due to foreign tax credits and the geographical mix of profits. The adjusted¹ effective tax rate excludes the tax benefits associated with the following charges: restructuring and related costs, amortization of intangible assets and non-service retirement-related costs.

The effective tax rate for the six months ended June 30, 2017 was 10.7% and on an adjusted¹ basis, the six months ended June 30, 2017 effective tax rate was 27.2%. Both rates were lower than the U.S. statutory tax rate primarily due to foreign tax credits and the geographical mix of profits. The adjusted¹ effective tax rate excludes the majority of the benefit from the re-measurement of certain unrecognized tax positions as well as the tax benefits associated with the following charges: restructuring and related costs, amortization of intangible assets and non-service retirement-related costs.

Second quarter 2016 effective tax rate was 9.4%. On an adjusted¹ basis, second quarter 2016 tax rate was 18.5%. These rates were lower than the U.S. statutory tax rate primarily due to the redetermination of certain unrecognized tax positions upon conclusion of several audits, as well as foreign tax credits resulting from anticipated dividends from our foreign subsidiaries. The adjusted¹ effective tax rate excludes the tax benefits associated with the following charges: restructuring and related costs, amortization of intangible assets and non-service retirement-related costs.

The effective tax rate for the six months ended June 30, 2016 was 7.2% and on an adjusted¹ basis, the six months ended June 30, 2016 effective tax rate was 19.7%. Both rates were lower than the U.S. statutory tax rate primarily due to the redetermination of certain unrecognized tax positions upon conclusion of several audits, as well as foreign tax credits resulting from anticipated dividends from our foreign subsidiaries, and the geographical mix of profits. The adjusted¹ effective tax rate excludes the tax benefits associated with the following charges: restructuring and related costs, amortization of intangible assets and non-service retirement-related costs.

Xerox operations are widely dispersed. The statutory tax rate in most non-U.S. jurisdictions is lower than the combined U.S. and state tax rate. The amount of income subject to these lower foreign rates relative to the amount of U.S. income will impact our effective tax rate. However, no one country outside of the U.S. is a significant factor to our overall effective tax rate. Certain foreign income is subject to U.S. tax net of any available foreign tax credits. Our full year effective tax rate includes a benefit of approximately 12-percentage points from these non-U.S. operations, which reflects lower foreign tax credit benefits from prior year.

Our effective tax rate is based on nonrecurring events as well as recurring factors, including the taxation of foreign income. In addition, our effective tax rate will change based on discrete or other nonrecurring events that may not be predictable. Excluding the effects of intangibles amortization, restructuring and related costs, non-service retirement-related costs, separation costs and other discrete items, we anticipate that our adjusted¹ effective tax rate will be approximately 25% to 28% for full year 2017.

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

Equity in Net Income of Unconsolidated Affiliates

(in millions)	Three Months Ended June 30,		Six Months Ended June 30,	
	2017	2016	2017	2016
Total equity in net income of unconsolidated affiliates	\$ 20	\$ 26	\$ 60	\$ 60
Fuji Xerox after-tax restructuring costs included in equity income	3	1	3	1

Equity in net income of unconsolidated affiliates primarily reflects our 25% share of Fuji Xerox net income. For the three months ended June 30, 2017 equity income decreased \$6 million and was flat for the six months ended June 30, 2017, as compared to the prior year periods. Equity in net income of unconsolidated affiliates for the three and six months ended June 30, 2017 included \$2 million of higher year-over-year charges related to our share of Fuji Xerox after-tax restructuring.

We have revised Equity in net income of unconsolidated affiliates for all applicable prior periods presented throughout this document. Refer to Note 2 - Correction of Fuji Xerox Misstatement in Prior Period Financial Statements in the Condensed Consolidated Financial Statements, for additional information on this revision.

Net Income from Continuing Operations

Second quarter 2017 net income from continuing operations attributable to Xerox was \$166 million, or \$0.63 per diluted share. On an adjusted¹ basis, net income from continuing operations attributable to Xerox was \$227 million, or \$0.87 per diluted share. Second quarter 2017 adjustments to net income include the amortization of intangible assets, restructuring and related costs and non-service retirement-related costs.

Second quarter 2016 net income from continuing operations attributable to Xerox was \$196 million, or \$0.75 per diluted share. On an adjusted¹ basis, net income from continuing operations attributable to Xerox was \$257 million, or \$0.98 per diluted share. Second quarter 2016 adjustments to net income include the amortization of intangible assets, restructuring and related costs and non-service retirement-related costs.

Net income from continuing operations attributable to Xerox for the six months ended June 30, 2017 was \$212 million, or \$0.80 per diluted share. On an adjusted¹ basis, net income from continuing operations attributable to Xerox was \$405 million, or \$1.54 per diluted share and reflects adjustments for the amortization of intangible assets, restructuring and related costs and non-service retirement-related costs as well as other discretely identified adjustments.

Net income from continuing operations attributable to Xerox for the six months ended June 30, 2016 was \$262 million, or \$0.98 per diluted share. On an adjusted¹ basis, net income from continuing operations attributable to Xerox was \$440 million, or \$1.68 per diluted share and reflects adjustments for the amortization of intangible assets, restructuring and related costs and non-service retirement-related costs.

Refer to Note 17 - Earnings per Share in the Condensed Consolidated Financial Statements, for additional information regarding the calculation of basic and diluted earnings per share.

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

Discontinued Operations

As previously discussed, discontinued operations relate to our Business Process Outsourcing (BPO) business, which was separated effective December 31, 2016.

Refer to Note 5 - Divestitures in the Condensed Consolidated Financial Statements for additional information regarding discontinued operations.

Net Income

Second quarter 2017 net income attributable to Xerox was \$166 million, or \$0.63 per diluted share. Second quarter 2016 net income attributable to Xerox was \$158 million, or \$0.60 per diluted share.

Net income attributable to Xerox for the six months ended June 30, 2017 was \$206 million, or \$0.78 per diluted share. Net income attributable to Xerox for the six months ended June 30, 2016 was \$189 million, or \$0.70 per diluted share.

Other Comprehensive Income (Loss)

Second quarter 2017 Other comprehensive income attributable to Xerox was \$161 million as compared to a loss of \$37 million in the second quarter 2016. The \$198 million change is primarily due to a \$286 million change from net translation adjustment gains of \$204 million in the second quarter of 2017 as compared to net losses of \$82 million in the second quarter 2016. The gains in 2017 reflect the strengthening of our major foreign currencies against the U.S. Dollar as compared to a weakening in the prior year. Offsetting the gains from net translation adjustments were unrealized losses of \$14 million and losses from changes in defined benefit plans of \$29 million in the second quarter 2017 as compared to gains in the prior year period.

Other comprehensive income attributable to Xerox for the six months ended June 30, 2017 was \$327 million as compared to \$49 million in the prior year period. The \$278 million increase is primarily due to a \$230 million change from net translation adjustment gains of \$337 million for the six months ended June 30, 2017, as compared to gains of \$107 million for the prior year period. The gains in 2017 reflect a strengthening of all of our major foreign currencies against the U.S. Dollar. The gains in 2016 were primarily due to a strengthening of the Brazilian Real and Japanese Yen versus the U.S. Dollar, which were partially offset by a net weakening of our major foreign currencies versus the U.S. Dollar. The increase in Other comprehensive income also reflected an \$89 million year-over-year benefit due to lower net losses from changes in defined benefit plans of \$3 million during the six months ended June 30, 2017 as compared to net losses of \$92 million in the prior year period. The benefit plan losses for the six months ended June 30, 2017 were minimal as a decrease in discount rates and currency losses were offset by favorable asset returns. In comparison, benefit plan losses for the six months ended June 30, 2016 were primarily due to losses from plan remeasurements resulting from a decrease in discount rates. Offsetting the increase in net translation adjustments and defined benefit plans was an increase in unrealized losses of \$39 million reflecting net losses of \$6 million for the six months ended June 30, 2017 as compared to net gains of \$33 million in the prior year period.

Refer to Note 12 - Financial Instruments in the Condensed Consolidated Financial Statements, for additional information regarding foreign currency derivatives, and Note 14 - Employee Benefit Plans in the Condensed Consolidated Financial Statements, for additional information regarding net changes in our defined benefit plans and related losses and gains.

Capital Resources and Liquidity

As of June 30, 2017 and December 31, 2016, total cash and cash equivalents were \$1,246 million and \$2,223 million, respectively. There were no borrowings under our Commercial Paper Program, or letters of credit under our

\$2 billion Credit Facility at June 30, 2017 or December 31, 2016, respectively. The decrease in total cash and cash equivalents primarily reflects the repayment of \$1.0 billion of maturing Senior Notes in the first quarter 2017 as well a repayment of \$300 million in Senior Notes as part of a tender and exchange transaction, partially offset by improvements in working capital.

We continue to expect operating cash flows from continuing operations to be between \$700 million and \$900 million in 2017, including an increase in restructuring payments and pension contributions partially offset by improvements in working capital.

Cash Flow Analysis

The following table summarizes our cash and cash equivalents:

(in millions)	Six Months Ended June 30,		Change
	2017	2016	
Net cash provided by operating activities of continuing operations	\$ 533	\$ 346	\$ 187
Net cash used in operating activities of discontinued operations	(95)	(194)	99
Net cash provided by operating activities	438	152	286
Net cash used in investing activities of continuing operations	(112)	(64)	(48)
Net cash used in investing activities of discontinued operations	—	(128)	128
Net cash used in investing activities	(112)	(192)	80
Net cash used in financing activities	(1,338)	(129)	(1,209)
Effect of exchange rate changes on cash and cash equivalents	35	4	31
Increase in cash of discontinued operations	—	(20)	20
Decrease in cash and cash equivalents	(977)	(185)	(792)
Cash and cash equivalents at beginning of period	2,223	1,228	995
Cash and Cash Equivalents at End of Period	\$ 1,246	\$ 1,043	\$ 203

Cash Flows from Operating Activities

Net cash provided by operating activities of continuing operations was \$533 million for the six months ended June 30, 2017. The \$187 million increase in operating cash from the prior year period was primarily due to the following:

- \$166 million increase in accounts payable and accrued compensation primarily related to the year-over-year timing of supplier and vendor payments.
- \$45 million increase from finance receivables primarily related to a higher level of run-off due to lower originations.
- \$28 million increase due to lower placements of equipment on operating leases reflecting decreased installs.
- \$22 million increase from lower defined benefit pension contributions, primarily due to timing as contributions are expected to be approximately \$170 million higher than the prior year (Refer to Note 14 - Employee Benefit Plans in the Condensed Consolidated Financial Statements for additional information).
- \$82 million decrease from higher restructuring payments.
- \$14 million decrease from accounts receivable primarily due to a reduction in the benefit from the sales of receivables.

Cash Flows from Investing Activities

Net cash used in investing activities of continuing operations was \$112 million for the six months ended June 30, 2017. The \$48 million change from the prior year period was primarily due to the following:

- \$58 million decrease due to acquisitions.
- \$19 million decrease from lower proceeds from the sale of assets and businesses. Prior year included proceeds from the sale of surplus technology assets.
- \$23 million increase due to lower capital expenditures (including internal use software).

Cash Flows from Financing Activities

Net cash used in financing activities was \$1,338 million for the six months ended June 30, 2017. The \$1,209 increase in the use of cash from the prior year period was primarily due to the following:

- \$1,366 million increase from net debt activity. 2017 reflects payments of \$1.0 billion on Senior Notes and net payments of \$326 million on the tender and exchange of certain Senior Notes including transaction costs. 2016 reflects net proceeds of \$1.0 billion from a Senior Unsecured Term Facility offset by payments of \$700 million on Senior Notes and \$250 million on Notes.
- \$161 million decrease reflecting the final cash adjustment with Conduent.

Debt and Customer Financing Activities

The following summarizes our debt:

(in millions)	June 30, 2017	December 31, 2016
Principal debt balance ⁽¹⁾	\$ 5,047	\$ 6,349
Net unamortized discount	(38)	(43)
Debt issuance costs	(29)	(21)
Fair value adjustments ⁽²⁾		
- terminated swaps	16	27
- current swaps	5	4
Total Debt	\$ 5,001	\$ 6,316

(1) Includes Notes Payable of \$5 million and \$4 million as of June 30, 2017 and December 31, 2016, respectively.

(2) Fair value adjustments include the following - (i) fair value adjustments to debt associated with terminated interest rate swaps, which are being amortized to interest expense over the remaining term of the related notes; and (ii) changes in fair value of hedged debt obligations attributable to movements in benchmark interest rates. Hedge accounting requires hedged debt instruments to be reported inclusive of any fair value adjustment.

Finance Assets and Related Debt

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

(in millions)	June 30, 2017	December 31, 2016
Total finance receivables, net ⁽¹⁾	\$ 3,703	\$ 3,744
Equipment on operating leases, net	464	475
Total Finance Assets, net⁽²⁾	\$ 4,167	\$ 4,219

(1) Includes (i) Billed portion of finance receivables, net, (ii) Finance receivables, net and (iii) Finance receivables due after one year, net as included in our Condensed Consolidated Balance Sheets.

(2) The change from December 31, 2016 includes an increase of \$128 million due to currency.

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

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

(in millions)	June 30, 2017	December 31, 2016
Finance receivables debt ⁽¹⁾	\$ 3,240	\$ 3,276
Equipment on operating leases debt	406	416
Financing debt	3,646	3,692
Core debt	1,355	2,624
Total Debt	\$ 5,001	\$ 6,316

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

Debt Activity

Refer to Note 11 - Debt in the Condensed Consolidated Financial Statements for additional information regarding 2017 debt activity including a Debt Exchange and debt repayments following the Separation (Separation Debt Activity) during first quarter 2017.

Sales of Accounts Receivable

Refer to Note 6 - Accounts Receivable, Net in the Condensed Consolidated Financial Statements for additional

information.

Liquidity and Financial Flexibility

We manage our worldwide liquidity using internal cash management practices, which are subject to (1) the statutes, regulations and practices of each of the local jurisdictions in which we operate, (2) the legal requirements of the agreements to which we are a party and (3) the policies and cooperation of the financial institutions we utilize to maintain and provide cash management services.

Our principal debt maturities are in line with historical and projected cash flows and are spread over the next five years as follows:

<u>(in millions)</u>	Amount
2017 Q3	\$ 7
2017 Q4	2
2018	747
2019	967
2020	1,057
2021	1,067
2022 and thereafter	1,200
Total	\$ 5,047

Treasury Stock

There were no share repurchases through the second quarter of 2017 or through the date of our filing on August 7, 2017.

Financial Risk Management

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

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

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

The current market events have not required us to materially modify or change our financial risk management strategies with respect to our exposures to interest rate and foreign currency risk. Refer to Note 12 – Financial Instruments in the Condensed Consolidated Financial Statements for further discussion and information on our financial risk management strategies.

Non-GAAP Financial Measures

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

A reconciliation of these non-GAAP financial measures to the most directly comparable financial measures calculated and presented in accordance with GAAP are set forth below as well as in the second quarter 2017 presentation slides available at www.xerox.com/investor.

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

Adjusted Earnings Measures

- Net income and Earnings per share (EPS)
- Effective tax rate
- Gross margin, RD&E and SAG (adjusted for non-service retirement-related costs only)

The above measures were adjusted for the following items:

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

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

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

Other discrete, unusual or infrequent items: In addition, during the first quarter of 2017 we have also excluded the following additional items given the discrete, unusual or infrequent nature of the items and their impact on our results for the period: 1) a loss on early extinguishment of debt; and 2) a benefit from the remeasurement of a tax matter related to a previously adjusted item. We believe the exclusion of these items allows investors to better understand and analyze the results for the period as compared to prior periods and expected future trends in our business.

Adjusted Operating Income and Margin

We also calculate and utilize adjusted operating income and margin earnings measures by adjusting our pre-tax income and margin amounts. In addition to the costs and expenses noted as adjustments for our Adjusted Earnings measures, adjusted operating income and margin also exclude Other expenses, net and include Equity in net income of unconsolidated affiliates. Other expenses, net is primarily comprised of non-financing interest expense and also includes certain other non-operating costs and expenses. We exclude these amounts in order to evaluate our current and past operating performance and to better understand the expected future trends in our business. Equity in net income of unconsolidated affiliates primarily reflects our 25% share of Fuji Xerox net income. We include this amount in our measure of adjusted operating income and margin as Fuji Xerox is our primary intermediary to the Asia/Pacific market for distribution of Xerox branded products and services.

Constant Currency (CC)

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

Summary

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

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

Net Income and EPS reconciliation:

(in millions; except per share amounts)	Three Months Ended June 30,				Six Months Ended June 30,			
	2017		2016		2017		2016	
	Net Income	EPS	Net Income	EPS	Net Income	EPS	Net Income	EPS
Reported⁽¹⁾	\$ 166	\$ 0.63	\$ 196	\$ 0.75	\$ 212	\$ 0.80	\$ 262	\$ 0.98
Adjustments:								
Restructuring and related costs	40		47		160		147	
Amortization of intangible assets	15		16		29		30	
Non-service retirement-related costs	37		32		99		78	
Loss on extinguishment of debt	—		—		13		—	
Income tax adjustments ⁽²⁾	(34)		(35)		(95)		(78)	
Remeasurement of unrecognized tax positions	—		—		(16)		—	
Restructuring charges - Fuji Xerox	3		1		3		1	
Adjusted	\$ 227	\$ 0.87	\$ 257	\$ 0.98	\$ 405	\$ 1.54	\$ 440	\$ 1.68
Dividends on preferred stock used in adjusted EPS calculation ⁽³⁾		\$ —		\$ —		\$ —		\$ 12
Weighted average shares for adjusted EPS ⁽³⁾		263		262		263		255
Fully diluted shares at end of period ⁽⁴⁾		263						

(1) Net Income and EPS from continuing operations attributable to Xerox.

(2) Refer to Effective Tax Rate reconciliation.

(3) For those periods that exclude the preferred stock dividend the average shares for the calculations of diluted EPS include 7 million shares associated with our Series A or B convertible preferred stock, as applicable.

(4) Represents common shares outstanding at June 30, 2017, as well as shares associated with our Series B convertible preferred stock plus potential dilutive common shares used for the calculation of diluted earnings per share for the second quarter 2017.

Effective Tax Rate reconciliation:

(in millions)	Three Months Ended June 30,					
	2017			2016		
	Pre-Tax Income	Income Tax Expense	Effective Tax Rate	Pre-Tax Income	Income Tax Expense	Effective Tax Rate
Reported⁽¹⁾	\$ 193	\$ 43	22.3%	\$ 191	\$ 18	9.4%
Non-GAAP Adjustments ⁽²⁾	92	34		95	35	
Adjusted⁽³⁾	<u>\$ 285</u>	<u>\$ 77</u>	27.0%	<u>\$ 286</u>	<u>\$ 53</u>	18.5%

(in millions)	Six Months Ended June 30,					
	2017			2016		
	Pre-Tax Income	Income Tax Expense	Effective Tax Rate	Pre-Tax Income	Income Tax Expense	Effective Tax Rate
Reported⁽¹⁾	\$ 177	\$ 19	10.7%	\$ 223	\$ 16	7.2%
Non-GAAP Adjustments ⁽²⁾	301	95		255	78	
Remeasurement of unrecognized tax positions	—	16		—	—	
Adjusted⁽³⁾	<u>\$ 478</u>	<u>\$ 130</u>	27.2%	<u>\$ 478</u>	<u>\$ 94</u>	19.7%

(1) Pre-Tax Income and Income Tax Expense from continuing operations.

(2) Refer to Net Income and EPS reconciliation for details.

(3) The tax impact on Adjusted Pre-Tax Income from continuing operations is calculated under the same accounting principles applied to the As Reported Pre-Tax Income under ASC 740, which employs an annual effective tax rate method to the results.

Operating Income / Margin reconciliation:

(in millions)	Three Months Ended June 30,					
	2017			2016		
	Profit	Revenue	Margin	Profit	Revenue	Margin
Reported⁽¹⁾	\$ 193	\$ 2,567	7.5%	\$ 191	\$ 2,793	6.8%
Adjustments:						
Restructuring and related costs	40			47		
Amortization of intangible assets	15			16		
Non-service retirement-related costs	37			32		
Equity in net income of unconsolidated affiliates	20			26		
Restructuring charges - Fuji Xerox	3			1		
Other expenses, net	34			48		
Adjusted	<u>\$ 342</u>	<u>\$ 2,567</u>	13.3%	<u>\$ 361</u>	<u>\$ 2,793</u>	12.9%

(in millions)	Six Months Ended June 30,					
	2017			2016		
	Profit	Revenue	Margin	Profit	Revenue	Margin
Reported⁽¹⁾	\$ 177	\$ 5,021	3.5%	\$ 223	\$ 5,408	4.1%
Adjustments:						
Restructuring and related costs	160			147		
Amortization of intangible assets	29			30		
Non-service retirement-related costs	99			78		
Equity in net income of unconsolidated affiliates	60			60		
Restructuring charges - Fuji Xerox	3			1		
Other expenses, net	88			93		
Adjusted	<u>\$ 616</u>	<u>\$ 5,021</u>	12.3%	<u>\$ 632</u>	<u>\$ 5,408</u>	11.7%

(1) Pre-Tax Income and revenue from continuing operations.

Key Financial Ratios reconciliation:

(in millions)	Three Months Ended June 30,					
	2017			2016		
	As Reported ⁽¹⁾	Non-service retirement-related costs	Adjusted	As Reported ⁽¹⁾	Non-service retirement-related costs	Adjusted
Total Revenue	\$ 2,567	\$ —	\$ 2,567	\$ 2,793	\$ —	\$ 2,793
Total Gross Profit	1,031	14	1,045	1,112	12	1,124
Post sale revenue	2,021	—	2,021	2,143	—	2,143
Post sale gross profit	875	14	889	919	12	931
RD&E	106	(4)	102	119	(6)	113
SAG	643	(19)	624	691	(14)	677
Total Gross Margin	40.2%		40.7%	39.8%		40.2%
Post sale Gross Margin	43.3%		44.0%	42.9%		43.4%
RD&E as a % of Revenue	4.1%		4.0%	4.3%		4.0%
SAG as a % of Revenue	25.0%		24.3%	24.7%		24.2%

(in millions)	Six Months Ended June 30,					
	2017			2016		
	As Reported ⁽¹⁾	Non-service retirement-related costs	Adjusted	As Reported ⁽¹⁾	Non-service retirement-related costs	Adjusted
Total Revenue	\$ 5,021	\$ —	\$ 5,021	\$ 5,408	\$ —	\$ 5,408
Total Gross Profit	1,985	37	2,022	2,130	29	2,159
Post sale revenue	3,973	—	3,973	4,216	—	4,216
Post sale gross profit	1,676	37	1,713	1,771	29	1,800
RD&E	224	(12)	212	245	(14)	231
SAG	1,307	(50)	1,257	1,392	(35)	1,357
Total Gross Margin	39.5%		40.3%	39.4%		39.9%
Post sale Gross Margin	42.2%		43.1%	42.0%		42.7%
RD&E as a % of Revenue	4.5%		4.2%	4.5%		4.3%
SAG as a % of Revenue	26.0%		25.0%	25.7%		25.1%

(1) Revenue and costs from continuing operations.

Fuji Xerox Revision reconciliation:

(in millions)	Three Months Ended March 31, 2017			Year Ended December 31, 2016		
	As Reported ⁽¹⁾	Adjustment ⁽²⁾	As Adjusted	As Reported ⁽¹⁾	Adjustment	As Adjusted
Adjusted Net income	\$ 154	\$ 24	\$ 178	\$ 921	\$ 6	\$ 927
Adjusted Diluted earnings per share	0.58	0.09	0.67	3.50	0.03	3.53
Adjusted Operating profit ⁽²⁾	\$ 250	\$ 24	\$ 274	\$ 1,345	\$ 6	\$ 1,351
Adjusted Operating margin	10.2%		11.2%	12.5%		12.5%

(in millions)	Year Ended December 31, 2015			Year Ended December 31, 2014		
	As Reported ⁽¹⁾	Adjustment	As Adjusted	As Reported ⁽¹⁾	Adjustment	As Adjusted
Adjusted Net income	\$ 978	\$ (26)	\$ 952	\$ 1,148	\$ (18)	\$ 1,130
Adjusted Diluted earnings per share	3.55	(0.10)	3.45	3.83	(0.06)	3.77
Adjusted Operating profit ⁽²⁾	\$ 1,461	\$ (26)	\$ 1,435	\$ 1,688	\$ (18)	\$ 1,670
Adjusted Operating margin	12.7%		12.5%	13.3%		13.2%

(in millions)	Three Months Ended March 31, 2016			Three Months Ended June 30, 2016		
	As Reported ⁽¹⁾	Adjustment	As Adjusted	As Reported ⁽¹⁾	Adjustment	As Adjusted
Adjusted Net income	\$ 186	\$ (3)	\$ 183	\$ 253	\$ 4	\$ 257
Adjusted Diluted earnings per share	0.70	(0.01)	0.69	0.97	0.01	0.98
Adjusted Operating profit ⁽²⁾	\$ 274	\$ (3)	\$ 271	\$ 357	\$ 4	\$ 361
Adjusted Operating margin	10.5%		10.4%	12.8%		12.9%

(in millions)	Three Months Ended September 30, 2016			Three Months Ended December 31, 2016		
	As Reported ⁽¹⁾	Adjustment	As Adjusted	As Reported ⁽¹⁾	Adjustment	As Adjusted
Adjusted Net income	\$ 222	\$ 1	\$ 223	\$ 260	\$ 4	\$ 264
Adjusted Diluted earnings per share	0.84	—	0.84	0.99	0.01	1.00
Adjusted Operating profit ⁽²⁾	\$ 330	\$ 1	\$ 331	\$ 384	\$ 4	\$ 388
Adjusted Operating margin	12.6%		12.6%	14.0%		14.2%

(in millions)	Three Months Ended March 31, 2015			Three Months Ended June 30, 2015		
	As Reported ⁽¹⁾	Adjustment	As Adjusted	As Reported ⁽¹⁾	Adjustment	As Adjusted
Adjusted Net income	\$ 229	\$ (18)	\$ 211	\$ 225	\$ (4)	\$ 221
Adjusted Diluted earnings per share	0.79	(0.06)	0.73	0.80	(0.02)	0.78
Adjusted Operating profit ⁽²⁾	\$ 343	\$ (18)	\$ 325	\$ 353	\$ (4)	\$ 349
Adjusted Operating margin	12.2%		11.6%	12.1%		11.9%

(in millions)	Three Months Ended September 30, 2015			Three Months Ended December 31, 2015		
	As Reported ⁽¹⁾	Adjustment	As Adjusted	As Reported ⁽¹⁾	Adjustment	As Adjusted
Adjusted Net income	\$ 239	\$ —	\$ 239	\$ 285	\$ (4)	\$ 281
Adjusted Diluted earnings per share	0.88	—	0.88	1.09	(0.01)	1.08
Adjusted Operating profit ⁽²⁾	\$ 372	\$ —	\$ 372	\$ 393	\$ (4)	\$ 389
Adjusted Operating margin	13.4%		13.4%	13.3%		13.2%

(1) Income and Diluted EPS from continuing operations attributable to Xerox.

(2) As Reported Adjusted Operating profit excludes Fuji Xerox restructuring charges. As Reported Adjusted Operating Profit for the three months ended March 31, 2017 also reflects the reversal of the \$30 million out-of-period adjustment recorded in the first quarter 2017.

(3) The difference between the \$30 million out-of-period adjustment recorded in first quarter 2017 and the revision adjustment of \$24 million, primarily relates to the additional adjustments subsequently identified as part of the IIC review.

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

ITEM 3 — QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

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

ITEM 4 — CONTROLS AND PROCEDURES

(a) Evaluation of Disclosure Controls and Procedures

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

(b) Changes in Internal Controls

In connection with the evaluation required by paragraph (d) of Rule 13a-15 under the Exchange Act, there was no change identified in our internal control over financial reporting that occurred during the last fiscal quarter that has materially affected, or is reasonably likely to materially affect, our internal control over financial reporting.

PART II — OTHER INFORMATION

ITEM 1 — LEGAL PROCEEDINGS

The information set forth under Note 18 – Contingencies and Litigation in the Condensed Consolidated Financial Statements of this Quarterly Report on Form 10-Q is incorporated by reference in answer to this Item.

ITEM 1A — RISK FACTORS

Reference is made to the Risk Factors set forth in Part I, Item 1A of our 2016 Annual Report. The Risk Factors remain applicable from our 2016 Annual Report.

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

(a) Sales of Unregistered Securities during the Quarter ended June 30, 2017

During the quarter ended June 30, 2017, Registrant issued the following securities in transactions that were not registered under the Securities Act of 1933, as amended (the “Act”).

Dividend Equivalent:

- a. Securities issued on April 28, 2017: Registrant issued 2,457 DSUs, representing the right to receive shares of Common stock, par value \$1 per share, at a future date.
- b. No underwriters participated. The shares were issued to each of the non-employee Directors of Registrant: Jonathan Christodoro, Joseph Echevarria, Richard J. Harrington, William Curt Hunter, Robert J. Keegan, Cheryl Krongard, Charles Prince, Ann N. Reese, Stephen H. Rusckowski and Sara Martinez Tucker.
- c. The DSUs were issued at a deemed purchase price of \$29.54 per DSU (aggregate price \$72,580), based upon the market value on the date of record, in payment of the dividend equivalents due to DSU holders pursuant to Registrant’s 2004 Equity Compensation Plan for Non-Employee Directors.
- d. Exemption from registration under the Act was claimed based upon Section 4(2) as a sale by an issuer not involving a public offering.

(b) Issuer Purchases of Equity Securities during the Quarter ended June 30, 2017

Board Authorized Share Repurchases Programs:

There were no repurchases of Xerox Common Stock pursuant to Board authorized share repurchase programs during the second quarter 2017 or through the date of our filing on August 7, 2017.

Repurchases Related to Stock Compensation Programs⁽¹⁾:

	Total Number of Shares Purchased	Average Price Paid per Share ⁽²⁾	Total Number of Shares Purchased as Part of Publicly Announced Plans or Programs	Maximum That May Be Purchased under the Plans or Programs
April 1 through 30	10,926	\$ 29.35	n/a	n/a
May 1 through 31	—	—	n/a	n/a
June 1 through 30	—	—	n/a	n/a
Total	10,926			

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

(2) Exclusive of fees and costs.

ITEM 3 — DEFAULTS UPON SENIOR SECURITIES

None.

ITEM 4 — MINE SAFETY DISCLOSURES

Not applicable.

ITEM 5 — OTHER INFORMATION

None.

ITEM 6 — EXHIBITS

- 3(a) Restated Certificate of Incorporation of Registrant filed with the Department of State of New York on February 21, 2013, as amended by the Certificates of Amendment of Certificate of Incorporation filed with the Department of State of the State of New York on December 23, 2016 and June 14, 2017.
- 3(b) By-Laws of Registrant as amended through August 15, 2016.
Incorporated by reference to Exhibit 3(b) to Registrant's Quarterly Report on Form 10-Q for the quarter ended September 30, 2016. See SEC File Number 001-04471.
- 10(e)(1) Registrant's 2004 Performance Incentive Plan, as amended and restated as of June 30, 2017.
- 10(e)(2) Performance Elements for 2017 Executive Long-Term Incentive Program
- 12 Computation of Ratio of Earnings to Fixed Charges.
- 31(a) Certification of CEO pursuant to Rule 13a-14(a) or Rule 15d-14(a).
- 31(b) Certification of CFO pursuant to Rule 13a-14(a) or Rule 15d-14(a).
- 32 Certification of CEO and CFO pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.
- 101.CAL XBRL Taxonomy Extension Calculation Linkbase.
- 101.DEF XBRL Taxonomy Extension Definition Linkbase.
- 101.INS XBRL Instance Document.
- 101.LAB XBRL Taxonomy Extension Label Linkbase.
- 101.PRE XBRL Taxonomy Extension Presentation Linkbase.
- 101.SCH XBRL Taxonomy Extension Schema Linkbase.

SIGNATURES

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

XEROX CORPORATION (Registrant)

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

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

Date: August 7, 2017

EXHIBIT INDEX

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As Amended Through June 14, 2017

**RESTATED CERTIFICATE OF INCORPORATION
OF
XEROX CORPORATION
UNDER SECTION 807 OF THE
BUSINESS CORPORATION LAW**

1. The name of the Corporation is "XEROX CORPORATION". The name under which it was formed is "THE HALOID COMPANY".
2. The Certificate of Incorporation was filed in the Office of the Secretary of State of the State of New York on April 18, 1906.
3. This restatement of the Certificate of Incorporation was authorized by a resolution adopted by the Board of Directors of the Corporation at a meeting thereof duly called and held. The text of the Certificate of Incorporation is hereby restated without further amendment to read as herein set forth in full:

FIRST: The name of the Corporation is XEROX CORPORATION.

SECOND: The purposes for which it is formed are as follows:

To engage in the invention, development, production, operation, sale or lease of devices, papers and other items, processes, and services, relating to the communications, photographic, printing and image reproduction arts;

To engage in any commercial, mercantile, manufacturing, mining, industrial, importing, exporting or trading business, venture, activity or service or other business, venture, activity or service of a kind or type described in these purposes;

To engage in scientific and technological research and pursuits of every lawful kind and description and to utilize, employ and exploit any and all knowledge resulting therefrom;

To purchase, lease or otherwise acquire, own, hold, sell, mortgage, charge or otherwise dispose of, invest, trade and deal in and with real and personal property of every kind and description.

THIRD: The office of the Corporation is to be located in the City of Rochester, Monroe County, New York.

FOURTH: The aggregate number of shares which the Corporation shall have the authority to issue is 437,500,000 shares of Common Stock, of the par value of \$1.00 each (hereinafter referred to as "Common Stock"), 600,000 shares of Class B Stock of the par value of \$1.00 each (hereinafter referred to as "Class B Stock"), and 22,043,067 shares of Cumulative Preferred Stock, of the par value of \$1.00 each (hereinafter referred to as "Cumulative Preferred Stock").

The designations, preferences, privileges and voting powers of each class of stock of the Corporation, and the restrictions and qualifications thereof, shall be as follows:

1. The Cumulative Preferred Stock may be issued from time to time as follows:

(a) The Cumulative Preferred Stock may be issued from time to time as shares of one or more series of Cumulative Preferred Stock and the Board of Directors is expressly authorized, prior to issuance, in the resolution or resolutions providing for the issue of shares in each particular series, to fix the following:

(i) the distinctive serial designation and number of shares which shall constitute such series, which number may be increased (except where otherwise provided by the Board of Directors in creating such series) or decreased (but not below the number of shares thereof then outstanding) from time to time by like action of the Board of Directors;

(ii) the annual dividend rate for such series, and the date from which dividends on shares of such series shall be cumulative;

(iii) the redemption provisions and price or prices, if any, for such series, which may consist of a redemption price or scale of redemption prices applicable only to redemption for a sinking fund and the same or a different redemption price or scale of redemption prices applicable to any other redemption;

(iv) the amount or amounts which shall be paid to the holders of the shares of such series in the event of voluntary or involuntary liquidation, dissolution or winding up of the Corporation (but not less than \$1.00 in the case of involuntary liquidation);

(v) the obligation, if any, of the Corporation to retire shares of such series pursuant to a sinking fund which shall be applied to the redemption of shares of such series;

(vi) the terms and conditions (with or without limitations), if any, on which shares of such series shall be convertible into, or exchangeable for, shares of stock of any other class or classes, including the price or prices or at the rate or rates of conversion or exchange and the terms and conditions of adjustment thereof, if any; and

(vii) the voting rights, if any, in addition to those specified herein, and any other preferences, privileges and restrictions or qualifications of such series.

(b) All shares of Cumulative Preferred Stock, regardless of series, shall be of equal rank with each other and shall be identical with each other in all respects except as provided in or permitted by paragraph (a) of this subdivision 1 and except as provided in paragraph (b) of subdivision 6; and the shares of the Cumulative Preferred Stock of any one series shall be identical with each other in all respects except as to the dates from and after which dividends thereon shall be cumulative.

(c) In case the stated dividends and the amounts payable on liquidation are not paid in full, the shares of all series of the Cumulative Preferred Stock shall share ratably in the payment of dividends (including accumulations, if any) in accordance with the sums which would be payable on said shares if all dividends were declared and paid in full, and in any distribution of assets other than by way of dividends in accordance with the sums which would be payable on such distributions if all sums payable were discharged in full.

2. The holders of the Cumulative Preferred Stock of each series shall be entitled to receive, when and as declared by the Board of Directors, but only out of funds legally available for the payment of dividends, cumulative cash dividends at the annual rate for such series (as fixed by the Board of Directors in accordance with subdivision 1 in respect of any series), and no more, payable quarter-yearly, on the first day of January, April, July and October in each year, to shareholders of record on the respective dates, not exceeding forty days preceding such dividend payment dates, fixed for the purpose by the Board of Directors in advance of payment of each particular dividend; provided that if dividends on any shares of the Cumulative Preferred Stock shall be cumulative from a date less than thirty days prior to the first quarter-yearly dividend payment date in respect of such shares, the dividends accrued on such shares to such date shall not be payable on such date but shall be payable on the next following quarter-yearly dividend payment date. The holders of shares of the Cumulative Preferred Stock shall not be entitled to receive any dividends thereon other than the dividends referred to in this subdivision 2.

As provided in paragraph (c) of subdivision 1, no dividend shall be paid upon, or declared or set apart for, any share of Cumulative Preferred Stock of any series for any quarter-yearly dividend period (other than the first quarter-yearly dividend period for any shares if the dividend on such shares for such period shall not then be payable pursuant to the provisions of subdivision 2) unless at the same time a like proportionate dividend for the same quarter-yearly dividend period, ratably in proportion to the respective annual dividend rates fixed therefor, shall be paid upon, or declared and set apart for, all shares of Cumulative Preferred Stock of all series then issued and outstanding and entitled to receive the dividend.

3. So long as any shares of the Cumulative Preferred Stock are outstanding, no dividend whatever shall be paid or declared at any time, and no distribution made, on any junior stock (other than in junior stock) nor shall any shares of junior stock be purchased or otherwise acquired for value or redeemed at any time by the Corporation or any subsidiary:

(a) unless all dividends on the Cumulative Preferred Stock of all series for all past quarter-yearly dividend periods (other than the first quarter-yearly dividend period for any shares if the dividend on such shares for such period shall not then be payable pursuant to the provisions of subdivision 2) shall have been paid and the full dividends thereon for the then current quarter-yearly dividend period shall have been paid or declared and a sum sufficient for the payment thereof set apart; and

(b) unless the Corporation shall have redeemed, retired or purchased all shares of each series of Cumulative Preferred Stock required to have been redeemed, retired or purchased at such time pursuant to the sinking fund fixed for such series by the Board of Directors in accordance with subdivision 1,

provided, however, that the foregoing restrictions in this subdivision 3 shall not apply to the acquisition of any junior stock solely in exchange for, or solely out of the proceeds of sale of, any other junior stock.

Subject to the foregoing provisions of this subdivision 3, and to any further limitations prescribed by the Board of Directors in accordance with subdivision 1, and not otherwise, such dividends (payable in cash, stock or otherwise) as may

be determined by the Board of Directors may be declared and paid on any junior stock from time to time out of any funds of the Corporation legally available therefor, and the Cumulative Preferred Stock shall not be entitled to participate in any such dividends.

4. Subject to the provisions of subdivision 5, the Corporation at its option (expressed by resolution of the Board of Directors) or for the purpose of any sinking fund therefor may (except as otherwise provided by the Board of Directors in accordance with subdivision 1 in respect of any series) redeem the outstanding shares of Cumulative Preferred Stock, or of any one or more series thereof, at any time in whole, or from time to time in part, upon notice duly given as hereinafter specified, at the applicable redemption price or prices for such shares (as fixed in accordance with subdivision 1 in respect of any series), including, in each case, an amount equal to all accrued and unpaid dividends thereon to the date fixed for redemption.

Notice of every such redemption of Cumulative Preferred Stock of any series (a) if all the shares of such series are held of record by not more than ten holders, shall be given by mailing such notice not less than 30 nor more than 60 days prior to the date fixed for such redemption to each holder of record of shares of such series so to be redeemed at his address as the same shall appear on the books of the Corporation, or (b) if all the shares of such series are held of record by more than ten holders, shall be given by publication at least once in each of two successive calendar weeks in a newspaper printed in the English language and customarily published on each business day and of general circulation in the Borough of Manhattan, The City of New York, the first publication to be not less than 30 nor more than 60 days prior to the date fixed for such redemption, and notice of such redemption shall also be mailed not less than 30 nor more than 60 days prior to the date fixed for such redemption, to each holder of record of shares of such series so to be redeemed at his address as the same shall appear on the books of the Corporation; but, if publication is required, no failure to mail any such notice nor any defect therein or in the mailing thereof shall affect the validity of the proceeding for the redemption of any shares to be redeemed.

In case of redemption of a part only of the Cumulative Preferred Stock of any series at the time outstanding, whether for the sinking fund therefor or otherwise, the redemption may (subject to any provision made by the Board of Directors in accordance with subdivision 1 in respect of any series) be either pro rata or by lot, as determined by the Board of Directors. Subject to the foregoing, the Board of Directors shall have full power and authority to prescribe the manner in which the drawings by lot or the pro rata redemption shall be conducted and, subject to the provisions contained in the Certificate of Incorporation or provided by the Board of Directors in accordance with subdivision 1, the terms and conditions upon which the Cumulative Preferred Stock shall be redeemed from time to time.

If any such notice of redemption shall have been duly given and if, on or before the redemption date specified therein, all funds necessary for such redemption shall have been set aside by the Corporation, separate and apart from its other funds, in trust for the pro rata benefit of the holders of the shares so called for redemption, so as to be and continue to be available therefor, then, notwithstanding that any certificate for shares so called for redemption shall not have been surrendered for cancellation, all shares so called for redemption shall no longer be deemed outstanding on and after such redemption date, and the right to receive dividends thereon and all other rights with respect to such shares shall forthwith on such redemption date cease and terminate, except only the right of the holders thereof to receive the amount payable on redemption thereof without interest, and the right to exercise, on or before the date fixed for redemption, all privileges of conversion or exchange, if any, not theretofore expired.

If any such notice of redemption shall have been duly given or if the Corporation shall have given to the bank or trust company hereinafter referred to irrevocable written authorization promptly to give or complete such notice, and if on or before the redemption date specified therein the funds necessary for such redemption shall have been deposited by the Corporation with a bank or trust company in good standing, designated in such notice, organized under the laws of the United States of America or of the State of New York, doing business in the Borough of Manhattan, The City of New York, having a capital, surplus, and undivided profits aggregating at least \$5,000,000 according to its last published statement of condition, in trust for the pro rata benefit of the holders of the shares so called for redemption, then, notwithstanding that any certificate for shares so called for redemption shall not have been surrendered for cancellation, from and after the time of such deposit all shares so called for redemption shall no longer be deemed to be outstanding and all rights with respect to such shares shall forthwith cease and terminate, except only the right of the holders thereof to receive from such bank or trust company at any time after the time of such deposit the funds so deposited, without interest, and the right to exercise, on or before the date fixed for redemption, all privileges of conversion or exchange, if any, not theretofore expired. Any interest accrued on such funds shall be paid to the Corporation from time to time.

Any funds so set aside or deposited, as the case may be, and unclaimed at the end of six years from such redemption date shall be released or repaid to the Corporation, after which the holders of the shares so called for redemption shall look only to the Corporation for payment thereof; provided that any funds so deposited which shall not be required for redemption because of the exercise of any privilege of conversion or exchange subsequent to the date of deposit shall be repaid to the Corporation forthwith.

None of the shares of Cumulative Preferred Stock of any series redeemed or retired pursuant to the sinking fund fixed for such series by the Board of Directors in accordance with subdivision 1, shall be reissued and all such shares shall, in the manner provided by law, be eliminated from the authorized capital stock of the Corporation. The Corporation shall not be prohibited from reissuing any shares of Cumulative Preferred Stock redeemed or retired (other than for the sinking fund therefor) or converted into or exchanged for stock pursuant to the provisions fixed by the Board of Directors in accordance with subdivision 1, and after such redemption, retirement or conversion of the Corporation may, in the manner provided by law, restore such shares to the status of authorized but unissued shares of Cumulative Preferred Stock undesignated as to series.

5. If and so long as all dividends on the Cumulative Preferred Stock of all series for all past quarter-yearly dividend periods (other than the first quarter-yearly dividend period for any shares if the dividend on such shares for such period shall not then be payable pursuant to the provisions of subdivision 2) shall not have been paid and the full dividends thereon for the then current quarter-yearly dividend period shall not have been paid or declared and a sum sufficient for the payment thereof set apart, the Corporation shall not redeem (for sinking fund or otherwise) less than all of the Cumulative Preferred Stock at the time outstanding, and neither the Corporation nor any subsidiary shall purchase or otherwise acquire for value (for sinking fund or otherwise) any of the Cumulative Preferred Stock at the time outstanding.

6. 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 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 shall vote separately as a class, shall be necessary to permit, effect or validate any one or more of the following:

(a) The authorization of, or any increase in the authorized amount of, any class of stock ranking prior to the Cumulative Preferred Stock;

(b) The amendment, alteration or repeal of any of the provisions of the Certificate of Incorporation, or of the By-Laws of the Corporation which would affect adversely any right, preference, privilege or voting power of the Cumulative Preferred Stock or of 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 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 as a class; and

(c) 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.

No consent of the holders of the Cumulative Preferred Stock or of any series thereof which would otherwise be required to permit, effect or validate any action of the Corporation or a subsidiary pursuant to the provisions of this subdivision 6 or pursuant to any provision fixed by the Board of Directors in accordance with subdivision 1 shall be required if, prior to or concurrently with such action, provision shall be made in accordance with the provisions of the fourth paragraph of subdivision 4 for the redemption of all outstanding shares of Cumulative Preferred Stock or all outstanding shares of such series, as the case may be, and all funds necessary for such redemption shall be deposited in trust in accordance with the provisions of such paragraph.

7. Unless and until six quarter-yearly dividends on the Cumulative Preferred Stock of any series shall be in default, in whole or in part, the entire voting power, except as otherwise provided in the Certificate of Incorporation or By-Laws, shall be vested exclusively in the Common Stock in accordance with the provisions of, and except as otherwise expressly provided in, the Certificate of Incorporation. If and whenever six full quarter-yearly dividends (whether or not consecutive) payable on the Cumulative Preferred Stock of any series shall be in arrears, in whole or in part, the number of Directors then constituting the Board of Directors shall be increased by two and the holders of the Cumulative Preferred Stock, voting separately as a class, regardless of series, shall be entitled to elect the two additional directors at any annual meeting of shareholders or special meeting held in place thereof, or at a special meeting of the holders of the Cumulative Preferred Stock called as hereinafter provided. Whenever all arrears in dividends on the Cumulative Preferred Stock then outstanding shall have been paid and dividends thereon for the current quarter-yearly dividend period shall have been paid or declared and set apart for payment, then the right of the holders of the Cumulative Preferred Stock to elect such additional two Directors shall cease (but subject always to the same provisions for the vesting of such voting rights in the case of any similar future arrearages in dividends), and the terms of office of all persons elected as Directors by the holders of the Cumulative Preferred Stock shall forthwith terminate and the number of the Board of Directors shall be reduced accordingly. At any time after such voting power shall have been so vested in the Cumulative Preferred Stock, the Secretary of the Corporation may, and upon the written request of any holder of the Cumulative Preferred Stock (addressed to the Secretary at the principal office of the Corporation) shall, call a special meeting of the holders of the Cumulative Preferred Stock for the election of the two Directors to be elected by them as herein

provided, such call to be made by notice similar to that provided in the By-Laws for a special meeting of the shareholders or as required by law. If any such special meeting required to be called as above provided shall not be called by the Secretary within twenty days after receipt of any such request, then any holder of Cumulative Preferred Stock may call such meeting, upon the notice above provided, and for that purpose shall have access to the stock books of the Corporation. The Directors elected at any such special meeting shall hold office until the next annual meeting of the shareholders or special meeting held in place thereof. In case any vacancy shall occur among the Directors elected by the holders of the Cumulative Preferred Stock, a successor shall be elected to serve until the next annual meeting of the shareholders or special meeting held in place thereof by the then remaining Director elected by the holders of the Cumulative Preferred Stock or the successor of such remaining Director.

In any case in which the holders of Cumulative Preferred Stock or any series thereof shall be entitled to vote pursuant to the provisions of the Certificate of Incorporation or pursuant to law, each holder of Cumulative Preferred Stock or of such series, as the case may be, shall be entitled to one vote for each share thereof held.

8. In the event of any liquidation, dissolution or winding up of the Corporation, the holders of the Cumulative Preferred Stock of each series shall be entitled to receive out of the assets of the Corporation, before any distribution or payment shall be made to the holders of any junior stock, (i) if such liquidation, dissolution or winding up shall be involuntary, the amount fixed by the Board of Directors in accordance with subdivision 1 but not less than \$1.00, and (ii) if such liquidation, dissolution or winding up shall be voluntary, the amount per share fixed by the Board of Directors in accordance with the provisions of subdivision 1 in the case of any series of Cumulative Preferred Stock, in effect at the time thereof, together with, in each case, all accrued and unpaid dividends thereon to the date fixed for the payment of such distributive amounts; and the holders of the junior stock shall be entitled, to the exclusion of the holders of the Cumulative Preferred Stock of any and all series, to share ratably in all the remaining assets of the Corporation in accordance with their respective rights. As provided in paragraph (c) of subdivision 1, if upon any liquidation, dissolution or winding up of the Corporation, whether voluntary or involuntary, the assets available for distribution shall be insufficient to pay the holders of all outstanding shares of Cumulative Preferred Stock the full amounts to which they respectively shall be entitled, the holders of shares of Cumulative Preferred Stock of all series shall share ratably in any distribution of assets in accordance with the sums which would be payable on such distribution if all sums payable were discharged in full. Neither the consolidation or merger of the Corporation with or into any other corporation, nor any sale, lease or conveyance of all or any part of the property or business of the Corporation, shall be deemed to be a liquidation, dissolution or winding up of the Corporation within the meaning of this subdivision 8.

9. Except as otherwise expressly provided in the Certificate of Incorporation and except as otherwise provided by law, voting rights upon any and all matters shall be vested exclusively in the holders of the Common Stock and the Class B Stock (each share of Common Stock and of Class B Stock having one vote).

10. No holder of Common Stock, Cumulative Preferred Stock or Class B Stock shall be entitled as such, as a matter of right, to subscribe for or purchase any part of any new or additional issue of stock of any class whatsoever, or of any obligations or other securities convertible into, or exchangeable for, any stock of any class whatsoever, whether now or hereafter authorized and whether issued for cash or other consideration or by way of dividend.

11. The holders of Common Stock and of Class B Stock shall possess equal voting rights and rights as to dividends or distributions, and in the event of any liquidation, dissolution or winding up of the Corporation. No dividend, distribution, split-up, combination, reclassification, or other change in the shares of Common Stock shall be made without the same being made with respect to the Class B Stock.

12. For all purposes of the Certificate of Incorporation:

The term "accrued and unpaid dividends" when used with reference to any share of any series of the Cumulative Preferred Stock shall mean an amount computed at the annual dividend rate for the shares of such series from the date on which dividends on such share became cumulative to and including the date to which such dividends are to be accrued, less the aggregate amount of all dividends theretofore paid on such share; but no interest shall be payable upon any arrearages.

The term "Certificate of Incorporation" shall mean the certificate of incorporation of the Corporation as amended and supplemented by any certificate heretofore or hereafter filed pursuant to law, including any certificate filed pursuant to law with respect to, and providing for the issue of, any series of Cumulative Preferred Stock.

The term "junior stock", when used with reference to the Cumulative Preferred Stock, shall mean the Common Stock, the Class B Stock and any other stock of the Corporation, now or hereafter authorized, over which the Cumulative Preferred Stock has preference or priority either in the payment of dividends or in the distribution of assets upon any liquidation, dissolution or winding up of the Corporation.

The term "sinking fund", as applied to any series of preferred stock, shall mean any fund or requirement for the periodic redemption, retirement or purchase of shares of such series.

The term "stock ranking prior to the Cumulative Preferred Stock" shall mean any stock of the Corporation, now or hereafter authorized, which has preference over the Cumulative Preferred Stock either in the payment of dividends or in any liquidation, dissolution or winding up of the Corporation.

SERIES A CONVERTIBLE PERPETUAL PREFERRED STOCK

13. (a) *Designation.* There is hereby created out of the authorized and unissued shares of Cumulative Preferred Stock of the Corporation a series of preferred stock designated as the “Series A Convertible Perpetual Preferred Stock” (the “Series A Preferred Stock”). The number of shares constituting such series shall be 300,000.

(b) *Definitions.* As used herein with respect to the Series A Preferred Stock, the following terms shall have the following meanings, whether used in the singular or the plural:

“Additional Shares” has the meaning set forth in Subdivision 13(l)(i).

“Affiliate” of any specified Person means any other Person, directly or indirectly, controlling or controlled 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 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.

“Applicable Conversion Price” at any given time means the price equal to \$1,000 divided by the Applicable Conversion Rate in effect at such time.

“Applicable Conversion Rate” means the Conversion Rate in effect at any given time.

“Board of Directors” means the board of directors of the Corporation or any committee thereof duly authorized to act in the relevant matter on behalf of such board of directors.

“Business Day” means any day other than a Saturday, Sunday or any other day on which banks in New York City, New York are generally required or authorized by law to be closed.

“Certificate of Incorporation” means the Restated Certificate of Incorporation of Xerox Corporation, as amended.

“Close of Business” means 5:00 pm, New York City time, on the date in question.

“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:

- (i) the closing sale price of the Common Stock or such other securities (or, if no closing sale price is reported, the last reported sale price of the Common Stock or such other securities) on the New York Stock Exchange on such date;
- (ii) if the Common Stock or such other securities are not traded on the New York Stock Exchange on such date, the closing sale price of the Common Stock or such other securities (or, if no closing sale price is reported, the last reported sale price of the Common Stock or such other securities) as reported in the composite transactions for the principal U.S. national or regional securities exchange on which the Common Stock or such other securities are traded on such date;
- (iii) if the Common Stock or such other securities are not traded on a U.S. national or regional securities exchange on such date, the last quoted bid price for the Common Stock or such other securities on such date in the over-the-counter market as reported by Pink OTC Markets Inc. or similar organization; or
- (iv) if the Common Stock or such other securities are not quoted by Pink OTC Markets Inc. or a similar organization on such date, as determined by a nationally recognized independent investment banking firm retained by the Corporation for this purpose.

For purposes of this Subdivision 13, all references herein to the “Closing Price” and “last reported sale price” of the Common Stock on the New York Stock Exchange shall be such closing sale price and last reported sale price as reflected on the website of the New York Stock Exchange (<http://www.nyse.com>) and as reported by Bloomberg Professional Service; *provided* that in the event that there is a discrepancy between the closing sale price or last reported sale price as reflected on the website of the New York Stock Exchange and as reported by Bloomberg Professional Service, the closing sale price and last reported sale price on the website of the New York Stock Exchange shall govern.

“Common Stock Outstanding” means, at any given time, the number of shares of Common Stock issued and outstanding at such time.

“Conversion Date” has the meaning set forth in Subdivision 13(i)(v)(B).

“Conversion Rate” means, with respect to each share of Series A Preferred Stock, 89.8876 shares of Common Stock, subject to adjustment in accordance with the provisions of this Subdivision 13.

“Cumulative Preferred Stock” means the Cumulative Preferred Stock, par value of \$1.00 each, of the Corporation.

“Current Market Price” means, in the case of any distribution giving rise to an adjustment to the Conversion Rate pursuant to Subdivision 13(j)(iv), Subdivision 13(j)(v) or Subdivision 13(j)(vi) or a distribution upon conversion pursuant to Subdivision 13(j)(viii), the average Closing Price of the Common Stock during the ten consecutive Trading Day period ending on and including the Trading Day immediately preceding the Ex-Dividend Date for such distribution. Notwithstanding the foregoing, whenever successive adjustments to the Conversion Rate are called for pursuant to Subdivision 13(j), such adjustments shall be made to the Current Market Price as may be necessary or appropriate to effectuate the intent of Subdivision 13(j) and to avoid unjust or inequitable results as determined in good faith by the Board of Directors.

“Distributed Property” has the meaning set forth in Subdivision 13(j)(v).

“Dividend Payment Date” has the meaning set forth in Subdivision 13(d)(ii).

“Dividend Period” means each period from, and including, a Dividend Payment Date (or with respect to the initial Dividend Period, the Issue Date) to, but excluding, the following Dividend Payment Date.

“Dividend Rate” has the meaning set forth in Subdivision 13(d)(i).

“Dividend Record Date” has the meaning set forth in Subdivision 13(d)(iv).

“Dividend Threshold Amount” has the meaning set forth in Subdivision 13(j)(vi)(B).

“Exchange Act” means the Securities Exchange Act of 1934, as amended.

“Exchange Property” has the meaning set forth in Subdivision 13(k)(i).

“Ex-Dividend Date” means the first date on which the shares of Common Stock trade on the applicable exchange or in the applicable market, regular way, without the right to receive the relevant dividend, distribution or issuance.

“Expiration Date” has the meaning set forth in Subdivision 13(j)(vii).

“Expiration Time” has the meaning set forth in Subdivision 13(j)(vii).

“Fair Market Value” means the amount which a willing buyer would pay a willing seller in an arm’s-length transaction as reasonably determined by the Board of Directors in good faith; *provided, however*, that with respect to Subdivision 13(o)(ii), Fair Market Value shall mean the value of the Optional Redemption Transferred Shares determined by a nationally recognized independent investment banking firm retained by the Corporation for this purpose.

“Fiscal Quarter” means, with respect to the Corporation, the fiscal quarter publicly disclosed by the Corporation.

“Fundamental Change” means the occurrence of any of the following:

(i) a “person” or “group” within the meaning of Section 13(d) of the Exchange Act files a Schedule TO or any schedule, form or report under the Exchange Act disclosing that such person or group has become the direct or indirect ultimate “beneficial owner,” as defined in Rule 13d-3 under the Exchange Act, of common equity of the Corporation representing more than 50% of the voting power of the Common Stock;

(ii) consummation of any consolidation, merger or other business combination of the Corporation with or into another Person or any sale, lease or conveyance in one transaction or a series of transactions of all or substantially all of the consolidated assets of the Corporation and its subsidiaries, taken as a whole, to any Person other than one of the Corporation’s subsidiaries, in each case pursuant to which the Common Stock will be converted into cash, securities or other property, other than:

(A) pursuant to a transaction in which the Persons that “beneficially owned” (as defined in Rule 13d-3 under the Exchange Act) directly or indirectly, Voting Shares of the Corporation immediately prior to such transaction beneficially own, directly or indirectly, Voting Shares representing a majority of the total voting power of all outstanding classes of Voting Shares of the continuing or surviving Person immediately after the transaction; or

(B) any merger or consolidation primarily for the purpose of changing the jurisdiction on incorporation of the Corporation and resulting in a reclassification, conversion or exchange of outstanding shares of common stock solely into shares of common stock of the surviving entity; or

(iii) the Common Stock ceases to be listed on a U.S. national securities exchange or association (other than as a result of a transaction described in clause (ii) above);

provided, however, that a Fundamental Change with respect to clauses (i) or (ii) above shall not be deemed to have occurred if at least 90% of the consideration received by holders of the Common Stock in the transaction or transactions consists of common stock that is traded on a U.S. national securities exchange or that will be traded on a U.S. national securities exchange when issued or exchanged in connection with such transaction.

“Fundamental Change Notice” has the meaning set forth in Subdivision 13(m)(ii).

“Fundamental Change Redemption Date” has the meaning set forth in Subdivision 13(m)(i).

“Fundamental Change Redemption Price” has the meaning set forth in Subdivision 13(m)(i).

“Holder(s)” means the Person(s) in whose name the shares of the Series A Preferred Stock are registered, which may be treated by the Corporation, as the absolute owner of the shares of Series A Preferred Stock for the purpose of making payment and settling the related conversions and for all other purposes. The initial Holder shall be Darwin Deason.

“Issue Date” means the date upon which any shares of Series A Preferred Stock are first issued.

“Junior Securities” has the meaning set forth in Subdivision 13(c)(i).

“Liquidation Preference” means, with respect to each share of Series A Preferred Stock, at any time, \$1,000.

“Make-Whole Acquisition” means the occurrence of a transaction described under clauses (i) or (ii) of the definition of “Fundamental Change.”

“Make-Whole Acquisition Conversion Period” has the meaning set forth in Subdivision 13(l)(i).

“Make-Whole Acquisition Effective Date” has the meaning set forth in Subdivision 13(l)(i).

“Make-Whole Acquisition Stock Price” means the price paid per share of Common Stock in the event of a Make-Whole Acquisition. If the holders of shares of Common Stock receive only cash in the Make-Whole Acquisition, the Make-Whole Acquisition Stock Price shall be the cash amount paid per share of Common Stock. Otherwise, the Make-Whole Acquisition Stock Price shall be the average of the Closing Price per share of Common Stock on the 10 Trading Days up to, but not including, the Make-Whole Acquisition Effective Date.

“Mandatory Conversion Date” has the meaning set forth in Subdivision 13(h)(iii).

“Notice of Mandatory Conversion” has the meaning set forth in Subdivision 13(h)(iii).

“Optional Redemption Date” has the meaning set forth in Subdivision 13(o)(ii)(B).

“Optional Redemption Notice” has the meaning set forth in Subdivision 13(o)(ii)(A).

“Optional Redemption Transferred Shares” has the meaning set forth in Subdivision 13(o)(ii).

“Parity Securities” has the meaning set forth in Subdivision 13(c)(ii).

“Permitted Transferee(s)” means any of (w) the spouse of Darwin Deason, (x) any lineal descendant of Darwin Deason or any brother or sister of Darwin Deason, (y) any brother or sister of Darwin Deason, or (z) any trust for the direct or indirect benefit of exclusively Darwin Deason and/or the spouse of Darwin Deason; any lineal descendant of Darwin Deason or any brother or sister of Darwin Deason; or any brother or sister of Darwin Deason.

“Person” means a legal person, including any individual, corporation, estate, partnership, joint venture, association, joint-stock corporation, limited liability company or trust.

“Record Date” means, with respect to any issuance, dividend, or distribution declared, paid or made on or with respect to any capital stock of the Corporation, the date fixed for the determination of the holders of such capital stock entitled to receive such issuance, dividend or distribution.

“Registrar” means the Corporation or any other registrar appointed by the Corporation.

“Reorganization Event” has the meaning set forth in Subdivision 13(k)(i).

“Senior Securities” has the meaning set forth in Subdivision 13(c)(iii).

“Series A Preferred Stock” has the meaning set forth in Subdivision 13(a).

“Spin-Off” has the meaning set forth in Subdivision 13(j)(v).

“Spin-Off Valuation Period” has the meaning set forth in Subdivision 13(j)(v).

“Trading Day” means a day on which the shares of Common Stock or any securities distributed in a Spin-Off, as the case may be:

(i) are not suspended from trading on any national or regional securities exchange or association or over-the-counter market at the Close of Business; and

(ii) have 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 the Common Stock.

“Transfer” means, with respect to each share of Series A Preferred Stock, the sale, transfer, pledge, assignment, loan or other disposition or encumbrance of such share of Series A Preferred Stock.

“Trigger Event” has the meaning set forth in Subdivision 13(j)(xv).

“Voting Shares” of a Person means shares of all classes of Capital Stock of such Person then outstanding and normally entitled (without regard to the occurrence of any contingency) to vote in the election of the board of directors of such Person.

(c) *Ranking.* The Series A Preferred Stock shall, with respect to dividend rights and rights on liquidation, winding-up and dissolution of the Corporation, rank:

(i) senior to the Corporation’s Common Stock and Class B Stock and each other class or series of capital stock that the Corporation may issue in the future the terms of which do not expressly provide that it ranks on a parity with or senior to the Series A Preferred Stock as to dividend rights and rights on liquidation, winding-up and dissolution of the Corporation (collectively, the “Junior Securities”);

(ii) on a parity with each class or series of Cumulative Preferred Stock established after the Issue Date by the Corporation the terms of which expressly provide that such class or series will rank on a parity with the Series A Preferred Stock as to dividend rights and rights on liquidation, winding-up and dissolution of the Corporation (collectively, the “Parity Securities”); and

(iii) subject to the approval of the holders of the Series A Preferred Stock to the extent required by subdivision 6 of Article FOURTH of the Certificate of Incorporation, junior to any class or series of the Corporation’s capital stock that the Corporation may issue in the future the terms of which expressly provide that such class or series shall rank senior to the Series A Preferred Stock (collectively, the “Senior Securities”).

For the avoidance of doubt, the Corporation has the right to authorize and/or issue additional shares or classes or series of Junior Securities or Parity Securities without notice to or consent of the Holder(s).

(d) *Dividends.*

(i) The Holder(s) shall be entitled to receive, on each share of Series A Preferred Stock, when, as and if declared by the Board of Directors, out of any funds legally available for the payment of dividends, cumulative cash dividends at a rate per annum equal to 8.0% of the Liquidation Preference (the “Dividend Rate”) in accordance with subdivisions 1, 2 and 3 of Article FOURTH of the Certificate of Incorporation; *provided, however*, that in the event that on any Dividend Payment Date there shall be accrued and unpaid dividends for any prior Dividend Period, the Dividend Rate shall equal 8.0% per annum of the sum of (x) the Liquidation Preference and (y) the amount of all such accrued and unpaid dividends for any prior Dividend Periods.

(ii) Dividends will accrue and cumulate from the Issue Date and are payable quarterly in arrears on the first day of January, April, July and October (each, a “Dividend Payment Date”), commencing on the first Dividend Payment Date following the Issue Date. If a Dividend Payment Date falls on a day that is not a Business Day, the dividends will be paid on the next Business Day as if it were paid on the Dividend Payment Date and no interest will accrue in connection therewith.

(iii) The amount of dividends payable for each full quarterly Dividend Period will be computed by dividing the Dividend Rate by four. The amount of dividends payable for the initial Dividend Period, or any other Dividend Period

shorter or longer than a full quarterly Dividend Period, will be computed on the basis of the actual number of days elapsed during such Dividend Period over a 360-day year.

(iv) Dividends will be paid to the Holder(s) as such Holder(s) appear in the records of the Corporation at the Close of Business on the 15th day of the immediately preceding calendar month in which the applicable Dividend Payment Date falls (the “Dividend Record Date”). The Dividend Record Date shall apply regardless of whether any particular Dividend Record Date is a Business Day.

(v) Dividends on any share of Series A Preferred Stock converted to Common Stock shall cease to accumulate on the Mandatory Conversion Date or any applicable Conversion Date, as applicable.

(e) *Liquidation.*

(i) In the event of any voluntary or involuntary liquidation, dissolution or winding up of the affairs of the Corporation, the Holder(s) shall be entitled to receive for each share of Series A Preferred Stock out of the assets of the Corporation or proceeds thereof legally available for distribution to stockholders of the Corporation, after satisfaction of all liabilities, if any, to creditors of the Corporation and subject to the rights of holders of any Senior Securities, and before any distribution of such assets or proceeds is made to or set aside for the holders of Junior Securities, a liquidating distribution in an amount equal to (x) the Liquidation Preference and (y) an amount equal to any accrued and unpaid dividends on such share of Series A Preferred Stock through the date of such liquidating distribution. After payment of the full amount of such liquidating distribution, the Holder(s) will not be entitled to any further participation in any distribution of assets by, and shall have no right or claim to any remaining assets, of the Corporation.

(ii) In the event the assets of the Corporation available for distribution to stockholders upon any liquidation, dissolution or winding-up of the affairs of the Corporation, whether voluntary or involuntary, shall be insufficient to pay in full the amounts payable with respect to all outstanding shares of the Series A Preferred Stock and the corresponding amounts payable on any Parity Securities, the Holder(s) and the holders of such Parity Securities shall share ratably in any distribution of assets of the Corporation in proportion to the full respective liquidating distributions which would be payable on such shares if all amounts payable thereon were paid in full.

(iii) Neither the consolidation or merger of the Corporation with or into any other entity, nor the consolidation or merger of any other entity with or into the Corporation, nor the sale, lease or other transfer or disposition of all or substantially all of the Corporation’s property or business or other assets shall, in and of itself, constitute a liquidation, dissolution or winding up of the Corporation.

(f) *Maturity.* The Series A Preferred Stock shall be perpetual, unless converted in accordance with this Certificate of Incorporation or redeemed either at the option of the Holder pursuant to Subdivision 13(m) or at the option of the Corporation pursuant to Subdivision 13(o)(ii).

(g) *Conversion at the Holder’s Option.* Each Holder shall have the right, at such Holder’s option, at any time and from time to time, to convert all or any portion of such Holder’s Series A Preferred Stock into shares of Common Stock at the Applicable Conversion Rate, plus cash in lieu of fractional shares, plus an amount equal to any accrued and unpaid dividends on the shares of Series A Preferred Stock so converted through the date of such conversion, subject to compliance with the conversion procedures set forth in Subdivision 13(i).

(h) *Mandatory Conversion at the Corporation’s Option.*

(i) On or after the fifth anniversary of the Issue Date, the Corporation shall have the right, at its option, at any time or from time to time to cause some or all of the Series A Preferred Stock to be converted into shares of Common Stock at the then Applicable Conversion Rate, plus cash in lieu of fractional shares, plus an amount equal to any accrued and unpaid dividends on the shares of Series A Preferred Stock so converted through the Mandatory Conversion Date, if, for 20 Trading Days during any period of 30 consecutive Trading Days (including the last Trading Day of such period), ending on the Trading Day preceding the date the Corporation delivers a Notice of Mandatory Conversion, the Closing Price of the Common Stock exceeds 130% of the then Applicable Conversion Price.

(ii) If the Corporation elects to cause fewer than all of the shares of Series A Preferred Stock to be converted pursuant to this Subdivision 13(h), the Corporation shall select the Series A Preferred Stock to be converted on a pro rata basis or by another method the Board of Directors, in its sole discretion, considers fair to the Holders. If the Corporation selects a portion of a Holder’s Series A Preferred Stock for partial mandatory conversion and such Holder converts a portion of its shares of Series A Preferred Stock, the converted portion will be deemed to be from the portion selected for mandatory conversion under this Subdivision 13(h).

(iii) If the Corporation elects to exercise the mandatory conversion right pursuant to this Subdivision 13(h), the Corporation shall provide notice of such conversion to each Holder (such notice, a “Notice of Mandatory Conversion”). The conversion date shall be a date selected by the Corporation (the “Mandatory Conversion Date”) and

shall be no more than 7 days after the date on which the Corporation provides such Notice of Mandatory Conversion. In addition to any information required by applicable law or regulation, the Notice of Mandatory Conversion shall state, as appropriate:

- (A) the Mandatory Conversion Date;
- (B) the number of shares of Common Stock to be issued upon conversion of each share of Series A Preferred Stock; and
- (C) the number of shares of Series A Preferred Stock to be converted.

(i) *Conversion Procedures.*

(i) As provided in Subdivision 13(d)(v), dividends on any share of Series A Preferred Stock converted to Common Stock shall cease to accumulate on the Mandatory Conversion Date or any applicable Conversion Date, as applicable, and such shares of Series A Preferred Stock shall cease to be outstanding upon conversion.

(ii) Prior to the Close of Business on the Mandatory Conversion Date or any applicable Conversion Date, shares of Common Stock (and/or other securities, if applicable) issuable upon conversion of any shares of Series A Preferred Stock shall not be deemed outstanding for any purpose, and the Holder(s) shall have no rights with respect to the Common Stock (and/or other securities, if applicable) issuable upon conversion (including voting rights, rights to respond to tender offers for the Common Stock (and/or other securities, if applicable) issuable upon conversion and rights to receive any dividends or other distributions on the Common Stock (and/or other securities, if applicable) issuable upon conversion) by virtue of holding shares of Series A Preferred Stock.

(iii) The Person(s) entitled to receive the Common Stock (and/or cash, securities or other property, if applicable) issuable upon conversion of Series A Preferred Stock shall be treated for all purposes as the record holder(s) of such shares of Common Stock (and/or other securities, if applicable) as of the Close of Business on the Mandatory Conversion Date or any applicable Conversion Date. In the event that a Holder shall not by written notice designate the name in which shares of Common Stock (and/or cash, securities or other property, if applicable) and payments of cash in lieu of fractional shares, if any, and accrued and unpaid dividends, if any, to be issued or paid upon conversion of shares of Series A Preferred Stock should be registered or paid or the manner in which such shares should be delivered, the Corporation shall be entitled to register and deliver such shares, and make such payments, in the name of the Holder and in the manner shown on the records of the Corporation.

(iv) Shares of Series A Preferred Stock duly converted in accordance with this Certificate of Incorporation, or otherwise reacquired by the Corporation, will resume the status of authorized and unissued Cumulative Preferred Stock, undesignated as to series and available for future issuance. The Corporation may from time-to-time take such appropriate action as may be necessary to reduce the authorized number of shares of Series A Preferred Stock; *provided* that no decrease shall reduce the authorized number of Series A Preferred Stock to a number less than the number of shares then outstanding.

(v) Conversion into shares of Common Stock will occur on the Mandatory Conversion Date or any applicable Conversion Date as follows:

(A) On the Mandatory Conversion Date, certificates representing shares of Common Stock shall be issued and delivered to the Holder(s) or their designee upon presentation and surrender of the certificate evidencing the Series A Preferred Stock to the Corporation and, if required, the furnishing of appropriate endorsements and transfer documents and the payment of all transfer and similar taxes.

(B) On the date of any conversion at the option of the Holder(s) pursuant to Subdivision 13(g), a Holder must do each of the following in order to convert:

- (1) surrender the shares of Series A Preferred Stock to the Corporation;
- (2) if required, furnish appropriate endorsements and transfer documents; and
- (3) if required, pay all transfer or similar taxes.

The date on which a Holder complies with the procedures in this Subdivision 13(i)(v) is the "Conversion Date".

(vi) Fractional Shares.

(A) No fractional shares of Common Stock will be issued as a result of any conversion of shares of Series A Preferred Stock.

(B) In lieu of any fractional share of Common Stock otherwise issuable in respect of any conversion pursuant to Subdivision 13(g) or Subdivision 13(h), the Corporation shall pay an amount in cash (computed to the nearest cent) equal to the same fraction of the Closing Price of the Common Stock determined as of the second Trading Day immediately preceding the Conversion Date.

(C) If more than one share of the Series A Preferred Stock is 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 A Preferred Stock so surrendered.

(j) *Anti-Dilution Adjustments.*

(i) The Conversion Rate shall be adjusted from time to time by the Corporation in accordance with this Subdivision 13(j).

(ii) If the Corporation shall, at any time or from time to time while any of the Series A Preferred Stock is outstanding, pay a dividend or make a distribution on its Common Stock in shares of its Common Stock to all or substantially all holders of its Common Stock, then the Conversion Rate shall be adjusted based on the following formula:

$$CR_1 = CR_0 \times \frac{OS_1}{OS_0}$$

where,

CR_0 = the Conversion Rate in effect at the Close of Business on the Record Date for such dividend or distribution;

CR_1 = the Conversion Rate in effect immediately after the Record Date for such dividend or distribution;

OS_0 = the number of shares of Common Stock Outstanding at the Close of Business on the Record Date for such dividend or distribution; and

OS_1 = the number of shares of Common Stock that would be outstanding immediately after, and solely as a result of, such dividend or distribution.

Any adjustment made pursuant to this Subdivision 13(j)(ii) shall become effective immediately after the Record Date for such dividend or distribution. If any dividend or distribution that is the subject of this Subdivision 13(j)(ii) is declared but not so paid or made, the Conversion Rate shall be readjusted, effective as of the date the Board of Directors publicly announces its decision not to pay or make such dividend or distribution, to the Conversion Rate that would then be in effect if such dividend or distribution had not been declared. For the avoidance of doubt, for purposes of this Subdivision 13(j)(ii), the number of shares of Common Stock Outstanding at the Close of Business on the Record Date for such dividend or distribution shall not include shares of Common Stock held in treasury, if any.

(iii) If the Corporation shall, at any time or from time to time while any of the Series A Preferred Stock is outstanding, (x) subdivide the then Common Stock Outstanding into a greater number of shares of Common Stock or (y) combine the then Common Stock Outstanding into a smaller number of shares of Common Stock, then the Conversion Rate shall be adjusted based on the following formula:

$$CR_1 = CR_0 \times \frac{OS_1}{OS_0}$$

where,

- CR₀ = the Conversion Rate in effect at the Close of Business on the effective date of such subdivision or combination;
- CR₁ = the Conversion Rate in effect immediately after the effective date of such subdivision or combination;
- OS₀ = the number of shares of Common Stock Outstanding at the Close of Business on the effective date of such subdivision or combination;
and
- OS₁ = the number of shares of Common Stock that would be outstanding immediately after, and solely as a result of, such subdivision or combination.

Any adjustment made pursuant to this Subdivision 13(j)(iii) shall become effective immediately after the effective date of such subdivision or combination.

(iv) If the Corporation shall, at any time or from time to time while any of the Series A Preferred Stock is outstanding, distribute to holders of all or substantially all of the Common Stock any rights or warrants (other than a distribution of rights issued pursuant to a stockholder's rights plan, to the extent such rights are attached to shares of Common Stock (in which event the provisions of Subdivision 13(j)(xv) shall apply), a dividend reinvestment plan or an issuance in connection with a transaction in which Subdivision 13(k) applies) entitling them to subscribe for or purchase, for a period of not more than 60 calendar days from the issuance date of such distribution, shares of Common Stock at a price per share less than the Current Market Price of the Common Stock, the Conversion Rate shall be adjusted based on the following formula:

$$CR' = CR_0 \times \frac{OS_0 + X}{OS_0 + Y}$$

where,

- CR₀ = the Conversion Rate in effect at the Close of Business on the Record Date for such distribution;
- CR' = the Conversion Rate in effect immediately after the Record Date for such distribution;
- OS₀ = the number of shares of Common Stock Outstanding at the Close of Business on the Record Date for such distribution;
- X = the total number of shares of Common Stock issuable pursuant to such rights or warrants; and
- Y = the number of shares of Common Stock equal to (x) the aggregate price payable to exercise such rights or warrants divided by (y) the Current Market Price of the Common Stock.

Any adjustment made pursuant to this Subdivision 13(j)(iv) shall become effective immediately after the Record Date for such distribution. If such rights or warrants described in this Subdivision 13(j)(iv) are not so distributed, the

Conversion Rate shall be readjusted, effective as of the date the Board of Directors publicly announces its decision not to distribute such rights or warrants, to the Conversion Rate that would then be in effect if such distribution had not been declared. To the extent that such rights or warrants are not exercised prior to their expiration or shares of Common Stock are otherwise not delivered pursuant to such rights or warrants upon the exercise of such rights or warrants, the Conversion Rate shall be readjusted to the Conversion Rate which would then be in effect had the adjustments made upon the distribution of such rights or warrants been made on the basis of the delivery of only the number of shares of Common Stock actually delivered. In determining the aggregate price payable to exercise such rights or warrants, there shall be taken into account any consideration received by the Corporation upon exercise of such rights and warrants and the value of such consideration (if other than cash, to be determined in good faith by the Board of Directors). For the avoidance of doubt, for purposes of this Subdivision 13(j)(iv), the number of shares of Common Stock Outstanding at the Close of Business on the Record Date for such distribution shall not include shares of Common Stock held in treasury, if any.

(v) If the Corporation shall, at any time or from time to time while any of the Series A Preferred Stock is outstanding, by dividend or otherwise, distribute to all or substantially all holders of the Common Stock shares of any class of capital stock of the Corporation, evidences of its indebtedness, assets, property or rights or warrants to acquire the Corporation's capital stock or other securities, but excluding:

- (A) any dividends or distributions referred to in Subdivision 13(j)(ii);
- (B) any rights or warrants referred to in Subdivision 13(j)(iv);
- (C) any dividends or distributions referred to in Subdivision 13(j)(vi);
- (D) any dividends and distributions in connection with a transaction to which Subdivision 13(k) shall apply; and
- (E) any Spin-Offs to which the provision set forth below in this Subdivision 13(j)(v) shall apply,

(any such shares of capital stock, indebtedness, assets, property or rights or warrants to acquire Common Stock or other securities, hereinafter in this Subdivision 13(j)(v) called the "Distributed Property"), then, in each such case the Conversion Rate shall be adjusted based on the following formula:

$$CR' = CR_0 \times \frac{SP_0}{SP_0 - FMV}$$

where,

- CR₀ = the Conversion Rate in effect at the Close of Business on the Record Date for such distribution;
- CR' = the Conversion Rate in effect immediately after the Record Date for such distribution;
- SP₀ = the Current Market Price of the Common Stock; and
- FMV = the Fair Market Value on the Record Date for such distribution of the Distributed Property, expressed as amount per share of Common Stock.

If the transaction that gives rise to an adjustment pursuant to this Subdivision 13(j)(v) is one pursuant to which the payment of a dividend or other distribution on the Common Stock consists of shares of capital stock of, or similar equity interests in, a Subsidiary or other business unit of the Corporation (a "Spin-Off") that are, or when issued will be, traded or listed on the New York Stock Exchange, The NASDAQ Global Select Market, The NASDAQ Global Market or any other U.S. national securities exchange or association, the Conversion Rate shall be adjusted based on the following formula:

$$CR' = CR_0 \times \frac{(FMV + MP_0)}{MP_0}$$

where,

- CR₀ = the Conversion Rate in effect at the Close of Business on the Record Date for such distribution;
- CR' = the Conversion Rate in effect immediately after the Record Date for such distribution;
- FMV = the average of the Closing Prices of the capital stock or similar equity interest distributed to holders of Common Stock applicable to one share of Common Stock over the 10 consecutive Trading Day period beginning on, and including, the effective date of the Spin-Off (the "Spin-Off Valuation Period"); and
- MP₀ = the average of the Closing Prices of the Common Stock over the Spin-Off Valuation Period.

Any adjustment made pursuant to this Subdivision 13(j)(v) shall become effective immediately after the Record Date for such distribution. If any dividend or distribution of the type described in this Subdivision 13(j)(v) is declared but not so paid or made, the Conversion Rate shall be readjusted, effective as of the date the Board of Directors publicly announces its decision not to pay such dividend or distribution, to the Conversion Rate that would then be in effect if such dividend or distribution had not been declared. If an adjustment to the Conversion Rate is required under this Subdivision 13(j)(v), delivery of any additional shares of Common Stock that may be deliverable upon conversion as a result of an adjustment required under this Subdivision 13(j)(v) shall be delayed to the extent necessary in order to complete the calculations provided for in this Subdivision 13(j)(v).

(vi) If the Corporation shall, at any time or from time to time while any of the Series A Preferred Stock is outstanding, by dividend or otherwise make a distribution to all or substantially all holders of its outstanding shares of Common Stock consisting exclusively of cash, but excluding:

(A) any dividend or distribution in connection with the liquidation, dissolution or winding up of the Corporation (whether voluntary or involuntary), or upon a transaction to which Subdivision 13(k) applies, or

(B) regular cash dividends to the extent that such dividends do not exceed \$0.25 per share in any Fiscal Quarter (the “Dividend Threshold Amount”),

then the Conversion Rate shall be adjusted based on the following formula:

$$CR' = CR_0 \times \frac{SP_0}{SP_0 - DIV}$$

where,

CR_0 = the Conversion Rate in effect at the Close of Business on the Record Date for such dividend or distribution;

CR_1 = the Conversion Rate in effect immediately after the Record Date for such dividend or distribution;

SP_0 = the Current Market Price of the Common Stock; and

DIV = the amount in cash per share of Common Stock of the dividend or distribution, as determined pursuant to the following sentences. If any adjustment is required to be made as set forth in this Subdivision 13(j)(vi) as a result of a distribution (1) that is a regularly scheduled quarterly dividend, such adjustment would be based on the amount by which such dividend exceeds the Dividend Threshold Amount or (2) that is not a regularly scheduled quarterly dividend, such adjustment would be based on the full amount of such distribution. The Dividend Threshold Amount is subject to adjustment on an inversely proportional basis whenever the Conversion Rate is adjusted; *provided* that no adjustment shall be made to the Dividend Threshold Amount for any adjustment made to the Conversion Rate as described under this Subdivision 13(j)(vi).

Any adjustment made pursuant to this Subdivision 13(j)(vi) shall become effective immediately after the Record Date for such dividend or distribution. If any dividend or distribution of the type described in this Subdivision 13(j)(vi) is not so paid or made, the Conversion Rate shall be readjusted, effective as of the date the Board of Directors publicly announces its decision not to pay such dividend or distribution, to the Conversion Rate that would then be in effect if such dividend or distribution had not been declared.

(vii) If the Corporation shall, at any time or from time to time while any of the Series A Preferred Stock is outstanding, make a payment in respect of a tender offer or exchange offer for all or any portion of the Common Stock subject to the tender offer rules, to the extent that the cash and value of any other consideration included in the payment per share of Common Stock exceeds the Closing Price of the Common Stock on the trading day immediately succeeding the last date on which tenders or exchanges may be made pursuant to such tender offer or exchange offer (the “Expiration Date”), then the Conversion Rate shall be adjusted based on the following formula:

$$CR_1 = CR_0 \times \frac{FMV + (SP_1 \times OS_1)}{SP_1 \times OS_0}$$

where,

CR₀ = the Conversion Rate in effect at the Close of Business on the Expiration Date;

CR₁ = the Conversion Rate in effect immediately after the Expiration Date;

FMV = the Fair Market Value, on the Expiration Date, of the aggregate value of all cash and any other consideration paid or payable for shares of Common Stock validly tendered or exchanged and not withdrawn as of the Expiration Date;

OS₁ = the number of shares of Common Stock outstanding immediately after the last time tenders or exchanges may be made pursuant to such tender offer or exchange offer (the “Expiration Time”);

OS₀ = the number of shares of Common Stock outstanding immediately prior to the Expiration Time; and

SP₁ = the average of the Closing Price of Common Stock during the ten consecutive Trading Day period commencing on the Trading Day immediately after the Expiration Date.

Any adjustment made pursuant to this Subdivision 13(j)(vii) shall become effective immediately prior to 9:00 a.m., New York City time, on the Trading Day immediately following the Expiration Date. If the Corporation, or one of its subsidiaries, is obligated to purchase shares of Common Stock pursuant to any such tender offer or exchange offer, but the Corporation or such subsidiary is permanently prevented by applicable law from effecting any such purchases, or all such purchases are rescinded, then the Conversion Rate shall be readjusted to be the Conversion Rate that would then be in effect if such tender offer or exchange offer had not been made. Except as set forth in the preceding sentence, if the application of this Subdivision 13(j)(vii) to any tender offer or exchange offer would result in a decrease in the Conversion Rate, no adjustment shall be made for such tender offer or exchange offer under this Subdivision 13(j)(vii). If an adjustment to the Conversion Rate is required under this Subdivision 13(j)(vii), delivery of any additional shares of Common Stock upon conversion of the Series A Preferred Stock shall be delayed to the extent necessary in order to complete the calculations provided for in this Subdivision 13(j)(vii).

(viii) In cases where the Fair Market Value of shares of capital stock, evidences of indebtedness, assets (including cash), or securities or certain rights, warrants or options to purchase securities of the Corporation, or the amount of the cash dividend or distribution applicable to one share of Common Stock, distributed to all or substantially all holders of the Common Stock:

(A) equals or exceeds the Current Market Price of the Common Stock; or

(B) the Current Market Price of the Common Stock exceeds the Fair Market Value of such assets, debt securities or rights, warrants or options or the amount of cash so distributed by less than \$1.00,

rather than being entitled to an adjustment in the Conversion Rate, the Holder(s) will be entitled to receive upon conversion, in addition to shares of Common Stock, the kind and amount of shares of capital stock, evidences of indebtedness, assets, or securities or rights, warrants or options comprising the distribution, if any, that such Holder(s) would have received if such Holder(s) had held a number of shares of Common Stock equal to the principal amount of the notes held divided by the Conversion Rate in effect immediately prior to the record date for determining the holders of Common Stock entitled to receive the distribution.

(ix) All calculations under this Subdivision 13(j) shall be made to the nearest 1/100,000 of a share of Common Stock per share of Series A Preferred Stock. No adjustment in the Conversion Rate is required if the amount of such adjustment would be less than 1%; *provided, however*, that any such adjustment not required to be made pursuant to this Subdivision 13(j)(ix) will be carried forward and taken into account in any subsequent adjustment.

(x) No adjustment to the Conversion Rate shall be made if the Holder(s) may participate in the transaction that would otherwise give rise to an adjustment, as a result of holding the Series A Preferred Stock, without having to convert the Series A Preferred Stock, as if they held the full number of shares of Common Stock into which a share of the Series A Preferred Stock may then be converted.

(xi) The Corporation may, but is not required to, make such increases in the Conversion Rate, in addition to those required by Subdivision 13(j)(ii) through (vii), as the Board of Directors deems advisable to avoid or diminish any income tax to holders of Common Stock resulting from any dividend or distribution of Common Stock (or rights to acquire Common Stock) or from any event treated as such for income tax purposes.

(xii) In addition to the foregoing, to the extent permitted by applicable law and subject to the applicable rules of the New York Stock Exchange, the Corporation from time to time may increase the Conversion Rate by any amount for any period of time if the period is at least 20 Business Days, the increase is irrevocable during the period and the Board of Directors shall have made a determination that such increase would be in the best interests of the Corporation, which determination shall be conclusive. Whenever the Conversion Rate is increased pursuant to the preceding sentence, the Corporation shall mail to Holder(s) a notice of the increase, which notice will be given at least 15 calendar days prior to the effectiveness of any such increase, and such notice shall state the increased Conversion Rate and the period during which it will be in effect.

(xiii) If during a period applicable for calculating the Closing Price of Common Stock or any other security, an event occurs that requires an adjustment to the Conversion Rate, the Closing Price of such security shall be calculated for such period in a manner reasonably determined by the Corporation to appropriately reflect the impact of such event on the price of such security during such period. Whenever any provision of this Subdivision 13 requires a calculation of an average of Closing Prices of Common Stock or any other security over multiple days, appropriate adjustments shall be made to account for any adjustment to the Conversion Rate that becomes effective, or any event requiring an adjustment to the Conversion Rate where the Record Date of the event occurs, at any time during the period during which the average is to be calculated.

(xiv) Whenever the Conversion Rate is to be adjusted in accordance with Subdivision 13(j), the Corporation shall compute the Conversion Rate in accordance with Subdivision 13(j), taking into account Subdivision 13(j)(ix), and provide, or cause to be provided, a written notice to the Holder(s) of the occurrence of such event and setting forth the adjusted Conversion Rate.

(xv) Rights Plans. If the Corporation has a rights plan in effect with respect to the Common Stock on the Mandatory Conversion Date or any Conversion Date, upon conversion of any shares of the Series A Preferred Stock, the Holder of such shares will receive, in addition to the shares of Common Stock, the rights under the rights plan relating to such Common Stock, unless, prior to the Mandatory Conversion Date or such Conversion Date, the rights have (x) become exercisable or (y) separated from the shares of Common Stock in accordance with the provisions of such rights plan (the first of events to occur being the “Trigger Event”), in either of which cases the Conversion Rate will be adjusted, effective automatically at the time of such Trigger Event, as if the Corporation had made a distribution of such rights to all holders of the Common Stock as described in Subdivision 13(j)(iv) (without giving effect to the 60 day limit on the exercisability of rights and warrants ordinarily subject to such Subdivision 13(j)(iv)), subject to appropriate readjustment in the event of the expiration, termination or redemption of such rights prior to the exercise, deemed exercise or exchange thereof. Notwithstanding the foregoing, to the extent any such stockholder rights are exchanged by the Corporation for shares of Common Stock, the Conversion Rate shall be appropriately readjusted as if such stockholder rights had not been issued, but the Corporation had instead issued the shares of Common Stock issued upon such exchange as a dividend or distribution of shares of Common Stock subject to Subdivision 13(j)(ii).

(k) *Reorganization Events.*

(i) In the event that there occurs:

- (A) any consolidation, merger or other business combination of the Corporation with or into another Person;
- (B) any sale, transfer, lease or conveyance to another Person of all or substantially all of the property and assets of the Corporation;
- (C) any reclassification, recapitalization or reorganization of the Corporation; or
- (D) any statutory exchange of the outstanding shares of Common Stock for securities of another Person (other than in connection with a consolidation, merger or other business combination);

and in each case, the holders of the Common Stock receive stock, other securities or other property or assets (including cash or any combination thereof) with respect to or in exchange for the Common Stock (any such event or transaction, a “Reorganization Event”) each share of Series A Preferred Stock outstanding immediately prior to such Reorganization Event shall, without notice to or consent of the Holder(s) and subject to Subdivision 13(k)(v), become convertible (but, for the avoidance of doubt, shall not be automatically converted in connection with such Reorganization Event) into the kind of securities, cash and other property received in such Reorganization Event by the holders of the Common Stock (other than the counterparty to the Reorganization Event or an Affiliate of such counterparty) (such securities, cash and other property, the “Exchange Property”).

(ii) In the event that holders of the shares of Common Stock have the opportunity to elect the form of consideration to be received in such transaction, the consideration that the Holder(s) are entitled to receive upon conversion shall be deemed to be the types and amounts of consideration received by a majority of the holders of the shares of Common Stock that did make an affirmative election.

(iii) The above provisions of this Subdivision 13(k) shall similarly apply to successive Reorganization Events and the provisions of Subdivision 13(j) shall apply to any shares of capital stock received by the holders of Common Stock in any such Reorganization Event.

(iv) The Corporation (or any successor) shall, within 20 days of the consummation of any Reorganization Event, provide written notice to the Holder(s) of such consummation of such event and of the kind and amount of the cash, securities or other property that constitutes the Exchange Property. Failure to deliver such notice shall not affect the operation of this Subdivision 13(k).

(v) The Corporation shall not enter into any agreement for a transaction constituting a Reorganization Event unless:

(A) such agreement provides for, or does not interfere with or prevent (as applicable), conversion of the Series A Preferred Stock into the Exchange Property in a manner that is consistent with and gives effect to this Subdivision 13(k); and

(B) to the extent that the Corporation is not the surviving corporation in such Reorganization Event or will be dissolved in connection with such Reorganization Event, proper provision shall be made in the agreements governing such Reorganization Event for the conversion of the Series A Preferred Stock into stock of the Person surviving such Reorganization Event or, in the case of a Reorganization Event described in Subdivision 13(k)(i)(B), an exchange of Series A Preferred Stock for the stock of the Person to whom the Corporation's assets are conveyed or transferred, and such stock of the Person surviving such Reorganization Event or to whom the Corporation's assets are conveyed or transferred shall have voting powers, preferences and relative, participating, optional or other special rights as nearly equal as possible to those provided in this Certificate of Incorporation.

(l) *Holder's Right to Convert Upon a Make-Whole Acquisition.*

(i) In addition to any other rights of conversion set forth herein, in the event a Make-Whole Acquisition occurs, each Holder shall have the right, at such Holder's option, to convert all or any portion of such Holder's shares of Series A Preferred Stock into shares of Common Stock during the period (the "Make-Whole Acquisition Conversion Period") beginning on the effective date of the Make-Whole Acquisition (the "Make-Whole Acquisition Effective Date") and ending on the date that is 30 calendar days after the Make-Whole Acquisition Effective Date at the Applicable Conversion Rate, plus a number of additional shares of Common Stock (the "Additional Shares") determined pursuant to Subdivision 13(l)(ii), plus cash in lieu of fractional shares, plus an amount equal to any accrued and unpaid dividends on the shares of Series A Preferred Stock so converted through the date of such conversion, subject to compliance with the conversion procedures set forth in Subdivision 13(i).

(ii) The number of Additional Shares per share of Series A Preferred Stock shall be determined by reference to the table below for the applicable Make-Whole Acquisition Effective Date and the applicable Make-Whole Acquisition Stock Price:

Make-Whole Acquisition Effective Date	Make-Whole Acquisition Stock Price																	
	\$8.72	\$10.00	\$12.00	\$14.00	\$14.46	\$16.00	\$18.00	\$20.00	\$22.00	\$24.00	\$26.00	\$28.00	\$30.00	\$32.00	\$34.00	\$36.00	\$38.00	\$40.00
February 1, 2010	24.7913	23.6268	17.6972	13.9064	13.3093	11.3104	9.4138	7.9597	6.8038	5.8595	5.0727	4.4068	3.8368	3.3445	2.9161	2.5415	2.2124	1.9225
February 1, 2011	24.7913	22.0079	16.0166	12.3338	11.7769	9.9124	8.2031	6.9243	5.9232	5.1125	4.4392	3.8697	3.3813	2.9580	2.5883	2.2634	1.9767	1.7226
February 1, 2012	24.7913	20.3361	14.1073	10.4610	9.9415	8.2023	6.6990	5.6236	4.8061	4.1552	3.6187	3.1663	2.7780	2.4406	2.1447	1.8834	1.6513	1.4446
February 1, 2013	24.7913	18.7311	11.9829	8.2258	7.7398	6.1127	4.8531	4.0299	3.4382	2.9797	2.6061	2.2916	2.0214	1.7860	1.5788	1.3949	1.2309	1.0838
February 1, 2014	24.7913	17.6267	9.7394	5.4758	5.0124	3.4610	2.5458	2.0743	1.7728	1.5452	1.3585	1.1998	1.0627	0.9427	0.8369	0.7428	0.6586	0.5829
February 1, 2015 and thereafter	24.7913	16.9727	7.4564	0.8113	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000

The exact Make-Whole Acquisition Stock Price and Make-Whole Acquisition Effective Date may not be set forth in the table, in which case:

- (A) if the Make-Whole Acquisition Stock Price is between two Make-Whole Acquisition Stock Price amounts in the table or the Make-Whole Acquisition Effective Date is between two Make-Whole Acquisition Effective Dates in the table, the number of Additional Shares will be determined by straight-line interpolation between the number of Additional Shares set forth for the higher and lower Make-Whole Acquisition Stock Price amounts and the two Make-Whole Acquisition Effective Dates, as applicable, based on a 365-day year;
- (B) if the Make-Whole Acquisition Stock Price is in excess of \$40.00 per share (subject to adjustment pursuant to Subdivision 13(j)), no Additional Shares will be issued upon conversion of the Series A Preferred Stock;
- (C) if the Make-Whole Acquisition Stock Price is less than \$8.72 per share (subject to adjustment pursuant to Subdivision 13(j)), no Additional Shares will be issued upon conversion of the Series A Preferred Stock; and
- (D) if the Make-Whole Acquisition Effective Date is after the fifth anniversary of the Issue Date, then the number of Additional Shares will be determined by reference to the last row in the table.

The Make-Whole Acquisition Stock Prices set forth in the table above shall be adjusted pursuant to Subdivision 13(j) as of any date the Conversion Rate is adjusted. The adjusted Make-Whole Acquisition Stock Prices will equal the Make-Whole Acquisition Stock Prices applicable immediately prior to such adjustment multiplied by a fraction, the numerator of which is the Conversion Rate immediately prior to the adjustment and the denominator of which is the Conversion Rate as so adjusted. Each of the number of Additional Shares in the table shall also be subject to adjustment in the same manner as the Conversion Rate pursuant to Subdivision 13(j).

(iii) On or before the 20th calendar day prior to the date the Corporation anticipates the Make-Whole Acquisition being consummated or within two Business Days of becoming aware of a Make-Whole Acquisition of the type set forth in clause (i) of the definition of Make-Whole Acquisition, a written notice shall be sent by or on behalf of the Corporation, by first-class mail, postage prepaid, to the Holder(s) as they appear in the records of the Corporation. Such notice shall contain:

(A) the date of which the Make-Whole Acquisition is anticipated to be effective or the Make-Whole Acquisition Effective Date, as applicable; and

(B) the date by which a Make-Whole Acquisition conversion pursuant to this Subdivision 13(l) must be exercised.

(iv) On the Make-Whole Acquisition Effective Date or as soon as practicable thereafter, another written notice shall be sent by or on behalf of the Corporation, by first-class mail, postage prepaid, to the Holder(s) as they appear in the records of the Corporation. Such notice shall contain:

(A) the date that shall be 30 calendar days after the Make-Whole Acquisition Effective Date;

(B) the number of Additional Shares;

(C) the amount of cash, securities and other consideration receivable by a Holder upon conversion; and

(D) the instructions a Holder must follow to exercise its Make-Whole Acquisition conversion right pursuant to this Subdivision 13(l).

(v) To exercise its Make-Whole Acquisition conversion right pursuant to this Subdivision 13(l), a Holder must, no later than 5:00 p.m., New York City time, on or before the date specified in the notice sent pursuant to Subdivision 13(l)(iv), comply with the procedures set forth in Subdivision 13(i), and indicate that it is exercising its Make-Whole Acquisition conversion right pursuant to this Subdivision 13(l).

(vi) If a Holder does not elect to exercise its Make-Whole Acquisition conversion right pursuant to this Subdivision 13(l), the shares of Series A Preferred Stock or successor security held by it shall remain outstanding (unless otherwise converted as provided herein), but the Holder will not be eligible to receive Additional Shares.

(vii) Upon a Make-Whole Acquisition conversion, the Conversion Agent shall, except as otherwise provided in the instructions provided by the Holder thereof in the written notice provided to the Corporation or its successor as set forth in Subdivision 13(l)(v), deliver to the Holder such cash, securities or other property as are issuable with respect to the shares of Series A Preferred Stock converted.

(viii) In the event that a Make-Whole Acquisition conversion is effected with respect to shares of Series A Preferred Stock or a successor security representing less than all the shares of Series A Preferred Stock or a successor security held by a Holder, upon such Make-Whole Acquisition conversion, the Corporation or its successor shall execute and the Registrar shall, unless otherwise instructed in writing, countersign and deliver to the Holder thereof, at the expense of the Corporation or its successors, a certificate evidencing the shares of Series A Preferred Stock or such successor security held by the Holder as to which a Make-Whole Acquisition conversion was not effected.

(m) *Holder's Redemption Right Upon a Fundamental Change.*

(i) Upon the occurrence of a Fundamental Change, each Holder shall have the option, during the period commencing on the date the applicable Fundamental Change Notice (as defined below) is mailed to Holders of the Series A Preferred Stock and ending at the Close of Business on the 45th Business Day thereafter (the "Fundamental Change Redemption Date"), to require the Corporation to redeem all, or any portion, of such Holder's shares of Series A Preferred Stock at the redemption price per share equal to the Liquidation Preference per share of Series A Preferred Stock plus an amount equal to any accrued and unpaid dividends on the shares of Series A Preferred Stock so redeemed to, but not including, the Fundamental Change Redemption Date (the "Fundamental Change Redemption Price").

(ii) Within 30 days following a Fundamental Change, the Corporation shall mail to each Holder of shares of the Series A Preferred Stock a notice (the "Fundamental Change Notice") setting forth the details of the Fundamental Change and the special redemption rights occasioned thereby. In addition to any information required by law or by the applicable rules of any exchange upon which the Series A Preferred Stock may be listed or admitted to trading, such notice shall state: (a) the Fundamental Change Redemption Date; (b) the Fundamental Change Redemption Price; (c) the place or places where certificates for shares may be surrendered for payment of the Fundamental Change Redemption Price, including any procedures applicable to redemption to be accomplished through book-entry transfers; (d) the procedures that the Holder of Series A Preferred Stock must follow to exercise such Holder's rights under this Subdivision 13(m); and (e) that dividends on the shares tendered for redemption will cease to accumulate on the Fundamental Change Redemption Date.

(iii) To exercise such Holder's special redemption right under this Subdivision 13(m), a Holder must (a) surrender the certificate or certificates evidencing the shares of Series A Preferred Stock to be redeemed, duly endorsed in a form satisfactory to the Corporation, at the office of the Corporation and (b) notify the Corporation at such office that such Holder elects to exercise such Holder's fundamental change redemption rights and the number of shares such Holder wishes to have redeemed. In the event that a Holder fails to notify the Corporation of the number of shares of Series A Preferred Stock which such Holder wishes to have redeemed, such Holder shall be deemed to have elected to have redeemed all shares represented by the certificate or certificates surrendered for redemption.

(iv) Exercise by a Holder of such Holder's special redemption right following a Fundamental Change is irrevocable, except that a Holder may withdraw its election to exercise such Holder's special redemption right at any time on or before the Fundamental Change Redemption Date by delivering a written or facsimile transmission notice to the Corporation at the address or facsimile number specified in the Fundamental Change Notice. Such notice, to be effective, must be received by the Corporation prior to the close of business on the Fundamental Change Redemption Date. All shares of Series A Preferred Stock tendered for redemption pursuant to the Holder's fundamental change redemption rights as described herein and not withdrawn shall be redeemed at or prior to the Close of Business on the Fundamental Change Redemption Date. From and after the Fundamental Change Redemption Date, unless the Corporation defaults in payment of the Fundamental Change Redemption Price, dividends on the shares of Series A Preferred Stock tendered for redemption shall cease to accumulate, and said shares shall no longer be deemed to be outstanding and shall not have the status of shares of Series A Preferred Stock, and all rights of Holders thereof as shareholders of the Corporation (except the right to receive from the Company the Fundamental Change Redemption Price) shall cease. As soon as practical after the Fundamental Change Redemption Date, the Corporation shall deliver a new certificate representing the unredeemed portion, if any, of the shares of Series A Preferred Stock represented by the certificate or certificates surrendered for redemption.

(n) *Voting Rights.*

(i) Unless the consent of the Holder(s) of a greater number of shares shall then be required by law and except as provided in Subdivisions 13(n)(ii), 13(n)(iii) and 13(n)(iv), the consent of the Holder(s) of at least two-thirds of the shares of Series A 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 Series A Preferred Stock shall vote separately as a class, shall be necessary to permit, effect or validate any one or more of the following:

(A) The authorization of, or any increase in the authorized amount of, any class of stock ranking prior to the Series A Preferred Stock;

(B) The amendment, alteration or repeal of any of the provisions of the Certificate of Incorporation, or of the By-Laws of the Corporation (whether, directly or indirectly, by merger, consolidation or otherwise) which would affect adversely any right, preference, privilege or voting power of the Series A Preferred Stock or of the Holder(s) thereof; and

(C) 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 of the property or business of the Corporation, or the consolidation, merger or other business combination of the Corporation with or into any other Person, except any such sale, lease or conveyance (other than by mortgage) of all or substantially all of the property or business of the Corporation or consolidation or merger or other business combination wherein none of the rights, preferences, privileges or voting powers of the Series A Preferred Stock or the Holder(s) thereof are adversely affected.

(ii) The Holder(s) shall have no voting rights with respect to any consolidation, merger or other business combination of the Corporation with or into any other Person if:

(A) to the extent the Corporation is not the surviving Person in such transaction, the Holder(s) will receive the stock of the Person surviving such transaction and such stock shall have voting powers, preferences and relative, participating, optional or other special rights as nearly equal as possible to those provided in this Certificate of Incorporation; and

(B) upon conversion of the Series A Preferred Stock or the stock of the Person surviving such transaction issued in accordance with Subdivision 13(k)(v), the Holder(s) will receive Exchange Property in accordance with Subdivision 13(k).

(iii) The Holder(s) shall have no voting rights with respect to any sale, lease or conveyance (other than by mortgage) of all or substantially all of the property or business of the Corporation if:

(A) to the extent the Corporation is not the surviving Person in such transaction, the Holder(s) will receive the stock of the Person to whom all or substantially all of the property or business of the Corporation is sold,

leased or conveyed and such stock shall have voting powers, preferences and relative, participating, optional or other special rights as nearly equal as possible to those provided in this Certificate of Incorporation; and

(B) upon conversion of the Series A Preferred Stock or the stock of the Person to whom all or substantially all of the property or business of the Corporation is sold, leased or conveyed issued in accordance with Subdivision 13(k)(v), the Holder(s) will receive Exchange Property in accordance with Subdivision 13(k).

(iv) The Holder(s) shall not have any voting rights if, at or prior to the effective time of the act with respect to which such vote would otherwise be required, all outstanding shares of Series A Preferred shall have been converted into shares of Common Stock.

(v) The last paragraph of Subdivision 6 of Article FOURTH of the Certificate of Incorporation shall not be applicable to the Series A Preferred Stock.

(vi) The Holder(s) will have the right to appoint two members of the Board of Directors in accordance with Subdivision 7 of Article FOURTH of the Certificate of Incorporation.

(o) *Transfer; Optional Redemption by the Corporation Upon Transfer.*

(i) The Transfer of the Series A Preferred Stock by the Holder(s) thereof shall not be restricted other than pursuant to the requirements of applicable law; *provided, however*, that, with respect to any such Transfer of shares of Series A Preferred Stock, the shares so Transferred must have an aggregate Liquidation Preference of at least \$1 million and, if applicable, any shares owned by the Holder effecting such Transfer following such Transfer must have an aggregate Liquidation Preference of at least \$1 million.

(ii) Upon a Transfer of the Series A Preferred Stock pursuant to Subdivision 13(o)(i) to a Person other than a Permitted Transferee, the Corporation shall have the right, at its option, to redeem, in part or in whole, such Transferred shares of Series A Preferred Stock (the "Optional Redemption Transferred Shares") at any time on or following the fifth anniversary of the date of such Transfer at a redemption price per share of Series A Preferred Stock equal to the then Fair Market Value of such Optional Redemption Transferred Shares and an amount equal to any accrued and unpaid dividends on such Optional Redemption Transferred Shares to, but not including, the Optional Redemption Date.

(A) If the Corporation exercises its optional redemption right to redeem the Optional Redemption Transferred Shares pursuant to Subdivision 13(o)(ii), a written notice (the "Optional Redemption Notice") shall be sent by or on behalf of the Corporation, by first-class mail, postage prepaid, to the Holder(s) of such Optional Redemption Transferred Shares, which shall contain the number of Optional Redemption Transferred Shares, the name of the nationally recognized independent investment banking firm selected by the Corporation to determine the Fair Market Value of the Optional Redemption Transferred Shares to be redeemed, the Fair Market Value of the Optional Redemption Transferred Shares (on a per share and aggregate basis) and such other information required by applicable law.

(B) The date of the redemption of the Optional Redemption Transferred Shares shall be a date selected by the Corporation that is not less than 30 calendar days and not more than 60 calendar days after the date on which the Corporation provides Optional Redemption Notice (the "Optional Redemption Date").

(C) If, on or before the Optional Redemption Date specified in the Optional Redemption Notice, the Corporation has set aside all funds necessary for such redemption, separate and apart from its other funds, in trust for the pro rata benefit of the Holder(s) of the Optional Redemption Transferred Shares so called for redemption, so as to be and continue to be available therefor, then, notwithstanding that any certificate for the Optional Redemption Transferred Shares so called for redemption shall not have been surrendered for cancellation, all the Optional Redemption Transferred Shares so called for redemption shall no longer be deemed outstanding on and after such Optional Redemption Date, and the right to receive dividends thereon and all other rights with respect to such shares shall forthwith on such Optional Redemption Date cease and terminate, except only the right of the Holder(s) thereof to receive the amount payable on redemption thereof without interest.

(iii) A Holder effecting a Transfer pursuant to this Subdivision 13(o) must notify the Registrar of the Transfer on the date of the Transfer. Any purported Transfer of shares of Series A Preferred Stock not in accordance with this Subdivision 13(o) shall be void and have no effect; *provided, however*, that the failure to notify the Registrar of any Transfer shall not cause such Transfer to be void and of no effect.

(p) *Reservation of Common Stock.*

(i) The Corporation has reserved and shall continue at all times to reserve and keep available out of its authorized and unissued Common Stock or shares acquired by the Corporation, solely for issuance upon the conversion of shares of Series A Preferred Stock as provided in this Subdivision 13, free from any preemptive or other

similar rights, such number of shares of Common Stock as shall from time to time be issuable upon the conversion of all the shares of Series A Preferred Stock then outstanding. The Corporation shall take all such corporate and other actions as from time to time may be necessary to ensure that all shares of Common Stock issuable upon conversion of shares of Series A Preferred Stock at the Conversion Rate in effect from time to time will, upon issue, be duly and validly authorized and issued, fully paid and nonassessable and free of any preemptive or similar rights. For purposes of this Subdivision 13(p), the number of shares of Common Stock that shall be deliverable upon the conversion of all outstanding shares of Series A Preferred Stock shall be computed as if at the time of computation all such outstanding shares were held by a single Holder.

(ii) Notwithstanding the foregoing, the Corporation shall be entitled to deliver upon conversion of shares of Series A Preferred Stock, as herein provided, shares of Common Stock acquired by the Corporation (in lieu of the issuance of authorized and unissued shares of Common Stock), so long as (x) any such acquired shares are free and clear of all liens, charges, security interests or encumbrances (other than liens, charges, security interests and other encumbrances created by the Holders) and (y) all such acquired shares have all the same attributes as any other share of Common Stock then outstanding, including without limitation any rights that may then be attached to all or substantially all of the Common Stock then outstanding pursuant to any stockholders' rights plan or similar arrangement.

(iii) All shares of Common Stock delivered upon conversion of the Series A Preferred Stock shall be duly authorized, validly issued, fully paid and non-assessable, free and clear of all liens, claims, security interests and other encumbrances (other than liens, charges, security interests and other encumbrances created by the Holder(s)).

(iv) Prior to the delivery of any securities that the Corporation shall be obligated to deliver upon conversion of the Series A Preferred Stock, the Corporation shall use its reasonable 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.

(v) The Corporation hereby covenants and agrees that, if at any time the Common Stock shall be listed on the New York Stock Exchange or any other national securities exchange or automated quotation system, the Corporation will, if permitted by the rules of such exchange or automated quotation system, list and keep listed, so long as the Common Stock shall be so listed on such exchange or automated quotation system, all the Common Stock issuable upon conversion of the Series A Preferred Stock.

(q) *Replacement Certificates.* The Corporation shall replace any mutilated Series A Preferred Stock certificate at the Holder's expense upon surrender of that certificate to the Corporation. The Corporation shall replace certificates that become destroyed, stolen or lost at the Holder's expense upon delivery to the Corporation of satisfactory evidence that the certificate has been destroyed, stolen or lost, together with any indemnity that may reasonably be required by the Corporation.

(r) *Miscellaneous.*

(i) All notices referred to herein shall be in writing, and, unless otherwise specified herein, all notices hereunder shall be deemed to have been given upon the earlier of receipt thereof or three Business Days after the mailing thereof if sent by registered or certified mail with postage prepaid, addressed: (x) if to the Corporation, to its office at 45 Glover Avenue, Norwalk, CT 06856, Attention: General Counsel, or (y) if to any Holder, to such Holder at the address of such Holder as listed in the stock record books of the Corporation or (z) to such other address as the Corporation or any such Holder, as the case may be, shall have designated by notice similarly given.

(ii) No Holder of Series A Preferred Stock shall be entitled as such, as a matter of right, to subscribe for or purchase any part of any new or additional issue of stock of any class whatsoever, or of any obligations or other securities convertible into, or exchangeable for, any stock of any class whatsoever, whether now or hereafter authorized and whether issued for cash or other consideration or by way of dividend.

(iii) The shares of Series A Preferred Stock shall not have any voting powers, preferences or relative, participating, optional or other special rights, or qualifications, limitations or restrictions thereof, other than as set forth herein or in the Certificate of Incorporation or as provided by applicable law.

SERIES B CONVERTIBLE PERPETUAL PREFERRED STOCK

14. (a) *Designation.* There is hereby created out of the authorized and unissued shares of Cumulative Preferred Stock of the Corporation a series of preferred stock designated as the "Series B Convertible Perpetual Preferred Stock" (the "Series B Preferred Stock"). The number of shares constituting such series shall be 180,000.

(b) *Definitions.* As used herein with respect to the Series B Preferred Stock, the following terms shall have the following meanings, whether used in the singular or the plural:

“Additional Shares” has the meaning set forth in Subdivision 14(l)(i).

“Affiliate” of any specified Person means any other Person, directly or indirectly, controlling or controlled 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 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.

“Applicable Conversion Price” at any given time means the price equal to \$1,000 divided by the Applicable Conversion Rate in effect at such time.

“Applicable Conversion Rate” means the Conversion Rate in effect at any given time.

“Board of Directors” means the board of directors of the Corporation or any committee thereof duly authorized to act in the relevant matter on behalf of such board of directors.

“Business Day” means any day other than a Saturday, Sunday or any other day on which banks in New York City, New York are generally required or authorized by law to be closed.

“Certificate of Incorporation” means the Restated Certificate of Incorporation of Xerox Corporation, as amended.

“Close of Business” means 5:00 pm, New York City time, on the date in question.

“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:

(i) the closing sale price of the Common Stock or such other securities (or, if no closing sale price is reported, the last reported sale price of the Common Stock or such other securities) on the New York Stock Exchange on such date;

(ii) if the Common Stock or such other securities are not traded on the New York Stock Exchange on such date, the closing sale price of the Common Stock or such other securities (or, if no closing sale price is reported, the last reported sale price of the Common Stock or such other securities) as reported in the composite transactions for the principal U.S. national or regional securities exchange on which the Common Stock or such other securities are traded on such date;

(iii) if the Common Stock or such other securities are not traded on a U.S. national or regional securities exchange on such date, the last quoted bid price for the Common Stock or such other securities on such date in the over-the-counter market as reported by Pink OTC Markets Inc. or similar organization; or

(iv) if the Common Stock or such other securities are not quoted by Pink OTC Markets Inc. or a similar organization on such date, as determined by a nationally recognized independent investment banking firm retained by the Corporation for this purpose.

For purposes of this Subdivision 14, all references herein to the “Closing Price” and “last reported sale price” of the Common Stock on the New York Stock Exchange shall be such closing sale price and last reported sale price as reflected on the website of the New York Stock Exchange (<http://www.nyse.com>).

“Common Stock Outstanding” means, at any given time, the number of shares of Common Stock issued and outstanding at such time.

“Conversion Date” has the meaning set forth in Subdivision 14(i)(v)(B).

“Conversion Rate” means, with respect to each share of Series B Preferred Stock, 149.8127 shares of Common Stock, subject to adjustment in accordance with the provisions of this Subdivision 14.

“Cumulative Preferred Stock” means the Cumulative Preferred Stock, par value of \$1.00 each, of the Corporation.

“Current Market Price” means, in the case of any distribution giving rise to an adjustment to the Conversion Rate pursuant to Subdivision 14(j)(iv), Subdivision 14(j)(v) or Subdivision 14(j)(vi) or a distribution upon conversion pursuant to Subdivision 14(j)(viii), the average Closing Price of the Common Stock during the ten consecutive Trading Day period ending on and including the Trading Day immediately preceding the Ex-Dividend Date for such distribution. Notwithstanding the foregoing, whenever successive adjustments to the Conversion Rate are called for pursuant to Subdivision 14(j), such adjustments shall be made to the Current Market Price as may be necessary or appropriate to effectuate the intent of Subdivision 14(j) and to avoid unjust or inequitable results as determined in good faith by the Board of Directors.

“Distributed Property” has the meaning set forth in Subdivision 14(j)(v).

“Dividend Payment Date” has the meaning set forth in Subdivision 14(d)(ii).

“Dividend Period” means each period from, and including, a Dividend Payment Date (or with respect to the initial Dividend Period, the Issue Date) to, but excluding, the following Dividend Payment Date.

“Dividend Rate” has the meaning set forth in Subdivision 14(d)(i).

“Dividend Record Date” has the meaning set forth in Subdivision 14(d)(iv).

“Dividend Threshold Amount” has the meaning set forth in Subdivision 14(j)(vi)(B).

“Exchange Act” means the Securities Exchange Act of 1934, as amended.

“Exchange Property” has the meaning set forth in Subdivision 14(k)(i).

“Ex-Dividend Date” means the first date on which the shares of Common Stock trade on the applicable exchange or in the applicable market, regular way, without the right to receive the relevant dividend, distribution or issuance.

“Expiration Date” has the meaning set forth in Subdivision 14(j)(vii).

“Expiration Time” has the meaning set forth in Subdivision 14(j)(vii).

“Fair Market Value” means the amount which a willing buyer would pay a willing seller in an arm’s-length transaction as reasonably determined by the Board of Directors in good faith; *provided, however*, that with respect to Subdivision 14(o)(ii), Fair Market Value shall mean the value of the Optional Redemption Transferred Shares determined by a nationally recognized independent investment banking firm retained by the Corporation for this purpose.

“Fiscal Quarter” means, with respect to the Corporation, the fiscal quarter publicly disclosed by the Corporation.

“Fundamental Change” means the occurrence of any of the following:

- (i) a “person” or “group” within the meaning of Section 13(d) of the Exchange Act files a Schedule TO or any schedule, form or report under the Exchange Act disclosing that such person or group has become the direct or indirect ultimate “beneficial owner”, as defined in Rule 13d-3 under the Exchange Act, of common equity of the Corporation representing more than 50% of the voting power of the Common Stock;
- (ii) consummation of any consolidation, merger or other business combination of the Corporation with or into another Person or any sale, lease or conveyance in one transaction or a series of transactions of all or substantially all of the consolidated assets of the Corporation and its subsidiaries, taken as a whole, to any Person other than one of the Corporation’s subsidiaries, in each case pursuant to which the Common Stock will be converted into cash, securities or other property, other than:

(A) pursuant to a transaction in which the Persons that “beneficially owned” (as defined in Rule 13d-3 under the Exchange Act), directly or indirectly, Voting Shares of the Corporation immediately prior to such transaction beneficially own, directly or indirectly, Voting Shares representing a majority of the total voting power of all outstanding classes of Voting Shares of the continuing or surviving Person immediately after the transaction; or

(B) any merger or consolidation primarily for the purpose of changing the jurisdiction of incorporation of the Corporation and resulting in a reclassification, conversion or exchange of outstanding shares of common stock solely into shares of common stock of the surviving entity; or

(iii) the Common Stock ceases to be listed on a U.S. national securities exchange or association (other than as a result of a transaction described in clause (ii) above);

provided, however, that a Fundamental Change with respect to clauses (i) or (ii) above shall not be deemed to have occurred if at least 90% of the consideration received by holders of the Common Stock in the transaction or transactions consists of common stock that is traded on a U.S. national securities exchange or that will be traded on a U.S. national securities exchange when issued or exchanged in connection with such transaction.

“Fundamental Change Notice” has the meaning set forth in Subdivision 14(m)(ii).

“Fundamental Change Redemption Date” has the meaning set forth in Subdivision 14(m)(i).

“Fundamental Change Redemption Price” has the meaning set forth in Subdivision 14(m)(i).

“Holder(s)” means the Person(s) in whose name the shares of the Series B Preferred Stock are registered, which may be treated by the Corporation, as the absolute owner of the shares of Series B Preferred Stock for the purpose of making payment and settling the related conversions and for all other purposes. The initial Holder shall be Darwin Deason.

“Issue Date” means the date upon which any shares of Series B Preferred Stock are first issued.

“Junior Securities” has the meaning set forth in Subdivision 14(c)(i).

“Liquidation Preference” means, with respect to each share of Series B Preferred Stock, at any time, \$1,000.

“Make-Whole Acquisition” means the occurrence of a transaction described under clauses (i) or (ii) of the definition of “Fundamental Change”.

“Make-Whole Acquisition Conversion Period” has the meaning set forth in Subdivision 14(l)(i).

“Make-Whole Acquisition Effective Date” has the meaning set forth in Subdivision 14(l)(i).

“Make-Whole Acquisition Stock Price” means the price paid per share of Common Stock in the event of a Make-Whole Acquisition. If the holders of shares of Common Stock receive only cash in the Make-Whole Acquisition, the Make-Whole Acquisition Stock Price shall be the cash amount paid per share of Common Stock. Otherwise, the Make-Whole Acquisition Stock Price shall be the average of the Closing Price per share of Common Stock on the 10 Trading Days up to, but not including, the Make-Whole Acquisition Effective Date.

“Mandatory Conversion Date” has the meaning set forth in Subdivision 14(h)(iii).

“Notice of Mandatory Conversion” has the meaning set forth in Subdivision 14(h)(iii).

“Optional Redemption Date” has the meaning set forth in Subdivision 14(o)(ii)(B).

“Optional Redemption Notice” has the meaning set forth in Subdivision 14(o)(ii)(A).

“Optional Redemption Transferred Shares” has the meaning set forth in Subdivision 14(o)(ii).

“Parity Securities” has the meaning set forth in Subdivision 14(c)(ii).

“Permitted Transferee(s)” means any of (w) the spouse of Darwin Deason, (x) any lineal descendant of Darwin Deason or any brother or sister of Darwin Deason, (y) any brother or sister of Darwin Deason, or (z) any trust for the direct or indirect benefit of exclusively Darwin Deason and/or the spouse of Darwin Deason; any lineal descendant of Darwin Deason or any brother or sister of Darwin Deason; or any brother or sister of Darwin Deason.

“Person” means a legal person, including any individual, corporation, estate, partnership, joint venture, association, joint-stock corporation, limited liability company or trust.

“Record Date” means, with respect to any issuance, dividend or distribution declared, paid or made on or with respect to any capital stock of the Corporation, the date fixed for the determination of the holders of such capital stock entitled to receive such issuance, dividend or distribution.

“Registrar” means the Corporation or any other registrar appointed by the Corporation.

“Reorganization Event” has the meaning set forth in Subdivision 14(k)(i).

“Senior Securities” has the meaning set forth in Subdivision 14(c)(iii).

“Series B Preferred Stock” has the meaning set forth in Subdivision 14(a).

“Spin-Off” has the meaning set forth in Subdivision 14(j)(v).

“Spin-Off Valuation Period” has the meaning set forth in Subdivision 14(j)(v).

“Trading Day” means a day on which the shares of Common Stock or any securities distributed in a Spin-Off, as the case may be:

(i) are not suspended from trading on any national or regional securities exchange or association or over-the-counter market at the Close of Business; and

(ii) have 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 the Common Stock.

“Transfer” means, with respect to each share of Series B Preferred Stock, the sale, transfer, pledge, assignment, loan or other disposition or encumbrance of such share of Series B Preferred Stock.

“Trigger Event” has the meaning set forth in Subdivision 14(j)(xv).

“Voting Shares” of a Person means shares of all classes of Capital Stock of such Person then outstanding and normally entitled (without regard to the occurrence of any contingency) to vote in the election of the board of directors of such Person.

(c) *Ranking.* The Series B Preferred Stock shall, with respect to dividend rights and rights on liquidation, winding-up and dissolution of the Corporation, rank:

(i) senior to the Corporation’s Common Stock and Class B Stock and each other class or series of capital stock that the Corporation may issue in the future the terms of which do not expressly provide that it ranks on a parity with or senior to the Series B Preferred Stock as to dividend rights and rights on liquidation, winding-up and dissolution of the Corporation (collectively, the “Junior Securities”);

(ii) on a parity with each class or series of Cumulative Preferred Stock established after the Issue Date by the Corporation the terms of which expressly provide that such class or series will rank on a parity with the Series B Preferred Stock as to dividend rights and rights on liquidation, winding-up and dissolution of the Corporation (collectively, the “Parity Securities”); and

(iii) subject to the approval of the holders of the Series B Preferred Stock to the extent required by subdivision 6 of Article FOURTH of the Certificate of Incorporation, junior to any class or series of the Corporation’s capital stock that the Corporation may issue in the future the terms of which expressly provide that such class or series shall rank senior to the Series B Preferred Stock (collectively, the “Senior Securities”).

For the avoidance of doubt, the Corporation has the right to authorize and/or issue additional shares or classes or series of Junior Securities or Parity Securities without notice to or consent of the Holder(s).

(d) *Dividends.*

(i) The Holder(s) shall be entitled to receive, on each share of Series B Preferred Stock, when, as and if declared by the Board of Directors, out of any funds legally available for the payment of dividends, cumulative cash dividends at a rate per annum equal to 8.0% of the Liquidation Preference (the “Dividend Rate”) in accordance with subdivisions 1, 2 and 3 of Article FOURTH of the Certificate of Incorporation; *provided, however*, that in the event that on any Dividend Payment Date there shall be accrued and unpaid dividends for any prior Dividend Period, the Dividend Rate shall equal 8.0% per annum of the sum of (x) the Liquidation Preference and (y) the amount of all such accrued and unpaid dividends for any prior Dividend Periods.

(ii) Dividends will accrue and cumulate from the Issue Date and are payable quarterly in arrears on the first day of January, April, July and October (each, a “Dividend Payment Date”), commencing on the first Dividend Payment Date following the Issue Date. If a Dividend Payment Date falls on a day that is not a Business Day, the dividends will be paid on the next Business Day as if it were paid on the Dividend Payment Date and no interest will accrue in connection therewith.

(iii) The amount of dividends payable for each full quarterly Dividend Period will be computed by dividing the Dividend Rate by four. The amount of dividends payable for the initial Dividend Period, or any other Dividend Period shorter or longer than a full quarterly Dividend Period, will be computed on the basis of the actual number of days elapsed during such Dividend Period over a 360-day year.

(iv) Dividends will be paid to the Holder(s) as such Holder(s) appear in the records of the Corporation at the Close of Business on the 15th day of the immediately preceding calendar month in which the applicable Dividend Payment Date falls (the “Dividend Record Date”). The Dividend Record Date shall apply regardless of whether any particular Dividend Record Date is a Business Day.

(v) Dividends on any share of Series B Preferred Stock converted to Common Stock shall cease to accumulate on the Mandatory Conversion Date or any applicable Conversion Date, as applicable.

(e) *Liquidation.*

(i) In the event of any voluntary or involuntary liquidation, dissolution or winding up of the affairs of the Corporation, the Holder(s) shall be entitled to receive for each share of Series B Preferred Stock out of the assets of the Corporation or proceeds thereof legally available for distribution to stockholders of the Corporation, after satisfaction of all liabilities, if any, to creditors of the Corporation and subject to the rights of holders of any Senior Securities, and before any distribution of such assets or proceeds is made to or set aside for the holders of Junior Securities, a liquidating distribution in an amount equal to (x) the Liquidation Preference and (y) an amount equal to any accrued and unpaid dividends on such share of Series B Preferred Stock through the date of such liquidating distribution. After payment of the full amount of such liquidating distribution, the Holder(s) will not be entitled to any further participation in any distribution of assets by, and shall have no right or claim to any remaining assets, of the Corporation.

(ii) In the event the assets of the Corporation available for distribution to stockholders upon any liquidation, dissolution or winding-up of the affairs of the Corporation, whether voluntary or involuntary, shall be insufficient to pay in full the amounts payable with respect to all outstanding shares of the Series B Preferred Stock and the corresponding amounts payable on any Parity Securities, the Holder(s) and the holders of such Parity Securities shall share ratably in any distribution of assets of the Corporation in proportion to the full respective liquidating distributions which would be payable on such shares if all amounts payable thereon were paid in full.

(iii) Neither the consolidation or merger of the Corporation with or into any other entity, nor the consolidation or merger of any other entity with or into the Corporation, nor the sale, lease or other transfer or disposition of all or substantially all of the Corporation’s property or business or other assets shall, in and of itself, constitute a liquidation, dissolution or winding up of the Corporation.

(f) *Maturity.* The Series B Preferred Stock shall be perpetual, unless converted in accordance with this Certificate of Incorporation or redeemed either at the option of the Holder pursuant to Subdivision 14(m) or at the option of the Corporation pursuant to Subdivision 14(o)(ii).

(g) *Conversion at the Holder's Option.* Each Holder shall have the right, at such Holder's option, at any time and from time to time, to convert all or any portion of such Holder's Series B Preferred Stock into shares of Common Stock at the Applicable Conversion Rate, plus cash in lieu of fractional shares, plus an amount equal to any accrued and unpaid dividends on the shares of Series B Preferred Stock so converted through the date of such conversion, subject to compliance with the conversion procedures set forth in Subdivision 14(i).

(h) *Mandatory Conversion at the Corporation's Option.*

(i) The Corporation shall have the right, at its option, at any time or from time to time to cause some or all of the Series B Preferred Stock to be converted into shares of Common Stock at the then Applicable Conversion Rate, plus cash in lieu of fractional shares, plus an amount equal to any accrued and unpaid dividends on the shares of Series B Preferred Stock so converted through the Mandatory Conversion Date, if, for 20 Trading Days during any period of 30 consecutive Trading Days (including the last Trading Day of such period), ending on the Trading Day preceding the date the Corporation delivers a Notice of Mandatory Conversion, the Closing Price of the Common Stock exceeds 146.07% of the then Applicable Conversion Price.

(ii) If the Corporation elects to cause fewer than all of the shares of Series B Preferred Stock to be converted pursuant to this Subdivision 14(h), the Corporation shall select the Series B Preferred Stock to be converted on a pro rata basis or by another method the Board of Directors, in its sole discretion, considers fair to the Holders. If the Corporation selects a portion of a Holder's Series B Preferred Stock for partial mandatory conversion and such Holder converts a portion of its shares of Series B Preferred Stock, the converted portion will be deemed to be from the portion selected for mandatory conversion under this Subdivision 14(h).

(iii) If the Corporation elects to exercise the mandatory conversion right pursuant to this Subdivision 14(h), the Corporation shall provide notice of such conversion to each Holder (such notice, a "Notice of Mandatory Conversion"). The conversion date shall be a date selected by the Corporation (the "Mandatory Conversion Date") and shall be no more than 7 days after the date on which the Corporation provides such Notice of Mandatory Conversion. In addition to any information required by applicable law or regulation, the Notice of Mandatory Conversion shall state, as appropriate:

(A) the Mandatory Conversion Date;

(B) the number of shares of Common Stock to be issued upon conversion of each share of Series B Preferred Stock; and

(C) the number of shares of Series B Preferred Stock to be converted.

(i) *Conversion Procedures.*

(i) As provided in Subdivision 14(d)(v), dividends on any share of Series B Preferred Stock converted to Common Stock shall cease to accumulate on the Mandatory Conversion Date or any applicable Conversion Date, as applicable, and such shares of Series B Preferred Stock shall cease to be outstanding upon conversion.

(ii) Prior to the Close of Business on the Mandatory Conversion Date or any applicable Conversion Date, shares of Common Stock (and/or other securities, if applicable) issuable upon conversion of any shares of Series B Preferred Stock shall not be deemed outstanding for any purpose, and the Holder(s) shall have no rights with respect to the Common Stock (and/or other securities, if applicable) issuable upon conversion (including voting rights, rights to respond to tender offers for the Common Stock (and/or other securities, if applicable) issuable upon conversion and rights to receive any dividends or other distributions on the Common Stock (and/or other securities, if applicable) issuable upon conversion) by virtue of holding shares of Series B Preferred Stock.

(iii) The Person(s) entitled to receive the Common Stock (and/or cash, securities or other property, if applicable) issuable upon conversion of Series B Preferred Stock shall be treated for all purposes as the record holder(s) of such shares of Common Stock (and/or other securities, if applicable) as of the Close of Business on the Mandatory Conversion Date or

any applicable Conversion Date. In the event that a Holder shall not by written notice designate the name in which shares of Common Stock (and/or cash, securities or other property, if applicable) and payments of cash in lieu of fractional shares, if any, and accrued and unpaid dividends, if any, to be issued or paid upon conversion of shares of Series B Preferred Stock should be registered or paid or the manner in which such shares should be delivered, the Corporation shall be entitled to register and deliver such shares, and make such payments, in the name of the Holder and in the manner shown on the records of the Corporation.

(iv) Shares of Series B Preferred Stock duly converted in accordance with this Certificate of Incorporation, or otherwise reacquired by the Corporation, will resume the status of authorized and unissued Cumulative Preferred Stock, undesignated as to series and available for future issuance. The Corporation may from time-to-time take such appropriate action as may be necessary to reduce the authorized number of shares of Series B Preferred Stock; *provided* that no decrease shall reduce the authorized number of Series B Preferred Stock to a number less than the number of shares then outstanding.

(v) Conversion into shares of Common Stock will occur on the Mandatory Conversion Date or any applicable Conversion Date as follows:

(A) On the Mandatory Conversion Date, certificates representing shares of Common Stock shall be issued and delivered to the Holder(s) or their designee upon presentation and surrender of the certificate evidencing the Series B Preferred Stock to the Corporation and, if required, the furnishing of appropriate endorsements and transfer documents and the payment of all transfer and similar taxes.

(B) On the date of any conversion at the option of the Holder(s) pursuant to Subdivision 14(g), a Holder must do each of the following in order to convert:

- (1) surrender the shares of Series B Preferred Stock to the Corporation;
- (2) if required, furnish appropriate endorsements and transfer documents; and
- (3) if required, pay all transfer or similar taxes.

The date on which a Holder complies with the procedures in this Subdivision 14(i)(v) is the "Conversion Date".

(vi) Fractional Shares.

(A) No fractional shares of Common Stock will be issued as a result of any conversion of shares of Series B Preferred Stock.

(B) In lieu of any fractional share of Common Stock otherwise issuable in respect of any conversion pursuant to Subdivision 14(g) or Subdivision 14(h), the Corporation shall pay an amount in cash (computed to the nearest cent) equal to the same fraction of the Closing Price of the Common Stock determined as of the second Trading Day immediately preceding the Conversion Date.

(C) If more than one share of the Series B Preferred Stock is 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 B Preferred Stock so surrendered.

(j) *Anti-Dilution Adjustments.*

(i) The Conversion Rate shall be adjusted from time to time by the Corporation in accordance with this Subdivision 14(j).

(ii) If the Corporation shall, at any time or from time to time while any of the Series B Preferred Stock is outstanding, pay a dividend or make a distribution on its Common Stock in shares of its Common Stock to all or substantially all holders of its Common Stock, then the Conversion Rate shall be adjusted based on the following formula:

$$CR_1 = CR_0 \times \frac{OS_1}{OS_0}$$

where,

CR ₀	=	the Conversion Rate in effect at the Close of Business on the Record Date for such dividend or distribution;
CR ₁	=	the Conversion Rate in effect immediately after the Record Date for such dividend or distribution;
OS ₀	=	the number of shares of Common Stock Outstanding at the Close of Business on the Record Date for such dividend or distribution; and
OS ₁	=	the number of shares of Common Stock that would be outstanding immediately after, and solely as a result of, such dividend or distribution.

Any adjustment made pursuant to this Subdivision 14(j)(ii) shall become effective immediately after the Record Date for such dividend or distribution. If any dividend or distribution that is the subject of this Subdivision 14(j)(ii) is declared but not so paid or made, the Conversion Rate shall be readjusted, effective as of the date the Board of Directors publicly announces its decision not to pay or make such dividend or distribution, to the Conversion Rate that would then be in effect if such dividend or distribution had not been declared. For the avoidance of doubt, for purposes of this Subdivision 14(j)(ii), the number of shares of Common Stock Outstanding at the Close of Business on the Record Date for such dividend or distribution shall not include shares of Common Stock held in treasury, if any.

(iii) If the Corporation shall, at any time or from time to time while any of the Series B Preferred Stock is outstanding, (x) subdivide the then Common Stock Outstanding into a greater number of shares of Common Stock or (y) combine the then Common Stock Outstanding into a smaller number of shares of Common Stock, then the Conversion Rate shall be adjusted based on the following formula:

$$CR_1 = CR_0 \times \frac{OS_1}{OS_0}$$

where,

CR ₀	=	the Conversion Rate in effect at the Close of Business on the effective date of such subdivision or combination;
CR ₁	=	the Conversion Rate in effect immediately after the effective date of such subdivision or combination;
OS ₀	=	the number of shares of Common Stock Outstanding at the Close of Business on the effective date of such subdivision or combination; and
OS ₁	=	the number of shares of Common Stock that would be outstanding immediately after, and solely as a result of, such subdivision or combination.

Any adjustment made pursuant to this Subdivision 14(j)(iii) shall become effective immediately after the effective date of such subdivision or combination.

(iv) If the Corporation shall, at any time or from time to time while any of the Series B Preferred Stock is outstanding, distribute to holders of all or substantially all of the Common Stock any rights or warrants (other than a distribution of rights issued pursuant to a stockholder's rights plan, to the extent such rights are attached to shares of Common Stock (in which event the provisions of Subdivision 14(j)(xv) shall apply), a dividend reinvestment plan or an issuance in connection with a transaction in which Subdivision 14(k) applies) entitling them to subscribe for or purchase, for a period of not more than 60 calendar days from the issuance date of such distribution, shares of Common Stock at a price per share less than the Current Market Price of the Common Stock, the Conversion Rate shall be adjusted based on the following formula:

$$CR' = CR_0 \times \frac{OS_0 + X}{OS_0 + Y}$$

where,

CR ₀	=	the Conversion Rate in effect at the Close of Business on the Record Date for such distribution;
CR'	=	the Conversion Rate in effect immediately after the Record Date for such distribution;
OS ₀	=	the number of shares of Common Stock Outstanding at the Close of Business on the Record Date for such distribution;
X	=	the total number of shares of Common Stock issuable pursuant to such rights or warrants; and
Y	=	the number of shares of Common Stock equal to (x) the aggregate price payable to exercise such rights or warrants divided by (y) the Current Market Price of the Common Stock.

Any adjustment made pursuant to this Subdivision 14(j)(iv) shall become effective immediately after the Record Date for such distribution. If such rights or warrants described in this Subdivision 14(j)(iv) are not so distributed, the Conversion Rate shall be readjusted, effective as of the date the Board of Directors publicly announces its decision not to distribute such rights or warrants, to the Conversion Rate that would then be in effect if such distribution had not been declared. To the extent that such rights or warrants are not exercised prior to their expiration or shares of Common Stock are otherwise not delivered pursuant to such rights or warrants upon the exercise of such rights or warrants, the Conversion Rate shall be readjusted to the Conversion Rate which would then be in effect had the adjustments made upon the distribution of such rights or warrants been made on the basis of the delivery of only the number of shares of Common Stock actually delivered. In determining the aggregate price payable to exercise such rights or warrants, there shall be taken into account any consideration received by the Corporation upon exercise of such rights and warrants and the value of such consideration (if other than cash, to be determined in good faith by the Board of Directors). For the avoidance of doubt, for purposes of this Subdivision 14(j)(iv), the number of shares of Common Stock Outstanding at the Close of Business on the Record Date for such distribution shall not include shares of Common Stock held in treasury, if any.

(v) If the Corporation shall, at any time or from time to time while any of the Series B Preferred Stock is outstanding, by dividend or otherwise, distribute to all or substantially all holders of the Common Stock shares of any class of capital stock of the Corporation, evidences of its indebtedness, assets, property or rights or warrants to acquire the Corporation's capital stock or other securities, but excluding:

- (A) any dividends or distributions referred to in Subdivision 14(j)(ii);
- (B) any rights or warrants referred to in Subdivision 14(j)(iv);
- (C) any dividends or distributions referred to in Subdivision 14(j)(vi);
- (D) any dividends and distributions in connection with a transaction to which Subdivision 14(k) shall apply; and
- (E) any Spin-Offs to which the provision set forth below in this Subdivision 14(j)(v) shall apply,

(any such shares of capital stock, indebtedness, assets, property or rights or warrants to acquire Common Stock or other securities, hereinafter in this Subdivision 14(j)(v) called the "Distributed Property"), then, in each such case, the Conversion Rate shall be adjusted based on the following formula:

$$CR' = CR_0 \times \frac{SP_0}{SP_0 - FMV}$$

where,

CR ₀	=	the Conversion Rate in effect at the Close of Business on the Record Date for such distribution;
CR'	=	the Conversion Rate in effect immediately after the Record Date for such distribution;
SP ₀	=	the Current Market Price of the Common Stock; and
FMV	=	the Fair Market Value on the Record Date for such distribution of the Distributed Property, expressed as amount per share of Common Stock.

If the transaction that gives rise to an adjustment pursuant to this Subdivision 14(j)(v) is one pursuant to which the payment of a dividend or other distribution on the Common Stock consists of shares of capital stock of, or similar equity interests in, a Subsidiary or other business unit of the Corporation (a “Spin-Off”) that are, or when issued will be, traded or listed on the New York Stock Exchange, The NASDAQ Global Select Market, The NASDAQ Global Market or any other U.S. national securities exchange or association, the Conversion Rate shall be adjusted based on the following formula:

$$CR' = CR_0 \times \frac{(FMV + MP_0)}{MP_0}$$

where,

CR ₀	=	the Conversion Rate in effect at the Close of Business on the Record Date for such distribution;
CR'	=	the Conversion Rate in effect immediately after the Record Date for such distribution;
FMV	=	the average of the Closing Prices of the capital stock or similar equity interest distributed to holders of Common Stock applicable to one share of Common Stock over the 10 consecutive Trading Day period beginning on, and including, the effective date of the Spin-Off (the “ <u>Spin-Off Valuation Period</u> ”); and
MP ₀	=	the average of the Closing Prices of the Common Stock over the Spin-Off Valuation Period.

Any adjustment made pursuant to this Subdivision 14(j)(v) shall become effective immediately after the Record Date for such distribution. If any dividend or distribution of the type described in this Subdivision 14(j)(v) is declared but not so paid or made, the Conversion Rate shall be readjusted, effective as of the date the Board of Directors publicly announces its decision not to pay such dividend or distribution, to the Conversion Rate that would then be in effect if such dividend or distribution had not been declared. If an adjustment to the Conversion Rate is required under this Subdivision 14(j)(v), delivery of any additional shares of Common Stock that may be deliverable upon conversion as a result of an adjustment required under this Subdivision 14(j)(v) shall be delayed to the extent necessary in order to complete the calculations provided for in this Subdivision 14(j)(v).

(vi) If the Corporation shall, at any time or from time to time while any of the Series B Preferred Stock is outstanding, by dividend or otherwise make a distribution to all or substantially all holders of its outstanding shares of Common Stock consisting exclusively of cash, but excluding:

(A) any dividend or distribution in connection with the liquidation, dissolution or winding up of the Corporation (whether voluntary or involuntary), or upon a transaction to which Subdivision 14(k) applies, or

(B) regular cash dividends to the extent that such dividends do not exceed \$0.25 per share in any Fiscal Quarter (the “Dividend Threshold Amount”),

then the Conversion Rate shall be adjusted based on the following formula:

$$CR_1 = CR_0 \times \frac{SP_0}{SP_0 - DIV}$$

where,

CR ₀	=	the Conversion Rate in effect at the Close of Business on the Record Date for such dividend or distribution;
CR ₁	=	the Conversion Rate in effect immediately after the Record Date for such dividend or distribution;
SP ₀	=	the Current Market Price of the Common Stock; and
DIV	=	the amount in cash per share of Common Stock of the dividend or distribution, as determined pursuant to the following sentences. If any adjustment is required to be made as set forth in this Subdivision 14(j)(vi) as a result of a distribution (1) that is a regularly scheduled quarterly dividend, such adjustment would be based on the amount by which such dividend exceeds the Dividend Threshold Amount or (2) that is not a regularly scheduled quarterly dividend, such adjustment would be based on the full amount of such distribution. The Dividend Threshold Amount is subject to adjustment on an inversely proportional basis whenever the Conversion Rate is adjusted; <i>provided</i> that no adjustment shall be made to the Dividend Threshold Amount for any adjustment made to the Conversion Rate as described under this Subdivision 14(j)(vi).

Any adjustment made pursuant to this Subdivision 14(j)(vi) shall become effective immediately after the Record Date for such dividend or distribution. If any dividend or distribution of the type described in this Subdivision 14(j)(vi) is not so paid or made, the Conversion Rate shall be readjusted, effective as of the date the Board of Directors publicly announces its decision not to pay such dividend or distribution, to the Conversion Rate that would then be in effect if such dividend or distribution had not been declared.

(vii) If the Corporation shall, at any time or from time to time while any of the Series B Preferred Stock is outstanding, make a payment in respect of a tender offer or exchange offer for all or any portion of the Common Stock subject to the tender offer rules, to the extent that the cash and value of any other consideration included in the payment per share of Common Stock exceeds the Closing Price of the Common Stock on the trading day immediately succeeding the last date on which tenders or exchanges may be made pursuant to such tender offer or exchange offer (the “Expiration Date”), then the Conversion Rate shall be adjusted based on the following formula:

$$CR_1 = CR_0 \times \frac{FMV + (SP_1 \times OS_1)}{SP_1 \times OS_1}$$

where,

CR ₀	=	the Conversion Rate in effect at the Close of Business on the Expiration Date;
CR ₁	=	the Conversion Rate in effect immediately after the Expiration Date;
FMV	=	the Fair Market Value, on the Expiration Date, of the aggregate value of all cash and any other consideration paid or payable for shares of Common Stock validly tendered or exchanged and not withdrawn as of the Expiration Date;
OS ₁	=	the number of shares of Common Stock outstanding immediately after the last time tenders or exchanges may be made pursuant to such tender offer or exchange offer (the “ <u>Expiration Time</u> ”);
OS ₀	=	the number of shares of Common Stock outstanding immediately prior to the Expiration Time; and
SP ₁	=	the average of the Closing Price of Common Stock during the ten consecutive Trading Day period commencing on the Trading Day immediately after the Expiration Date.

Any adjustment made pursuant to this Subdivision 14(j)(vii) shall become effective immediately prior to 9:00 a.m., New York City time, on the Trading Day immediately following the Expiration Date. If the Corporation, or one of its subsidiaries, is obligated to purchase shares of Common Stock pursuant to any such tender offer or exchange offer, but the Corporation or such subsidiary is permanently prevented by applicable law from effecting any such purchases, or all such purchases are rescinded, then the Conversion Rate shall be readjusted to be the Conversion Rate that would then be in effect if such tender offer or exchange offer had not been made. Except as set forth in the preceding sentence, if the application of this Subdivision 14(j)(vii) to any tender offer or exchange offer would result in a decrease in the Conversion Rate, no adjustment shall be made for such tender offer or exchange offer under this Subdivision 14(j)(vii). If an adjustment to the Conversion Rate is required under this Subdivision 14(j)(vii), delivery of any additional shares of Common Stock upon conversion of the Series B Preferred Stock shall be delayed to the extent necessary in order to complete the calculations provided for in this Subdivision 14(j)(vii).

(viii) In cases where the Fair Market Value of shares of capital stock, evidences of indebtedness, assets (including cash), or securities or certain rights, warrants or options to purchase securities of the Corporation, or the amount of the cash dividend or distribution applicable to one share of Common Stock, distributed to all or substantially all holders of the Common Stock:

(A) equals or exceeds the Current Market Price of the Common Stock; or

(B) the Current Market Price of the Common Stock exceeds the Fair Market Value of such assets, debt securities or rights, warrants or options or the amount of cash so distributed by less than \$1.00,

rather than being entitled to an adjustment in the Conversion Rate, the Holder(s) will be entitled to receive upon conversion, in addition to shares of Common Stock, the kind and amount of shares of capital stock, evidences of indebtedness, assets, or securities or rights, warrants or options comprising the distribution, if any, that such Holder(s) would have received if such Holder(s) had held a number of shares of Common Stock equal to the number of shares of Series B Preferred Stock held multiplied by the Conversion Rate in effect immediately prior to the record date for determining the holders of Common Stock entitled to receive the distribution.

(ix) All calculations under this Subdivision 14(j) shall be made to the nearest 1/100,000 of a share of Common Stock per share of Series B Preferred Stock. No adjustment in the Conversion Rate is required if the amount of such adjustment would be less than 1%; *provided, however*, that any such adjustment not required to be made pursuant to this Subdivision 14(j)(ix) will be carried forward and taken into account in any subsequent adjustment.

(x) No adjustment to the Conversion Rate shall be made if the Holder(s) may participate in the transaction that would otherwise give rise to an adjustment, as a result of holding the Series B Preferred Stock, without having to convert the Series B Preferred Stock, as if they held the full number of shares of Common Stock into which a share of the Series B Preferred Stock may then be converted.

(xi) The Corporation may, but is not required to, make such increases in the Conversion Rate, in addition to those required by Subdivision 14(j)(ii) through (vii), as the Board of Directors deems advisable to avoid or diminish any income tax to holders of Common Stock resulting from any dividend or distribution of Common Stock (or rights to acquire Common Stock) or from any event treated as such for income tax purposes.

(xii) In addition to the foregoing, to the extent permitted by applicable law and subject to the applicable rules of the New York Stock Exchange, the Corporation from time to time may increase the Conversion Rate by any amount for any period of time if the period is at least 20 Business Days, the increase is irrevocable during the period and the Board of Directors shall have made a determination that such increase would be in the best interests of the Corporation, which determination shall be conclusive. Whenever the Conversion Rate is increased pursuant to the preceding sentence, the Corporation shall mail to Holder(s) a notice of the increase, which notice will be given at least 15 calendar days prior to the effectiveness of any such increase, and such notice shall state the increased Conversion Rate and the period during which it will be in effect.

(xiii) If during a period applicable for calculating the Closing Price of Common Stock or any other security, an event occurs that requires an adjustment to the Conversion Rate, the Closing Price of such security shall be calculated for such period in a manner reasonably determined by the Corporation to appropriately reflect the impact of such event on the price of such security during such period. Whenever any provision of this Subdivision 14 requires a calculation of an average of Closing Prices of Common Stock or any other security over multiple days, appropriate adjustments shall be made to account for any adjustment to the Conversion Rate that becomes effective, or any event requiring an adjustment to the Conversion Rate where the Record Date of the event occurs, at any time during the period during which the average is to be calculated.

(xiv) Whenever the Conversion Rate is to be adjusted in accordance with Subdivision 14(j), the Corporation shall compute the Conversion Rate in accordance with Subdivision 14(j), taking into account Subdivision 14(j)(ix), and provide, or cause to be provided, a written notice to the Holder(s) of the occurrence of such event and setting forth the adjusted Conversion Rate.

(xv) Rights Plans. If the Corporation has a rights plan in effect with respect to the Common Stock on the Mandatory Conversion Date or any Conversion Date, upon conversion of any shares of the Series B Preferred Stock, the Holder of such shares will receive, in addition to the shares of Common Stock, the rights under the rights plan relating to such Common Stock, unless, prior to the Mandatory Conversion Date or such Conversion Date, the rights have (x) become exercisable or (y) separated from the shares of Common Stock in accordance with the provisions of such rights plan (the first of events to occur being the “Trigger Event”), in either of which cases the Conversion Rate will be adjusted, effective automatically at the time of such Trigger Event, as if the Corporation had made a distribution of such rights to all holders of the Common Stock as described in Subdivision 14(j)(iv) (without giving effect to the 60-day limit on the exercisability of rights and warrants ordinarily subject to such Subdivision 14(j)(iv)), subject to appropriate readjustment in the event of the expiration, termination or redemption of such rights prior to the exercise, deemed exercise or exchange thereof. Notwithstanding the foregoing, to the extent any such stockholder rights are exchanged by the Corporation for shares of Common Stock, the Conversion Rate shall be appropriately readjusted as if such stockholder rights had not been issued, but the Corporation had instead issued the shares of Common Stock issued upon such exchange as a dividend or distribution of shares of Common Stock subject to Subdivision 14(j)(ii).

(k) *Reorganization Events.*

(i) In the event that there occurs:

(A) any consolidation, merger or other business combination of the Corporation with or into another Person;

(B) any sale, transfer, lease or conveyance to another Person of all or substantially all of the property and assets of the Corporation;

(C) any reclassification, recapitalization or reorganization of the Corporation; or

(D) any statutory exchange of the outstanding shares of Common Stock for securities of another Person (other than in connection with a consolidation, merger or other business combination);

and in each case, the holders of the Common Stock receive stock, other securities or other property or assets (including cash or any combination thereof) with respect to or in exchange for the Common Stock (any such event or transaction, a “Reorganization Event”) each share of Series B Preferred Stock outstanding immediately prior to such Reorganization Event shall, without notice to or consent of the Holder(s) and subject to Subdivision 14(k)(v), become convertible (but, for the avoidance of doubt, shall not be automatically converted in connection with such Reorganization Event) into the kind of securities, cash and other property received in such Reorganization Event by the holders of the Common Stock (other than the counterparty to the Reorganization Event or an Affiliate of such counterparty) (such securities, cash and other property, the “Exchange Property”).

(ii) In the event that holders of the shares of Common Stock have the opportunity to elect the form of consideration to be received in such transaction, the consideration that the Holder(s) are entitled to receive upon conversion shall be deemed to be the types and amounts of consideration received by a majority of the holders of the shares of Common Stock that did make an affirmative election.

(iii) The above provisions of this Subdivision 14(k) shall similarly apply to successive Reorganization Events and the provisions of Subdivision 14(j) shall apply to any shares of capital stock received by the holders of Common Stock in any such Reorganization Event.

(iv) The Corporation (or any successor) shall, within 20 days of the consummation of any Reorganization Event, provide written notice to the Holder(s) of such consummation of such event and of the kind and amount of the cash, securities or other property that constitutes the Exchange Property. Failure to deliver such notice shall not affect the operation of this Subdivision 14(k).

(v) The Corporation shall not enter into any agreement for a transaction constituting a Reorganization Event unless:

(A) such agreement provides for, or does not interfere with or prevent (as applicable), conversion of the Series B Preferred Stock into the Exchange Property in a manner that is consistent with and gives effect to this Subdivision 14(k); and

(B) to the extent that the Corporation is not the surviving corporation in such Reorganization Event or will be dissolved in connection with such Reorganization Event, proper provision shall be made in the agreements governing such Reorganization Event for the conversion of the Series B Preferred Stock into stock of the Person surviving such Reorganization Event or, in the case of a Reorganization Event described in Subdivision 14(k)(i)(B), an exchange of Series B Preferred Stock for the stock of the Person to whom the Corporation’s assets are conveyed or transferred, and such stock of the Person surviving such Reorganization Event or to whom the Corporation’s assets are conveyed or transferred shall have voting powers, preferences and relative, participating, optional or other special rights as nearly equal as possible to those provided in this Certificate of Incorporation.

(l) *Holder’s Right to Convert Upon a Make-Whole Acquisition.*

(i) In addition to any other rights of conversion set forth herein, in the event a Make-Whole Acquisition occurs, each Holder shall have the right, at such Holder’s option, to convert all or any portion of such Holder’s shares of Series B Preferred Stock into shares of Common Stock during the period (the “Make-Whole Acquisition Conversion Period”) beginning on the effective date of the Make-Whole Acquisition (the “Make-Whole Acquisition Effective Date”) and ending on the date that is 30 calendar days after the Make-Whole Acquisition Effective Date at the Applicable Conversion Rate, plus a number of additional shares of Common Stock (the “Additional Shares”) determined pursuant to Subdivision 14(l)(ii), plus cash in lieu of fractional shares, plus an amount equal to any accrued and unpaid dividends on the shares of Series B Preferred Stock so converted through the date of such conversion, subject to compliance with the conversion procedures set forth in Subdivision 14(i).

(ii) The number of Additional Shares per share of Series B Preferred Stock shall be determined by reference to the table below for the applicable Make-Whole Acquisition Effective Date and the applicable Make-Whole Acquisition Stock Price:

Make-Whole Acquisition Effective Date	Make-Whole Acquisition Stock Price				
	\$6.00	\$6.68	\$8.00	\$9.00	\$9.75
February 1, 2015 and thereafter	16.8550	12.6052	6.5538	3.2978	0.0000

The exact Make-Whole Acquisition Stock Price and Make-Whole Acquisition Effective Date may not be set forth in the table, in which case:

(A) if the Make-Whole Acquisition Stock Price is between two Make-Whole Acquisition Stock Price amounts in the table or the Make-Whole Acquisition Effective Date is between two Make-Whole Acquisition Effective Dates in the table, the number of Additional Shares will be determined by straight-line interpolation between the number of Additional Shares set forth for the higher and lower Make-Whole Acquisition Stock Price amounts and the two Make-Whole Acquisition Effective Dates, as applicable, based on a 365-day year;

(B) if the Make-Whole Acquisition Stock Price is in excess of \$9.75 per share (subject to adjustment pursuant to Subdivision 14(j)), no Additional Shares will be issued upon conversion of the Series B Preferred Stock;

(C) if the Make-Whole Acquisition Stock Price is less than \$6.00 per share (subject to adjustment pursuant to Subdivision 14(j)), no Additional Shares will be issued upon conversion of the Series B Preferred Stock; and

(D) if the Make-Whole Acquisition Effective Date is after the fifth anniversary of the Issue Date, then the number of Additional Shares will be determined by reference to the last row in the table.

The Make-Whole Acquisition Stock Prices set forth in the table above shall be adjusted pursuant to Subdivision 14(j) as of any date the Conversion Rate is adjusted. The adjusted Make-Whole Acquisition Stock Prices will equal the Make-Whole Acquisition Stock Prices applicable immediately prior to such adjustment multiplied by a fraction, the numerator of which is the Conversion Rate immediately prior to the adjustment and the denominator of which is the Conversion Rate as so adjusted. Each of the number of Additional Shares in the table shall also be subject to adjustment in the same manner as the Conversion Rate pursuant to Subdivision 14(j).

(iii) On or before the 20th calendar day prior to the date the Corporation anticipates the Make-Whole Acquisition being consummated or within two Business Days of becoming aware of a Make-Whole Acquisition of the type set forth in clause (i) of the definition of Make-Whole Acquisition, a written notice shall be sent by or on behalf of the Corporation, by first-class mail, postage prepaid, to the Holder(s) as they appear in the records of the Corporation. Such notice shall contain:

(A) the date as of which the Make-Whole Acquisition is anticipated to be effective or the Make-Whole Acquisition Effective Date, as applicable; and

(B) the date by which a Make-Whole Acquisition conversion pursuant to this Subdivision 14(l) must be exercised.

(iv) On the Make-Whole Acquisition Effective Date or as soon as practicable thereafter, another written notice shall be sent by or on behalf of the Corporation, by first-class mail, postage prepaid, to the Holder(s) as they appear in the records of the Corporation. Such notice shall contain:

(A) the date that shall be 30 calendar days after the Make-Whole Acquisition Effective Date;

(B) the number of Additional Shares;

(C) the amount of cash, securities and other consideration receivable by a Holder upon conversion; and

(D) the instructions a Holder must follow to exercise its Make-Whole Acquisition conversion right pursuant to this Subdivision 14(l).

(v) To exercise its Make-Whole Acquisition conversion right pursuant to this Subdivision 14(l), a Holder must, no later than 5:00 p.m., New York City time, on or before the date specified in the notice sent pursuant to Subdivision 14(l)(iv), comply with the procedures set forth in Subdivision 14(i), and indicate that it is exercising its Make-Whole Acquisition conversion right pursuant to this Subdivision 14(l).

(vi) If a Holder does not elect to exercise its Make-Whole Acquisition conversion right pursuant to this Subdivision 14(l), the shares of Series B Preferred Stock or successor security held by it shall remain outstanding (unless otherwise converted as provided herein), but the Holder will not be eligible to receive Additional Shares.

(vii) Upon a Make-Whole Acquisition conversion, the Conversion Agent shall, except as otherwise provided in the instructions provided by the Holder thereof in the written notice provided to the Corporation or its successor as set forth in Subdivision 14(l)(v), deliver to the Holder such cash, securities or other property as are issuable with respect to the shares of Series B Preferred Stock converted.

(viii) In the event that a Make-Whole Acquisition conversion is effected with respect to shares of Series B Preferred Stock or a successor security representing less than all the shares of Series B Preferred Stock or a successor security held by a Holder, upon such Make-Whole Acquisition conversion, the Corporation or its successor shall execute and the Registrar shall, unless otherwise instructed in writing, countersign and deliver to the Holder thereof, at the expense of the Corporation or its successors, a certificate evidencing the shares of Series B Preferred Stock or such successor security held by the Holder as to which a Make-Whole Acquisition conversion was not effected.

(m) *Holder's Redemption Right Upon a Fundamental Change.*

(i) Upon the occurrence of a Fundamental Change, each Holder shall have the option, during the period commencing on the date the applicable Fundamental Change Notice (as defined below) is mailed to Holders of the Series B Preferred Stock and ending at the Close of Business on the 45th Business Day thereafter (the "Fundamental Change Redemption Date"), to require the Corporation to redeem all, or any portion, of such Holder's shares of Series B Preferred Stock at the redemption price per share equal to the Liquidation Preference per share of Series B Preferred Stock plus an amount equal to any accrued and unpaid dividends on the shares of Series B Preferred Stock so redeemed to, but not including, the Fundamental Change Redemption Date (the "Fundamental Change Redemption Price").

(ii) Within 30 days following a Fundamental Change, the Corporation shall mail to each Holder of shares of the Series B Preferred Stock a notice (the "Fundamental Change Notice") setting forth the details of the Fundamental Change and the special redemption rights occasioned thereby. In addition to any information required by law or by the applicable rules of any exchange upon which the Series B Preferred Stock may be listed or admitted to trading, such notice shall state: (a) the Fundamental Change Redemption Date; (b) the Fundamental Change Redemption Price; (c) the place or places where certificates for shares may be surrendered for payment of the Fundamental Change Redemption Price, including any procedures applicable to redemption to be accomplished through book-entry transfers; (d) the procedures that the Holder of Series B Preferred Stock must follow to exercise such Holder's rights under this Subdivision 14(m); and (e) that dividends on the shares tendered for redemption will cease to accumulate on the Fundamental Change Redemption Date.

(iii) To exercise such Holder's special redemption right under this Subdivision 14(m), a Holder must (a) surrender the certificate or certificates evidencing the shares of Series B Preferred Stock to be redeemed, duly endorsed in a form satisfactory to the Corporation, at the office of the Corporation and (b) notify the Corporation at such office that such Holder elects to exercise such Holder's fundamental change redemption rights and the number of shares such Holder wishes to have redeemed. In the event that a Holder fails to notify the Corporation of the number of shares of Series B Preferred Stock which such Holder wishes to have redeemed, such Holder shall be deemed to have elected to have redeemed all shares represented by the certificate or certificates surrendered for redemption.

(iv) Exercise by a Holder of such Holder's special redemption right following a Fundamental Change is irrevocable, except that a Holder may withdraw its election to exercise such Holder's special redemption right at any time on or before the Fundamental Change Redemption Date by delivering a written or facsimile transmission notice to the Corporation at the address or facsimile number specified in the Fundamental Change Notice. Such notice, to be effective, must be received by the Corporation prior to the close of business on the Fundamental Change Redemption Date. All shares of Series B Preferred Stock tendered for redemption pursuant to the Holder's fundamental change redemption rights as described herein and not withdrawn shall be redeemed at or prior to the Close of Business on the Fundamental Change Redemption Date. From and after the Fundamental Change Redemption Date, unless the Corporation defaults in payment of the Fundamental Change Redemption Price, dividends on the shares of Series B Preferred Stock tendered for redemption

shall cease to accumulate, and said shares shall no longer be deemed to be outstanding and shall not have the status of shares of Series B Preferred Stock, and all rights of Holders thereof as shareholders of the Corporation (except the right to receive from the Company the Fundamental Change Redemption Price) shall cease. As soon as practical after the Fundamental Change Redemption Date, the Corporation shall deliver a new certificate representing the unredeemed portion, if any, of the shares of Series B Preferred Stock represented by the certificate or certificates surrendered for redemption.

(n) *Voting Rights.*

(i) Unless the consent of the Holder(s) of a greater number of shares shall then be required by law and except as provided in Subdivisions 14(n)(ii), 14(n)(iii) and 14(n)(iv), the consent of the Holder(s) of at least two-thirds of the shares of Series B 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 Series B Preferred Stock shall vote separately as a class, shall be necessary to permit, effect or validate any one or more of the following:

(A) The authorization of, or any increase in the authorized amount of, any class of stock ranking prior to the Series B Preferred Stock;

(B) The amendment, alteration or repeal of any of the provisions of the Certificate of Incorporation, or of the By-Laws of the Corporation (whether, directly or indirectly, by merger, consolidation or otherwise) which would affect adversely any right, preference, privilege or voting power of the Series B Preferred Stock or of the Holder(s) thereof; and

(C) 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 of the property or business of the Corporation, or the consolidation, merger or other business combination of the Corporation with or into any other Person, except any such sale, lease or conveyance (other than by mortgage) of all or substantially all of the property or business of the Corporation or consolidation or merger or other business combination wherein none of the rights, preferences, privileges or voting powers of the Series B Preferred Stock or the Holder(s) thereof are adversely affected.

(ii) The Holder(s) shall have no voting rights with respect to any consolidation, merger or other business combination of the Corporation with or into any other Person if:

(A) to the extent the Corporation is not the surviving Person in such transaction, the Holder(s) will receive the stock of the Person surviving such transaction and such stock shall have voting powers, preferences and relative, participating, optional or other special rights as nearly equal as possible to those provided in this Certificate of Incorporation; and

(B) upon conversion of the Series B Preferred Stock or the stock of the Person surviving such transaction issued in accordance with Subdivision 14(k)(v), the Holder(s) will receive Exchange Property in accordance with Subdivision 14(k).

(iii) The Holder(s) shall have no voting rights with respect to any sale, lease or conveyance (other than by mortgage) of all or substantially all of the property or business of the Corporation if:

(A) to the extent the Corporation is not the surviving Person in such transaction, the Holder(s) will receive the stock of the Person to whom all or substantially all of the property or business of the Corporation is sold, leased or conveyed and such stock shall have voting powers, preferences and relative, participating, optional or other special rights as nearly equal as possible to those provided in this Certificate of Incorporation; and

(B) upon conversion of the Series B Preferred Stock or the stock of the Person to whom all or substantially all of the property or business of the Corporation is sold, leased or conveyed issued in accordance with Subdivision 14(k)(v), the Holder(s) will receive Exchange Property in accordance with Subdivision 14(k).

(iv) The Holder(s) shall not have any voting rights if, at or prior to the effective time of the act with respect to which such vote would otherwise be required, all outstanding shares of Series B Preferred Stock shall have been converted into shares of Common Stock.

(v) The last paragraph of Subdivision 6 of Article FOURTH of the Certificate of Incorporation shall not be applicable to the Series B Preferred Stock.

(vi) The Holder(s) will have the right to appoint two members of the Board of Directors in accordance with Subdivision 7 of Article FOURTH of the Certificate of Incorporation.

(o) *Transfer; Optional Redemption by the Corporation Upon Transfer.*

(i) The Transfer of the Series B Preferred Stock by the Holder(s) thereof shall not be restricted other than pursuant to the requirements of applicable law; *provided, however*, that, with respect to any such Transfer of shares of Series B Preferred Stock, the shares so Transferred must have an aggregate Liquidation Preference of at least \$1 million and, if applicable, any shares owned by the Holder effecting such Transfer following such Transfer must have an aggregate Liquidation Preference of at least \$1 million.

(ii) Upon a Transfer of the Series B Preferred Stock pursuant to Subdivision 14(o)(i) to a Person other than a Permitted Transferee, the Corporation shall have the right, at its option, to redeem, in part or in whole, such Transferred shares of Series B Preferred Stock (the "Optional Redemption Transferred Shares") at any time on or following the fifth anniversary of the date of such Transfer at a redemption price per share of Series B Preferred Stock equal to the then Fair Market Value of such Optional Redemption Transferred Shares and an amount equal to any accrued and unpaid dividends on such Optional Redemption Transferred Shares to, but not including, the Optional Redemption Date.

(A) If the Corporation exercises its optional redemption right to redeem the Optional Redemption Transferred Shares pursuant to Subdivision 14(o)(ii), a written notice (the "Optional Redemption Notice") shall be sent by or on behalf of the Corporation, by first-class mail, postage prepaid, to the Holder(s) of such Optional Redemption Transferred Shares, which shall contain the number of Optional Redemption Transferred Shares, the name of the nationally recognized independent investment banking firm selected by the Corporation to determine the Fair Market Value of the Optional Redemption Transferred Shares to be redeemed, the Fair Market Value of the Optional Redemption Transferred Shares (on a per share and aggregate basis) and such other information required by applicable law.

(B) The date of the redemption of the Optional Redemption Transferred Shares shall be a date selected by the Corporation that is not less than 30 calendar days and not more than 60 calendar days after the date on which the Corporation provides Optional Redemption Notice (the "Optional Redemption Date").

(C) If, on or before the Optional Redemption Date specified in the Optional Redemption Notice, the Corporation has set aside all funds necessary for such redemption, separate and apart from its other funds, in trust for the pro rata benefit of the Holder(s) of the Optional Redemption Transferred Shares so called for redemption, so as to be and continue to be available therefor, then, notwithstanding that any certificate for the Optional Redemption Transferred Shares so called for redemption shall not have been surrendered for cancellation, all the Optional Redemption Transferred Shares so called for redemption shall no longer be deemed outstanding on and after such Optional Redemption Date, and the right to receive dividends thereon and all other rights with respect to such shares shall forthwith on such Optional Redemption Date cease and terminate, except only the right of the Holder(s) thereof to receive the amount payable on redemption thereof without interest.

(iii) A Holder effecting a Transfer pursuant to this Subdivision 14(o) must notify the Registrar of the Transfer on the date of the Transfer. Any purported Transfer of shares of Series B Preferred Stock not in accordance with this Subdivision 14(o) shall be void and have no effect; *provided, however*, that the failure to notify the Registrar of any Transfer shall not cause such Transfer to be void and of no effect.

(p) *Reservation of Common Stock.*

(i) The Corporation has reserved and shall continue at all times to reserve and keep available out of its authorized and unissued Common Stock or shares acquired by the Corporation, solely for issuance upon the conversion of shares of Series B Preferred Stock as provided in this Subdivision 14, free from any preemptive or other similar rights, such number of shares of Common Stock as shall from time to time be issuable upon the conversion of all the shares of Series B Preferred Stock then outstanding. The Corporation shall take all such corporate and other actions as from time to time may be necessary to ensure that all shares of Common Stock issuable upon conversion of shares of Series B Preferred Stock at the Conversion Rate in effect from time to time will, upon issue, be duly and validly authorized and issued, fully paid and nonassessable and free of any preemptive or similar rights. For purposes of this Subdivision 14(p), the number of

shares of Common Stock that shall be deliverable upon the conversion of all outstanding shares of Series B Preferred Stock shall be computed as if at the time of computation all such outstanding shares were held by a single Holder.

(ii) Notwithstanding the foregoing, the Corporation shall be entitled to deliver upon conversion of shares of Series B Preferred Stock, as herein provided, shares of Common Stock acquired by the Corporation (in lieu of the issuance of authorized and unissued shares of Common Stock), so long as (x) any such acquired shares are free and clear of all liens, charges, security interests or encumbrances (other than liens, charges, security interests and other encumbrances created by the Holders) and (y) all such acquired shares have all the same attributes as any other share of Common Stock then outstanding, including without limitation any rights that may then be attached to all or substantially all of the Common Stock then outstanding pursuant to any stockholders' rights plan or similar arrangement.

(iii) All shares of Common Stock delivered upon conversion of the Series B Preferred Stock shall be duly authorized, validly issued, fully paid and non-assessable, free and clear of all liens, claims, security interests and other encumbrances (other than liens, charges, security interests and other encumbrances created by the Holder(s)).

(iv) Prior to the delivery of any securities that the Corporation shall be obligated to deliver upon conversion of the Series B Preferred Stock, the Corporation shall use its reasonable 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.

(v) The Corporation hereby covenants and agrees that, if at any time the Common Stock shall be listed on the New York Stock Exchange or any other national securities exchange or automated quotation system, the Corporation will, if permitted by the rules of such exchange or automated quotation system, list and keep listed, so long as the Common Stock shall be so listed on such exchange or automated quotation system, all the Common Stock issuable upon conversion of the Series B Preferred Stock.

(q) *Replacement Certificates.* The Corporation shall replace any mutilated Series B Preferred Stock certificate at the Holder's expense upon surrender of that certificate to the Corporation. The Corporation shall replace certificates that become destroyed, stolen or lost at the Holder's expense upon delivery to the Corporation of satisfactory evidence that the certificate has been destroyed, stolen or lost, together with any indemnity that may reasonably be required by the Corporation.

(r) *Miscellaneous.*

(i) All notices referred to herein shall be in writing, and, unless otherwise specified herein, all notices hereunder shall be deemed to have been given upon the earlier of receipt thereof or three Business Days after the mailing thereof if sent by registered or certified mail with postage prepaid, addressed: (x) if to the Corporation, to its office at P.O. Box 4505, 45 Glover Avenue, Norwalk, CT 06856, Attention: General Counsel, or (y) if to any Holder, to such Holder at the address of such Holder as listed in the stock record books of the Corporation or (z) to such other address as the Corporation or any such Holder, as the case may be, shall have designated by notice similarly given.

(ii) No Holder of Series B Preferred Stock shall be entitled as such, as a matter of right, to subscribe for or purchase any part of any new or additional issue of stock of any class whatsoever, or of any obligations or other securities convertible into, or exchangeable for, any stock of any class whatsoever, whether now or hereafter authorized and whether issued for cash or other consideration or by way of dividend.

(iii) The shares of Series B Preferred Stock shall not have any voting powers, preferences or relative, participating, optional or other special rights, or qualifications, limitations or restrictions thereof, other than as set forth herein or in the Certificate of Incorporation or as provided by applicable law."

FIFTH: The Secretary of State of the State of New York is hereby designated as the agent of the Corporation upon whom process in any action or proceeding against it may be served. The post office address to which the Secretary of State shall mail a copy of any process against it served on him is:

XEROX CORPORATION
45 Glover Avenue
P. O. Box 4505
Norwalk, CT 06856-4505
Attention: General Counsel

SIXTH: Its duration is to be perpetual.

SEVENTH: The number of directors shall be not less than five (5) nor more than twenty-one (21) as determined in the manner prescribed by the By-Laws.

Unless the election is contested, each director shall be elected by the affirmative vote of a majority of the votes cast for or against the director at any meeting for the election of directors at which a quorum is present. In a contested election, directors shall be elected by a plurality of the votes cast at a meeting of shareholders by the holders of shares entitled to vote in the election. An election shall be considered contested if as of the record date there are more nominees for election than positions on the board of directors to be filled by election at the meeting.

EIGHTH: The Corporation may purchase, acquire, hold and dispose of the stocks, bonds and other evidences of indebtedness of any corporation, domestic or foreign, and may issue in exchange therefor, its stock, bonds or other obligations.

NINTH: A person who is or was a director of the Corporation shall not be personally liable to the Corporation or its shareholders for damages for any breach of duty in such capacity, except to the extent that the Business Corporation Law of the State of New York as in effect from time to time expressly provides that the foregoing provisions shall not eliminate or limit such personal liability. Nothing in this Article shall directly or indirectly increase the liability of any such person based upon acts or omissions occurring before the adoption hereof. No amendment, modification or repeal of this Article shall adversely affect any right or protection of any director that exists at the time of such change.

As amended and restated June 30, 2017 to reflect share adjustments made in connection with (i) the December 2016 separation of the Company into two publicly-traded companies and (ii) the June 2017 reverse stock split of the Company's Common Stock.

XEROX CORPORATION
2004 PERFORMANCE INCENTIVE PLAN
June 30, 2017 AMENDMENT AND RESTATEMENT

1. Purpose

The purpose of the Xerox Corporation 2004 Performance Incentive Plan as set forth herein or in any amendments hereto (the "2004 Plan" or the "Plan") is to advance the interests of Xerox Corporation (the "Company") and to increase shareholder value by providing officers and employees of the Company, its subsidiaries and its Affiliates (as hereinafter defined) with a proprietary interest in the growth and performance of the Company and with incentives for current or future service with the Company, its subsidiaries and Affiliates. The Plan is a successor plan to (i) the Xerox Corporation 1991 Long-Term Incentive Plan, (ii) the Xerox Corporation 1998 Employee Stock Option Plan, (iii) the Xerox Executive Performance Incentive Insurance Plan, (iv) the Xerox Mexicana, S.A. de C.V. Executive Rights Plan and (v) the Xerox Canada Inc. Executive Rights Plan, any or all of which may be referred to as a "Predecessor Plan".

2. Effective Date and Term

The Plan shall be effective as of May 20, 2004 (the "Effective Date"), subject to the approval of the Company's shareholders at the 2004 annual meeting. Subject to the approval of the Company's shareholders at the 2016 meeting, no awards or grants can be made after December 31, 2021, unless terminated sooner pursuant to Section 13 by the Company's Board of Directors (the "Board"). Effective May 20, 2004, no further awards were made under a Predecessor Plan, but outstanding awards under any Predecessor Plan remained outstanding in accordance with their applicable terms and conditions. This Amendment and Restatement shall be effective as of the date hereof and dates set forth herein.

3. Plan Administration

(a) The independent Compensation Committee of the Board, or such other independent committee as the Board shall determine, comprised of not less than three members, shall be responsible for administering the Plan (the "Compensation Committee"). To the extent specified by the Compensation Committee, it may delegate its administrative responsibilities to a subcommittee of the Compensation Committee comprised of not less than three members (the Compensation Committee, such subcommittee, and any individual to whom powers are delegated pursuant to subsection (c), being hereinafter referred to as the "Committee"). The Committee shall be qualified to administer the Plan as contemplated by (i) Rule 16b-3 under the Securities Exchange Act of 1934 (the "1934 Act") or any successor rule, (ii) Section 162(m) of the Internal Revenue Code of 1986, as amended (the "Code"), and the regulations thereunder, and (iii) any rules and regulations of a stock exchange on which Common Stock (as defined in Section 5) of the Company is listed.

(b) The Committee shall have full and exclusive power to interpret, construe and implement the Plan and any rules, regulations, guidelines or agreements adopted hereunder and to adopt such rules, regulations

and guidelines for carrying out the Plan as it may deem necessary or proper. These powers shall include, but not be limited to, (i) determination of the type or types of awards to be granted under the Plan; (ii) determination of the terms and conditions of any awards under the Plan; (iii) determination of whether, to what extent and under what circumstances awards may be settled, paid or exercised in cash, shares, other securities, or other awards, or other property, or cancelled, forfeited or suspended; (iv) adoption of such modifications, amendments, procedures, subplans and the like as are necessary to enable participants employed in other countries in which the Company may operate to receive advantages and benefits under the Plan consistent with the laws of such countries, and consistent with the rules of the Plan; (v) subject to the rights of participants, modification, change, amendment or cancellation of any award to correct an administrative error and (vi) taking any other action the Committee deems necessary or desirable for the administration of the Plan. All determinations, interpretations, and other decisions under or with respect to the Plan or any award by the Committee shall be final, conclusive and binding upon the Company, any participant, any holder or beneficiary of any award under the Plan and any employee of the Company.

(c) Except for the power to amend the Plan as provided in Section 13 and except for determinations regarding employees who are subject to Section 16 of the 1934 Act or certain key employees who are, or may become, as determined by the Committee, subject to the Code Section 162(m) compensation deductibility limit (the "Covered Employees"), and except as may otherwise be required under applicable New York Stock Exchange rules, the Committee may delegate any or all of its duties, powers and authority under the Plan pursuant to such conditions or limitations as the Committee may establish to any officer or officers of the Company. The term "Committee" herein shall include any individual exercising powers to the extent delegated pursuant to the preceding sentence.

4. Eligibility

Any employee of the Company shall be eligible to receive an award under the Plan. For purposes of this Section 4, "Company" shall include any entity that is directly or indirectly controlled by the Company or any entity in which the Company has a significant equity interest, as determined by the Committee ("Affiliate"). If a participant who is an employee or former employee of the Company is determined, such determination made prior to a Change in Control, not to have satisfied any of the conditions set forth in the Award Agreement, the awards granted shall be cancelled as set forth in the Award Agreement. If a participant who is an employee or former employee of the Company is deemed by the Committee, in the Committee's sole discretion exercised prior to a Change in Control, to have engaged in detrimental activity against the Company, any awards granted to such employee or former employee on or after January 1, 2006, whether or not Nonforfeitable as hereinafter defined, shall be canceled and be of no further force or effect and any payment or delivery of an award from six months prior to such detrimental activity may be rescinded. In the event of any such rescission, the participant shall pay to the Company the amount of any gain realized or payment received as a result of the rescinded exercise, payment or delivery, in such manner and on such terms and conditions as may be required by the Committee. If an accounting restatement is required to correct any material non-compliance with financial reporting requirements under relevant securities laws, the Company may recover any excess incentive-based compensation (in excess of what would have been paid under the accounting restatement), as provided in Section 7(f) hereof.

5. Shares of Stock Subject to the Plan

(a) A total number of approximately 19 million (18,996,203), which, as of December 31, 2015, would be a total number of approximately 13.6 million (13,592,111) shares of common stock, par value \$1.00 per share, of the Company ("Common Stock") are available for issuance under the Plan. Any shares available for grant under any Predecessor Plan on the Effective Date not subject to outstanding awards shall be

available for issuance under the Plan. In addition, any shares underlying awards outstanding on May 20, 2004 under any Predecessor Plan that are cancelled, are forfeited, or lapse shall become available for issuance under the Plan.

(b) For purposes of the preceding paragraph, the following shall not be counted against shares available for issuance under the Plan: (i) payment of stock appreciation rights ("SAR") in cash or any form other than shares and (ii) payment in shares of dividends and dividend equivalents in conjunction with outstanding awards. Any shares that are issued by the Company, and any awards that are granted by, or become obligations of, the Company, through the assumption by the Company or an affiliate of, or in substitution for, outstanding awards previously granted by an acquired company shall not be counted against the shares available for issuance under the Plan.

(c) In determining shares available for issuance under the Plan, any awards granted under the Plan that are cancelled, are forfeited, or lapse shall become eligible again for issuance under the Plan. In addition, shares withheld to pay taxes pursuant to Section 14, but not sold, and shares tendered to exercise stock options, shall be treated as shares again eligible for issuance under the Plan.

(d) Except as subject to adjustment as provided in Section 6, from the Effective Date through May 19, 2010, there were no more than (i) 3.3 million (3,275,207) shares of Common Stock available for issuance pursuant to the exercise of incentive stock options ("ISOs") awarded under the Plan; and (ii) 4.9 million (4,912,811) shares of Common Stock made the subject of awards under any combination of awards under Sections 7(b), 7(c) or 7(d) of the Plan to any single individual, of which no more than 3.3 million (3,275,207) were shares of restricted stock. SARs whether paid in cash or shares of Common Stock were counted against the limit set forth in (ii) above.

From May 20, 2010 through December 31, 2021, except as subject to adjustment as provided in Section 6, no more than (i) 3.3 million (3,275,207) shares of Common Stock shall be available for issuance pursuant to the exercise of incentive stock options ("ISOs") awarded under the Plan; and (ii) 7.2 million (7,205,456) shares of Common Stock be made the subject of awards under any combination of awards under Sections 7(b), 7(c) or 7(d) of the Plan to any single individual, of which no more than 4.3 million (4,257,769) may be shares of restricted stock. SARs whether paid in cash or shares of Common Stock shall be counted against the limit set forth in (ii) above.

(e) Any shares issued under the Plan may consist in whole or in part, of authorized and unissued shares or of treasury shares and no fractional shares shall be issued under the Plan. Cash may be paid in lieu of any fractional shares in payment of awards under the Plan.

6. Adjustments and Reorganizations

(a) If the Company shall at any time change the number of issued shares without new consideration to the Company (such as by stock dividend, stock split, recapitalization, reorganization, exchange of shares, liquidation, combination or other change in corporate structure affecting the shares) or make a distribution of cash or property which has a substantial impact on the value of issued shares (other than by normal cash dividends), such change shall be made with respect to (i) the aggregate number of shares that may be issued under the Plan; (ii) the number of shares subject to awards of a specified type or to any individual under the Plan; and/or (iii) the price per share for any outstanding stock options, SARs and other awards under the Plan.

(b) Except as otherwise provided in subsection 6(a) above, notwithstanding any other provision of the Plan, and without affecting the number of shares reserved or available hereunder, the Committee shall

authorize the issuance, continuation or assumption of outstanding stock options, SARs and other awards under the Plan or provide for other equitable adjustments after changes in the shares resulting from any merger, consolidation, sale of all or substantially all assets, acquisition of property or stock, recapitalization, reorganization or similar occurrence in which the Company is the continuing or surviving corporation, upon such terms and conditions as it may deem necessary to preserve the rights of the holders of awards under the Plan.

(c) In the case of any sale of all or substantially all assets, merger, consolidation or combination of the Company with or into another corporation other than a transaction in which the Company is the continuing or surviving corporation and which does not result in the outstanding shares being converted into or exchanged for different securities, cash or other property, or any combination thereof (an "Acquisition"), any individual holding an outstanding award under the Plan, including any Optionee who holds an outstanding Option, shall have the right (subject to the provisions of the Plan and any limitation applicable to the award) thereafter, and for Optionees during the term of the Option upon the exercise thereof, to receive the Acquisition Consideration (as defined below) receivable upon the Acquisition by a holder of the number of applicable shares which would have been obtained upon exercise of the Option or portion thereof or obtained pursuant to the terms of the applicable award, as the case may be, immediately prior to the Acquisition. The term "Acquisition Consideration" shall mean the kind and amount of shares of the surviving or new corporation, cash, securities, evidence of indebtedness, other property or any combination thereof receivable in respect of one share of the Company upon consummation of an Acquisition.

(d) No adjustment or modification to any outstanding award pursuant to this Section 6 shall cause such award to be treated as the grant of a new stock right or a change in the form of payment of the existing stock right for purposes of Code Section 409A, as set forth in Treasury guidance.

7. Awards

(a) The Committee shall determine the type or types of award(s) to be made to each participant under the Plan and shall approve the terms and conditions governing such awards in accordance with Section 12. Awards may include but are not limited to those listed in this Section 7. Awards may be granted singly, in combination or in tandem so that the settlement or payment of one automatically reduces or cancels the other. Awards may also be made in combination or in tandem with, in replacement of, as alternatives to, or as the payment form for, grants or rights under any other employee or compensation plan of the Company, including the plan of any acquired entity. However, under no circumstances may stock option awards be made which provide by their terms for the automatic award of additional stock options upon the exercise of such awards, including, without limitation, "reload options".

(b) A Stock Option is a grant of a right to purchase a specified number of shares of Common Stock during a specified period. The purchase price of each option shall be not less than 100% of Fair Market Value (as defined in Section 10) on the effective date of grant. A Stock Option may be exercised in whole or in installments, which may be cumulative. A Stock Option may be in the form of an ISO which complies with Section 422 of the Internal Revenue Code of 1986, as amended, and the regulations thereunder at the time of grant. The price at which shares of Common Stock may be purchased under a Stock Option shall be paid in full at the time of the exercise in cash or such other method as provided by the Committee at the time of grant or as provided in the form of agreement approved in accordance herewith, including tendering (either constructively or by attestation) Common Stock, surrendering a stock award valued at market value at the time of surrender, surrendering a cash award, or any combination thereof. Other than pursuant to Section 6, the Committee shall not without the approval of the Company's shareholders (a) lower the exercise price per share of a Stock Option after it is granted, (b) cancel a Stock Option when the exercise price per share exceeds the Fair Market Value of one share in exchange for cash or another award (other than in connection with a Change in Control), or (c) take any other action with respect to a Stock Option that would be treated

as a repricing under the rules and regulations of the New York Stock Exchange. The Company may not repurchase a Stock Option for value (in cash, substitutions, cash buyouts or otherwise) from a Stock Option-holder if the current Fair Market Value of the shares underlying the Stock Option is lower than the exercise price per share of the Stock Option. The foregoing two sentences are collectively referred to herein as the "Repricing Prohibition".

(c) A Stock Appreciation Right ("SAR") is a right to receive a payment, in cash and/or Common Stock, as determined by the Committee, equal to the excess of the market value of a specified number of shares of Common Stock at the time the SAR is exercised over the Fair Market Value on the effective date of grant of the SAR as set forth in the applicable award agreement. Notwithstanding any provision of the Plan to the contrary, the Repricing Prohibition described above shall also apply to SARs on the same basis as it does to Stock Options.

(d) Stock Award is an award made in stock or denominated in units of stock. All or part of any Stock Award may be subject to conditions established by the Committee, and set forth in the award agreement, which may include, but are not limited to, continuous service with the Company, achievement of specific business objectives, and other measurements of individual, business unit or Company performance. A restricted stock award made pursuant to this Section 7(d) shall be subject to a vesting schedule of no less than three (3) years unless such award is performance based, in which case vesting shall be no less than one (1) year.

(e) Cash Award may be any of the following:

(i) an annual incentive award in connection with which the Committee will establish specific performance periods (not to exceed twelve months) to provide cash awards for the purpose of motivating participants to achieve goals for the performance period. An annual incentive award shall specify the minimum, target and maximum amounts of awards for a performance period for a participant or any groups of participants, and, to the extent applicable to Covered Employees, comply with the requirements of Section 23; or

(ii) a long-term award denominated in cash with the eventual payment amount subject to future service and such other restrictions and conditions as may be established by the Committee, and as set forth in the award agreement, including, but not limited to, continuous service with the Company, achievement of specific business objectives, and other measurement of individual, business unit or Company performance; or

(iii) Cash Awards under this Section 7(e) to any single Covered Employee, including dividend equivalents in cash or shares of Common Stock payable based upon attainment of specific performance goals, may not exceed in the aggregate \$10,000,000 in the case of the Chief Executive Officer and \$5,000,000 in the case of any other participant, with respect to any calendar year.

(f) The Committee shall have the discretion with respect to any award granted under the Plan to establish upon its grant conditions under which (i) the award may be later forfeited, cancelled, rescinded, suspended, withheld or otherwise limited or restricted; or (ii) gains realized by the grantee in connection with an award or an award's exercise may be recovered; provided that such conditions and their consequences are clearly set forth in the grant agreement or other grant document and fully comply with applicable laws. These conditions may include, without limitation, actions by the participant which constitute a conflict of interest with the Company, are prejudicial to the Company's interests, or are in violation of any non-compete agreement or obligation, any confidentiality agreement or obligation, the Company's applicable policies, its Code of Business Conduct and Ethics, or the participant's terms and conditions of employment.

If an accounting restatement is required to correct any material non-compliance with financial reporting requirements under relevant securities laws, the Company may recover any excess incentive-based compensation (in excess of what would have been paid under the accounting restatement), including entitlement to shares, that was based on such erroneous data and paid during the three-year period preceding the date on which the Company is required to prepare the accounting restatement, from executive officers or former executive officers. The Company may implement any policy or take any action with respect to the recovery of excess incentive-based compensation, including entitlement to shares, that the Company determines to be necessary or advisable in order to comply with the requirements of the Dodd-Frank Wall Street Financial Reform and Consumer Protection Act.

8. Dividends and Dividend Equivalents

The Committee may provide that awards denominated in stock earn dividends or dividend equivalents. Such dividend equivalents may be paid currently in cash or shares of Common Stock or may be credited to an account established by the Committee under the Plan in the name of the participant. In addition, dividends or dividend equivalents paid on outstanding awards or issued shares may be credited to such account rather than paid currently. Any crediting of dividends or dividend equivalents may be subject to such restrictions and conditions as the Committee may establish, including reinvestment in additional shares or share equivalents. Notwithstanding the above, no dividend equivalents will be paid on unearned performance-based shares.

9. Deferrals and Settlements

Payment of awards may be in the form of cash, stock, other awards, or in such combinations thereof as the Committee shall determine at the time of grant, and with such restrictions as it may impose. Except as provided in Section 24 herein, the Committee may also require or permit participants to elect to defer the issuance of shares or the payment of awards in cash under such rules and procedures as it may establish under the Plan, provided that such rules and procedures comply with the requirements of Code Section 409A, if applicable. It may also provide that deferred payments include the payment or crediting of interest on the deferral amounts or the payment or crediting of dividend equivalents on deferred payments denominated in shares.

10. Fair Market Value

Fair Market Value for all purposes under the Plan shall mean, effective February 15, 2007, the closing price of Common Stock as reported in The Wall Street Journal in the New York Stock Exchange Composite Transactions or similar successor consolidated transactions reports for the relevant date, or if no sales of Common Stock were made on said exchange on that date, the closing price of Common Stock as reported in said composite transaction report for the preceding day on which sales of Common Stock were made on said exchange. Under no circumstances shall Fair Market Value be less than the par value of the Common Stock.

11. Transferability and Exercisability

Except as otherwise provided in this Section 11, all awards under the Plan shall be nontransferable and shall not be assignable, alienable, saleable or otherwise transferable by the participant other than by will or the laws of descent and distribution except pursuant to a domestic relations order entered by a court of competent jurisdiction. Notwithstanding the preceding sentence, the Committee may provide that any award of non-qualified Stock Options may be transferable by the recipient to family members or family trusts

established by the recipient. The Committee may also provide that, in the event that a participant terminates employment with the Company to assume a position with a governmental, charitable, educational or similar non-profit institution, a third party, including but not limited to a "blind" trust, may be authorized by the Committee to act on behalf of and for the benefit of the respective participant with respect to any outstanding awards. Except as otherwise provided in this Section 11, during the life of the participant, awards under the Plan shall be exercisable only by him or her except as otherwise determined by the Committee. In addition, if so permitted by the Committee, a participant may designate a beneficiary or beneficiaries to exercise the rights of the participant and receive any distributions under the Plan upon the death of the participant.

12. Award Agreements: Notification of Award

Awards under the Plan (other than annual incentive awards described in Section 7(e)(i)) shall be evidenced by one or more agreements approved by the Committee that set forth the terms and conditions of and limitations on an award, except that in no event shall the term of any Stock Option or SAR exceed a period of ten years from the date of its grant. The Committee need not require the execution of any such agreement by a participant in which case acceptance of the award by the respective participant will constitute agreement to the terms of the award. In the case of an annual incentive cash award, the participant shall receive notification of such award in such form as the Committee may determine.

13. Plan Amendment and Termination

The Plan is established voluntarily by the Company, it is discretionary in nature and it may be modified, amended, suspended or terminated by the Company at any time in a manner consistent with the following:

(a) The Compensation Committee may amend the Plan as it deems necessary or appropriate, except that no such amendment which would cause the Plan not to comply with the requirements of (i) Code Section 162(m) with respect to performance-based compensation, (ii) the Code with respect to ISOs or (iii) the New York Business Corporation Law as in effect at the time of such amendment shall be made without the approval of the Company's shareholders. No such amendment shall adversely affect any outstanding awards under the Plan without the consent of all of the holders thereof.

(b) Notwithstanding the foregoing, an amendment that constitutes a "material revision", as defined by the rules of the New York Stock Exchange, shall be submitted to the Company's shareholders for approval. In addition, any revision that deletes or limits the scope of the provision in Section 7 prohibiting repricing of options without shareholder approval will be considered a material revision.

(c) The Board may terminate the Plan at any time. Upon termination of the Plan, no future awards may be granted, but previously-made awards shall remain outstanding in accordance with their applicable terms and conditions, and the terms of the Plan.

14. Tax Withholding

The Company shall have the right to deduct from any payment of an award made under the Plan, including the delivery or vesting of shares, an amount sufficient to cover withholding required by law for any foreign, federal, state or local taxes or to take such other action as may be necessary to satisfy any such withholding obligations. The Committee may permit shares to be used to satisfy required tax withholding and such shares shall be valued at the fair market value as of the payment date of the applicable award.

Regardless of any action the Company or employee's employer (the "Employer") takes with respect to any or all income tax, social insurance, payroll tax, payment on account or other tax-related items related

to employee's participation in the Plan and legally applicable to employee ("Tax-Related Items"), the ultimate liability for all Tax-Related Items is and remains employee's responsibility and may exceed the amount actually withheld by the Company or the Employer. The Company and/or the Employer (1) make no representations or undertakings regarding the treatment of any Tax-Related Items in connection with any aspect of awards under the Plan, including, but not limited to, the making of awards, the issuance of shares of Common Stock of awards, subsequent sale of shares of Common Stock acquired pursuant to such issuance and the receipt of any dividends or dividend equivalents; and (2) do not commit to and are under no obligation to structure the terms of the grant or any aspect of the awards to reduce or eliminate employee's liability for Tax-Related Items or achieve any particular tax result. The Company and/or the Employer, or their respective agents, at their discretion, are authorized to satisfy the obligations with regard to all Tax-Related Items by one or a combination of the following: (1) withholding from employee's wages or other cash compensation paid to employee by the Company and/or the Employer; or (2) withholding from the proceeds of the sale of shares of Common Stock acquired upon vesting/settlement of the awards through option exercise either through a voluntary sale or through a mandatory sale arranged by the Company (on employee's behalf pursuant to this authorization); or (3) withholding in shares of Common Stock to be issued upon vesting/settlement of the awards and option exercises.

Employee shall pay to the Company or the Employer any amount of Tax-Related Items that the Company or the Employer may be required to withhold or account for as a result of employee's participation in the Plan that cannot be satisfied by the means previously described. The Company may refuse to issue or deliver the shares or the proceeds of the sale of shares of Common Stock if employee fails to comply with employee's obligations in connection with the Tax-Related Items.

15. Other Company Benefit and Compensation Programs

Unless otherwise determined by the Committee, payments of awards received by participants under the Plan shall not be deemed a part of a participant's regular, recurring compensation for purposes of calculating payments or benefits from any Company benefit plan, severance program or severance pay law of any country.

16. Unfunded Plan

Unless otherwise determined by the Committee, the Plan shall be unfunded and shall not create (or be construed to create) a trust or a separate fund or funds. The Plan shall not establish any fiduciary relationship between the Company and any participant or other person. To the extent any person holds any rights by virtue of a grant awarded under the Plan, such right (unless otherwise determined by the Committee) shall be no greater than the right of an unsecured general creditor of the Company.

17. Future Rights

No person shall have any claim or right to be granted an award under the Plan, and no participant shall have any right by reason of the grant of any award under the Plan to continued employment by the Company or any subsidiary of the Company. The Plan is established voluntarily by the Company, it is discretionary in nature and it may be modified, amended, suspended or terminated by the Company at any time. Awards hereunder are voluntary and occasional and do not create any contractual or other right to receive future awards, or benefits in lieu of awards, even if awards have been granted repeatedly in the past. All decisions with respect to future awards under the Plan, if any, will be at the sole discretion of the Committee.

18. General Restriction

Each award shall be subject to the requirement that, if at any time the Committee shall determine, in its sole discretion, that the listing, registration or qualification of any award under the Plan upon any securities exchange or under any state or federal law, or the consent or approval of any government regulatory body, is necessary or desirable as a condition of, or in connection with, the granting of such award or the exercise payment thereof, such award may not be granted, exercised or paid in whole or in part unless such listing, registration, qualification, consent or approval shall have been effected or obtained free of any conditions not acceptable to the Committee.

19. Governing Law

The validity, construction and effect of the Plan and any actions taken or relating to the Plan shall be determined in accordance with the laws of the state of New York and applicable Federal law.

Grants provided hereunder are made and/or administered in the United States. Any litigation that arises under the Plan shall be conducted in the courts of Monroe County, New York, or the federal courts for the United States for the Western District of New York.

20. Successors and Assigns

The Plan shall be binding on all successors and permitted assigns of a participant, including, without limitation, the estate of such participant and the executor, administrator or trustee of such estate, or any receiver or trustee in bankruptcy or representative of such participant's creditors.

21. Rights as a Shareholder

A participant shall have no rights as a shareholder until he or she becomes the holder of record of Common Stock.

22. Change in Control

Notwithstanding anything to the contrary in the Plan, the following shall apply to all awards granted and outstanding under the Plan:

(a) Definitions. Unless otherwise defined by the Compensation Committee and set forth in the award agreement at the time of the grant, the following definitions shall apply to this Section 22:

(i) A "Change in Control" shall be deemed to have occurred if:

(aa) any "Person" is or becomes a "beneficial owner" (as defined in Rule 13d-3 under the Exchange Act), directly or indirectly, of securities of the Company (not including in the securities beneficially owned by such Person any securities acquired directly from the Company or its affiliates) representing 20% or more of the combined voting power of the Company's then outstanding securities;

(bb) the following individuals (referred to herein as the "Incumbent Board") cease for any reason to constitute a majority of the directors then serving: (1) individuals who, as of the date hereof, constitute the Board, and (2) any new director (other than a director whose initial assumption of office is in connection with an actual or threatened election contest, including but not limited to a consent solicitation, relating to the election of directors of the Company) whose appointment or election by the Board or nomination for election by the Company's shareholders was approved or recommended by a vote of at least two-thirds of the directors then still in office who were directors on the date hereof or whose appointment, election or nomination for election was previously so approved or recommended;

(cc) there is consummated a merger or consolidation of the Company or any direct or indirect subsidiary of the Company with any other corporation, other than (1) a merger or consolidation which results in the directors of the Company who were members of the Incumbent Board immediately before such merger or consolidation continuing to constitute at least a majority of the board of directors of the Company, the surviving entity or any parent thereof, or (2) a merger or consolidation effected to implement a recapitalization of the Company (or similar transaction) in which no Person is or becomes the beneficial owner, directly or indirectly, of securities of the Company (not including in the securities beneficially owned by such Person any securities acquired directly from the Company or its affiliates) representing 20% or more of the combined voting power of the Company's then outstanding voting securities; or

(dd) the shareholders of the Company approve a plan of complete liquidation or dissolution of the Company, or there is consummated an agreement for the sale or disposition by the Company of all or substantially all of the Company's assets, other than a sale or disposition by the Company of all or substantially all of the Company's assets to an entity, at least 50% of the combined voting power of the voting securities of which are owned by stockholders of the Company in substantially the same proportions as their ownership of the Company immediately before such sale. For purposes of this definition of Change in Control, Person shall have the meaning given in Section 3(a)(9) of the 1934 Act, as modified and used in Section 13(d) and 14(d) of the 1934 Act, except that such term shall not include Excluded Persons. "Excluded Persons" shall mean (1) the Company and its subsidiaries, (2) any trustee or other fiduciary holding securities under an employee benefit plan of the Company or any subsidiary of the Company, (3) any company owned, directly or indirectly, by the shareholders of the Company in substantially the same proportions as their ownership of stock of the Company, (4) any person who becomes a beneficial owner in connection with a transaction described in sub clause (1) of clause (cc) above, (5) an underwriter temporarily holding securities of the Company pursuant to an offering of such securities, or (6) an individual, entity or group who is permitted to, and actually does, report its beneficial ownership on Schedule 13G (or any successor Schedule), provided that if any Excluded Person described in this clause (6) subsequently becomes required to or does report its beneficial ownership on Schedule 13D (or any successor Schedule), then, for purposes of this definition, such individual, entity or group shall no longer be considered an Excluded Person and shall be deemed to have first acquired beneficial ownership of securities of the Company on the first date on which such individual, entity or group becomes required to or does so report on such Schedule.

(ii) "CIC Price" shall mean either (1) the highest price paid for a share of the Company's Common Stock in the transaction or series of transactions pursuant to which a Change in Control of the Company shall have occurred, or (2) if the Change in Control occurs without such a transaction or series of transactions, the closing price for a share of the Company's Common Stock on the date immediately preceding the date upon which the event constituting a Change in Control shall have occurred as reported in The Wall Street Journal in the New York Stock Exchange Composite Transactions or similar successor consolidated transactions reports.

(iii) An award is "Nonforfeitable" in whole or in part to the extent that, under the terms of the Plan or the award agreement or summary under the Plan, (aa) the award is vested in whole or part, or (bb) an entitlement to present or future payment of such award in whole or part has otherwise arisen.

(iv) A "Key Employee" is identified in the following manner: There shall be identified every employee who, at any time during a 12-month period ending December 31, is one of the 50 highest paid officers

of the Company (or any member of its controlled group, as defined by Code Section 414(b)) having compensation in excess of the amount specified in Code Section 416(i)(1)(A) as indexed by Treasury guidance. Every individual so identified for any period ending December 31 is a Key Employee for the 12-month period beginning on the first April 1 following such December 31, and ending on the next March 31.

(v) A "Section 409A-Conforming Change in Control" is a Change in Control that conforms to the definition under Code Section 409A of a change in ownership or effective control of the Company, or in the ownership of a substantial portion of the assets of the Company, as such definition is set forth in Treasury guidance.

(vi) A "Termination for Good Reason" by a participant shall mean the termination of employment of a participant within two years of the occurrence of any of the following circumstances, provided that (1) such circumstance occurs without the participant's express written consent after a Change in Control, and (2) the participant gives the Company notice of the occurrence of the offending circumstance(s) within 90 days of the first occurrence of the circumstance(s), and the Company fails to cure the circumstance(s) within 30 days of receipt of this notice (or the Company notifies participant in writing prior to the expiration of such 30-day period that the circumstance(s) will not be cured):

(aa) The material diminution of the participant's authority, duties, or responsibilities from those in effect immediately prior to a Change in Control of the Company;

(bb) Any of the following: (1) A material reduction in a participant's annual base salary and/or annual target bonus, (2) a failure by the Company to increase a participant's annual base salary following a Change in Control at such periodic intervals not materially inconsistent with the Company's practice prior thereto by at least a percentage equal to the average of the percentage increases in a participant's base salary for the three merit pay periods immediately preceding such Change in Control, or (3) the failure to increase a participant's salary as the same may be increased from time to time for similarly situated individuals, except that this clause (bb) shall not apply to across-the-board salary reductions similarly affecting all similarly situated employees of the Company and all similarly situated employees of any person in control of the Company;

(cc) The Company's requiring a participant to be based anywhere other than in the metropolitan area in which a participant was based immediately before the Change in Control (except for required travel on the Company's business to an extent substantially consistent with a participant's present business travel obligations), provided that such required relocation constitutes a material change in the geographic location at which the participant is required to perform the services;

(dd) The failure by the Company to continue in effect any material compensation or benefit plan, vacation policy or any material perquisites in which a participant participates immediately before the Change in Control, (except to the extent such plan terminates in accordance with its terms), unless an equitable arrangement (embodied in an ongoing substitute or alternative plan) has been made with respect to such plan in connection with the Change in Control, or the failure by the Company to continue a participant's participation therein (or in such substitute or alternative plan) on a basis not materially less favorable, both in terms of the amount of benefits provided and the level of a participant's participation relative to other participants, than existed at the time of the Change in Control;

(ee) The failure of the Company to obtain a satisfactory agreement from any successor to assume responsibility to perform under this Plan; or

(ff) A termination by a participant of employment shall not fail to be a Termination For Good Reason by participant merely because of a participant's incapacity due to physical or mental illness, or because a participant's employment continued after the occurrence of any of the events listed in this subsection.

(b) Acceleration of Nonforfeitability of SARs, Stock Awards, Cash Awards, and Dividends and Dividend Equivalents.

All SARs, stock awards, stock options (to the extent the CIC Price exceeds the exercise price), cash awards, dividends and dividend equivalents outstanding shall become 100% Nonforfeitable with respect to a participant upon a Termination for Good Reason or an involuntary termination of employment (other than a termination For Cause, as defined in the award agreement, according to a determination made before the Change in Control) that occurs after a Change in Control.

(c) Payment Schedule. In accordance with the uniform payment rule set forth in subsection (c) of Section 24 hereof,

(i) Following a Change In Control that is not a Section 409A-Conforming Change in Control, awards (to the extent Nonforfeitable) shall be paid on the Vesting Date specified in the award summary, and

(ii) Following a Section 409A-Conforming Change in Control, awards (to the extent Nonforfeitable) shall be paid on the Vesting Date specified in the award summary or, if earlier, upon a termination of employment that occurs within two years of such 409A-Conforming Change in Control (or, in the case of a Key Employee, the date that is 6 months after such termination).

(iii) If a participant has made a valid election under Code Section 409A to defer payment beyond the Vesting Date specified in the award summary, such award shall be paid pursuant to clauses (i) and (ii) by substituting the date so elected for the Vesting Date specified in the award summary.

(d) Cancellation. Upon payment under this Section, such awards and any related stock options shall be cancelled.

(e) Discretionary Awards. Upon or in anticipation of the occurrence of a Change in Control, the Committee may grant additional awards (e.g., above-target awards for performance-based Stock Awards) at its sole discretion. Any such discretionary grants shall be paid on the date specified by the terms of such grant.

(f) The amount of cash to be paid shall be determined by multiplying the number of such awards, as the case may be, by: (i) in the case of stock awards, the CIC Price; (ii) in the case of SARs, the difference between the per share strike price of the SAR and the CIC Price; (iii) in the case of cash awards where the award period, if any, has not been completed upon the occurrence of a Change in Control, the pro-rata target value of such awards or such higher amount as determined by the Committee, without regard to the performance criteria, if any, applicable to such award; (iv) in the case of stock options, the difference between the exercise price of the option and the CIC Price; and (v) in the case of cash awards where the award period, if any, has been completed on or prior to the occurrence of a Change in Control: (aa) where the cash award is payable in cash, the value of such award as determined in accordance with the award agreement, and (bb) where the cash award is payable in shares of Common Stock, the CIC Price.

(g) Notwithstanding the foregoing, any SARs and any stock-based award held by an officer or director subject to Section 16 of the 1934 Act which have been outstanding less than six months (or such other period as may be required by the 1934 Act) upon the occurrence of an event constituting a Change in Control shall not be paid in cash until the expiration of such period, if any, as shall be required pursuant to such Section, and the amount to be paid shall be determined by multiplying the number of SARs, stock awards, or unexercised shares under such stock options, as the case may be, by the CIC Price determined as though the event constituting the Change in Control had occurred on the first day following the end of such period.

23. Certain Provisions Applicable to Awards to Covered Employees

Performance-based awards made to Covered Employees shall be made by the Committee within the time period required under Section 162(m) for the establishment of performance goals and shall specify, among other things, the performance period(s) for such award, the performance criteria and the performance targets. The performance criteria shall be any one or more of the following as determined by the Committee and may differ as to type of award and from one performance period to another: earnings per share, cash flow, cost reduction, days sales outstanding, cash conversion cycle, cash management (including, without limitation, inventory and/or capital expenditures), total shareholder return, return on shareholders' equity, return on invested capital, economic value added measures, return on assets, pre-or post-currency revenue, pre-or post-currency performance profit, profit before tax, profit after tax, operating profit, operating margin, stock price and return on sales. Payment or vesting of awards to Covered Employees shall be contingent upon satisfaction of the performance criteria and targets as certified by the Committee by resolution of the Committee. To the extent provided at the time of an award, the Committee may in its sole discretion reduce any award to any Covered Employee to any amount, including zero. Any performance-based awards made pursuant to this Section 23 may include annual incentive awards and long-term awards.

24. Section 409A Compliance

(a) No Taxation Under Code Section 409A. It is intended that no awards under the Plan shall cause any amount to be taxable under Code Section 409A with respect to any individual. All provisions of this Plan and of any agreement, award or award summary thereunder shall be construed in a manner consistent with this intent. Any provision of and amendment to this Plan, or of any agreement, award or award summary thereunder, that would cause any amount to be taxable under Section 409A of the Internal Revenue Code with respect to any individual is void and without effect. Any election by any participant, and any administrative action by the Committee that would cause any amount to be taxable under Section 409A of the Code with respect to any individual is void and without effect under the Plan.

(b) Election Rule. A participant may elect to defer awards under the Plan only if the election is made not later than December 31 of the year preceding the year in which the award is granted, except to the extent otherwise permitted by Section 409A and Treasury guidance thereunder (where such exceptions include but are not limited to initial deferral elections with respect to Nonforfeitable rights, deferral elections in the first year in which an employee becomes eligible to participate, and deferral elections with respect to performance-based compensation).

(c) Uniform Payment Rule

(i) All awards shall be paid on the date that is the earlier of (1) or (2) below, where

(1) is a termination of employment no later than two years after the occurrence of a Section 409A-Conforming Change in Control (or, in the case of a Key Employee, the date that is 6 months after such termination); and

(2) is the Vesting Date specified in the award summary.

(ii) If a participant has made a valid election under Code Section 409A to defer payment beyond the Vesting Date specified in the award summary, such award shall be settled pursuant to clause (i) by substituting the date so elected for the Vesting Date specified in the award summary.

(iii) Payment pursuant to the death or disability of a participant is governed by the award agreement.

(d) Accelerations. In the case of an award that is deferred compensation for purposes of Code Section 409A, acceleration of payment is not permitted, except that, if permitted by the Committee, acceleration of payment is permitted in order to (i) allow the participant to comply with a certificate of divestiture (within the meaning of Code Section 1043); (ii) pay payroll and withholding taxes with respect to amounts deferred, to the extent permitted by Treasury guidance; or (iii) effect any other purpose that is a permitted Code Section 409A acceleration event under Treasury guidance.

(e) Permitted Payment Delays. At the Committee's sole discretion, payment of awards may be delayed beyond the date specified in subsection (c) under the following circumstance. The Committee reserves the right to amend an award granted on or after January 1, 2006 if the Committee determines that the deduction for such payment would be limited by Code Section 162(m), except that such payment will be made on the earliest date on which the Committee determines that such limitation no longer exists.

(f) CEO Delegation. The Chief Executive Officer of Xerox Corporation, or her delegate, may amend the Plan as she, in her sole discretion, deems necessary or appropriate to comply with Section 409A of the Internal Revenue Code and guidance thereunder.

25. Limitation of Actions. Any action brought in state or federal court (other than an alleged breach of fiduciary duty action under the Employee Retirement Income Security Act of 1974 ("ERISA") which shall be governed by the terms of ERISA Section 413, if applicable) must be commenced within one year after the cause of action accrues. This one-year limitation period includes, but is not limited to, any action for alleged: wrongful denial of Plan benefits, and any wrongful interference, modification, or termination of Plan benefits, rights, or features.

IN WITNESS WHEREOF, the Company has caused this Amendment and Restatement to be signed as of the 27th day of June, 2017.

XEROX CORPORATION

By: Darrell L. Ford
Executive Vice President and
Chief Human Resources Officer

2017 Executive Long-Term Incentive Program (“2017 E-LTIP”)

Under the 2017 E-LTIP, executive officers of the Company are eligible to receive performance shares based on (i) satisfying certain performance measures established by the Compensation Committee of the Board of Directors for 75% of the award and (ii) continued service only for the remaining 25% of the award.

The applicable performance elements and corresponding weightings for the 2017 E-LTIP are:

(i) (50%) CAGR¹ Adjusted Earnings per Share (EPS): Diluted Earnings per Share from Continuing Operations as reported in the Company’s audited consolidated financial statements, as adjusted annually on an after-tax basis for the following discretely disclosed (in either Management’s Discussion and Analysis/MD&A or the footnotes to the financial statements) items (on an individual, or in the aggregate, basis per item and subject to monetary thresholds as noted):

- 1) Amortization of acquisition-related intangibles;
- 2) Non-service related defined benefit pension and retiree health costs;
- 3) Restructuring charges, including our share of Fuji Xerox restructuring costs;
- 4) Separation and related costs;
- 5) Items individually identified within Other Expenses, net, (except for interest, currency and asset sales) and to the extent the amount is greater than \$10 million pre-tax. If any such item qualifies for separate line item disclosure on the face of the consolidated statement of income in accordance with Generally Accepted Accounting Principles consistently applied, then such item will also warrant adjustment;
- 6) Gains/(losses) from the settlement of tax audits or changes in enacted tax law (to the extent the amount is greater than \$10 million pre-tax);
- 7) Non-cash write-offs or impairments, except for assets acquired or developed within the past 3 years of the balance sheet date (to the extent the amount is greater than \$10 million pre-tax);
- 8) Gains/(losses) resulting from acts of war, terrorism or natural disasters (to the extent the amount is greater than \$10 million pre-tax);
- 9) Impact of share repurchases greater than two percent of adjusted EPS as defined above;
- 10) Our share of the after-tax effects of adjustments 5) through 8) incurred by Fuji Xerox (to the extent our share is greater than \$2.5 million).

(ii) (30%) Cumulative Adjusted Operating Cash Flow from Continuing Operations: Net Cash provided by (used for) Operating Activities of Continuing Operations as reported in the Company’s audited consolidated financial statements, as adjusted annually for the following items:

- 1) With the exception of cash payments for restructurings, cash flow impacts (inflows and outflows) resulting from the EPS adjustments as identified above, regardless of whether the cash flow impact and the EPS impact are in the same fiscal year;
- 2) Cash payments for restructurings in excess of or less than the amount reported as current restructuring reserves in the preceding year’s Annual Report;
- 3) Pension contributions in excess of or less than the planned amounts for each year;
- 4) Impact of changes in receivables factoring programs as compared to total amount factored at December 31, 2016 (\$480 million net of the deferred purchase price).

(iii) (20%) CAGR¹ Revenue Growth: Revenue growth adjusted annually to exclude the impact of changes in the translation of foreign currencies into U.S. dollars.

EPS, Operating Cash Flow and Revenue Growth will be adjusted for:

- 1) Impacts of any individual acquisition in excess of \$500 million purchase price;

- 2) Impacts of a divestiture with revenue equal to or greater than \$100 million;
- 3) Effects of a change in accounting principle as identified within the Company's consolidated financial statements or MD&A.

¹ CAGR = *Compounded Annual Growth Rate*.

COMPUTATION OF RATIO OF EARNINGS TO FIXED CHARGES

The ratio of earnings to fixed charges, the ratio of earnings to combined fixed charges and preferred stock dividends, as well as any deficiency of earnings are determined using the following applicable factors:

Earnings available for fixed charges are calculated first, by determining the sum of: (a) income from continuing operations before income taxes and equity income; (b) distributed equity income; (c) fixed charges, as defined below; and (d) amortization of capitalized interest, if any. From this total, we subtract capitalized interest and net income attributable to noncontrolling interests.

Fixed charges are calculated as the sum of: (a) interest costs (both expensed and capitalized); (b) amortization of debt expense and discount or premium relating to any indebtedness; and (c) that portion of rental expense that is representative of the interest factor.

Preferred stock dividends used in the ratio of earnings to combined fixed charges and preferred stock dividends consists of the amount of pre-tax earnings required to cover dividends paid on our Series B convertible preferred stock in 2017 and our Series A convertible preferred stock in 2016.

(in millions)	Three Months Ended June 30,		Six Months Ended June 30,	
	2017	2016	2017	2016
Fixed Charges:				
Interest expense ⁽¹⁾	\$ 57	\$ 81	\$ 126	\$ 169
Capitalized interest ⁽¹⁾	—	—	—	—
Portion of rental expense which represents interest factor ⁽¹⁾	15	42	28	90
Total Fixed Charges	\$ 72	\$ 123	\$ 154	\$ 259
Earnings Available for Fixed Charges:				
Pre-tax income	\$ 193	\$ 191	\$ 177	\$ 223
Add: Distributed equity income of affiliated companies	30	31	30	31
Add: Fixed charges	72	123	154	259
Less: Capitalized interest	—	—	—	—
Less: Net income attributable to noncontrolling interests	(4)	(3)	(6)	(5)
Total Earnings Available for Fixed Charges	\$ 291	\$ 342	\$ 355	\$ 508
Ratio of Earnings to Fixed Charges	4.04	2.78	2.31	1.96

Computation of Ratio of Earnings to Combined Fixed Charges and Preferred Stock Dividends:

Fixed Charges:				
Interest expense ⁽¹⁾	\$ 57	\$ 81	\$ 126	\$ 169
Capitalized interest ⁽¹⁾	—	—	—	—
Portion of rental expense which represents interest factor ⁽¹⁾	15	42	28	90
Total Fixed charges before preferred stock dividends pre-tax income requirements	72	123	154	259
Preferred stock dividends pre-tax income requirements	6	9	12	19
Total Combined Fixed Charges and Preferred Stock Dividends	\$ 78	\$ 132	\$ 166	\$ 278
Earnings Available for Fixed Charges:				
Pre-tax income	\$ 193	\$ 191	\$ 177	\$ 223
Add: Distributed equity income of affiliated companies	30	31	30	31
Add: Fixed charges before preferred stock dividends	72	123	154	259
Less: Capitalized interest	—	—	—	—
Less: Net income attributable to noncontrolling interests	(4)	(3)	(6)	(5)
Total Earnings Available for Fixed Charges and Preferred Stock Dividends	\$ 291	\$ 342	\$ 355	\$ 508
Ratio of Earnings to Fixed Charges and Preferred Stock Dividends	3.73	2.59	2.14	1.83

⁽¹⁾ Includes amounts related to discontinued operations. Refer to Note 5 - Divestitures in our Condensed Consolidated Financial Statements, which is incorporated by reference for additional information regarding our discontinued operations.

CEO CERTIFICATIONS

I, Jeffrey Jacobson, certify that:

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

August 7, 2017

/S/ JEFFREY JACOBSON

Jeffrey Jacobson
Principal Executive Officer

CFO CERTIFICATIONS

I, William F. Osbourn, Jr., certify that:

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

August 7, 2017

/s/ WILLIAM F. OSBOURN, JR.

William F. Osbourn, Jr.
Principal Financial Officer

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

In connection with the Form 10-Q of Xerox Corporation, a New York corporation (the "Company"), for the quarter ending June 30, 2017, as filed with the Securities and Exchange Commission on the date hereof (the "Report"), Jeffrey Jacobson, Chief Executive Officer of the Company, and William F. Osbourn, Jr., Vice President and Chief Financial Officer of the Company, each hereby certifies, pursuant to 18 U.S.C. § 1350, as adopted pursuant to § 906 of the Sarbanes-Oxley Act of 2002, to the best of his/her knowledge, that:

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

/s/ JEFFREY JACOBSON

Jeffrey Jacobson
Chief Executive Officer

August 7, 2017

/s/ WILLIAM F. OSBOURN, JR.

William F. Osbourn, Jr.
Chief Financial Officer

August 7, 2017

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

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

