City of St. Louis Treasurer's Office Integrated Parking Management System

Request for Proposals
Submitted on November 22, 2013 at 3:00 PM
Submitted by Xerox State & Local Solutions, Inc.

Technical Proposal
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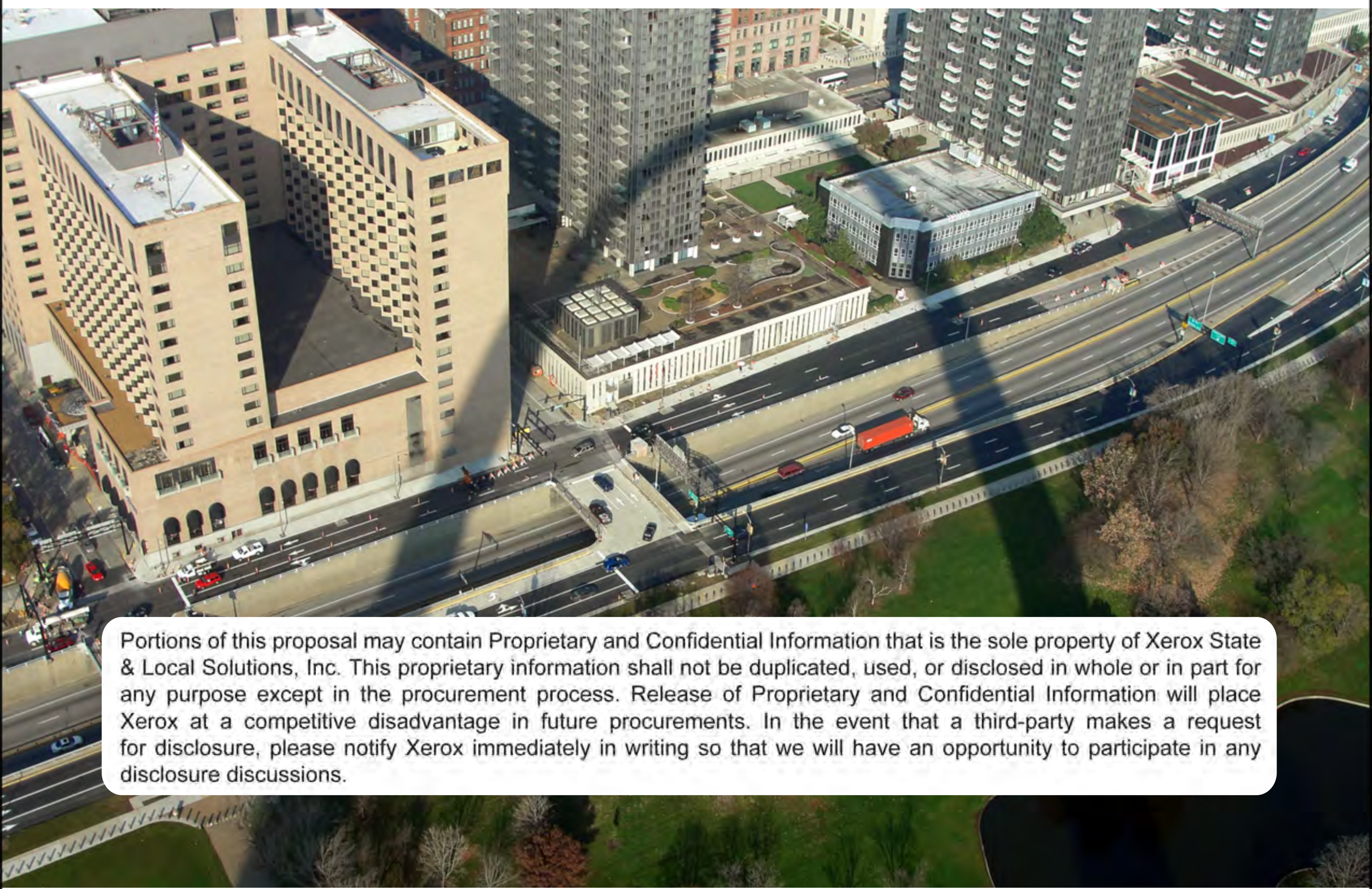

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November 22, 2013

Mr. Carl Phillips, Parking Administrator
City of St. Louis
Treasurer's Office
1200 Market Street, Suite 220
St. Louis, MO 63103

Dear Mr. Phillips:

Building on our long term relationship with the City of St. Louis, Xerox State & Local Solutions, Inc. (Xerox) is pleased to submit our response to the City's Request for Proposal (RFP) for an Integrated Parking Management System. Per the instructions, we are submitting 3 copies each of our technical and cost proposals, along with 1 PDF file each for the technical and cost proposals on a USB flash drive. We have carefully reviewed the City's RFP and worked diligently to obtain an understanding of the City's integrated parking management system requirements, identify opportunities to improve the efficiency of operations, and determine which best practices used to support similar programs offer the greatest potential to deliver productivity and revenue gains to the City of St. Louis' program.

As the world leader in Smart Parking and also in Ticket Processing, Xerox works with municipalities across the country to implement and manage parking programs that improve traffic flow, promote citizen satisfaction, and stimulate economic development. We offer our clients an integrated ticket and collections database for cradle-to-grave lifecycle processing. Our proven parking ticket processing services are tailored to the unique needs of each client and are built on our industry-leading integrated parking management system.

We are a true systems integrator with 30 years of experience continuously working with our clients and our partners to deliver innovative solutions. We have earnestly evaluated the marketplace and identified best-of-breed partners to provide the City intelligent meters, pay-stations, pay-by-cell applications, vehicle detection sensors, off-street integration, License Plate Recognition (LPR) systems, self-release boots, and other components of our comprehensive, integrated, intelligent parking management solution.

Over the course of our ten-year partnership with the City, Xerox has developed an in-depth understanding of the City's current program. This institutional knowledge, and system and process controls that have been customized to meet City business rules, ordinances, and other regulations, uniquely position the Xerox Team to provide all current functionality and customer service without interruption or risk to program revenues, data integrity, or public service. At the same time, we offer the City an innovative new path forward that incorporates truly state-of-the-art innovations and best practices developed in support of the most sophisticated municipal parking programs in the world.

It is this unique combination of St. Louis-specific experience and industry-leading innovation that make the Xerox Team the best suited partner to help elevate the City's parking program to new heights and make it a showcase program for the entire municipal parking industry. With the backing of a Fortune 200 firm with vast human and capital resources; we are positioned to meet both current and future program needs. In the proposal that follows, we explain our value proposition to the City—premier solutions delivered in the most efficient and cost effective manner possible. We also provide detailed descriptions about how our proposed products and services meet the functional requirements outlined in the City's RFP and how in partnership with the Treasurer's Office, Xerox will deliver exceptional service and value to the St. Louis public.

The City of St. Louis deserves a partner that continues to exceed its expectations. As a current partner to the City, we are in the perfect position to take your highly effective citation management system to the next level while implementing a state of the art meter management program for a highly effective, integrated parking management system. Should you have any questions regarding our proposal, please contact Lisa Mulcahy, Account Executive. Her contact information is: lisa.mulcahy@xerox.com, (781) 254-9958.

Sincerely,

David Cummins
Senior Vice President
Xerox State & Local Solutions, Inc.

A Scope of Services

We have carefully reviewed the City's RFP, listened closely at the Treasurer's Parking Town Hall meetings, and earnestly assessed the City's current products and services—including those provided by Xerox in support of the operation of the St. Louis Parking Violations Bureau. Our thorough review has helped us to formulate valuable insights about nuanced program needs; public perceptions and expectations; and especially opportunities to improve service and maximize revenues. In response to the STLTO's RFP, we are proud to present a comprehensive set of recommendations and creative solutions designed to transform the St. Louis public's parking experience by delivering a state-of-the-art Integrated Parking Management System.

The Xerox Team consists of highly-qualified local and national partners, including our current WBE/MBE subcontractor, Hudson and Associates, LLC; all focused on a single goal—to provide STLTO with the industry's premier systems, products, services, and operational excellence to deliver a world class parking program to the St. Louis public. The Xerox Team recognizes that municipal parking management is rapidly changing and that today, more than ever before, the ability to collect, interpret, and utilize data can help cities optimize efficiency, increase net program revenues, and improve the customer experience. Locating and paying for parking should be convenient and easy to navigate. Each member of the Xerox Team brings relevant expertise and experience to our overall proposal and shared purpose—to take the pain out of parking for St. Louis residents and visitors.

Our current (and proposed) Project Manager, Quinton Williams, brings 10 years of St. Louis parking experience to the program. Shelia Hudson, President of Hudson and Associates, served as the Xerox Project Manager prior to establishing Hudson and Associates, and is currently responsible for staffing at the Parking Violations Bureau (PVB), boot crews, and meter operations. Our Regional Vice President, Brett Peze, managed the implementation and setup of the St. Louis PVB, relocating to St. Louis and serving as our local Project Manager when Xerox (then ACS) was first selected to provide Citation Processing and Collection services to the City. Our National Collections Director, Michael Brown, is also a resident of St. Louis, and will work closely with our local team and City parking managers to develop an effective and appropriate delinquent citation collections program.

Xerox is a true technology integrator. We have earnestly evaluated the marketplace and identified best-of-breed partners to provide intelligent meters, pay-stations, pay-by-cell applications, vehicle detection sensors, off-street integration, License Plate Recognition (LPR) systems, self-release boots, and other components of our comprehensive, integrated, intelligent parking management solution.

Meter Operations

In cities and counties around the U.S., we support programs that utilize nearly every meter type (single-space and multi-space), sensor, and pay-by-cell solution available. We play a direct role in integrating data for a parking technology pilot in New York City, and are the prime contractor for LA Express Park™ —the largest parking-led congestion management program in the United States. Drawing on unparalleled experience, we have evaluated on-street parking equipment and services and teamed with the best providers of intelligent single-space meters (the IPS Group), multi-space pay-stations (Parkeon), pay-by-cell services (Parkmobile), and self-release booting technology (PayLock). Our proposal includes meters and pay-stations that are convenient to use, effective, and seamlessly integrated into a comprehensive parking management program. Our proposal also includes optional equipment and services.

There are strong incentives that support the rapid conversion of the existing coin-only, unconnected parking meters to modern payment devices. There will be an immediate improvement in customer service and payment compliance when all of the City's meters will support multiple parking payment methods including coin, credit/debit/smart cards and pay by phone. The entire system will operate at a higher availability level associated with wireless maintenance alarms. Parking rate changes can be made simultaneously and cost effectively across the entire system or for specific parking zones. Additionally, maintenance and collections costs will be lower for the duration of the parking management contract. The combined back office reporting capabilities provided by Xerox's system integration application, Merge®, will seamlessly support citation hearings and the adjudication process.

Our optional vehicle detection solution can incorporate any provider's sensor including IPS and Streetline as proposed. Our solution delivers live information that will help you make the best decisions on time limits, parking rates and pricing, manage your operation to a high standard of performance, and implement policies fairly and effectively.

Our solution includes installed sensors and networking equipment, and a suite of hosted web and mobile applications. Many elements of the system are modular, and may be combined or integrated with products from other vendors.

Systems and applications are designed for ease of integration with third party applications, so that they may be scaled and customized to meet the specific needs of the St. Louis stakeholders.

The complete system includes installed hardware, network assets, and the hosted software applications. Advanced features include occupancy, parking guidance, directed enforcement, analytics and planning, and revenue management.

Citation Management

While many of the innovations sought by the STLTO are rightly focused on the public's on-street parking experience, it is also important to consider the criticality of effective parking enforcement, citation processing, and the collection of parking tickets. Over the past 10 years, Xerox has helped the City to improve parking management in many ways, including:

- **Implementation and on-going operation of the PVB.** Migrating where people pay parking tickets from City Court (where motorists had to stand in lines and pass through metal detectors) to a convenient PVB staffed by courteous and knowledgeable personnel.
- **Fair and Convenient Adjudication.** Improving adjudication by supporting the change from a criminal courtroom environment to a more appropriate and convenient civil environment and improving audit controls so that program administrators have greater visibility into dismissal rates, and improving public confidence.
- **Optimized Citation Revenues.** Building a culture of compliance and increasing collection rates and annual revenues through more effective name and address acquisition services, the implementation of registration non-renewal processing, and improved noticing.
- **Excellent Customer Service.** Facilitating customer services improvements, creating a more paperless environment, and making information more accessible to parking system users through the use of electronic document imaging. We also implemented a pay-by-phone system with Interactive Voice Recognition (IVR) and pay-by-web to allow motorists to pay tickets from their homes or offices.
- **Program Integrity.** Enhancing program integrity through the use of eTIMS®, the industry's premier citation management system, with tight controls and complete audit trails on every transaction. We also implemented more extensive reconciliation processes, including comprehensive transaction and summary reports that are available to authorized users online as well as participating in a detailed monthly reconciliation meeting with Treasurer's Office representatives.

While we are proud of our past achievements, we are excited about bringing to STLTO, new products, system features, and services—many of which are currently deployed in leading parking programs in cities that include Berkeley, Boston, Denver, Indianapolis, Los Angeles, San Francisco, Washington DC, as well as many other cities and counties. Our proposed solutions will utilize the power of Merge® to extend integration between our eTIMS® Citation Processing system and intelligent meters, a leading pay-by-cell service with enforcement (handheld) software, booting & towing, and off-street parking facilities.

Lastly, our offer encompasses the research and development efforts of the Xerox Innovation Group which includes work by the world-renowned Palo Alto Research Center (PARC) and represents the best platform from which to effectively implement our proprietary Managed Receivables model, advanced data analytics, dynamic pricing, and congestion management.

In total, our proposed offerings will do more than just bring St. Louis in line with the leading programs in the industry today. The Xerox team will work as a committed partner with STLTO management and staff to deliver a world class program to the City of St. Louis.

Off-Street Integration

The eloquent integration of on-street and off-street parking occupancy data can be a valuable tool in effective parking management, allowing motorists to quickly and effectively locate the most convenient parking to meet their specific needs. Integration with off-street parking also allows for the City to more effectively allocate parking resources for the most appropriate use, so that long-term parkers are not occupying on-street spaces that would deliver greater benefits to merchants and patrons, while short-term parkers are not discouraged from looking for more affordable on-street parking.

Xerox Team member, ParkMe, offers an innovative and customer-friendly way for motorists to access occupancy data (including on-street occupancy where data is available) to locate the most convenient and cost-effective locations to meet the public's parking needs.

Additionally, we understand the value of providing the public with a universal means of paying for parking from an account based system. To this end, we have forged a creative partnership with Parkmobile and Amano McGann, that provides STLTO a means of allowing motorists to pay for on-street and off-street parking using an innovative smartphone application.

The Parkmobile application offers a solution for both the gated and non-gated off-street garages. The existing relationship with the major PARC providers as well as the use of a zone based system provide a solution that can easily cover various garage configurations in order to provide a consistent end user experience, that is easy to use and convenient.

The Amano McGann integrated solution uses a QR code generator that is integrated into the mobile payment applicaion, and a QR/barcode reader that is integrated into the Amano McGann equipment. This offers the end user a very simple application that utilizes a scan and go interaction with the garage as discussed in detail below.

We also propose using the Parkmobile payment application to provide virtual permitting for the City. In addition to providing basic payment solutions ideal for offering the City's citizens & visitors with a convenient way to pay for parking, their application provides the STLTO with the ability to provide these additional value add services:

- City-Wide Management of Employee Parking by Division/Department
- City-Wide Management of a Premium Parking Plan through the use of a "Hopper" program
- City-Wide Management of temporary rates for Event Parking through a free Event Override online Web portal built and maintained by Parkmobile
- Local Merchant Validation Management
- Administrative Fleet Management
- Promotional Codes available for merchants and City Administration to offer free or discounted parking

Parkmobile has the capability of providing merchants and other third parties with unique validation and/or promotional codes designed in such a manner that they can be used in the place of scratch-off hang tags, or other physical validation programs. With this feature, Parkmobile can generate a code(s) that can be configured for a variety of free or discounted parking options with a several unique parameters involving the area and duration of use. The promo codes and validations can then be given by merchants to their visitors to insert into their smart phone for free or discounted parking through a QR Code.

Results

Many parking service providers offer meter maintenance and collection services in other major cities. Many meter companies offer the ability for end-users to pay for parking using a credit card or integrated pay-by-cell service. Other vendors have back-office revenue software and parking citation processing systems. None, however, offer the seamless integration of premier solutions proposed by the Xerox Team. Today, many of the most sophisticated parking programs in the world are Xerox clients, including Boston, Denver, Indianapolis (ParkIndy), Los Angeles (including LA Express Park™), San Francisco, and Washington DC—to name a few.

Our clients are consistently recognized for thought-leadership, excellence, and innovation. In fact, Indianapolis Mayor, Greg Ballard, received the prestigious 2013 Innovator of the Year Award from the National Parking Association in association with his visionary work with ParkIndy, where Xerox is the prime contractor. Based on the STLTO's RFP and open dialog with the St. Louis public, we believe the opportunity for exciting collaboration, award-winning innovation, and the delivery of a world-class program is possible in St. Louis and that the Xerox Team will best position the City to achieve that goal.

> Xerox proposed solution will improve service to the public, use performance data to drive improvement, and provide St. Louis with a new technology and services foundation including:
>
> - Data driven parking asset management from networked meters provides better customer service and the ability to offer significant end user enhancements
> - The Xerox team, including qualified local partners such as Hudson and Associates, optimize local participation
> - State-of-the-art equipment, including IPS single-space meters and Parkeon pay stations

A.a On-Street Meter Enforcement

Over the past decade, the parking industry has undergone revolutionary changes evolving from coin-based labor intensive meters to highly sophisticated networked meters, sensors that monitor and direct workflow, and centralized back-office systems capable of analyzing and reacting to system data in real-time.

Our parking business has benefited from an unparalleled focus on research and development. Our efforts have led to some of the industry's largest and most prestigious contract awards, as we were selected by Indianapolis to establish a ground-breaking concession partnership, ParkIndy. We were also selected in a competitive procurement to provide the state-of-the-art Express Park™ program to the City of Los Angeles, and most recently was awarded a competitive rebid in the District of Columbia to continue to provide not only outstanding operations services, but to deliver many of the advanced smart parking technologies developed for ParkIndy and Express Park™. In all of these cases, these cities were in search of new solutions to parking management that would exceed the capabilities of existing business models and parking management systems. The culmination of these searches resulted in collaborative partnerships with Xerox

A.a.i Single-space or Multi-space Meter Provision

Xerox proposes to provide either or both of the Parkeon Strada pay by space multi-space and IPS single-space networked parking meters to the STLTO. We have found the hardware, software, and customer support provided by both manufacturers to be extremely reliable and responsive. Based on our parking management experience in Washington, DC and in other parts of the country, there is no 'one size fits all' solution for parking payment equipment. Each regulated block face must be evaluated based on its current physical and regulatory configurations, taking into account curb cuts, street furniture, access, rate structure, and hours of enforcement. As part of our proposal, we will gladly provide recommendations for the appropriate hardware in a particular location and will provide such recommendations acknowledging that they are subject to STLTO approval.

Dynamic Pricing

Dynamic pricing is an innovative concept that has only recently been embraced by municipal parking managers primarily as federally-funded demonstration projects. It supports more efficient modes of transportation by encouraging individual behavioral changes and modal shifts over time as a result of dynamic pricing and public efforts.

There are currently two programs in operation; one in San Francisco and one in Los Angeles. Xerox has a role in both projects including that of the prime project manager and systems integrator in Los Angeles. We have incorporated all of the functionality needed to implement a dynamic parking scheme into our Merge® solution. Some of these functional components of Merge® will be implemented as part of our base solution while others may be implemented as future functionality, such as dynamic pricing, are implemented. The Xerox Merge® solution provides our customers with a single user interface permitting their staff to:

- Dynamically change rates on meters regardless of the manufacturer, with a single interface
- Have the capability to adjust pricing in real time
- Adjust pricing based on demand using the simulation tool provided within the system

Merge® analytics engine runs data from multiple external parking sources (i.e., meters and sensors) through various algorithms to calculate optimum pricing for the current conditions. Our parking operations division are fortunate to have the support of our parent corporation, Xerox and the expertise of its world-renowned research centers in Palo Alto, CA and Grenoble, France, building the analytics engine. When integrated with data streams for key events, traffic flow, historic occupancy and other key data, the analytics engine can help City parking planners understand and propose dynamic pricing policies. We look forward to working with the STLTO to explore your vision for dynamic pricing and how you will use it to manage both on-street and garage demand.

Demand and Event Pricing

A subcomponent of dynamic pricing is the use of special demand or event pricing. The ability to adapt parking fees to the demands of special events is vital to prevent subsidizing or greatly under-pricing a municipally owned asset. Our experience with managing the parking around the Washington Nationals Stadium in Washington, DC is a perfect correlation to the needs of the STLTO. Along with our technology partners IPS, Parkeon, and Parkmobile, we have implemented a system to update the metered parking rates in the defined Stadium Zone for all games and special events. The rates are designed to allow for extended limits to ensure that a reasonable amount of time is allowed to enjoy the event while limiting the impact on local uses. A progressive rate in conjunction with extended time limits makes it possible to serve both groups of stakeholders in a manner that serves both well.

A.a.ii Ability to pay for parking with cash, mobile phone, credit card, or smart cards

The proposed system of Parkeon multi-space meters, IPS Intelligent single-space meters, and Parkmobile, pay by phone service, will allow for multiple easy to use payment options for the STLTO. We have found that the introduction of a simple, easy to use pay by phone, pay by app program, along with a complete network of credit card enabled parking meter hardware, offers end users a satisfactory range of payment options that facilitate easy parking and eliminate the need to carry larger amounts of coins. With that being said, we understand that the STLTO is also interested in looking at additional payment options for their parking program.

Both of the meter hardware providers offer the option of smartcards and can be configured to either open or proprietary schemes. Parkeon and IPS can work together to accept a unified smartcard schema that will provide the STLTO with the ability to offer this payment type to their customers. We caution against this approach as it does increase costs as the infrastructure of managing a proprietary card program must be developed in order to support distribution, fulfillment, recharging funds, and customer service to name a few.

Many transportation and transit agencies are beginning to move towards open payment programs that eliminate the need for separate payment cards and allow for the use of RFID enabled “tap and go” credit cards issued by the major credit card companies. While the hardware and power management issues are still being dealt with by parking meter manufacturers, this is the direction that most are looking toward for new development.

Similarly, the ability to accept cash (paper currency) is available for the Parkeon equipment. While it is a proven option that has been deployed, we are seeing most jurisdictions moving away from accepting cash. The ability to accept cash introduces an additional collection and counting protocol with higher exposure levels to the operation of the parking program. Additionally, the maintenance side of the operations will have to be prepared to handle the frequent cleaning and repair required to keep the bill acceptors functioning properly. The ability of the solar/battery power supplies to effectively keep up with the consumption can be an issue during periods of high usage and/or extended periods of reduced sunlight.

If selected to participate in the field test, we would like the opportunity to discuss both the smartcard and bill acceptance options with the STLTO prior to the deployment of any equipment to ensure that the expectations for performance are fully understood.

Industry Standard Protocols to Ensure Data Security

Xerox, and our partners, are all fully compliant with the PCI-DSS industry standards. Please refer to Attachment 2 of this proposal the PCI-DSS statements.

Method of Power and Communications for the Parking Payment Equipment

The preferred method of power for both our single-spaced meter solution and multi-space meter solution is solar battery power. Both IPS and Parkeon are leaders in the industry in designing, manufacturing, and deploying equipment that excels in power management. A stable long term power supply is critical to providing an equipment solution that performs on-street with minimal downtime thus ensuring customer satisfaction with the product.

Both vendors also operate using embedded cellular communications either on the GPRS or GSM networks. The modems are configured to work with the 3G network and offer sufficient communications bandwidth to manage the all meters communications needs including potential dynamic pricing applications.

Payment Device Language Capabilities

Both the IPS single-space meter and the Parkeon multi-space meter have the capability to provide purchase instructions in language other than English. The Parkeon meter can display the full range of operating instructions in two additional languages by pressing a “language” button on the unit’s operating panel. The IPS meter uses alternating fully configurable screens on its display panel to accomplish a similar function.

Compliance with Handicap Provisions

Xerox hardware vendors Parkeon and IPS are both compliant with the current ADA guidelines and regulations governing the interaction between this type of equipment and persons with disabilities. In our planning for the installation of parking meter equipment, we use our extensive background in managing on-street parking operations to identify the best possible location for each meter installation in an effort to make payment equipment access as compliant as possible.

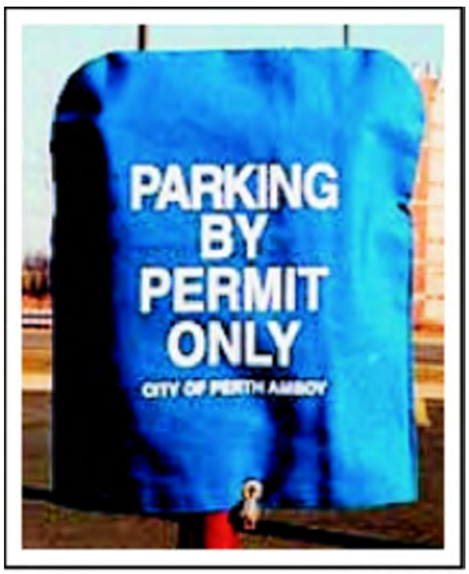
Public Service Oriented Hooding Practices

Municipal parking meter programs commonly experience situations where meters need to be taken out of service temporarily due to construction, special events or temporary non-paid parking access. The Xerox information management system provides a central point to coordinate space closure activities. These activities generally include both the deployment of a physical indication to the prospective parker that the space is not available as well as an electronic message at the meter that the space is closed.

The IPS single-space meter will continue to use a standard heavy duty, highly visible meter hood to indicate that the space is not available.

We will purchase hoods that are rugged, easily secured to the meter, labeled for inventory control, and lockable, as shown in Exhibit A.a–1. The locks required to secure the hoods shall be provided to the STLTO as part of this offering. The padlocks shall be high strength steel or brass that will provide a level of security as well as weather resistance.

We propose to use a "Gorilla Post" for the management of individual spaces within a multi-space meter zone as shown in Exhibit A.a–2. These posts utilize a magnetic plate that is adhered to the roadway surface using an all-weather epoxy and a removable plastic post. The posts are the same safety material used for traffic management and are designed to limit damage to vehicles when struck. The Gorilla Posts are designed so that a special tool is required to separate the post assembly from the magnetic plate. This offers a high level of security against the unauthorized removal of the posts. The magnetic plates are ADA compliant and do not present a tripping hazard. A sufficient inventory of bases shall be maintained to manage the multi-space zones efficiently. When an entire block is to be reserved for Emergency No Parking, the multi-space unit shall be locked out to prevent payment and signage shall be clearly displayed indicating that parking is not allowed. Additionally, we have developed, in conjunction with the hooding manufacturer, to design a custom hood that can be used to cover the multi-space meters for occasions when these meters shall be out of service for an extended time.



016.DCMMP

Exhibit A.a–1. Heavy Duty Meter Hoods.
Rugged, lockable hoods provide secure and highly visible solution to emergency no parking requirements.

017.DCMMP

Exhibit A.a–2. Gorilla Post
Gorilla Posts offer the ability to take single spaces out of service in the multi-space environment.

A.a.iii Technology and reporting software

Xerox will deliver a Central Management System that consolidates reporting and provides a single point of integration and control for the City of St. Louis Treasurer's Office. Xerox proposes a fully integrated and highly coordinated parking management solution. Our team will work collaboratively with the STLTO to implement a system that fully meets the STLTO's goals and objectives.

Our Merge® System functionality will be leveraged to increase efficiencies and integrate all aspects of parking management and control tools being utilized by the STLTO into a single, centralized management service. In conjunction with Merge® functions, we will also offer the industry proven eTIMS® Meter Management System for recording maintenance activities. Merge® and eTIMS® Meter Management go hand in hand together, and all maintenance data that is captured by eTIMS® will part of Merge®. In addition, we propose the Merge® System for integrating all of the STLTO's different meter vendors' data into the Merge® System. It's 'one stop shopping' for on-street parking management.

Integration with All Major Parking Control Technologies and Data System Reliability

The implementation of the STLTO's advanced meter program requires a partnership with a company that is an established leader in parking and in integrating open systems. We offer both parking expertise and open system integration. We do not manufacture any parking equipment. Rather, we integrate with the industry's best equipment providers to provide analytics and reports like no other vendor. Our job is to turn "big data" into "smart data." Our deep integration allows for the collection and storage of data, but our goal is to provide information to our customers allowing them to make data-driven decisions. Our analysis will provide useful information, suggest conclusions, and generate statistical models using proprietary algorithms. We will provide the STLTO the tools to predict and change behavior.

For this project, we are offering the STLTO a best-in-class solution that provides an integrated platform from which data from all devices will be consolidated and managed. Our system meets the highest standards of redundant/failsafe servers and provides at least 99.9 percent uptime for all system components.

Our solution provides the STLTO with a central user interface which permits the STLTO staff to:

- Manage all its meters irrespective of their type and manufacturer
- Dynamically change rates on meters from a central management system – contingent on agreement on implementing a Dynamic Pricing System
- Have the capability to adjust pricing in real time
- Monitor meter revenue in real time
- Monitor system performance data via an intuitive dash board environment
- Enable maintenance supervisors to:
  - Monitor status of all meters from a single centralized system
  - Plan and adjust deployment of their maintenance personnel based on aggregated data and reports from the system
- Enable collections supervisors to:
  - Monitor the cash collection status of all meters from a single centralized system
  - Plan and adjust deployment of their collection personnel based on aggregated data and reports from the system

Central Management System

We propose a truly integrated, meter management system that will provide the STLTO, and the parking public, with powerful control, communication, and reporting capabilities. Merge® receives real-time space utilization and system component status information from all of the participating paid parking spaces in the program area.

The Merge® solution is a suite of parking services consisting of four main components as represented in Exhibit A.a–3.

The Merge® solution overview diagram is presented in Exhibit A.a–4. The Merge® option provides comprehensive analytical, control, and communications capabilities. It is supported by data repositories and communications systems that will facilitate the storing of data and communications with external systems respectively.

Exhibit A.a–3.
The Merge® Suite of Services.

Merge® provides a single point of access to system occupancy, maintenance and collections status, enforcement requirements, financial performance and customer service response data. The application will integrate with our proposed technology partners as shown in Exhibit A.a–4. It interfaces with participating vendors' back-office systems to seamlessly initiate parking rate changes. Merge® will also summarize system financial performance data and highlight areas for evaluation and follow-up management.

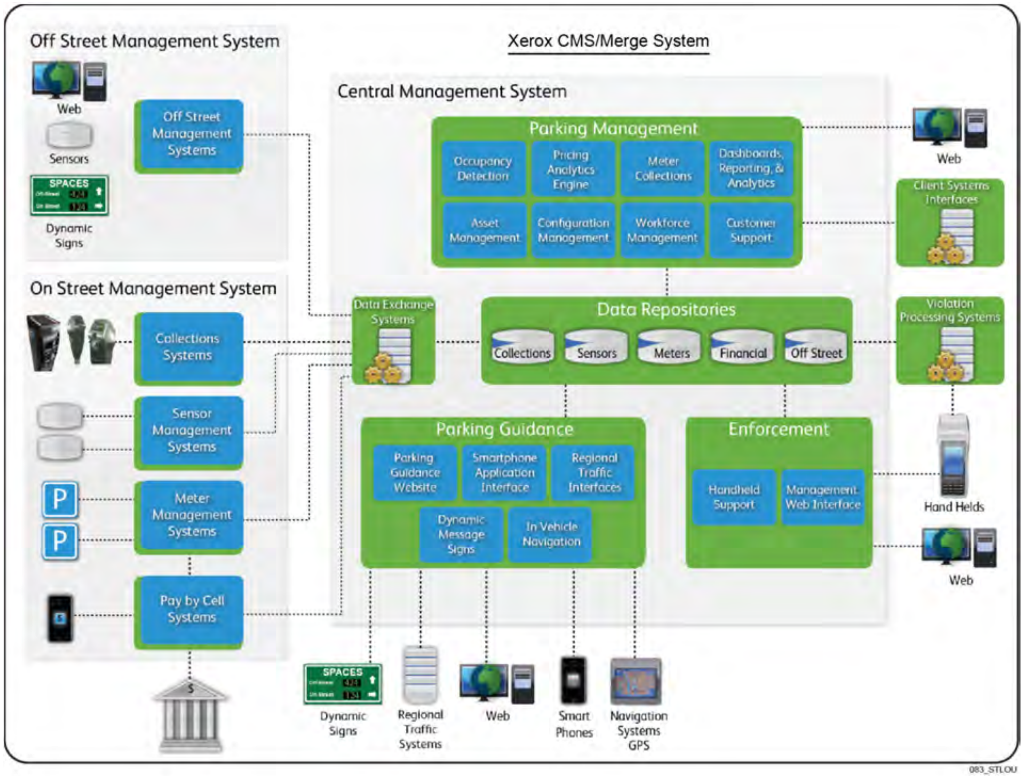


Exhibit A.a–4. Merge™ Solution Overview Diagram.

Program managers will have complete visibility into the current conditions of the project area and use this information to make real-time decisions on rate structures and enforcement deployment in order to maximize performance and revenues. Algorithms for demand-based congestion pricing will assist in the analysis of the data to provide modeling of pricing adjustments to better inform the parking managers of potential changes to the pricing structure. Changes made to pricing will be controlled from Merge® and will allow the City to push out changes to multiple meter equipment types and the pay-by-cell phone application.

Advanced reporting tools will be utilized to provide a before and after picture of the system performance. Managers will be able to quickly make adjustments when conditions are unfavorable. Additionally, audit reports will be available that show the distribution of payments by device or service type, payment type, and average payment amount by type. These are important characteristics that provide additional flavor in the management of asset allocation and demand pricing.

eTIMS® Meter Management Sub-System

The eTIMS® Meter Management subsystem (MMS) will track inventory, complaints, outages and repairs, all while being integrated with the ticket data in order to insure timely and accurate customer service response and appeals support. Automatically generated work orders will remain open until a meter outage is repaired. Handheld devices will communicate and capture basic information from the meters.

MMS has a robust on-line meter management system that will support the in-field work of the maintenance technicians. It allows authorized users to add, modify or delete information relative to a specific meter or a group of meters. This inventory capability allows the capture and display of the location and operating characteristics of the meter. By using the Global Meter Entry function, selected from the main meter menu, all meters following user-specified criteria can be chosen using parameters extract requested data.

The meter inventory captures the following fields:

- Manufacturer
- Model
- Lock series
- Time limit
- Date of purchase
- Neighborhood / district location
- Street name
- Meter rates
- Maintenance route
- Collection route

- Days and hours in effect
- Type of space
- Meter number
- Timer
- Preventative maintenance cycle

The records are updated overnight in batch processing, and a journal report is produced as part of the daily production cycle. This report documents the changes made and user ID of the employee who initiated the change transaction. Online access to the global update feature is restricted to users designated as authorized by the STLTO.

Meter Outage/Repair

Xerox's MMS sub-system provides online support to the meter maintenance operation through the Meter Repair Entry/Update and the Meter Repair History pages.

The Meter Outage/Repair page provides the maintenance technician with all the information regarding outages and repairs including:

- Outage date
- Outage reason
- Ticket number associated with the outage (if applicable)
- Source of each outage report

The information regarding the associated repairs to those outages includes:

- Date of the repair
- Time of the repair
- Repair crew
- Repair action performed

In the instances where a meter has an unusual amount of activity, both the outage and repair information may be filtered by outage type or repair action. This allows the operator an easy way to track specific types of outages and repairs.

When a violator complains that a meter was defective, an authorized General Inquiry user can fast path to the Meter Repair Entry/Update page to confirm whether or not the outage condition was previously reported and repaired.

The management and activity reports needed to support meter operation are valuable tools to monitor, evaluate, and direct meter program activities. We have developed a comprehensive set of management information reports to address the City's needs.

The Xerox Meter Management subsystem provides an extensive number of production reports as part of its meter report package. These system-generated reports supplement online retrieval capabilities. In addition to these standard reports, we have worked with cities to tailor additional reports to provide a comprehensive report package.

Below is a sampling of the reports available from our Meter Management subsystem:

- **Meter Open Outage.** Daily report listing all open meter outages by maintenance route and meter number. This report shows the location, outage type, date, and time reported.
- **Repaired Meter Outages with City Case Number.** Daily meter repair report by maintenance route and meter number. This report shows the repair actions taken with the associated outage.
- **Meter Repair Activity by Type of Repair.** Weekly meter repair activity by maintenance route. Statistics on repair totals are also maintained.
- **Meter Status Report.** A weekly inventory of meters by collection route showing current status of each meter.

We provide additional reports that provide information on monthly meter maintenance activity. These reports consolidate information from both the single-space and multi-space meter vendor systems:

- **Meter Maintenance Activity.** Monthly report of maintenance activity by maintenance route
- **Meter Maintenance Activity 2.** User-specified date range of meter maintenance activity by maintenance route
- **Meter Maintenance Activity 3.** User-specified date range of meter maintenance activity by district
- **Field Meter Inventory.** Periodic snapshot of the inventory by maintenance route, street or block/limits, and meter number
- **Meter Inventory Summary by Maintenance Route.** Monthly inventory by maintenance route

A.a.iv Maintenance and Service

The mission of the maintenance program is two-fold. First and foremost, it must maintain an operability level that fosters positive public perception of a well-run operation and secondly to support consistent delivery of meter revenues to the STLTO by ensuring the proper operation of all meters within the system. This mission is accomplished by the Xerox team providing a program comprised of scheduled preventative maintenance at appropriate intervals based on manufacturers' recommendations and as well as a solid process for identifying non-functioning meters and rapidly assigning maintenance personnel to correct the problem expeditiously and returning the meter to revenue operation as quickly as possible.

The Xerox team will utilize maintenance repair technicians in the field, as well as technical support from the original equipment manufacturers to ensure that the meters operate and perform at levels that meet, or exceed, the STLTO's expectations.

As new technology is brought to the market place, the skill sets required to maintain the parking assets are evolving much faster than in the past. In response to these changing requirements, we have made arrangements with the manufacturers of the new networked assets to provide warranties and regularly scheduled support visits to provide refresher training and field support of the scheduled proactive maintenance.

Replacement Parts

The new networked assets can be fully supported under extended warranties that will provide coverage during the duration of the contract term. Therefore, the required materials in support of those assets should be maintained on hand for fast swaps and defective or broken parts will be returned to the OEM for repair or replacement.

Maintenance technicians in the field, as well as maintenance technicians in the shop, will have an inventory on hand at their worksite, of frequently replaced items. This inventory will be based on historical usage patterns driven by meter brand, meter type, and the maintenance history of meters at a given locale. This ready inventory of replacement parts will facilitate the rapid correction of any meter malfunction, speed the repair process, and more rapidly return the device to duty. Lists of recommended spare parts can be found in Attachment 1 of this proposal.

Maintenance of Appearance of Assets

One of the key functions and tasks that our meter technicians, meter collectors, and supervisors are charged with performing is ensuring that every meter that they visit during the course of their day, meets the required standard of appearance. This includes, but is not limited to, the following routine tasks:

- Housing and dome (if applicable) are cleaned
- Meter is free of graffiti
- Displays appropriate and correct decals and price plates (if applicable)

Among their standard supply kit, all meter repair technicians carry with them, in their vehicles:

- Cleaning supplies including paper towels, cloths, and general purpose cleaning solutions
- Special graffiti removal solutions
- Standard, commonly used meter decals

As part of the ongoing daily maintenance of the meter system, our meter collectors are required to list on their daily trouble sheet reports of any vandalized or inoperable meters. These observations will be loaded to the eTIMS® MMS for the generation of a maintenance action. In addition to documenting the problem in the system, our procedures will call for the meter collector to report to their supervisor any immediate threats to the security of a meter or areas where a significant number of meters appear to be impaired. The collection supervisor will forward this information to the Xerox Project Manager for immediate follow-up. This two-pronged approach of both written and verbal notification helps ensure that problems are addressed in an expeditious manner, because we utilize all our resources in the field to inspect the appearance of as many meters as possible, every business day.

Transmission of Trouble Tickets

Xerox's eTIMS® MMS provides real-time online support to the meter maintenance operation through the Meter Repair Entry/Update and the Meter Repair History pages.

Meter maintenance activity is vital to the City of St. Louis. This requires that meter outages be promptly identified and repaired to minimize loss of short-term parking and parking revenues and to provide a well-documented maintenance operation for the support of other departments that rely on time sensitive information. Meter maintenance supervisors and technicians must have quick and easy access to information on outages obtained from all possible sources. This will be done by allowing Xerox and STLTO staff the ability to update the eTIMS® MMS in real-time to verify the most up-to-date and accurate information.

Each morning in the Hudson facility outages will be automatically sorted by meter-specific maintenance routes and assigned to the appropriate meter repair person via system-generated, hardcopy work order reports. Information describing the repairs made to the meters will then be recorded in the system upon completion to ensure the data accuracy of the system. An available report to show the number of days elapsed between outage and repair is the Meter Check and Response Time Report. This report lists all reported meter outages and their locations, types of outage, date and time and repair action, and the elapsed time.

Reporting Requirements

Our Merge® application fully integrates all of the data points generated by the on-street assets in order to provide an all up view of system performance. The reporting and dashboard components of Merge® provide graphic dashboards with drill down navigation for senior managers to view and monitor the current state of the program. The ability to manage report configurations and parameters gives the management team the ability to quickly analyze and evaluate performance trends and identify any issues.

Methods of Coin and Bill Collections

Meter Revenue Collection and Counting

We contract with Hudson to provide the revenue collection field services for this opportunity. The collections process is the single most important task required in this RFP. The physical collection of parking meter revenue in an open and public setting creates a point of vulnerability that requires tremendous resources and controls to protect STLTO's revenue as well as the individuals responsible for making the collections. We have provided these services on behalf of the District of Columbia parking program for over 15 years with little incident, so we have considerable experience in managing a field collection service.

Secure and Safeguarded Vehicles

Hudson will conduct all physical revenue collections using vehicles that are equipped with industry leading dual control and access security locks. They will allow for open inspection of all vehicles used for the collection process including providing a listing of all vehicles that will be in use.

Hudson personnel will be in uniform and will be carrying all necessary and approved equipment for the physical revenue collection process. In addition, Hudson will provide all physical collection services in accordance with City's motor vehicle regulations governing traffic and parking. Specific concerns will be documented in the standard operating procedures and followed during the execution of the collection process.

Hudson will also follow all of their internal electronic and security protocols to ensure the protection of their people first and the physical revenues collected as well. Hudson will then transport all collected revenue to the Brinks facility upon completion of the daily field activities. This facility is currently used for the processing, counting, and depositing of the City's coin meter revenue.

Deposit of Revenue

We create merchant accounts in support of the credit card process needs for the meter hardware and the Parkmobile applications. We coordinate with the STLTO to establish the correct routing of the electronic deposits and establish protocols for documenting the deposits daily for reconciliation with the City's accounts.

Documentation and Implementation of Revenue Audit Protocol

We work with the STLTO to develop the revenue protocols required to satisfy this requirement. We understand the importance of this requirement in documenting a secure collection process. The collection of networked assets will be mapped to actual collection counts and a report will be generated that documents the outcomes.

Reconciliations

The Merge® system imports the daily collection audit data from the networked meters and the actual collection counts provided by Brinks. The values will be mapped accordingly to generate a daily variance report. The variances will be tracked at the zone, route, and system-wide levels to identify any positive or negative variances.

Parkeon Collection Process

Security has been a prime consideration in the design of the Strada Rapide, it incorporates special materials to enhance the resistance to malicious attacks. It also provides the very latest in electronic locking technology. The highly secure electronic locking mechanism is fully shielded inside the vault.

Once opened, the door to the cash box vault provides no internal access to secure areas. The cash box can only be accessed by authorized personnel using an electronic key to deactivate the locking system.

Although highly secure, keys and locks can easily be reprogrammed in the event of key loss. This saves time and money in the event of such an occurrence and minimizes machine downtime. The electronic locking system also facilitates flexible combination management.

Efficient Coin Collection Process entails:

- Quick collection
- Vault is robustly constructed with the front of the vault being manufactured from manganese steel plate
- Vault assembly is locked in place with 2 stainless steel locking pistons and cannot be opened even under 2 tons of opening force
- Highly secure V4 electronic lock as standard, proven extensively in the DG range of terminals
- Highly resistant to attack using manganese steel plate to protect the vault and lock mechanism

The Strada Rapide features an ergonomically designed transferable cash box that makes coin collection a quick and easy procedure. It also combines ease of operation and maintenance with an exceptionally high degree of reliability.

Minimal effort is needed to open the cash box vault to make a collection. It simply requires the electronic key to be placed against a concealed lock detection sensor to deactivate the vault locking mechanism. The vault door can then easily be pulled open, the cash box lifted out, a replacement unit placed in the vault and the door pushed shut.

IPS Collection Process

Since the IPS meter solution retrofits their mechanism into existing housings, there is no change to the collection process. The collectors will continue to access the meter vaults, retrieve the boxes, and collect the coins in secure sealed collection canisters.

Remote diagnostic capabilities (ability to alert third party contractor and/or STLTO if malfunctioning)

MSM and advanced technology single-space meters have the ability to self-report outages to their manufacturer’s meter management (back office) system. These systems can report the information about an outage to multiple resources, such as managers, supervisors, or repair technicians, and STLMO designees though a variety of communication channels.

We integrate information from the back office systems of both Parkeon and IPS into our Merge® system. This system will track meter outages reported by the two manufacturers’ systems and, using the STLTO’s business rules for prioritizing outages, present the information on the outage including meter make, model, type, location, and reported problem, to authorized users who will dispatch meter repair technicians to the out-of-service meter in the most efficient and timely manner. This will be done to assure the STLTO that meter up time, utilization, and revenues are maintained at the required level of service, or higher.

Overall performance with minimum downtime related to regular usage, weather and user created problems

The Parkeon and IPS equipment is designed to operate under a broad range of environmental conditions and the demands of major urban demands on parking equipment. The ability to view real time equipment status and receive system driven messages for required repair actions, a well-trained maintenance team, and an adequate supply of spare parts on hand all lead to a highly performing on-street operation. Our approach of data driven program monitoring and a solid local partner providing equipment servicing will ensure that the overall performance of the on-street system will be high and sustainable.

Ability to be maintained by third party contractor and/or STLTO without affecting warranties

We have entered into Teaming Agreements with Parkeon and IPS for the purpose of delivering their parking meter hardware to the City of St. Louis. As long as the equipment is maintained following the manufacturer guidelines for preventative and standard maintenance, then there is no issue with regards to who performs the maintenance to the equipment. We work with the City to fully develop the maintenance program and the manufacturer warranties will be structured to reflect the agreed to roles and responsibilities.

Ability to promptly provide instruction for necessary repairs

Parkeon and IPS both provide extensive training in the proper maintenance of their respective equipment. We make certain that the maintenance team is fully trained and will receive refresher training as needed to adequately service the equipment and maintain a high level of reliability. Please refer to attachment 1 for a summary of Parkeon’s and IPS’ approach to training.

Provide Details for Service Contract and Equipment Warranty

Wherever applicable, we request, purchase and maintain warranties on all items installed on behalf of the STLTO. We will not charge the City for services provided under warranty. Both Parkeon and IPS provide standard one year warranties on materials. In addition to these standard warranties, we offer pricing to procure extended service plans with the vendors to cover any replacement parts that will be required to service and maintain the meters during the contract term.

Under the extended service plan with Parkeon, the STLTO will benefit from twice a year visits of Parkeon equipment support staff to assist with scheduled preventative maintenance and overall system performance. Additional training sessions are provided as needed to keep the maintenance staff current on latest techniques and requirements. We believe that this additional level of support from the meter manufacturer greatly improves our ability to proactively manage these assets and identify any performance problems before they can create a negative perception.

No labor warranties are included in this offer.

Policy Regarding Future Hardware and/or Software Upgrades

Parkeon and IPS provide the City with software and firmware upgrades for normal update and non-city specific developments during the term of this contract.

A.a.v Ticket Issuance Devices (TIDs)

We are a leader in providing proven and highly effective ticket issuance devices (TIDs) to municipal parking management clients across the Country. Our team currently supports more than 2,100 TIDs of various configurations nationwide. Unlike other vendors, we are a systems integrator and not a product manufacturer or marketer. As a result, we partner with each client to objectively evaluate equipment and select hardware that best addresses each client’s specific needs.

Based on the City’s requirements and stated objectives of the Integrated Parking Management System, as outlined in the RFP, we offer the following equipment recommendations, which provide a best in class solution that meets, and in many ways exceeds, the requirements for ticket issuance devices:

- Motorola MC9500 Handheld Computer
- Zebra QL320 Plus Printer

Motorola MC9500 Ticket Issuance Device

The Motorola MC9500, shown in Exhibit A.a–5, is the City’s current device, supplied by us, and is one of the most proven and reliable ticket issuance devices in use by the parking industry. We recently completed the roll out of 550 of these TIDs for the Los Angeles Department of Transportation (LADOT), in support of a program which issues more than two and a half million parking citations each year. We have successfully deployed another 300 of these units for the cities of San Francisco and Oakland since 2011. We have also deployed these units with our clients in other parts of the Country including Dallas and Boston. The wide variety of climates encountered in those locations, are a testament to the performance of these TIDs in conditions which include: rain, snow, extreme heat, humidity, fog, and bitter cold.

The Motorola TID will come equipped with the ability for wireless data transfer, allowing the units to upload and download specified data records, wirelessly. Our handheld TID solution supports the City's efforts to improve the St. Louis parkers' experience by allowing information such as mobile parking payment and new citations, to be transferred to and from the handhelds, seamlessly, in real time.

Zebra QL320 Plus Printer

This tough printer, the Zebra QL320 Plus, shown in Exhibit A.a–6, will stand up to constant use and still deliver crisp citations, complete with barcodes and images, as required by the RFP. The QL320 Plus meets all of the City's requirements for a citation printer, and it will do so reliably, over a period of years.

PocketPEO® Ticket Issuance Device Software

We provide the City of St. Louis our Pocket Parking Enforcement Officer, or PocketPEO®, patented citation issuing software application, for use on the handheld citation issuance devices. This software is a proven performer and over the years that it has been in use by the City, we have upgraded and expanded the capabilities and functionality of the software, so that it best meets the City's changing and advancing business rules and parking enforcement requirements. With a history of being used by over 20 of our clients, several of which issue more than 1 million parking citation on an annual basis, we can confidently state that we implement our handheld software solution without risk of disruption to the City's citation revenue stream.

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Exhibit A.a–5. Motorola MC9500 Handheld
An outstanding handheld TID that provides a broad array of features and functionality.

038_DENPC

Exhibit A.a–6. Zebra QL320 Plus Printer
This very rugged device prints citations quickly in a wide array of conditions.

The following are highlights of capabilities required by the City of St. Louis in the RFP:

Images to Support Violations. All images captured during the citation issuance process will be tagged to individual citation records. Once the citation and image files are uploaded to the processing system the images are available to customer service, adjudicators and the public for review. Images taken during the citation issuance process can also be printed onto the hardcopy citation. While it has been our experience that the quality of an image printed on a citation is not as crisp as one would prefer due to space limitations on the citation as well as the mechanical limitations of the portable handheld printer, the image will, in most cases, provide additional data that supports the validity of the citation and lower the contest rates on the citations. The quality of the image(s), when reviewed online in the processing system, is far superior to the image that prints on the citation, and provide additional evidence which supports the citation.

Permit and Other Downloaded Specialized Lists. Xerox downloads the permit list to the TIDs, ensuring that the officers can verify the validity of permits quickly while on patrol. We also provide to the TIDs a scofflaw list, which is essential for identifying habitual violators and expediting their paying for, or otherwise disposing of, their citations. We download City provided lists such as stolen vehicle or Amber alert. Providing such lists allows the City to leverage its parking enforcement officers to assist law enforcement regarding the presence of stolen vehicles or other watch listed vehicles, while continuing their parking enforcement activities. These lists can be automatically updated on a regular basis during the upload/charging cycle, or wirelessly if the City specifies.

Officer Productivity and Management Reports. Xerox delivers a comprehensive, multi-faceted management reporting strategy that includes next-day productivity and activity reports from the handheld system. All violation productivity and officer activity data is recorded in the handhelds and uploaded to a Web-based violation report application. Therefore, Web-based reports provide access to data as soon as upload is complete. The following Exhibits A.a–10, A.a–11, and A.a–12, found at the end of this section as screenshots, are just a few samples of our reporting capabilities.

It is important to address two key features of our TID solution: real time citation uploads and meter payment with mobile devices. Citations issued with a wireless-enabled Motorola MC9500 TID, will upload citations to PocketPEO® in real time, placing the records on the eTIMS® database, and making it quickly available for payment online, if the parker chooses. Because the City requires the ability to pay for parking by mobile device, enforcement officers need to have a means of verifying whether a space has been paid for using mobile payment technology. PocketPEO® makes the payment information available directly on the TID, eliminating any need for officers to carry extra devices or use alternative methods, in order to verify mobile payment. Parking officers are able to search by plate, determine if how much time remains, or if the vehicle maybe parked in violation, due to either failure to pay, or expiration of the paid time period.

A.a.vi License Plate Recognition (LPR) Technology

We propose to provide the City of St. Louis with, what our experience and proven capabilities have demonstrated to be, an outstanding License Plate Recognition (LPR) system; the Sharp X from Genetec.

Genetec's hardware team has fully redesigned their Sharp X system, as a unified mobile solution. The Sharp X demonstrates great performance due largely to its LPR application specific design and the use of military grade components to ensure durability in an abusive automotive environment.

1. New mechanical design makes it more robust
2. New CPU increases processing performance
3. New illumination technology improves optical performance

The proposed LPR solution includes three main components as follows:

1. The LPR camera
2. The backend software
3. The vehicle software, installed on ruggedized computers

The LPR Camera

The AutoVuSharp X (XGA), shown in Exhibit A.a–7, is Genetec's latest IP-based LPR camera designed for parking operations and law enforcement. It's one of the smallest high resolution LPR cameras on the market with integrated illumination. It has an IP67 aluminum housing and measures only 1.65 inches tall, making it less visible to vandals. It uses a new progressive scan sensor with 1024 × 946 resolutions to capture the best possible plate images for analysis. The LPR sensor provides two to three times higher image resolution than most LPR systems found on the market. The sensor ensures better readability of dirty or obstructed plates. It reads plates of parked vehicles at difficult angles, across three lanes, as well as in bad weather. This cutting-edge device reads plates of moving vehicles or vehicles parked parallel or at 45 and 90 degrees.

The advanced technological capabilities of the Sharp X (XGA) allow it to capture license plates from vehicles moving at differential speeds of up to 160 MPH and across two lanes of traffic, while the system is moving. The Sharp X sensor used for context images is designed using state-of-the-art technology providing vehicle overview images in a variety of environmental conditions. From early morning to early evening, officers can expect quality context images to help identify the make, model, and even the color of a suspect vehicle.

The Sharp X (XGA) camera offers the highest readability rates in the LPR industry, which allow users to effectively double their reach and thus, their productivity.

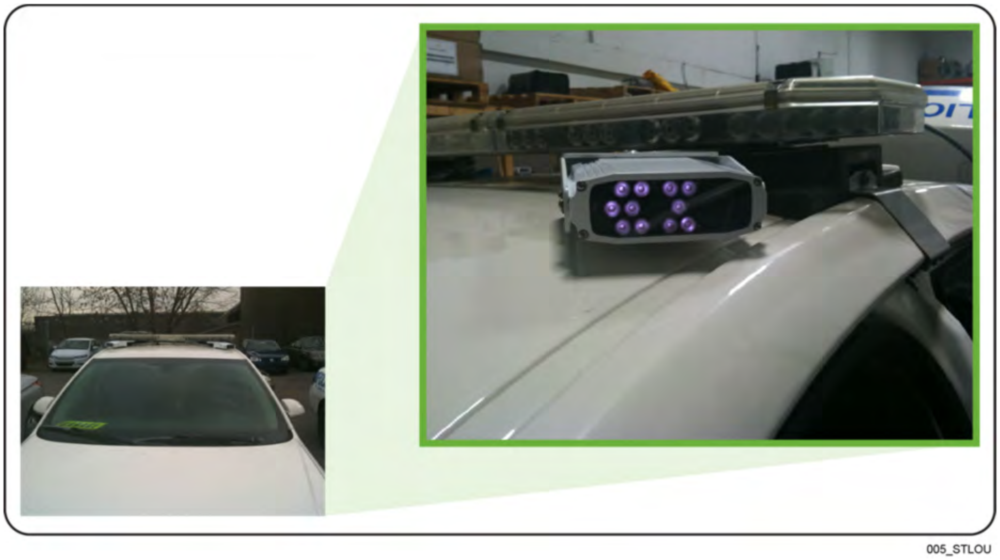


Exhibit A.a–7. Genetec's AutoVu Sharp X Camera
A durable and compact unit which delivers both high quality plate, and context images

The Backend Software

The AutoVu LPR system is part of Genetec's unified security platform, called Security Center. Security Center offers secure client-server communication with a sophisticated encryption mechanism at the same time; it offers the ability to integrate with Microsoft's Active Directory to authenticate users using their Windows credentials. Security Center use advanced password-protected operator login and tracks changes through audit reports. It allows the client to assign rights and privileges to different sites for secure multi-site functionality. The system ensures high availability through industry standards and advanced failover functionality.

The AutoVu system within the Security Center provides back-office management capabilities, which allows operators to access and review all collected data for further analysis. Exhibit A.a–13, shown at the end of this section as a screenshot, shows an example of the kind of analysis user can perform, using GIS maps in order to depict enforcement patrol activities, with the Backend software.

The Vehicle Software

AutoVu Patroller is the in-vehicle software, loaded on the rugged CPU computer of the AutoVu system credentials. With large buttons and touch enabled functions on the in-vehicle display, as shown in Exhibit A.a–14 at the end of this section as a screenshot, users will learn to readily to utilize the system as a fast and efficient scofflaw identification tool.

The City's RFP called for the LPR to able to perform parking enforcement. Efficient scofflaw vehicle identification, combined with immobilization and towing, yields improved parking compliance and higher citation collections rates. The systems recommended for the City, if it requests, can perform a larger role in enforcement. Post award, if the City requests, Xerox and the City can explore in greater-depth, the City's goals and requirement in this area. We currently integrates our PocketPEO® software and Motorola hardware solutions, with our eTIMS® database, to deliver both time limit and residential parking permit (RPP) enforcement for the City of Denver. At the City's option, we can cooperate on developing the necessary scope of work, to ensure that the systems ordered are equipped with all necessary hardware and software, communications capabilities, and interfaces needed, to issue accurate citations for violations, which are fully supported with photographic and GIS based evidence.

A.a.vii Boots for habitual parking enforcement violations

The eTIMS database tracks all citations and based on the City's business rules, generates a file of vehicle plates which belong to scofflaws. This file is downloaded routinely to all parking officers' handhelds. Officers that enter a plate number into their handhelds will receive an alert that the vehicle belongs to a scofflaw. The location that the vehicle was sighted can be given to the boot crews. This kind of scofflaw identification can strengthen the City's enforcement efforts.

To provide vehicle booting enforcement for the City, we offer two alternative solutions to meet the requirements of this section. The first option is that we, in conjunction with our local partner, will provide the vehicles, equipment, and staff, to boot and release booted vehicles, for the City. We provide three (3) vehicles, three license plate recognition (LPR) systems, and sufficient qualified personnel to operate an effective booting program for the City. We ensure that the file of all boot eligible vehicles is wirelessly uploaded to the LPR systems. We also provide real-time access to our eTIMS® system so that boot crews can ensure that plates are eligible for immobilization at the time the boot is placed on the vehicle.

We also provide route assessment tools and consulting services to evaluate current booting procedures and identify opportunities for improvements to deliver productivity and effectiveness improvements. This includes the Boot Book, Smart Boot Book, Boot Inventory Report, and more.

As an optional service, we are pleased to submit a self-release booting solution for the STLTO's consideration (Exhibit A.a–8). To deliver self-release booting, we would partner with PayLock, an industry pioneer in self-release booting services. The PayLock solution will provide St. Louis motorists with a means to pay outstanding parking tickets and boot fees by phone using a debit or credit card and then allowing the motorists to immediately remove the boot themselves by entering a release code into a touchpad on the boot. This innovative solution delivers all of the effectiveness of traditional booting with improved efficiency, as booters can spend more time locating and booting scofflaws and less time carrying out assisted releases. At the same time, the City will realize the deterrent benefits of booting without inflicting the punitive harm, and additional time spent by vehicle owners, to retrieve their booted vehicle from the PVB, or obtaining the cash require to pay for the vehicle's release from the PVB—in other words, further taking the pain out of parking.

Exhibit A.a–8. Self Release Booting

PayLock's core offering includes a unique service dedicated to providing a customer friendly approach to locating, immobilizing, and releasing boot eligible vehicles. The cornerstone of this proprietary approach is the use of Self-Release SmartBoots. These vehicle immobilization devices allow motorists to regain their cars without the need of a release crew to respond - a process that can take hours and sometimes days. The SmartBoot has an electronic locking mechanism that can be opened when a unique code is entered. By calling our 24/7 Live Agent Help Center, motorists can pay and unlock the SmartBoot and release it from their vehicle in just five minutes. Along with being available 24/7, our Help Center is specifically trained to provide the highest level of customer service to booted motorists. For example, if the motorist does not have access to their credit card we will conference call friends or family – anywhere in the world - to make payment on their behalf.

Exhibit A.a–9. On Vehicle Noticing

Complementing the core self-release booting solution, PayLock offers unique field notification services using LPR technology to efficiently identify targeted vehicles to help to collect all types of vehicle related debt. This approach entitled On Vehicle Noticing (OVN), shown as Exhibit A.a–9, helps close a major loophole in the parking ticket collections cycle preventing cities like St. Louis from collecting 100 percent of vehicle debt owed.

In cities and counties around the country, the biggest barrier to successful collections of vehicle-based violations is obtaining accurate and complete vehicle ownership information. Depending on the jurisdiction, approximately 10 percent of all license plate requests return inaccurate or no ownership information. While these motorists never receive a mailed notice, their cars often can be found parking in their usual locations. Once the vehicle is noticed there is a good chance that they will pay. Depending on the city and other variables, PayLock's notices return an excellent 40 to 60 percent payment rate.

- **Smart booting is fast and friendly.** With self-release booting, motorists no longer are denied the use of their car for hours, and sometimes days. This frustrating and often painful urban nightmare is replaced by a fast and simple business transaction taking just five or six minutes.
- **Payment is made easy.** Since the Help Center never closes, PayLock staff always take payments. When payment challenges occur, the Center goes the extra mile by conference calling friends/family to help pay on the motorist's behalf.
- **Confrontations vanish.** Since enforcement staff don't have to remove the boot and customers pay PayLock over the phone, not in your office, the number of confrontation points are nearly eliminated.
- **Self-service solutions are popular.** With PayLock, motorists can take control of a tough situation. 85 perecent of customers choose to self-release the device helping speed resolution but also creating tremendous program efficiencies that don't exist otherwise
- **Reach motorists that you normally wouldn't.** PayLock's OVN service finds and notifies motorists that normal paper and stamp mailings can't. Field notices help raise awareness of one's obligations that normal noticing does not.
- **Give additional warnings.** Using OVN to provide warnings of more drastic and costly actions (such as vehicle seizure) help communicate a culture of fairness while improving the culture of compliance.

No Upfront Costs for the Implementation of Our Proposed Optional Self-release Booting Service

Like most collections initiatives costs are typically passed along to the debtor by way of boot or collection fees, or some combination thereof. Just like it has for PayLock's municipal clients, we expect that this initiative should yield significant new net revenue for the City. To get a clearer sense for the opportunity, we conducted LPR-based surveys in St. Louis in October of this year. For example, while scanning over 4,000 vehicles we found 90 vehicles that had bad addresses, making St. Louis a perfect environment for OVN services. These 90 vehicles owed more than $7,000 in delinquent parking tickets.

By realizing efficiency gains associated with self-release booting and implementing a consistent and targeted OVN patrol, it is estimated that between $500,000 and $1 million in additional collections can be generated each year.

What Clients Say About PayLock

- **New York City.** "(Dept. of) Finance found the (PayLock) booting pilot to be an unmitigated success"
- **Baltimore, MD.** "I was amazed at how kind, understanding and helpful the boot release line person was. I only wish I had her name to give you. She was funny and friendly and really helpful. I hope I never have to go through it again -but if I do - hope that I get her!"
- **Syracuse, NY.** "…the results of the new Syracuse-PayLock field collections program have been very impressive."
- **Wilmington, DE.** "I was surprised how emphatic and un-judgmental the phone representative conducted herself. It was like she was part of the solution to the problem rather than an ongoing part of the dilemma."
- **New Orleans, LA.** "The SmartBoot program provides the most efficient immobilization program, particularly when it comes to customer service."

Under both scenarios, our base booting offering and the PayLock self-release booting alternative, we provide integration (including a real-time interface with eTIMS®), equipment, and management oversight of the booting program while Hudson Associates will continue to provide qualified, courteous staffing for booting operations.

A.a.viii Software that allows management of permit parking zones

Permit parking programs are important to a City's overall curbside management strategy. Such programs give permit holders easier access to valuable, finite, in-demand parking spaces while restricting parking permissions and durations for non-permit holders. We developed a Permit Parking subsystem that is fully integrated with eTIMS® Citation Management system and enhances your ability to effectively manage service delivery of this facet of your Integrated Parking Management System.

The Permit Parking subsystem supports the maintenance of individual permit accounts, issuance of permits, renewal noticing, maintenance of permit zone data, and generation of management information in an online, real-time mode. Integration of the subsystem with eTIMS® allows permit renewal notices

> **HIGHLIGHTS**
> - Residential Permit Parking subsystem first implemented in 1985 assists in the collections of outstanding parking violations
> - Multiple search capabilities include permit number, permit holder's name, plate number, and permit address
> - Integration with the handheld ticket writing devices to ensure effective enforcement of permit parking spaces
> - Fully secure-only authorized users have access to files

to include outstanding tickets if client policy is payment of tickets prior to renewal. Exhibit A.a–15, shown at the end of this section as a screenshot, is an example of a permit account summary page. Functionally, the Permit subsystem will:

- Establish, maintain and track Permit Districts/Zones and accounts
- Issue and track new, renewal and temporary permits for residents, visitors, contractors, or other groups as allowed by City policy
- Provide cashiering/financial controls for permit fee collections
- Provide comprehensive daily, monthly, and annual reporting for Permit Districts and Citywide for statistical and financial management and analytics

At the heart of the Permit Parking subsystem is a hierarchical database structure driven by the residence address. An account is established for each household (unique residence) participating in the program. Parking permits are issued to individual household accounts. Each household is associated to a valid permit-regulated block, which is part of a valid Permit district.

Data available in Permit Parking subsystem includes:

- Individual parking permit account number
- Account type and status
- Account address that qualifies the account for participation
- Mailing address, if different than the qualifying account address
- Control numbers of the permits that have been issued
- Expiration dates of the permits that have been issued
- Fees that have been paid
- The number of permits issued versus the number of residents on posted streets by district and for any given block

Access to the system is controlled by user permissions and authorizations for view, add, update and delete capabilities. Since the Permit Parking subsystem is address driven, authorized users can quickly determine an applicant's eligibility. Eligibility may also be tied to payment of outstanding parking citations prior to issuing or renewing a permit. Renewal notices can be generated and mailed prior to expiration based on City business rules.

We have expanded our Web services offering to include public self-service options to apply for and renew parking permits. Applicants will have the ability to upload supporting documentation required by the City to obtain a parking permit. Permit fulfillment may use a back-office process using our document imaging and workflow applications. Additionally, we can import the permit files to the enforcement handhelds to enable effective enforcement of the City's permit zones. During the citation issuance process, vehicle license plates can be checked against the permit file to validate permit status (i.e. active versus expired). We look forward to working with the City to develop the specifications and requirements for its permit parking program.

A.a.ix Experience in the Parking Citation Management Industry

The parking citation management industry has evolved considerably over the last 30 years, and we have been the leader in technology; policy and procedure improvements; revenue generation initiatives; and legislation that assists the parking industry. We have successfully implemented, managed, and operated parking systems, and we have worked hand-in-hand with our clients to address traffic safety and congestion challenges by deploying technology that advances the movement of goods and services, as well as millions of people every day.

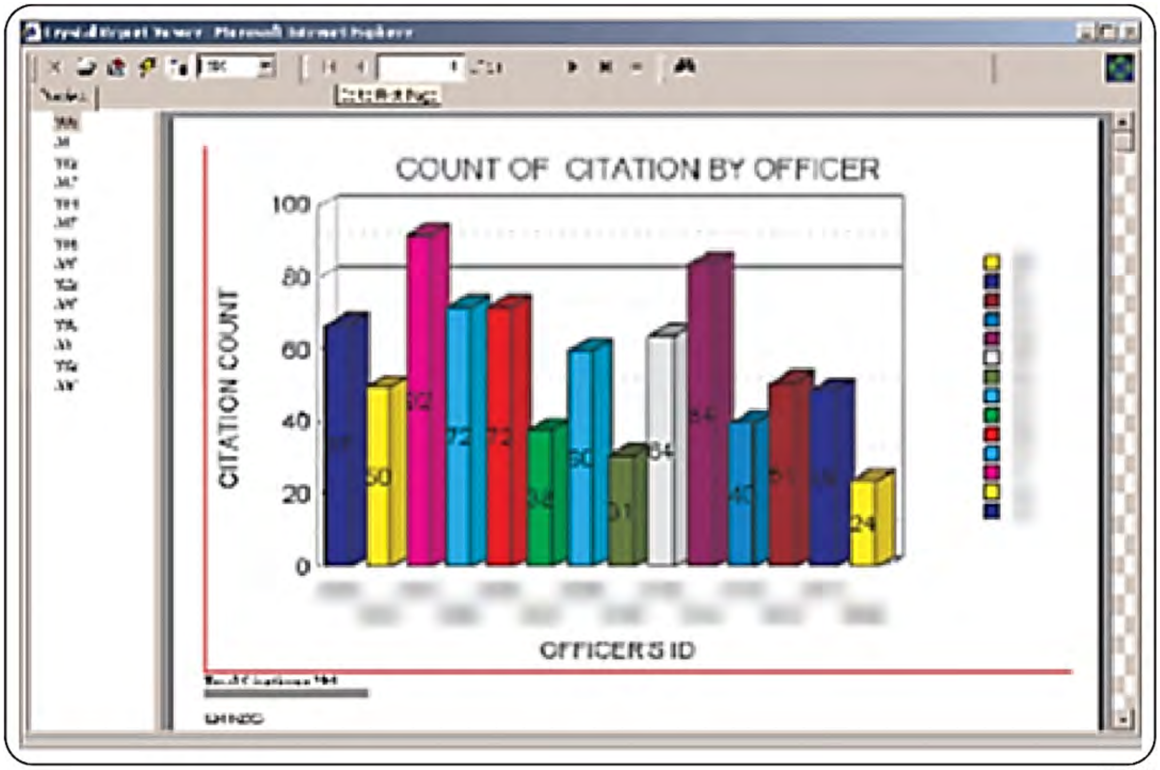
Our company's solutions have been tested in some of the largest, most complex major municipal parking programs in the United States. In fact, we currently serve 21 clients that issue citations including: Boston, MA; Beverly Hills, CA; Denver, CO; Los Angeles, CA; Los Angeles County, CA; Oakland, CA; Philadelphia, PA; St. Louis, MO; San Francisco, CA; and one of our biggest longstanding clients, Washington, D.C.

Supporting our client's requirements is our Germantown, MD transportation design center, where over 200 subject matter experts (SMEs) design, build, deploy and support integrated transportation solutions. Our rigorous product lifecycle development process and testing ensures quality and durability of our solutions. We currently have 170 employees dedicated to parking business, who are focused on system integration, not the manufacturing of meter devices. Our commitment for the future is based on ensuring that our customers have the solutions they need to intelligently manage their changing operating environment.

For additional information, please see Section B, Experience and Capacity.

A.a.x Images

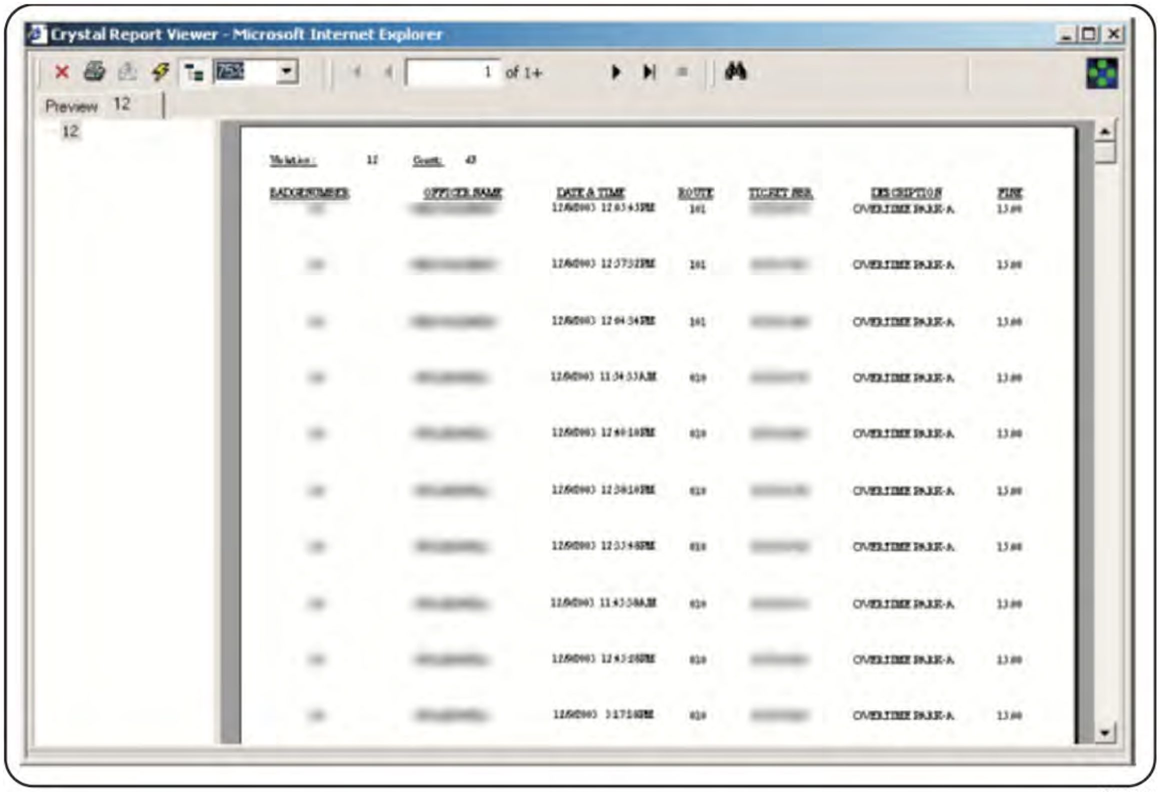
On these pages, please find all screenshots from this section, which are excluded from the page count per the amendment.



085_AAMI

Exhibit A.a–10. Count of Citations by Officer

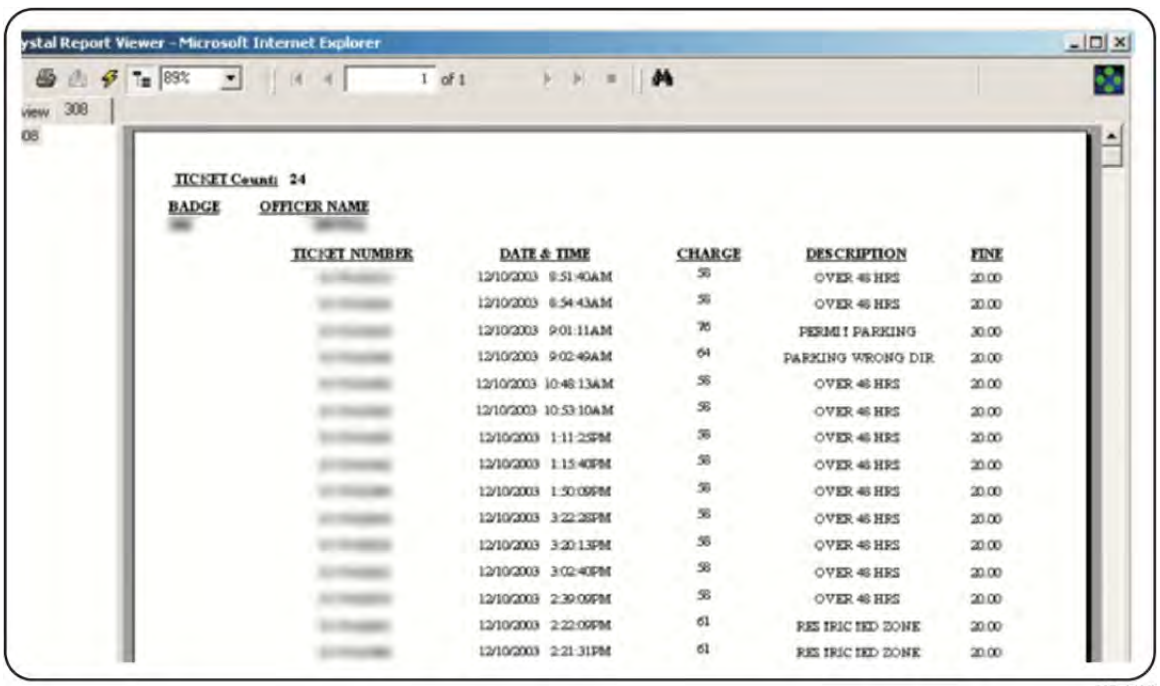
This report provides a count and graphic representation of citations issued by officers in a group.



086_AAMI

Exhibit A.a–11. Count of Citations by Route

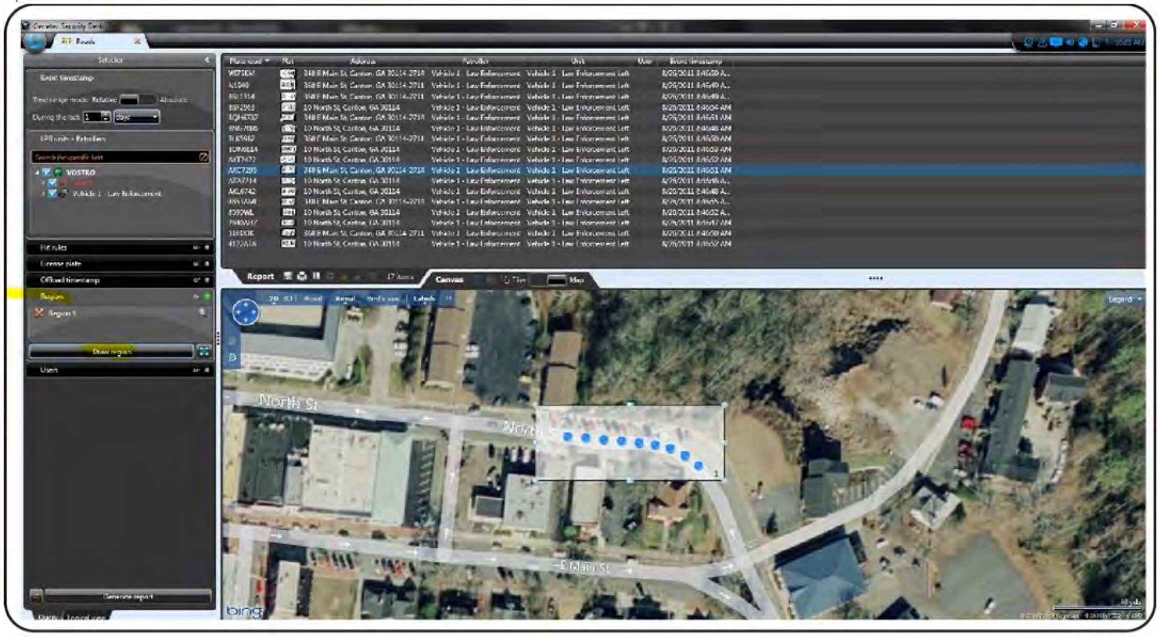
This report provides a listing of citations issued by route and includes more detailed information.



087_AAMI

Exhibit A.a–12. Officer Detail Report

Individual officer activity is shown including citation number, date, time, violation, and fine



006_STLOU

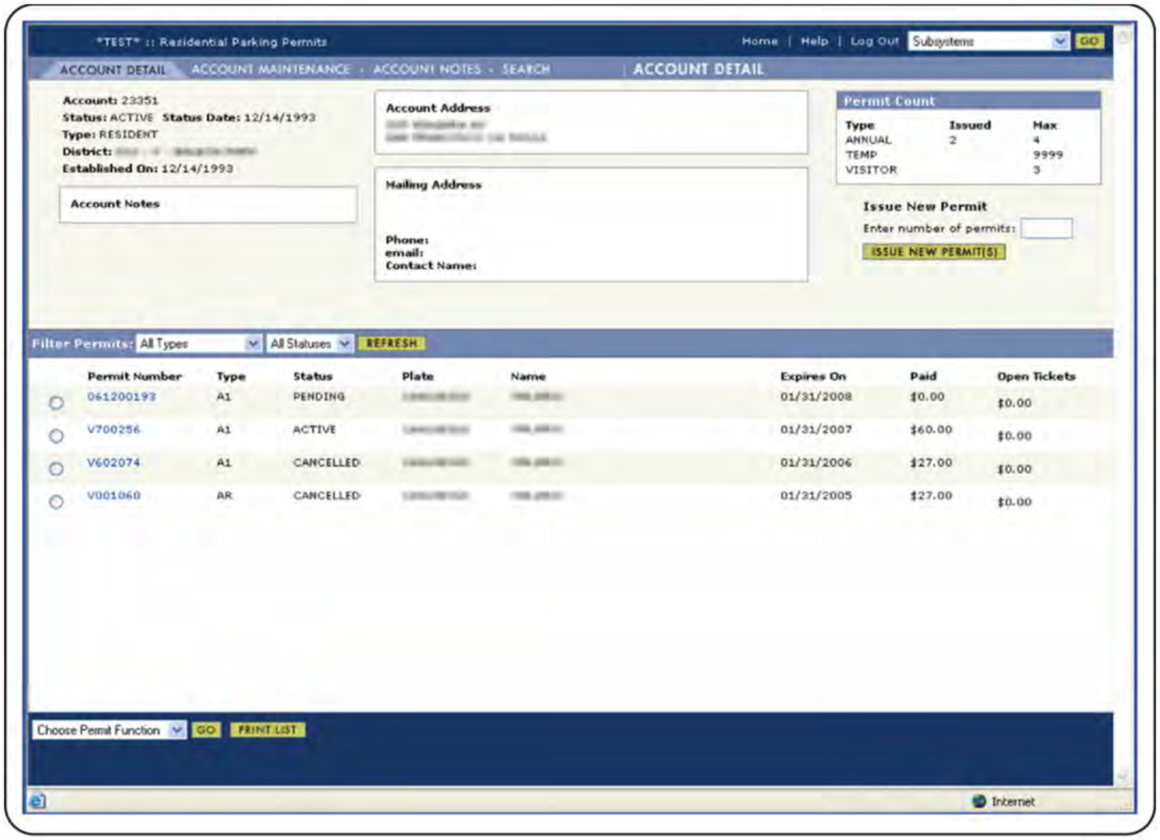
Exhibit A.a–13. Security Center Area Report

Shows scan or hit activity in a user defined area.

007_STLOU

Exhibit A.a–14. AutoVu Patroller, A Read Picture Display

The color context image is sharp, with the IR plate image shown at the bottom left.



004.STLOU

Exhibit A.a–15. eTIMS® Permit Account Detail Page

Displays the eTIMS® Permit Account Detail page with fast path access to other eTIMS® systems from the subsystem drop down box.

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A.b Off-Street Integration

The Xerox Team recognizes that total parking management requires more than just on-street parking—especially in St. Louis where both on-street and off-street parking is managed by the Treasurer's Office.

To deliver a truly comprehensive parking management program, Xerox proposes to support system integration with technology leaders like Parkmobile and ParkMe for the respective provision of mobile payment and way-finding applications with off-street PARC system providers such as Amano McGann. Our proposed off-street parking integration will offer STLTO account-based payment and guidance systems for both on and off-street parking as well as the ability to integrate lean methodologies for on- and off-street data capture and analysis to provide a cornerstone for dynamic pricing, directed enforcement, and congestion management. Further, we can provide social media, public relations, and technology demonstration recommendations to promote these integrated apps.

Xerox and our technology partners Parkmobile and ParkMe will expand the use of the mobile payment and guidance applications. These services will allow customers to locate available parking spaces and make payment at both gated and non-gated off-street garages. We have existing relationships with leading PARC providers, and we will draw upon those relationships and our collective experience to deliver an integrated solution that serves both on and off-street customers. Parkmobile's existing integration with both Amano McGann and Skidata positions us to quickly offer these solutions to the public quickly while leveraging the application as a unified payment method for parking in the City. ParkMe's existing provision of services in St. Louis, as well as its ability to quickly onboard even the smallest parking company, will make the service extremely popular with customers.

A.b.i Technology integration with major vendors of off-street PARCS equipment

We are positioned to integrate with off-street parking providers unlike any other vendor. First, our partners are already largely integrated in St. Louis as demonstrated below. As important, we have extensive experience in testing and evaluating different integrated technologies. We will turn "big data" into "smart data," by providing more than just the collection and storage of data for the STLTO. We will provide data analysis to discover useful information, suggest conclusions, and support decision-making. Our methodology for data cleansing, statistical application, and proprietary algorithms will allow us to classify data and generate predictive analytics for on and off-street operations. We can help to predict and change behavior in St. Louis, making parking integrated and sustainable.

Off-Street Payment Integration

Parkmobile offers a proven and widely-accepted solution:

- Easy to use
- Leverages the same convenient account-based services provided for on-street customers
- Flexible, supports both gated and non-gated garage parking

Parkmobile Pay-by-Phone

The Parkmobile application and service offers a solution for both the gated and non-gated off-street garages. The existing relationship with the major PARC providers, as well as the use of a zone-based system for payments, provides solutions for off-street integration. With their electronic validation programs and digital permit management systems, Parkmobile can easily cover a variety of garage configurations in order to provide a consistent end-user experience that is both easy to use and convenient.

Amano McGann Solution

The Amano McGann integrated solution uses a QR code generator that is integrated into the mobile payment application and a QR/barcode reader that is integrated into the Amano McGann equipment as represented in Exhibit A.b–1. This functionality offers the customer a very intuitive application that requires a simple scan and go interaction with the garage.

Exhibit A.b–1. Integration with Amano McGann

Parkmobile makes paying for parking in a lot or garage easy.

The application works as follows:

1. **Scan for Entry.** Members create and scan a QR code via their Parkmobile smart phone application when entering the facility to vend gate.
2. **Scan for Exit.** When exiting the garage, the customer reopens the app and taps the "Leave" button. After another scan, Amano calculates the amount due including the applicable convenience fee.
3. **Go.** Parkmobile charges the members credit card and opens the gate within seconds. The payment is deposited in the appropriate merchant account.

Skidata Solution

The Skidata integrated solution operates in a very similar manner as the Amano McGann solution but is tailored to the Skidata device. The solution utilizes the barcode printed on a customer's ticket to interact directly with the Parkmobile application as documented in Exhibit A.b–2.

The process flow for interacting with the Skidata equipment is as follows:

1. **Pull Ticket for Entry.** Customers pull a traditional garage ticket to enter the facility at the vend gate.
2. **Scan for Payment.** Any time after parking, Parkmobile users may scan the barcode on the ticket with the Parkmobile app.
3. **Exit Facility.** As the customer exits, he or she merely needs to insert the ticket at the exit gate. Parkmobile calculates the fee, charges the customer's account automactically, and authorize the gate to open.

Exhibit A.b–2. Skidata Barcode Integration

The Skidata solution provides for the agile payment of parking.

ParkMe Guidance Services

Xerox integrates with ParkMe in Los Angeles, providing customers with a powerful tool for finding available parking in real-time. We propose a similar integration in St. Louis to help optimize transportation operations and alleviate the parking woes.

Through our partnership, drivers in St. Louis will be able to fully experience ParkMe's unique real-time parking solution. ParkMe was developed to help drivers save time and money by finding the closest and cheapest parking available. The app aspires to transform the commute of residents and visitors through communicating real-time the hourly rates provided by Xerox and ParkMe's integration with off-street parking operators.

ParkMe's technology is the difference between searching aimlessly for a parking spot and being directed to an available space on-street or in a parking lot. Our integration with ParkMe and ParkMe's relationship with parking lot and garage operators will help St. Louis realize its mission to provide the best parking solution for drivers, helping them park quickly and more efficiently through intelligent, real-time information.

Off-Street Guidance Integration

ParkMe provides unparalleled "spot-finding' services

- The most accepted wayfinding app in the U.S.—millions of users to date
- Relationships with St. Louis off-street parking providers
- Easy to use opt in service allows for continuous evolution

ParkMe communicates information about pricing, occupancy, hours of operation, methods of payment, and even direct entrance points. Drivers can access this information in St. Louis through ParkMe's website (as demonstrated by Exhibit A.b–3), GPS navigation systems, and ParkMe's own free iOS app.

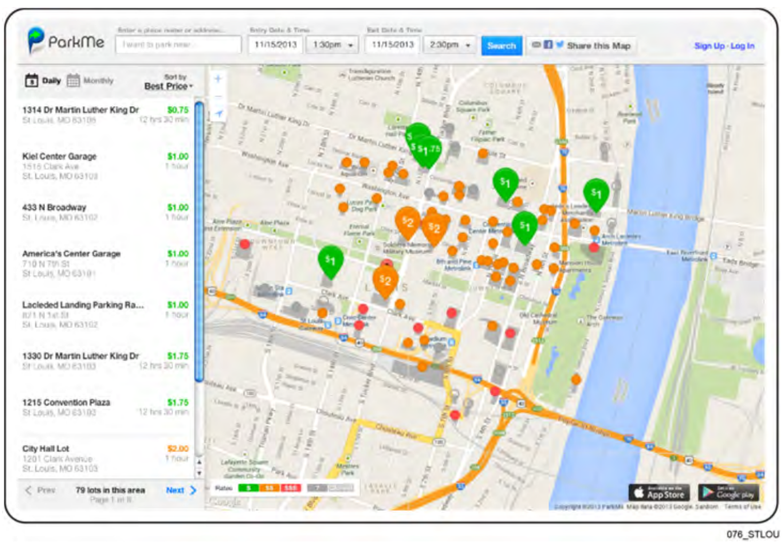

Exhibit A.b–3. ParkMe Makes Finding a Garage or Lot Easy

ParkMe parking guidance delivers information on rates and space availability to users.

ParkMe provides an Operator Dashboard, allowing facility owners to manage their data quickly and easily. With just a few clicks, parking garage and lot operators can update rates, hours of operation, accepted payment types, and much more. Further, operators and businesses can embed ParkMe's widget in their website in just seconds, allowing operators to map out their specific lots and businesses to identify those parking options that are closest.

Xerox and ParkMe have worked closely to develop predictive models for forecasting availability, reducing the need for expensive hardware. Our predictive analytics ensures that the most relevant data is provided to customers and reduces big data confusion.

A.b.ii Experience in the Parking Citation Management Industry

The parking citation management industry has evolved considerably over the last 30 years, and we have been the leader in technology; policy and procedure improvements; revenue generation initiatives; and legislation that assists the parking industry. We have successfully implemented, managed, and operated parking systems, and we have worked hand-in-hand with our clients to address traffic safety and congestion challenges by deploying technology that advances the movement of goods and services, as well as millions of people every day.

Our company's solutions have been tested in some of the largest, most complex major municipal parking programs in the United States. In fact, we currently serve 21 clients that issue citations including: Boston, MA; Beverly Hills, CA; Denver, CO; Los

Angeles, CA; Los Angeles County, CA; Oakland, CA; Philadelphia, PA; St. Louis, MO; San Francisco, CA; and one of our biggest longstanding clients, Washington, D.C.

Supporting our client's requirements is our Germantown, MD transportation design center, where over 200 subject matter experts (SMEs) design, build, deploy and support integrated transportation solutions. Our rigorous product lifecycle development process and testing ensures quality and durability of our solutions. We currently have 170 employees dedicated to parking business, who are focused on system integration, not the manufacturing of meter devices. Our commitment for the future is based on ensuring that our customers have the solutions they need to intelligently manage their changing operating environment.

For additional information, please see Section B, Experience and Capacity.

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A.c Citation Management

In partnership with local government parking agencies from around the country, Xerox has invested over 30 years and millions of dollars to build and continuously enhance our eTIMS® system. The result of these efforts is the most full-featured citation management system available today—one capable of meeting the STLTO's current program needs, backed by a Fortune 200 firm with the resources and commitment to meet new requirements as the St. Louis environment and parking industry at large continue to evolve.

- Familiar citations processing system using eTIMS®
- Internet accessibility eliminates need for hardware and telecommunications
- Existing interfaces to PayLock, financial systems and data warehouse

To support the STLTO's citation processing system requirements, we are proposing the continued use of our industry-leading eTIMS® citation processing system as a Web-enabled, hosted system solution that is hosted in our secure data center in Tarrytown, NY. eTIMS® is the foundation of our total solution—and the most robust system in the entire industry, used to process over 16 million parking citations annually. eTIMS® delivers exceptional processing speed and accuracy while maintaining a user-friendly interface through an intuitive and fully Web-accessible front-end. Because eTIMS® is fully customized and configured to support the City's current business rules and nuanced processing requirements, Xerox and our partners will be uniquely positioned to focus exclusively on system enhancements and improvements to the reliable citation management program currently in place, without the distraction, cost, or risk associated with a tedious data conversion or new system implementation.

eTIMS® was specifically designed to support high-volume, complex municipal parking environments, which, like St. Louis, are much more sophisticated than smaller cities, towns, colleges, or university parking programs. In fact, our average parking ticket processing client volume is over 300,000 tickets (St. Louis issues nearly 400,000 tickets a year). By comparison, our nearest competitor's average client volume is only about 35,000 parking tickets a year.

The eTIMS® hosted system functions as a powerful, operationally stable platform for data storage, data integrity, high-volume batch processing, data and system security, and back-up and recovery. By proposing a centralized processing system hosted in our state-of-the art data center, our eTIMS® solution offers the STLTO a cost-effective solution that delivers superior processing power, redundancy, and failover alternatives that are typically not available in a local server architecture.

A.c.i Processing tickets generated by the STLTO and the St. Louis Police Department

eTIMS® is a powerful online processing system that automates "next action" citation actions and eliminates need for manual system interaction.

eTIMS® is a specialized, table-driven, modular, high-volume, transaction-based citation management system which can support STLTO's citation life cycle. The eTIMS® "next action" logic feature monitors each citation nightly and automatically selects citations for next step processing based on the timeframes and criteria established by the STLTO. This eliminates the need for manual system interaction. In addition, user-friendly interfaces, quick response time, real-time updating, and comprehensive functionality characterize online inquiry and update processing.

eTIMS® access is restricted through the use of individual security profiles that indicate which functions, features , and terminals a user is allow to access. Access is granted by entering a user identification number and password, which must be changed periodically. The user IDs of all users who enter online updates, as well as the date and time they are entered, is captured and displayed in eTIMS® as part of the transaction record. This information becomes a permanent part of the record so that an audit trail is always present.

Every citation entered is tracked from initial update to the database, through registered owner acquisition and noticing, through public inquiry by telephone or written correspondence, reviews and hearings, payment processing, collections or dismissal and to final archive. Exhibit A.c–1 demonstrates how eTIMS® accommodates all aspects of parking management

eTIMS® stores a comprehensive record of each violator's data on our automated database in an organized, integrated and easily accessible format.

Because license plate and citation information reside on a single record in our database, violator information is highly accessible from multiple locations in the system. eTIMS® maintains comprehensive records including staff notes and/or citation writer notes.

Our database design ties violator data to all other essential data elements on the system and ensures that information on any violator can be quickly retrieved in an organized, user-friendly format.

eTIMS® General Processing – Citation Data Presentation

eTIMS® General Processing addresses the unique requirements of customer service, collections, enforcement and database efficiencies. It is organized into pages developed to simplify tasks by providing all information necessary to perform them on a single page. This means users can quickly answer a question, determine whether the citation in question is currently flagged with the DMV, or research payment and adjustment activity on a citation.

There are four main hierarchical pages providing different levels of citation data detail. Specifically:

- eTIMS® Search (by citation number, license plate, or name)
- Citation Management page
- Citation Detail page
- Citation History page

Information becomes progressively detailed as the user moves down the hierarchy. The pages are organized with a standard format to provide as much information on one page as possible, eliminating the need to move between pages for alternate views of information.

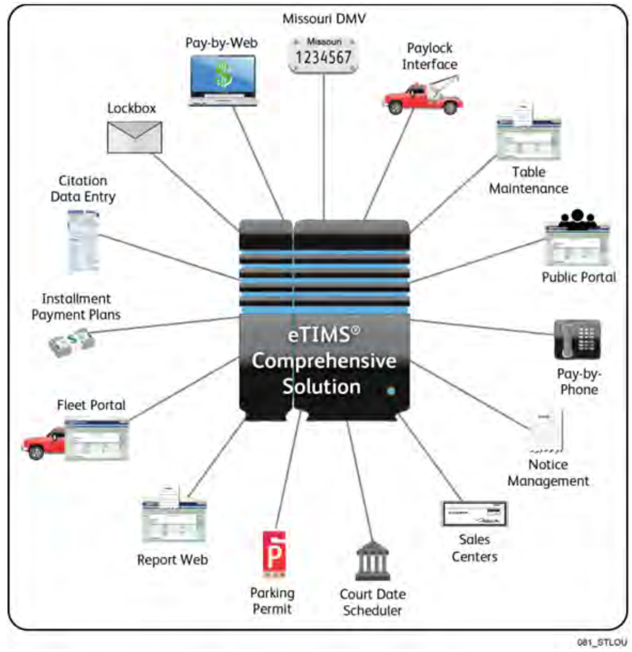


Exhibit A.c–1. eTIMS® Comprehensive Solution.
Our eTIMS® comprehensive solution accommodates all aspects of parking management and provides one system of record for citation processing and delinquent collections.

Citation Management Page

The page concept presents information in a sequential and user-friendly manner. Title and function areas of pages remain constant for the plate presented, while a second area displays detailed citation information according to each user's job category (presenting different views of the relevant information based on the user's job description and needs). As shown below in Exhibit A.c–2, each page is divided into three parts: plate level information, specific citation information and processing functions.

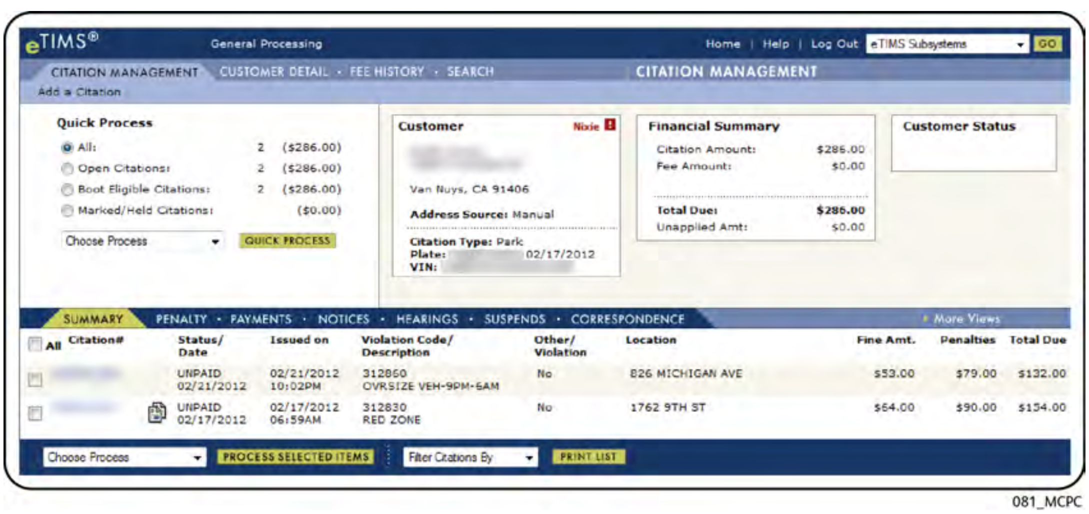


Exhibit A.c–2. Citation Management Page
Our system provides all relevant information on a single page, visible to users based on their job descriptions and profiles.

Plate Information. The top third of the presented page consists of relevant cross-reference information about plate/owner record, including plate number, name and address. The total number of tickets outstanding and outstanding amount is shown, along with totals of subcategories including marked/held and boot-eligible citations. This facilitates familiarity and increases user productivity. Users can choose to view all citations for the plate or only those tickets delimited by the subcategories. The page includes an indicator that identifies mailing addresses for which mail was returned as undeliverable by the post office (referred to as "nixies"). The customer status box contains quick reference highlights regarding the plate status such as "RPP" to indicate the plate owner is participating in the residential parking permit program.

Citation Information. The middle section of the screen displays all tickets issued to that plate entity starting with those most recently updated to the system. It also shows the status and issue date of each citation issued. Based on STLTO designation, users are assigned to work groups with access to different citation information—such as financial, hearing, correspondence, and non-renewal processing—based on security profile and job classification, making it easier for the user to access the information needed to perform job duties.

Processing Functions. The very top portion of each page provides system access options (links to the home page, help, logoff, and fast paths to other subsystems) and tabs for unique views such as payments, notices, or correspondence. Towards the bottom of the page, the user finds drop-down menus for various processing options, such as payment processing or scheduled hearings. The general processing function provides users with concise, clear, and accurate information. Users can easily navigate from one page to another by selecting from the tool bar. Individual security profiles determine subsystem access and functionality.

The Citation Management page in eTIMS® provides users with access to a myriad of useful data elements on a single page. From this page, users can view more detailed citation and customer information on either the Citation Detail page, the Citation History Page or the Customer Detail page.

eTIMS® Core System Logic

What sets our system apart from other parking management systems is how we built our system to support different citation life cycles for each of our client's unique needs. At the heart of our core system is the ability to use client tables to facilitate table-driven next action logic. Using sophisticated algorithms, eTIMS® facilitates "next action" logic during each nightly update and automatically selects citations for next step processing, eliminating the need for manual system interaction.

eTIMS® Table-Driven Decision Logic (Next Action Logic)

eTIMS® is designed to accommodate life cycle events required by the STLTO as well as any changes in policy and procedures over the life of a contract. Table-driven decision logic is matched with STLTO functional guidelines to provide information that is customized to support the STLTO's citation life cycle processes.

The next action occurs when all required client rule criteria have been met. For example, a notice cannot be generated for mailing unless an address has been received from a registry source; or if payment has not been received timely, the appropriate penalty is assessed after the correct number of days from issuance has elapsed.

In addition, eTIMS® automatically performs any required next-action logic whenever a citation data field is corrected or edited. For example, if the license plate is changed, eTIMS® will automatically send a new inquiry to the DMV for registered owner information. The automation of necessary processing actions ensures the accuracy of notices, fines, and penalties without requiring manual adjustments to these actions.

eTIMS® Client Rule Tables

Client rule tables help us customize citation processing based on the STLTO's needs. By using rule tables, protocols are established. Future changes are quickly added, deleted or modified thus eliminating system programming changes and minimizing testing time as well as ensuring that existing programs are not disrupted. Types of Rule Tables used by eTIMS® are seen below in Table A.c–1.

Table A.c–1. Sample of Types of Rules Table

eTIMS® Client Rule Table (Sample)		
Notice Type	Account Code	Fees
Badge Number	Hearing Examiner	Suspend Code
Agency Assignment	Disposition Code	IVR/Pay by Web
Rental Vehicle	Violation Code	Payment Method

eTIMS® Client Rule Table (Sample)		
Address Source	Issuing Agency	Correspondence Code
Violation Fines	Violation Penalty	

Integration of these processing rules reduces system maintenance, since consolidated online modules are designed to function using external table input. These modules translate the table processing rule information into the desired processing logic, eliminating the need for system programming changes.

eTIMS® Customer Service Support

Xerox has a true working knowledge of citation processing, as evidenced by our long history of experience and innovative solutions. Our eTIMS® system and integrated processing subsystems provide a wide variety of functions for all aspects of citation processing. These include real time online update, transaction batch control update, registry name and address acquisition, payment processing, notice management, hearing date availability, residential parking permits, installment payment processing, correspondence and suspend processing, adding skeletal or incomplete citation records (so that citations can be paid or contested prior to being updated to eTIMS®), plate level logic supporting multiple owners, and fleet rental management. In addition, we provide multiple integrated methods of providing customer support including Pay by Web, Pay by Phone and walk-in customer service. The following section provides a summary view our customer service support.

A.c.ii Customer complaints

The Xerox team, including its subcontractor Hudson and Associates LLC, will continue to provide the STLTO with excellent customer service through our Parking Violations Bureau. Our team will use our experience providing customer service to the STLTO for the past 10 years, as well as our experience providing similar service for large parking jurisdictions around the country.

Our customer service solution offers the STLTO numerous proven tools to assist citizens, including 24/7 internet-based self-service, Pay-by-Phone, Pay-by-Web, Integrated Voice Response (IVR), and walk-in customer service. Aided by subcontractor Hudson and Associates LLC, we offer an already established Parking Violations Bureau (PVB) that receives more than 50,000 calls annually.

We have been responsible for customer service for more than 40 violation processing and photo enforcement clients across the United States and Canada. For example, on an annual basis for the STLTO, Xerox:

- Processes over 375,000 violations annually
- Processes over 15,900 citizens at the cashiering locations
- Schedules over 1,000 hearings
- Manages nearly 51,500 customer service calls
- Processes nearly 12,000 pieces of customer correspondence

We have demonstrated experience in establishing, staffing, and operating a customer service operation with trained customer service representatives (CSRs) to handle the call volumes and citizen questions about the program or a particular parking citation. Excellent customer service entails the provision of:

Customer Service Highlights

- 24/7 citizen self-service over the Internet and through IVR
- Proven Customer Service Center in operation in STLTO
- State-of-the-art payment processing program including lockbox payment processing, online cashiering, automated Pay-by-Phone and Pay-by-Web
- Integrated Voice Response (IVR) including adjudication requests
- Experienced customer service staff in place and operating today – no learning curve

- A variety of payment options that make it easier for citizens to close out their outstanding accounts over the phone, in person, or via the Internet - Our online payment processes meet PCI-DSS compliance standards
- Trained personnel who know every aspect of the program and have the aptitude and attitude to deliver complete customer care
- Customer information systems to provide CSRs with current information—without that the best customer service representative is not able to satisfy a demanding customer
- Consistency in program continuity
- An environment that speaks to the program's professionalism and the seriousness of the public service mission making a positive statement to customers with our service center appearance

Customer Service Requirements

Xerox has an established the PVB. This center offers the STLTO a proven and experienced solution at a time when program expansion to a new enforcement type requires the full resources of its customer service team, eliminating the trial-and-error period and the risk inherent in building out a new center with a different vendor. Our focus on efficient information technology tools, sound procedures, and comprehensive training with continuous redevelopment and feedback is central to our customer service philosophy. eTIMS® provides the necessary tools for customer service and STLTO staff to review account data and associated violation images, send automated correspondence, and suspend account activity. All customer calls and correspondence are logged and tracked within eTIMS®. Each year, the eTIMS® correspondence subsystem, including telephone inquiries, successfully handles millions of public inquiries for our client cities. Our eTIMS® system meets the needs of STLTO agencies and citizenry and performs according to the STLTO's high standards. Across the country, Xerox and its subcontracting partners handle telephone, correspondence, and in-person inquiries at customer service centers.

Customer Correspondence

eTIMS® provides an integrated, automated correspondence system from which customer service agents easily generate customer correspondence. The system is configured with pre-formatted letters dealing with nearly every aspect of the program that are tailored to STLTO business rules. Agents select the appropriate correspondence type, and they system automatically generates the letter for mailing to the customer. Specific customer information is extracted from the eTIMS® database, as needed, depending on the format of the letter, giving each piece of correspondence a very personalized look and feel. Hearing correspondence is automatically generated in eTIMS®. When a hearing is scheduled, users opt to create a system-generated letter to provide citizens with hardcopy notification of the scheduled date and time of their hearing. The letter remains a permanent part of the case record for audit purposes.

Suspend Process

The suspend function is supported by a suspend table that consists of pre-defined suspend criteria specific to the requirements of the STLTO. This table includes parameters for suspend code, type of suspend (temporary or permanent), and the number of days the suspension is valid. Suspends are applied online and updated in real-time mode. Once a ticket has been placed in a suspend status, all system-generated activity (e.g., noticing or addition of penalties) is suspended until the designated suspend-until date.

Keys to Quality Customer Service

Parking Enforcement is not a typical customer service environment. Most of the CSR interactions are with citizens who are already unhappy that they received a ticket. Programs of this nature encounter more than one problem or issue that must be resolved promptly. The most important test for a vendor is how they respond to such complaints. Our experience in St. Louis proves that we work closely with the STLTO and respond quickly to any problem or issue that develops.

We understand the importance of quickly resolving citizen inquiries and complaints concerning the program. We have established procedures and we will continue to work with the Contract Administrator to refine these processes based on the STLTO's business rules.

Our experienced customer service staff will be available to assist citizens in person, via mail, and on the telephone from 7:30 am to 6:00 pm, Monday through Friday, to process payments, requests for hearings and hearings dates, inquiries by phone, and mail, view violation images, and obtain registration releases. During these business hours, we will service customers within two minutes and monitor an electronic mailbox which will have most responses complete within two business days.

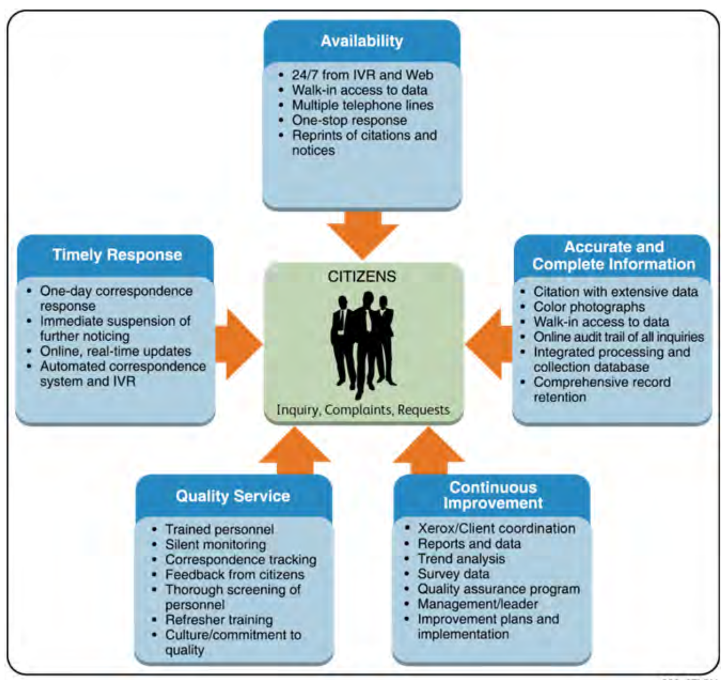


Exhibit A.c–3. Keys to Quality Customer Service.
Xerox's customer service success is achieved by a combination of personnel, training, technology, resources, and commitment to service.

Exhibit A.c–3 highlights the keys to our quality customer service.

Additional Compliance

In compliance with STLTO requirements, customers who walk into the PVB will be capable of making payments, requesting hearings dates, viewing violation images, and obtaining a registration release. As Operations Manager, Quinton Williams will oversee the Customer Service Center. Subcontractor Hudson and Associates LLC will supply a designated manager or employee to work with the Contract Administrator, and address issues identified by the Contract Administrator. We will work together to resolve citizen inquiries or complaints between the hours of 7:30 a.m. and 6:00 p.m. Monday through Friday excluding official STLTO holidays.

Clear protocols have already been established with the STLTO for handling citizen contacts. Much of this will remain the same. Scripts will need to be designed and approved by the STLTO. Sufficient personnel will be dedicated to the STLTO to support customer service for a hold time no longer than two (2) minutes.

We continue operation of the already existing toll-free number, (800) 611-3009 for the PVB, which will be answered or rolled into voice mail by or on the fourth ring. A new line would not need to be established, giving citizens no change in our superior service. The toll-free number is printed on notices and correspondence mailed to citizens. Bilingual customer service staff is available during business hours to respond to inquiries initiated by Spanish-speaking customers.

We will also offer to the public Web-based access to their personal parking data through a Customer Web Portal. The public will be able to set up user accounts; receive e-mail notifications regarding delinquent parking citations; review parking citation information; review parking policies and advisories; view supporting images of their violations; and respond to surveys regarding customer service.

Operational consistency

In partnership with our customer service subcontractor, Hudson and Associates LLC, we will set up routine balancing and monitoring tools to ensure that the response from the CSR is appropriate to the citizen's request. Our Project Manager, Quinton Williams, will be onsite to personally monitor and manage all CSR activity including our point of proof system.

A.c.iii Software for STLTO ticket audit and monitor

Using eTIMS® and its additional subsystems, the STLTO can access system reports from any Internet enabled workstation. Users simply log on with their unique IDs and passwords and select the name of desired reports. The eTIMS® management reporting subsystem, using ReportWeb, provides an extensive library of management, financial, and operational reports to assist the STLTO in managing its parking enforcement program. An additional benefit of the eTIMS® reporting feature is that authorized users—on varying levels determined by the STLTO—have access to specific program information.

The strength of the reporting solution is that it will enable management to gain a comprehensive overview of system performance across all functional areas of the project. By fully integrating all project information systems through eTIMS®, our solution provides for consolidated, reliable reporting of all citation processing activities.

Production of Detailed Reports

Production of detailed reports by category provides for meaningful dissemination of information to report recipients.

Over the years, our team has worked with government officials to develop hundreds of reports to satisfy specific operational, management, and legislative needs. The current report library encompasses all aspects of program operations and analysis, with reports separated into distinct categories for management efficiency including:

- Program management
- Performance standards
- Operational statistics
- Revenue and financial reporting
- Management summary
- Transactional reports
- Reconciliation reports
- Contract compliance

Within each report group, data will be collated in three high-level categories: detail, summary, and management overview. The detail level reports provide complete transaction information at the lowest functional level. These reports can be used for the reconciliation, control, and monitoring of daily transactions and day-to-day operations. Management overview reports provide department managers with key program data relevant to their areas of responsibility. Data may include analysis of customer service data, receipts from ticket or out-of-state collections, or time-of-day activity. As needed, these reports will be provided to officials on a weekly, monthly, quarterly and yearly basis for executive analysis.

Users can review and select an individual report within any of the categories. Reports are displayed in their entirety and users can scroll through the various pages of data. Each selection is presented with a summary page highlighting total activity and is followed by the detailed listing of all transactions. Any portion of the data, or the report in whole, can be downloaded and saved to disk, transferred to another wide area network (WAN) user, or printed in hardcopy.

History of Reports

eTIMS® maintains a history of reports, allowing users to access current reports for daily balancing or previous reports for research purposes.

Once the user determines the desired category of reports, ReportWeb presents a list of all available reports within that category. From this list, the appropriate data is selected and the report is displayed. These simple steps provide rapid and efficient access to report data from any PC with access to the Internet. The access to historic data facilitates research and problem-solving efforts.

A.c.iv Managing appeals of parking violations

We continually improve the public's access to STLTO services and provide the STLTO with the tools to provide outstanding customer services. Reducing the amount of time it takes to respond to the public's customer service needs is not just good customer service but, great government. The trend across local government is to provide the public with Internet based applications that enable users to submit inquires, applications and complaints over the Internet, instead of having use the mail or stand in line at STLTO offices. We will provide the STLTO with an Internet accessible application that will allow constituents to contest parking tickets and submit supporting images and documentation into our eTIMS® Workflow Imaging System. We work with the STLTO to develop an Internet Constituent Dispute application that will best meet the STLTO's and the public's needs. This web-based application promises to be very intuitive, informative and easy to use and can allow the public to view images of their violation and/or pay their tickets in the event they decide to abandoned their dispute. Using a recently developed Constituent Dispute application for Cambridge MA, the Exhibits that follow will show you how such an application can be implemented.

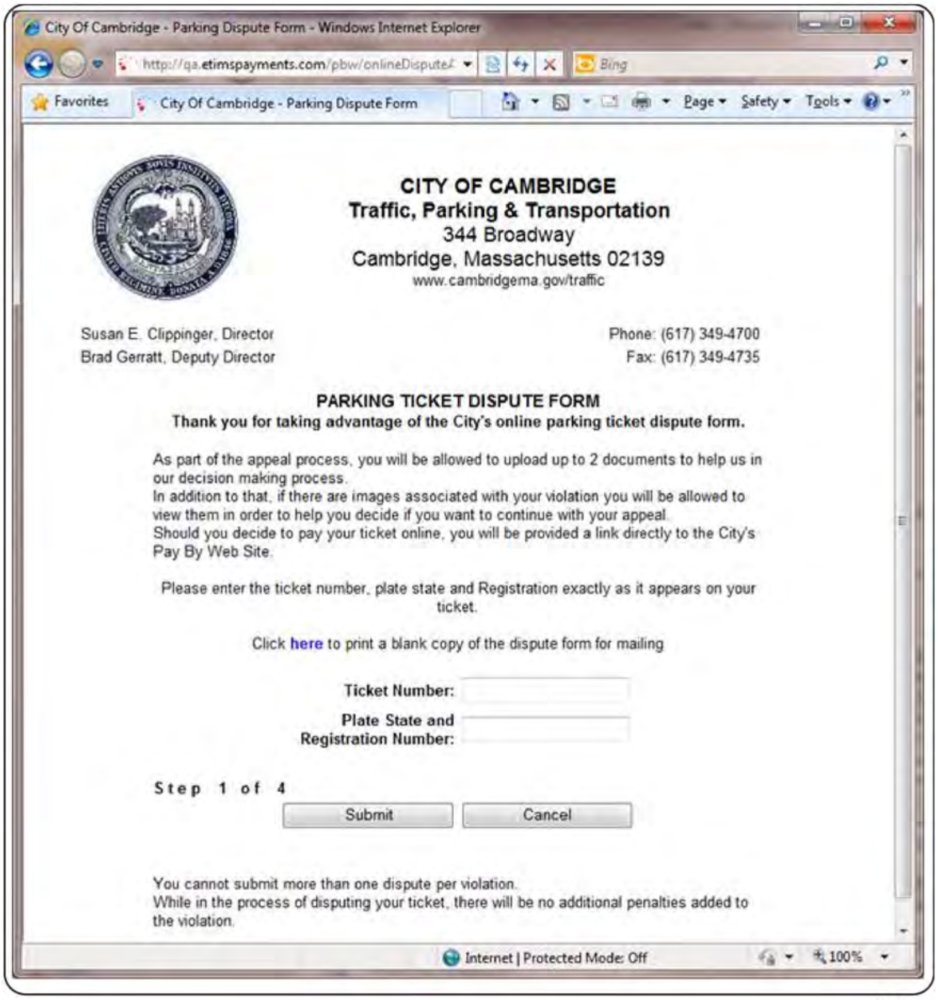
The Internet Constituent Dispute application will start with clearly written and simple to read instructions for submitting a contestation via the Internet, as shown in Exhibit A.c–4. The application will guide the public through the dispute process in a very intuitive and simple to understand manner. To insure the validity of the dispute and guarantee that the STLTO is not inundated with false or non-parking ticket disputes, users will be asked to enter the ticket number and their registered vehicle license plate to which the ticket was issued. Once this information is validated against the information in eTIMS®, as shown in Exhibit A.c–5, the user will be guided to an informational page with all the details of the violation, including a color picture of the violation that was captured through the PocketPEO™ handheld ticket issuance application, if applicable.

As shown in Exhibit A.c–6, providing a color picture of the violation, will allow the public to know that there is photographic proof of the violation. During the entire contestation process, the public is presented with a "Pay Online" button that enables them to quickly and easily jump to the Pay by Web page, should they decide to simply abandon their dispute and pay the ticket.

However, if the user decides to continue with the contestation process, the next part of the process, as shown in Exhibit A.c–7, will enable the user to pick from a series of predefined and most common types of disputes or enter a defense in a free form description. Where appropriate, the selected dispute option(s) will enable a field for more information such as requesting a handicap permit number for a handicap permit violation.

Once the user enters this information, they are presented with the last and final submission page that allows them to upload supporting dispute documentation and images, as shown in Exhibit A.c–8. The number and size of images and documents to upload is configurable and we will work with the STLTO to determine the correct configuration for your needs.

Once the user clicks the "Continue" button on this final page, the dispute form and all supporting documentation is transmitted via secure HTTPS website to the eTIMS® Workflow Imaging System for the hearing examiner's review. We can automatically apply temporary suspends to the contested tickets which will give the STLTO enough time to review and process complaints. Once the dispute is reviewed and a determination is decided, the power of the eTIMS® Workflow Imaging processing engine takes over. It is at this point that the authorized users can determine if a final judgment can be made or if more information is required. Since the Constituent Dispute application accepts the users email address, notification of the next action for the dispute can be sent via eTIMS® automated email process or through the regular eTIMS® correspondence process.



City Of Cambridge - Parking Dispute Form - Windows Internet Explorer

CITY OF CAMBRIDGE
Traffic, Parking & Transportation
344 Broadway
Cambridge, Massachusetts 02139
www.cambridgema.gov/traffic

Susan E. Clippinger, Director
Brad Gerratt, Deputy Director

Phone: (617) 349-4700
Fax: (617) 349-4735

PARKING TICKET DISPUTE FORM
Thank you for taking advantage of the City's online parking ticket dispute form.

As part of the appeal process, you will be allowed to upload up to 2 documents to help us in our decision making process.
In addition to that, if there are images associated with your violation you will be allowed to view them in order to help you decide if you want to continue with your appeal.
Should you decide to pay your ticket online, you will be provided a link directly to the City's Pay By Web Site.

Please enter the ticket number, plate state and Registration exactly as it appears on your ticket.

Click here to print a blank copy of the dispute form for mailing

Ticket Number:
Plate State and Registration Number:

Step 1 of 4

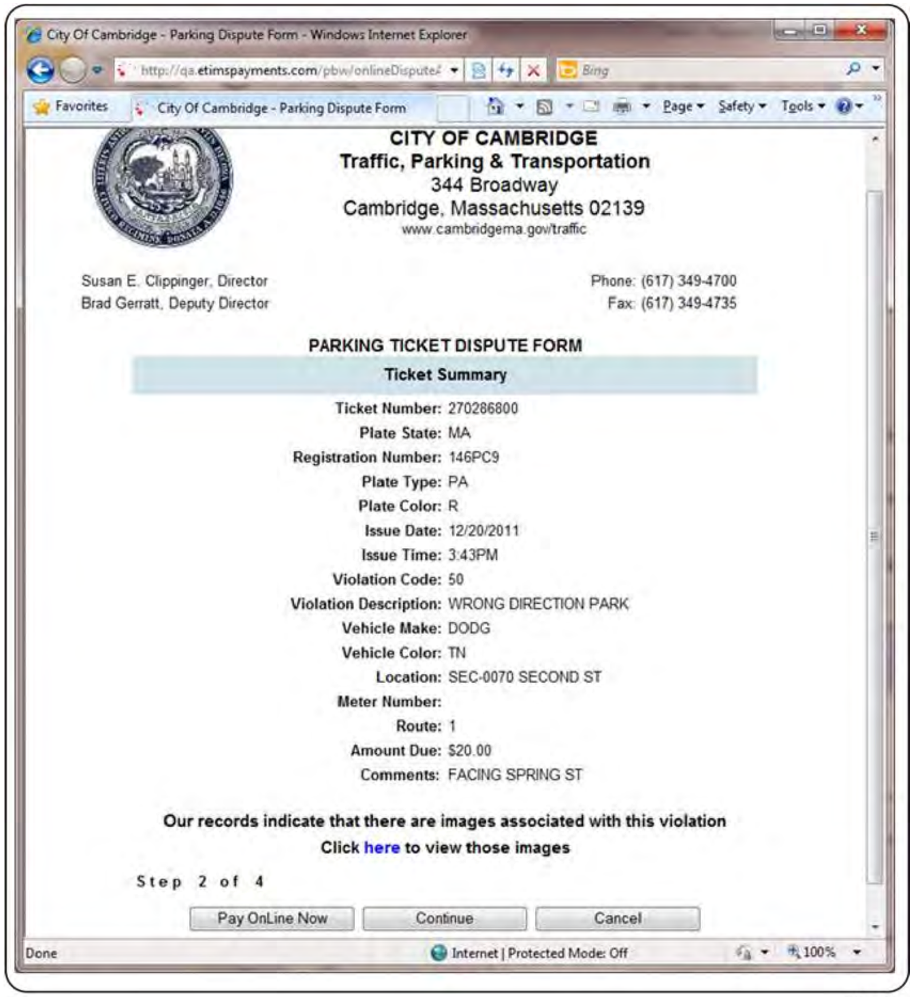
Submit Cancel

You cannot submit more than one dispute per violation.
While in the process of disputing your ticket, there will be no additional penalties added to the violation.

062_STLOU

Exhibit A.c–4. Constituent Dispute Application

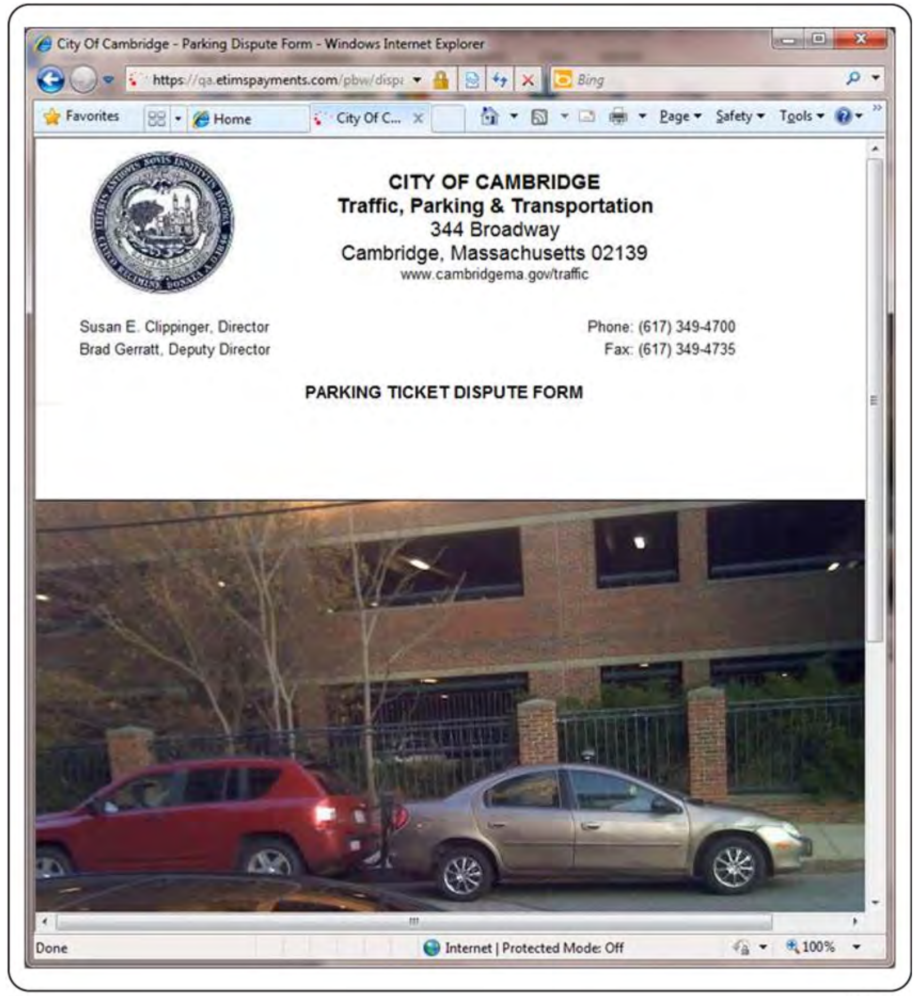
Our Internet Constituent Dispute Application will provide the public with an easy and intuitive way to submit ticket disputes to the STLTO.



063_STLOU

Exhibit A.c–5. Constituent Dispute Application – Ticket Detail and Image Review

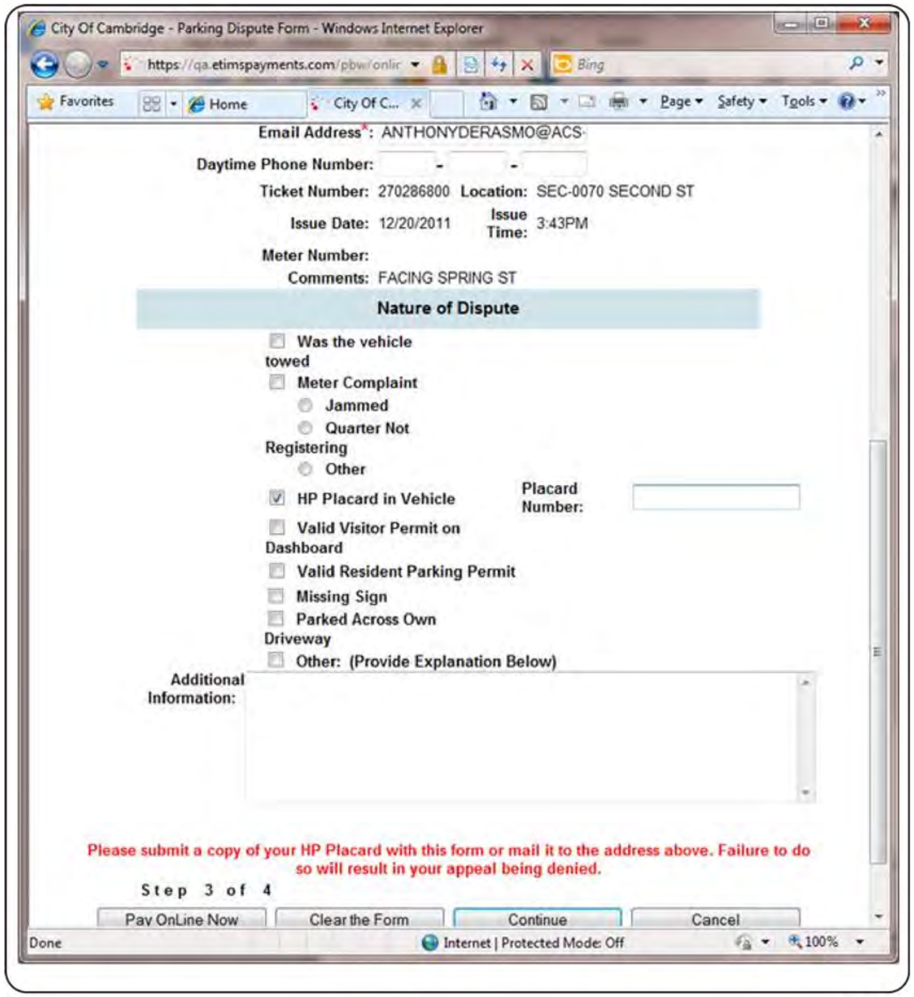
The public will be able to review the details of their parking ticket and view any images captured during the issuance process.



064_STLOU

Exhibit A.c–6. Constituent Dispute Application – Image Review

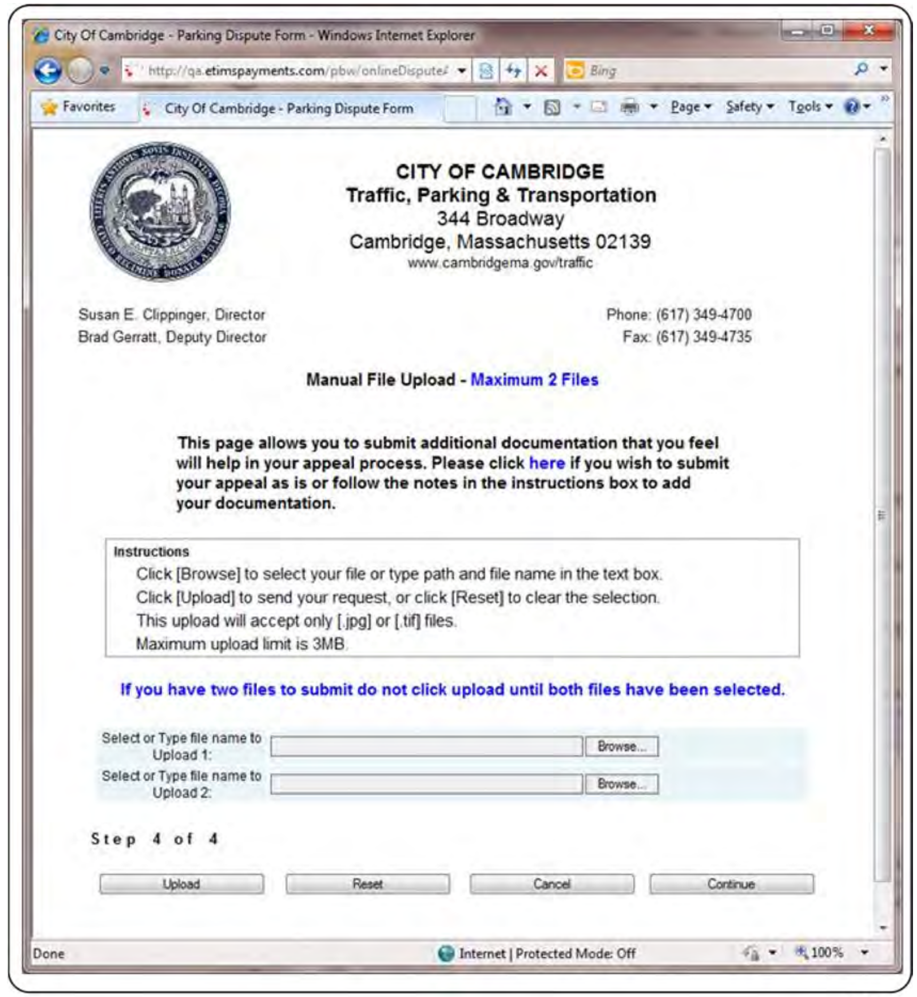
The public can review the images associated with the violation to determine if a full dispute is warranted.



065_STLOU

Exhibit A.c–7. Constituent Dispute Application – Dispute Details

Simple and easy to use dispute details form allows the public to quickly describe the details of the dispute.



066_STLOU

Exhibit A.c–8. Constituent Dispute Application – File Upload

The public will be able to upload any supporting documentation or images that will support their case.

xerox®

A.c.v Special Collections

Delinquent parking debt represents a unique receivable and requires a specific set of skills to master. As the market leader in business process outsourcing, we recognize the need to continually evaluate and refine the strategies and tactics we apply to delinquent citation collections. We are committed to partnering with the City of St. Louis in the continuous improvement of both municipal revenues and service to its customers.

Compliance with parking laws and regulations ensures smooth traffic flow, protects public health and safety, promotes economic development, ensures accessibility, and improves the quality of life for residents and visitors. The effectiveness of a compliance program lies not only on the certainty of enforcement but also in the effective collections of fines, so that the deterrent impact of parking citations is maintained. We have more experience in the highly specialized field of collecting parking ticket debt on behalf of large U.S. cities than any other vendor.

We have been the STLTO's parking citation collections contractor since 2003 and have consistently demonstrated the desire to partner with the STLTO to create an innovative, responsible and effective collections program.

The use of an integrated eTIMS® database for both current and delinquent accounts greatly improves the STLTO's ability to assign additional delinquent citations to Xerox for collection efforts when it is advantageous to do so. The introduction of our Managed Receivables collections model and other new collections initiatives will ensure that every eligible citation is assigned to collections, which is critical to optimizing citations revenue. Our projections show we can assist the STLTO, through the implementation of our collection models, in achieving in excess of an 80% collections rate after 24 months (calculated as the number of payments received within a two year collection cycle on citations issued in a given fiscal year)—as we currently exceed where these models and strategies have been implemented across multiple Xerox parking clients including the cities of Los Angeles, Oakland, and Philadelphia.

Xerox provides the best opportunity to improve collection processing:

- Our proposed collections program solution can increase the STLTO's annual gross special collections revenues by as much as 20 percent
- We are St. Louis' current collections vendor and have already presented new Managed Receivables tactics
- Combining citation processing and collections in the integrated eTIMS® database addresses interface and system of record issues
- Extensive reporting capabilities support program monitoring

  True partnership with STLTO in collection program innovation

Managed Receivables Model Provides Key Advantages to St. Louis

The Xerox Managed Receivables program, which has already been presented to the STLTO, is a comprehensive collections management and analysis operation that focuses on vendor management and analytics. The model concentrates on four primary aspects: data derived decision-making, a competition driven environment, aggressive performance management, and quality control and auditing. This allows us to leverage our expertise of outsourcing management, analytics, and market knowledge with the industry's best collections firms. Our dedicated National Director of Collections has extensive experience in governmental receivables and will personally oversee St. Louis' delinquent collections program. His knowledge of delinquent collections, receivables analysis, vendor relationships and local presence provides the skills to effectively manage the delinquent portfolio. Our collection partners all have extensive experience in governmental receivables, are highly respected in the industry, and provide best practices in municipal debt collection. The numerous benefits of our model are shown in Table A.c–2.

Table A.c–2. Managed Receivables Benefits

Benefit	Means
Increased Revenue	• National Director of Collections expertise and management of program along with his local presence • Competitive vendor model elicits maximum results • Aggressive performance management • Delinquent behavior observations used to improve windshield and notice collection efforts (accelerated revenue) • Target performance measures (goal setting and ownership)
Reduced STLTO Costs	• No STLTO personnel required to manage or oversee program, reducing direct and opportunity costs • No additional information technology, network, or infrastructure cost • No costs for reporting and data management • Competitive contingency fee (paid by debtors)

Benefit	Means
Other Features	• Best practices collection services, not the same stale outdated single vendor notice/dialer operation • National collections scope • Flexible services that change as laws, technology, or business needs change • Extensive portfolio reporting and analytics • Forecasting and budget applications • Full audit services (statutory compliance and risk mitigation) • Xerox business intelligence and resources • Case studies and municipal best practices

Advantages of a Single Vendor Solution Based on Xerox's eTIMS®

By combining both citations processing services and collections services in one contract the STLTO will gain many benefits. We believe that eTIMS® provides the best software solution under that scenario. Case advancement through all stages of the life cycle will be accomplished automatically, with no staff intervention required. The assignment of cases to collection, under criteria established in the contract, will take place in a seamless manner, with full reporting to the STLTO. Thus, rather than transferring cases from one database to another, the status is simply changed and the eTIMS® database will display all citations for a given plate/owner upon inquiry. That means that the STLTO's customer service staff can quickly and easily advise customers on both recent and delinquent citations. The system can also apply multi-citation payments across both current and delinquent tickets, and Installment Payment Plans can be set up to include both categories. Specialized collection payment processes and reports will assure both Xerox and St. Louis managers that all contingency fees are proper, and that when a delinquent payment is reversed (such as on an NSF check), the collection fee is properly credited back to the STLTO by Xerox. Lastly, through fixed reports (accessed via ReportWeb) and ad-hoc reports generated with Business Objects, both the STLTO and Xerox can build a consensus as to what tactics are effective and when they are best applied.

The features of eTIMS® and Xerox's Managed Receivables model offer great promise for improving the City's overall parking citation revenue. Key issues that selection of Xerox will successfully address include:

- Flexible noticing capabilities
- Automatic archiving of closed and bad debt classified cases (subject to STLTO criteria)
- Up-to-date interface with MO DMV including real-time scofflaw checks from handhelds in the field
- Extensive ability to automatically apply and reflect fees in the system (including collection fees)
- Multi-level user access controls with full audit trails
- Excellent reporting capabilities (both fixed and ad hoc)
- Flexible case assignment process which can be quickly modified, but which requires no staff intervention once in place
- Built-in system checks to insure that no citations get "lost" or stalled in the life cycle
- Full, automated support for new tactics such as credit bureau reporting, DMV reporting and third party collection interfacing.

The subsections below provide more detail on Xerox's approach to collections, major aspects of our Managed Receivables model, a discussion of some results achieved for other clients, and more detail on how we believe Xerox can contribute to an increase in the STLTO's parking citation revenue.

Collections Overview

Xerox and our team of contracted partners will provide the systems, business plans, strategies, reporting capabilities, audit and compliance processes and, most importantly, personnel to diligently and cost-effectively pursue City-assigned delinquent accounts.

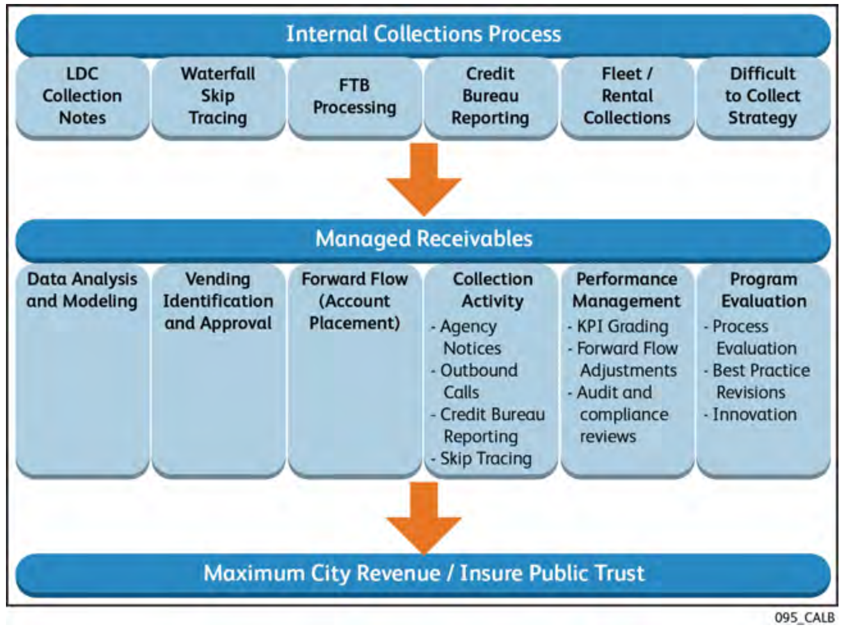


Exhibit A.c–9. Xerox Collection Process

Our process merges Xerox's two primary collection strategies, Internal Servicing and Managed Receivables into a comprehensive and integrated accounts receivable management solution. Our program uses sophisticated models to determine the best collection approach based on City of St. Louis historical data. The use of progressive collection techniques and enforcement mechanisms insures public trust via appropriate responses and enables an efficient utilization of resources, thus maximizing City of St. Louis collections revenue. Exhibit A.c–9 depicts how the two components of our approach work together.

Internal Servicing

Xerox has been providing high quality collection servicing to our clients for nearly 30 years and nearly 10 years to the City of St. Louis directly. Our extensive knowledge in all facets of parking operations has led to 24 month collection rates typically in the 75% - 90% range. We maintain this outstanding performance while eliminating public discord and creating an environment of innovation and true partnership with our clients. From our highly effective collections notices, to our dynamic waterfall skip-tracing process, through our multiple enforcement mechanisms, Xerox's initial stage collections platform provides the solid foundation required to deliver a world class collection serving operation. Critical aspects of our approach include:

Debtor Identification

Xerox has direct real-time access to the Missouri DMV and all US departments of motor vehicles that permit data exchange. This direct access allows us to maximize hit rates (using license plate and/or VIN, as well as issuance date) thus ensuring the timely application of enforcement measures and collection activities on non-compliant motorists.

Xerox processes all addresses through the USPS NCOA database in addition to utilizing both delivery point verification and CASS certification software. All recognized mail returns and non-deliverable addresses are processed through our advanced waterfall skip-tracing program.

Notice Dunning

The most effective collection notice strategy is responsive, flexible and analytics driven. To that end, Xerox has developed an automated comprehensive noticing strategy combining the due process of a standard notice series with the customization of a targeted segment notice. When accounts are received into the system and account information has been verified, an initial demand letter is automatically generated, notifying the debtor that their account has been placed for secondary. Thereafter, we send targeted segment notices whose content is written for a specific segment of the population. This methodology allows both thorough noticing to the entire delinquent population while keying in on specific attributes of each citation/account to elicit payment and accelerate revenue. All letters and notices created by our firm are subject to a rigorous approval process by our compliance attorneys and the City of St. Louis.

Upon notification that a collection notice has been returned for an incorrect address, we will determine if we already have a valid alternate address and, if not, will immediately skip-trace the account for a new address. When an alternate address is identified, it will be added to the record and the notice will be resent.

Collections Enforcement

The strength of any effective collections program is the ability to compel compliance. To that end, Xerox offers several initiatives either currently in practice or easily adopted upon approved by the STLTO.

- **Credit Bureau Reporting.** Xerox reports all delinquent consumer violators meeting the criteria, mandated by the STLTO, as a derogatory item to TransUnion. Historically, credit bureau reporting provides a substantial lift in dollars recovered from debtors who otherwise are not affected by the current consequences imposed by the STLTO. Consumers are paying more attention to their personal credit ratings and taking precautionary steps to ensure they maintain good credit, since today one's credit rating not only determines credit availability but also the rate one may pay. This tactic can only grow in effectiveness as the economy improves, particularly the housing market.

- **Litigation.** If authorized by the STLTO as an optional service, Xerox can send delinquent accounts to our collection law firms for litigation measures. This would be a viable solution only for those individuals who have a high volume of tickets, have verified employment or assets, and have refused to voluntarily settle their debt to the STLTO.

Dealing With Specific Challenges

Xerox's years of collection experience means we are well equipped to deal with both the unique challenges of parking debt and the impediments that apply to all debt collection. We are particularly attuned to the following challenges.

Difficult-to-Collect Accounts

Xerox understands the need to develop customized solutions to meet the demands of difficult to collect violations. To that end, we have developed a number of best practice solutions to elicit revenue from these problematic situations.

Difficult-to-Collect accounts include the following:

- **DMV Make Match Failures.** Citations which have a vehicle make that does not match the make registered to the plate with the DMV
- **DMV Hold Rejects.** Citations issued against vehicle for which registration hold requests were rejected due to some data not matching DMV files.
- **No Registry Confirm ("No Hits").** Citations for which no owner name and address were obtained from the DMV.
- **Aged Registration Holds.** Citations issued against vehicles that have been placed on registration hold, but have passed their registration expiration date and have not responded.
- **Declarations of Non-Ownership.** Citations wherein a motorist has submitted a declaration of non-ownership stating they were not the owner of the vehicle at the time of the parking citation.

Table A.c–3 presents in summary form the tactics we currently apply and/or propose to apply under if selected and upon consultation with the STLTO.

Table A.c–3. Strategy for Difficult-to-Collect Citations

Current/Proposed Strategies for St. Louis Difficult to Collect Debt
• Process through Managed Receivables model • Provide a dedicated collection analyst(s) to manually audit and research DMV hold rejects, DMV "No Hits", and Declarations of Non-Ownership • Multiple DMV inquiries at various intervals to capture lagging DMV updates/changes • Revise initial target notice procedure to create varied notices targeting sub-populations of each category to elicit higher returns

We believe that with concerted effort over the life of the proposed contract, Xerox can work with the STLTO to develop effective strategies to assign and pursue difficult to collect citations, contributing to increased St. Louis revenues.

Invalid Addresses

Maintaining effective contact information is a critical element of debt collection. With phone number portability, addresses represent the contact data most likely to become invalid over the life cycle of a citation. Xerox aggressively seeks out new address information whenever an address is identied as undeliverable, incorrect or otherwise returned. We utilize a three tiered waterfall approach in our skip tracing strategy. This process allows for redundancy in obtaining accurate and timely updated address information by using multiple vendors in succession to catch what fell through the previous vendors database. In addtion, with the application of our proposed Managed Receivables model, our collection partners will likewise be bringing their full skip tracing processes to bear to assist in proper address identification.

Rentals

Citations issued to rental cars present a particular two-stage challenge. The STLTO or its processor must first obtain the name and contact information of the renter and then must collect from that responsible party. In many cases, the renter may feel that he is beyond the reach of the STLTO since he is not a resident.

Xerox has spent considerable time and resouces to continually improve the effectiveness and efficiency of our rental collection program. While we have long interacted with the major rental companies on a regional or single client basis, we are now heavily investing in the development of a national registry for Enterprise (now in production) and ATS (Hertz, Avis and Alamo, currently in development). This interface will provide a near real-time processing of new citaitons against plates currently registered to the rental car companies. This will greatly improve the consolidated noticing accuracy and provide a more thorough means for processing adds and deletes from the fleet program. These innovations should greatly reduce the agings for these major receivable generators. In addition we also offer industry leading rental noticing including consolidateed rental company noticing, one-off noticing for orphaned plates, and special renter noticing. Despite these best efforts, some renters will refuse to pay their fines. For delinquent renters, regardless of residence, credit bureau reporting is an effective tactic which Xerox and its collection team members can apply across the country.

The Xerox Managed Receivables Model

Our operational experience and expertise—as well as our significant data and market analysis, scenario reviews, and test cases—have led us to conclude that our government clients are best served by a collection model that embraces the outsourced management of special collections. This approach was realized after extensive research and client discussions indicated that the most challenging aspects of managing a collections contract were how to select the right vendor(s) for that particular debt pool and service area, how to set and measure expectations, how to ensure innovation and utilization of best practices and how best to validate and audit these processes. To that end, we have developed a unique, highly innovative, and proprietary Managed Receivables program.

The Xerox Managed Receivables program is a comprehensive collections management and analysis operation that focuses on vendor management and analytics. The model concentrates on four primary aspects: data derived decision-making, a competition driven environment, aggressive performance management, and quality control and auditing.

ExhibitA.c–10 depicts the ways in which our Managed Receivables model addresses critical challenges of collecting municipal parking debt.

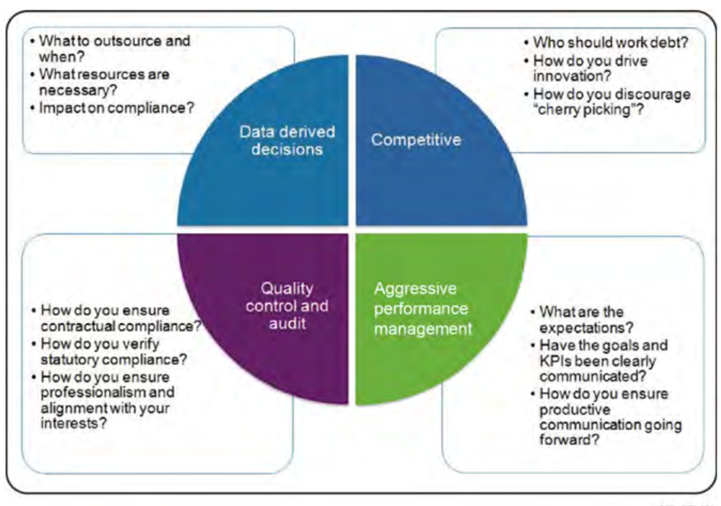


Exhibit A.c–10. Managed Receivables Addresses St. Louis' Critical Collection Challenges

Analyze All Available Data

Because of our ticket processing capabilities, we manage information from issuance through resolution. This wealth of data, analyzed alongside external sources, allows Xerox to develop relational patterns not typically identified in a traditional portfolio analysis.

Sound analysis is the foundation for every subsequent action in the collection cycle. It defines the nuances of a portfolio thus enabling every client to have a custom, data-founded collection program tailored to maximize revenue. We do not try to fit the City of St. Louis's parking portfolio into a generic delinquent collection "box" since the outstanding parking debt is impacted by subtleties particular to St. Louis. Additionally, our financial prediction and forecasting models along with our trending data can aid the STLTO in budgetary issues, long term planning, and bond grade outlooks.

Establish Collection Goals

Once the data has been analyzed, our financial models will establish recovery goals and benchmarks. We will document this information and present it for discussion with the STLTO. Within these discussions, we will work with the STLTO to collectively define methodologies for goal calculation, timetables, identification of key performance indicators (KPIs), and the establishment of expected results and agreed upon reporting intervals. The entire goal process will then be documented, reviewed and approved by both parties.

Develop Strategy

The road map to addressing St. Louis' custom portfolio and the expected results is the collection strategy. Xerox has partnered with several market leaders in the realm of municipal debt collections. These vendors employ best practices and ensure a competent and effective collections program. Our vendors operate in a competitive model where performance dictates placement volumes and opportunity. Our debt referral model identifies, at the violator level, when best to refer debt out in order to maximize and accelerate revenue. Our process does not simply place the debt with a firm and await results. We influence every aspect of our partner's collection program, from noticing and contact strategy to enforcement and customer service. We aggressively and consistently manage expectations, performance and productivity. Once the collection strategy is finalized, it is submitted to the client for approval, along with our proposed vendors and all communication mediums.

Implement the Strategy

Once the collection strategy has been approved, we begin the work of implementing the program. This process includes systems programming, securing communication channels, data exchanges, testing and quality control. Another benefit of our managing both the ticket processing and collections environments is the much shorter lead time from contract signage to deployment. Thus, while we are already implementing aspects of the program in St. Louis, we can accelerate the process to completion if chosen for award under this procurement.

Carry Out the Collections Program

Upon review by St. Louis, we will initiate the approved collections program. This includes vendor referral and data exchanges. Xerox will manage the day-to-day relationships with our collection vendor(s) including application of payments, dispute resolution, and customer services issues including answering vendor correspondence and inquiries.

Report and Audit Performance

In support of providing the most relevant information about the STLTO's portfolio, we will present significant collections, financial, and portfolio reporting. These include batch tracking, forecasting, trend analyses, key performance indicators and characteristic reporting. However, we do not simply create and distribute. We will schedule formal review sessions with the STLTO to discuss findings, trends, and opportunities thus engaging all stakeholders in a meaningful dialogue. Furthermore, We will conduct extensive process, performance, and statutory audits annually for both our internal operations and our contracted vendors. This process is depicted in Exhibit A.c–11.

Exhibit A.c–11. Performance Management and Audit

Evaluate the Process

Xerox conducts thorough, quarterly performance evaluation of all collection partners using a detailed six-part scoring system and metrics against both budget and real performance expectations. Any area that does not exceed expectations initiates a process review to analyze improvement opportunities and an action plan. These quarterly evaluations ensure that negative trends are identified quickly, minimizing negative impacts. Results will be available to St. Louis for review, and any changes in tactics or strategy will be submitted for approval. Once approved, the action plan is deployed and the collection strategy is adjusted to facilitate that action item.

Comparative Benefits of Managed Receivables Model

As evidenced in Table A.c–4, our collection model is on the only one to be driven by a true best practices foundation. Our program goes beyond the traditional and outdated internal noticing and outbound dialing model. We develop a customized solution integrating all the best practice of our clients, our vendors and our internal processes deliver a best in market innovative strategy that best meets the needs of the City of St. Louis and its constituents.

Table A.c–4. Comparison Matrix

Activity	Xerox Model	Single Collection Vendor Model	Traditional Competitive Model
Competitive collection program	Yes	No	Yes
National scope of interchangeable partners	Yes	No	No
Intensive vetting process	Yes	No	Limited
Proactive performance management	Yes	No	No
10+ facet KPI program	Yes	No	No
Mandate resources	Yes	Limited	Limited
Compliance and audit	Yes	Limited	Limited
Quarterly program evaluation	Yes	No	No
Commitment to innovation	Yes	No	No
Data mining and shared results	Yes	Limited	Limited
Best practices approach	Yes	No	No

Managed Receivables Results

Please refer to charts shown in Attachment 4, Case Studies, which demonstrate the superior results the implementation of our Managed Receivables model has delivered to our clients.

A.c.vi Experience in the Parking Citation Management Industry

The parking citation management industry has evolved considerably over the last 30 years, and we have been the leader in technology; policy and procedure improvements; revenue generation initiatives; and legislation that assists the parking industry. We have successfully implemented, managed, and operated parking systems, and we have worked hand-in-hand with our clients to address traffic safety and congestion challenges by deploying technology that advances the movement of goods and services, as well as millions of people every day.

Our company’s solutions have been tested in some of the largest, most complex major municipal parking programs in the United States. In fact, we currently serve 21 clients that issue citations including: Boston, MA; Beverly Hills, CA; Denver, CO; Los Angeles, CA; Los Angeles County, CA; Oakland, CA; Philadelphia, PA; St. Louis, MO; San Francisco, CA; and one of our biggest longstanding clients, Washington, D.C.

Supporting our client’s requirements is our Germantown, MD transportation design center, where over 200 subject matter experts (SMEs) design, build, deploy and support integrated transportation solutions. Our rigorous product lifecycle development process and testing ensures quality and durability of our solutions. We currently have 170 employees dedicated to parking business, who are focused on system integration, not the manufacturing of meter devices. Our commitment for the future is based on ensuring that our customers have the solutions they need to intelligently manage their changing operating environment.

For additional information, please see Section B, Experience and Capacity.

Phase 1 Specific Tasks and Proposal Requirements

In addition to the technical services requested in Section 2 Scope of services of the RFP, Table A.c–5 below shows where in Section A of our proposal we discuss the following technical requirements from Section 3 of the RFP: B - Functionality, C - Maintenance and Service, D – Payment Options and E. Customer Service.

Attachments of items F through I of RFP Section 3 can be found in Section A.d, Additional Phase 1 Tasks and Proposal Requirements.

Table A.c–5. Section 3 Technical Requirements Reference Matrix

Section 3 Requirements	Technology Sections		
	Section A.a – On Street Meter Enforcement	Section A.b – Off Street Integration	Section A.c – Citation Management
B. Functionality			
Back end reporting capabilities (please be specific)			A.c.iii
Vendor must state the preferred method of power and communication to the individual units. Also state all alternative methods of power and Communications	A.a. ii		
Must display how the metering system can be configured to comply with handicapped provisions and hooding procedures when the meters are out of service	A.a.ii		
Multi-lingual features	A.a.ii		A.c.ii
System must exercise industry standard protocols to ensure data security	A.a ii		A.c, A.c.i
System must provide redundant/failsafe servers which ensure at least 99.9% uptime of all components of the system	A.a.iii		A.c
Access for mobile payment users to gated parking facilities	A	A.b.i	
Event permit system, either via mobile payments or pay by web	A	A.b.i	
Integration with all major meter equipment, ticket software applications and sensor technologies	A.a.iii		
Waiting list and mass email functionality		A.b.i	
Online personal account for customer to create, update and manage their accounts		A.b.i	A.c.ii
C. Maintenance and Service			
Must include all training for operation and maintenance of the system, are recommended list of spare parts and fully functional software with reporting capabilities.	A.a.iv		
Methods of coin and bill collections	A.a.iv		
Remote diagnostic capabilities (ability to alert third party contractor and/or STLTO if malfunctioning)	A.a.iv		
Overall performance with minimum downtime related to regular usage, weather and user created problems	A.a.iv		
Ability to be maintained by third party contractor and/or STLTO without affecting warranties	A.a.iv		
Ability to promptly provide instruction for necessary repairs	A.a.iv		
Provide details for service contract and equipment warranty	A.a.iv		
Policy regarding future hardware and/or software upgrades	A.a.iv		
D. Payment Options			
Smart Card, Pay by Phone, Pay by Mobile, Pay by Web		A.b.i	A.c.ii
E. Customer Service		A.b.ii	

A.d Additional Phase 1 Tasks and Proposal Requirements

F. Marketing

Success has a road map, and Xerox is an experienced marketing navigator. Our branding and public awareness campaigns, in cities like Indianapolis, have created technology awareness and increased adoption rates across the system.

Xerox brings together an experienced group of professionals to tailor a marketing strategy to the needs of the public and the City of St. Louis Treasure's Office.

If we could spend just one minute with every potential customer, our time would practically eliminate user error. Unfortunately, in the real world we only get seconds to show the public how the meter works, or to guide the customer through the stages of paying the meter. The importance of easy to read and understand instructions and graphics is very important in this process, as can be seen in Exhibits A.d–1 to A.d–6). We work with the STLTO in conjunction with the technology vendor to tailor an effective marketing program to the needs of the city.

A unified marketing program is always the most effective solution. Stakeholders and interests groups will need to be identified to aid in the validation and effectiveness of the marketing solution. Ongoing validation is another important tool to garner feedback on messaging while understanding the technology learning curve in the system.

In order to roll out an effective marketing program, we guide the STLTO through best practices with developing promotional and operational graphics. A unified easy to read and understand suite of graphics and signs will help inform the user, while disarming any technology fear they may have with the new meters.

Examples of an effective marketing plan are found in Exhibits A.d–1 through A.d–6. A high level plan is detailed below:

- Public Relations and Messaging:
  - Develop informative and easy to read meter instructions and street signs, review local signage and discuss opportunities where signs can be consolidated or modified
  - Develop all technology and transitional messaging for upcoming changes to the system to include media talking points and press releases
  - Develop or train Parking Ambassadors to be the experts on the technology and the first line of public interaction
  - Offer technology demonstrations on the street and at designated events
  - Have technology vendors push additional marketing out through their independent framework
- Public Communication:
  - Identify stakeholders such as local Visitors Association, Chamber of Commerce or key businesses
  - Identify special interest groups such as a bicycle awareness organization, hospitality, or valet operators
  - Conduct meeting with all identified groups to document the needs and concerns and recommended ways to address and / or message the information
  - Create and distribute instructions, pamphlets, poster boards and flyers
  - Create social media campaigns and provide online instructional material
  - Create protocols with STLTO for media inquiries and methods to proactively address criticism
- Monitor, Evaluate & Update:
  - Track feedback from public, stakeholders, and special interest groups
  - Modify or enhance signage and messaging as feedback is reviewed and determined to be necessary for the success of the system
  - Work with technology vendors to update and /or add customer friendly enhancements as they become available

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Exhibit A.d–1. Indianapolis Example of Easy To Read Instructions

Indianapolis Example to show how we let the public know of the new technology and where it will be.

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Exhibit A.d–2. Indianapolis Example of an instructional Flyer (Front)

USING INDIANAPOLIS PARKING METERS
IT'S AS EASY AS 1-2-3!

Always check the meter display for the hours of operation and the time limits.

PARKING AT PAY BOXES (MULTI-SPACE METERS)

1. Select the parking space number (the number on the space marker pointing toward your space) and press "Enter"
2. Insert coins or swipe credit or debit card. If using a card, press the "+" buttons to add time
3. Press "OK"

If you have questions or need help using a Pay Box, please call the ParkIndy Help Desk at (317) 524-2247

PARKING AT SINGLE-SPACE METERS

1. Insert coins or swipe credit or debit card
2. If using a card, press "+" to add time or "-" to subtract time
3. Press "OK"

DID YOU KNOW YOU CAN PAY BY PHONE?

Pay for parking at a pay box or meter using **ParkIndy's Parkmobile Service**!

- Download the free mobile application at **www.parkmobile.com** or from your mobile app store
- Register online at **www.parkmobile.com** or through the app, or
- Call **877-727-5007** and create a free account

After you have registered, enter your space number in the zone field and indicate the amount of time for which you wish to pay.

Customers can elect to receive a text message prior to the expiration of their meter reminding them to add time using the app. Each transaction costs 25 cents, and 10% will be donated to Indianapolis charities. All information entered into the system is encrypted, protecting confidential credit data.

For a brief video on how to easily use the payboxes, please go to **www.parkindy.net**.

Park.Scan.Go

parkindy.net
find your space

047.STLOU

Exhibit A.d–3. Indianapolis Example of an Instructional Flyer (back)

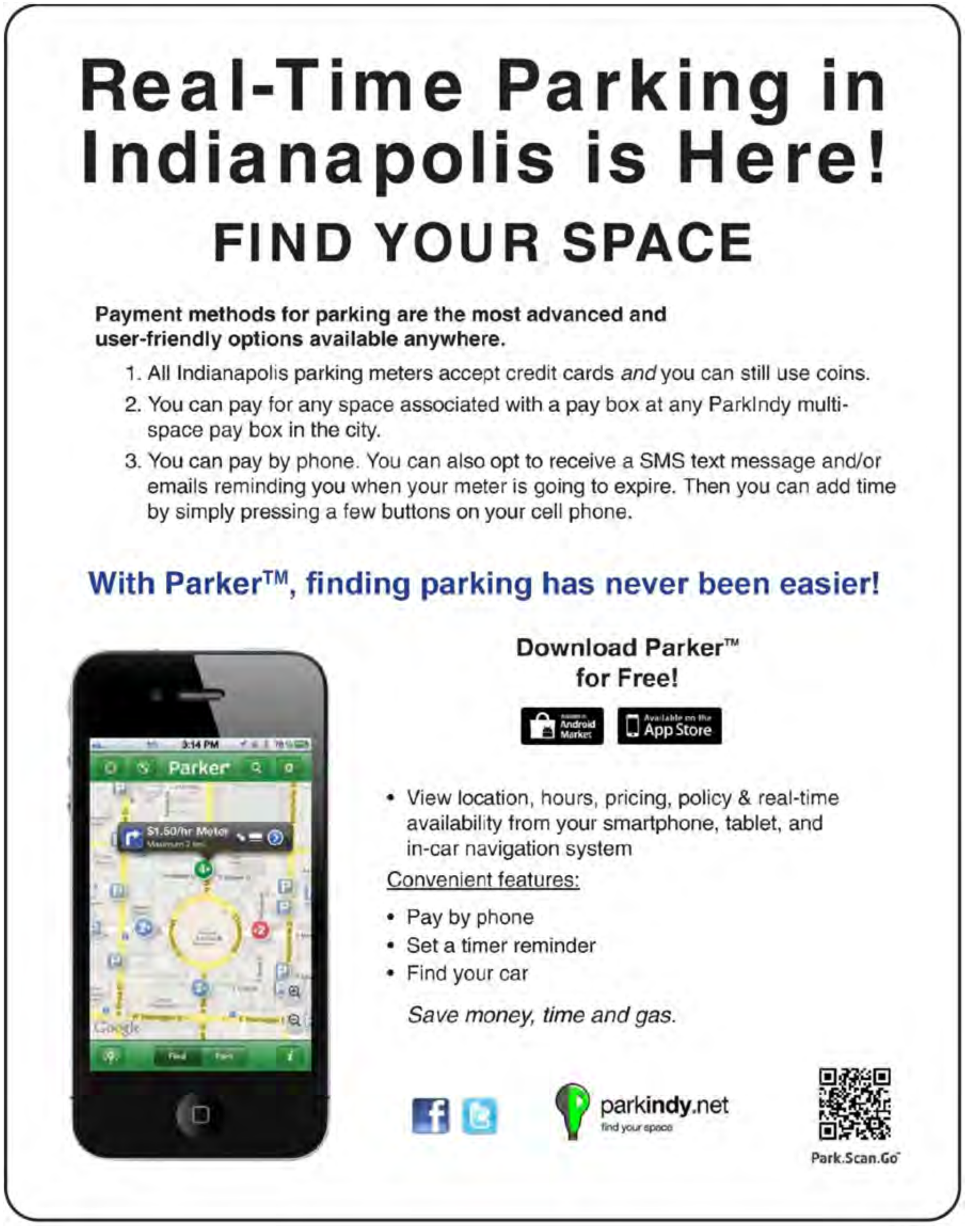

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Exhibit A.d–4. Meter Label

The contents of this proposal are subject to the disclosure statement on the title page of this proposal.

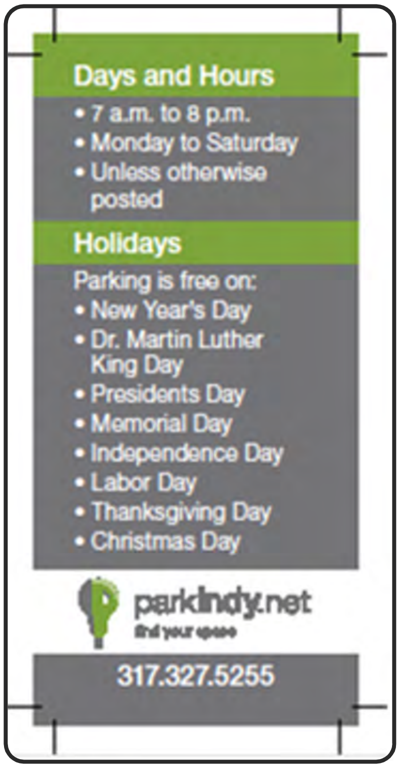

Exhibit A.d–5. Meter Sign

Exhibit A.d–6. Parking sign

G. Rollout Implementation Schedule

Xerox has successfully rolled out and facilitated implementations across multiple meter technologies and platforms. Our schedules are comprehensive and developed in conjunction with our subject matter experts through decades of industry know-how.

Xerox works with each technology vendor to match the rollout and implementation schedule to the unique needs of the system. The IPS single space meter will be rolled out in under two days for the designated pilot location. Full implementation will roll out over four months, averaging 100 meters a day through the use of multiple installation teams.

Although speed and accuracy are at the forefront of any meter modernization project, understanding the local stakeholders is equally important. For example; In Indianapolis, we rolled out new technology on a sustainable schedule that minimized space closures to retail and food establishments while also stationing training ambassadors in areas that had high usage.

At a high level, the Xerox plan will address all main categories of the implementation schedule. Once awarded, we team up with the chosen technology vendor to customize the schedule per the needs of STLTO. The planning for the detailed rollout and implantation schedule should be completed within 30 days after the technology award date.

Exhibits A.d–7 to A.d–9 show our schedule for development, testing, roll-out, marketing and training.

Development (15 - 60 days)	Rate: Cost per hour, loading thresholds, time allowances, payment types
	Number / Space Configuration: Methodolgy (odd /even, pay and display), street letters, zone, sub-zone
	Restrictions: No Parking times, valet, peek restrctions, special events, holidays
	Duration Paramaters: Hours and days of the week, Event tickets, minimum stays
	Meter Messaging: Introduction, screen wording (example: "processing" vs "please wait", delay time-frames, holiday wording, receipt wording, external graphic layouts,
	System Layout: Numbered (meter or space), zone based, rate based, user creation / access levels, permenat signage layout and message
	Interfacing: Payment / stall data (meter / mobile payment) , refresh rates, handheld vendor intergration, controls
	Reporting: Auto generated, Standard reports reviewed and custom reports created as needed, maintainance warning

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Exhibit A.d–7. Sample Development Schedule

Testing (10 - 20 days)	Meters:	Confirmation of configuration: credit card processing, coin , rate, restrictions, screen modes, display messages, field testing, report generation, coin acceptance
	Interfaces:	Data is maped correctly, redundant controls are in place to address any system latency , hand held deveices reflect stall time, vendor processs confirmed
Roll-Out: (30 - 130 days)	Launch Schedules:	Priority by: zone, block, street, region, black-out dates (due to events), PEO training and enforcement completed, marketing schedules, collection route cordination
	Site improvements (as needed):	Poles are corrected or replaced, yokes are installed, closure permits are filed, restrictions are placed (if allowed), signs are installed, oddities are addressed
	Meter instalation:	Meters are assembled, meter housings are replaced (TBD), lock cylinders are rekeyed(TBD), Meters are installed and activated
Marketing: (15 - 130 days)	Colleateral Developed :	Flyers, temporary signs, promo items, poster boards, technology talking points, demonstration videos are created or rebranded.
	Distribution:	Stakeholders list generated, Ambasador schedules are coordinated, Media and Social media outlets determined

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Exhibit A.d–8. Sample testing, Roll-Out and Marketing Schedule

Training (15 - 130 days)	Enforcement: Meter use, paid-time reports (expired meter), general meter instruction (for motorists assistance)
	Maintaince & Monitoring: Status and comunicaion reports, instalation, troubleshootring, preventive mainataince procedures, RMA process, updates (bios, firmware, OS), controled access tracking (cards, login pin, RFID), tracking (triangulation, theft, etc.)
	Collections: Status reporting and coin / bill thresholds, access procedures (card, scaner, RFID, login pin), key usage, reconcilation process, route layout (key codes), canistor handling (placement, tracking, empting)
	Administration: Reporting, recincilation, user managment
	Public: Technology demonstations, ambasadors stations (go-live blocks), social media instructions, instructional handouts (flyer, posters, cards)

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Exhibit A.d–9. Sample Training Schedule

H. Company Financial Information

Two years of consolidated income financial statements (balance sheet, statement of changes in financial position, income statement)

Please see our 10K report, showing consolidated income financial statements (balance sheet, statement of changes in financial position, income statement) for 2011 and 2012, as Attachment 3 – Company Financials, at the end of this proposal.

Financial references

Below please find the requested two final references for our firm.

Name	James M. Walsh Managing Director, Global Technology
Company	Citigroup
Contact Information	388 Greenwich Street 21st Floor New York, NY 10013 james.m.walsh@citigroup.com (212) 816-8747

Name and Title	Jennifer Nason
Company	JPMorgan Chase
Contact Information	277 Park Avenue, 20th Floor New York, NY 10172 jennifer.nason@jpmorgan.com (212) 622-9740

Last auditor statement

Please see our 10K reports for 2012, showing our last auditor statement, as Attachment 3 – Company Financials, at the end of this proposal.

Latest SOC 1 and/or SOC 2 report or a SAS #70 report

Please see Attachment 1 at the end of this proposal for a copy of our latest SOC 1 report.

Any pending lawsuits or litigation as related

On an ongoing basis, Xerox State & Local Solutions, Inc. ("Xerox") is subject to various legal proceedings, inquiries, claims and disputes that arise in the ordinary course of business and that would not be unusual for a company of our size and scope of operations. Set forth below is a disclosure of litigation in which Xerox (formerly known as ACS State & Local Solutions, Inc.) is currently involved arising from parking enforcement related litigation. The list does not include: (i) routine collection matters, (ii) employment disputes, (iii) bid protests, or (iv) matters arising outside of the United States. Further information is available upon request. With respect to these matters, which are still pending, Xerox does not believe that they would have a material adverse effect on our company's financial condition or our ability to carry out the proposed contract if awarded. Further information with regard to material legal proceedings involving Xerox may be found in the periodic disclosures to the Securities and Exchange Commission, under Forms 10-K and 10-Q filed by our ultimate parent company, Xerox Corporation.

Smith v. City of New Orleans et al.

This lawsuit was filed in Civil District Court of New Orleans, Louisiana on July 10, 2005. The City of New Orleans ("the City") and Xerox are the defendants. The plaintiff, a New Orleans resident, claims that the Mayor had parking meters installed by another vendor in the French Quarter without the required City Council approval. Xerox operates the City's parking citation management contract. The plaintiff sought class-action certification, which was granted in March 2013. This case is pending.

Weiss v. City of Los Angeles et al.

In this lawsuit, filed on January 8, 2013 in the Los Angeles County, California Superior Court, the plaintiff seeks a Writ of Mandate and declaratory relief and alleges violation of the California Unfair Competition Act against Xerox State & Local Solutions, Inc. in connection with the alleged inadequacy of the initial review process for parking tickets. The plaintiff also seeks class-action status. The City of Los Angeles and its Department of Transportation are the other defendants in this case. All but one of the plaintiff's claims have been dismissed, leaving only the question of the initial review process for parking-ticket appeals is statutorily compliant. This case is pending.

MBE/WBE utilization

Xerox has partnered with a highly qualified woman-owned, minority small business to deliver high quality services to the City.

With the objective of providing the City the most comprehensive integrated parking management system as well as supporting your MBE/WBE goals, we are augmenting our services with the proven capabilities and directly relevant expertise of our subcontracting partner Hudson & Associates. Our partner is an 8(a) certified, Woman and Minority Small Business Owned LLC and will continue to provide all staffing for violation/payment processing, customer service and meter maintenance & collections as they have for the past two years. Hudson & Associates will bring expertise from their previous experience supporting the City's current parking citation management and parking meter management programs.

Past Good Faith Disadvantaged/MBE/WBE Subcontracting Efforts

Xerox creates jobs and revenue for local partners whenever possible, and supports diversity in selection of subcontractors for the City's integrated parking management system. Recognized as a corporation committed to long-term relationships and meaningful partnerships with Disadvantaged, Minority, and Women-Owned Business Enterprises, we have a distinguished record in support of D/M/WBEs. We create jobs and revenue for local partners whenever possible, and support diversity in the selection of subcontractors. We have one of the most progressive equal opportunity programs in the country, consistently meeting or exceeding participatory requirements in city, county, and state contracts.

It is common for us to request that companies designated as one of the D/M/WBEs apply for official certification, as it is a benefit to their company, as well as to their employees and the local community. As we review the full RFP and technical requirements, we will be committed to involving proven and trusted subcontractors who specialize in a single business segment to enhance our ability to deliver the highest-quality solution possible while supporting local D/M/WBE-certified subcontractors.

Table A.d–1 is a list of our WBE/MBE subcontracting efforts on three relevant projects.

Table A.d–1. Xerox WBE/MBE Efforts

Project	Date	MBE/WBE Goal Met	Scope of Work	Company Name	Type
Philadelphia Parking Authority Violation Processing	1983-Present	Yes	Lockbox, data entry, document imaging, telephone & correspondence customer service and cashiering.	PRWT	MBE
Washington D.C. Parking Meter Management Services	1998-Present	Yes	Field operations including maintenance, collections, installations and special projects.	Dynamic Concepts, Inc.	Local, Small & Disadvantaged Business Enterprise (LSDBE)
Washington D.C. Ticket Processing	1983-Present	Yes	Correspondence processing and data entry.	Kidd International	MBE owned small business
Washington D.C. Ticket Processing	1983-Present	Yes	Printing, inserting and mailing notices and letters.	Toucan	MBE owned small business
Washington D.C. Ticket Processing	1983-Present	Yes	Courier Services	Insured Courier	MBE owned small business

I. References

Please refer to Section C of this proposalfor our references.

J. Resumes

The provision of an outstanding project team is one of the most visible ways that a vendor demonstrates its commitment to the success of a project. For STLTO, Xerox has assembled a highly experienced project team with the necessary skills to partner with the STLTO to deliver on its Integrated Parking Management System goals.

STLTO deserves a contractor with a solid staffing plan and project structure that ensures that efficient and adequate service requirements are met. The development of our staffing plan and the structure of our organization are based on the unique needs of the STLTO project and the most effective way to provide innovative approaches to reach STLTO's goals. As a leading provider of Integrated Parking Management Systems (IPMS) services, we have won the respect and appreciation of our customers for the consistently productive and efficient approach we take toward organizing and staffing our projects. We bring decades of highly specialized IPMS experience, and we apply this depth of knowledge unsparingly in the execution of our project responsibilities.

Our proposed Project Manager, Quinton Williams, has 10 years of parking citation management experience serving in various roles at the St. Louis Parking Violations Bureau (PVB). Mr. Williams is profoundly familiar with our eTIMS® system and all aspects of operations at the Parking Violations Bureau, including critical financial reconciliations and the allocation of parking funds.

Our Regional Vice President, Brett Peze, has over 13 years of parking experience. Mr. Peze played a key role in supporting the initial eTIMS® implementation in St. Louis. In fact, Mr. Peze relocated to St. Louis in 2006 and served as our local Project Manager for two years, helping to establish the PVB while coordinating the implementation of new technologies and service enhancements, such as document imaging. Mr. Peze has also directly managed parking contracts with Cleveland and Columbus, and today provides senior management oversight for approximately a dozen programs, including St. Louis, Boston, Indianapolis, Philadelphia, and Washington DC.

Our local WBE/DBE partner, Hudson Associates, is currently providing qualified cashiering, customer service, and data entry staff at the PVB, as well as boot crews and meter collections and maintenance personnel. Shelia Hudson, President of Hudson Associates, was Xerox's local Project Manager before establishing Hudson Associates, and will provide management and oversight for the Hudson Associates team assigned to this project.

Our National Collections Director, Michael Brown, is based out of St. Louis. Mr. Brown has over twenty years of collections experience and has developed our proprietary Managed Receivable model and other creative collections programs and techniques.

Our proposed Implementation Manager, Bill Timmer, will oversee the transition of meter services and booting from the City's incumbent provider to Xerox.

Other key members of our team include Anthony Derasmo, Director of Systems Development and Jim Anderson, Parking Operations Director. By extending the city's partnership with Xerox, St. Louis will also have access to the innovative work of our esteemed Xerox Innovation Group (XIG) researchers.

In appreciation of the complexity and importance of the St. Louis program, our partners have also assigned highly qualified parking and technology experts to this engagement. Our dynamic team of parking experts includes the following subcontractors:

- **IPS,** the industry's foremost provider of single-space, credit card accepting parking meters;
- **Parkeon,** a proven supplier of multi-space kiosks and pay boxes;
- **Parkmobile,** the leading provider of pay-by-phone tools and apps; and
- **PayLock,** providers of self-release boots and services
- **Amano,** Integration of off-street PARCS equipment

The organizational structure for our Operations Project Team and our Implementation Field Test Team is shown as Exhibits A.d–10 and A.d–11.

Resumes for all personnel can be found at the end of this section.

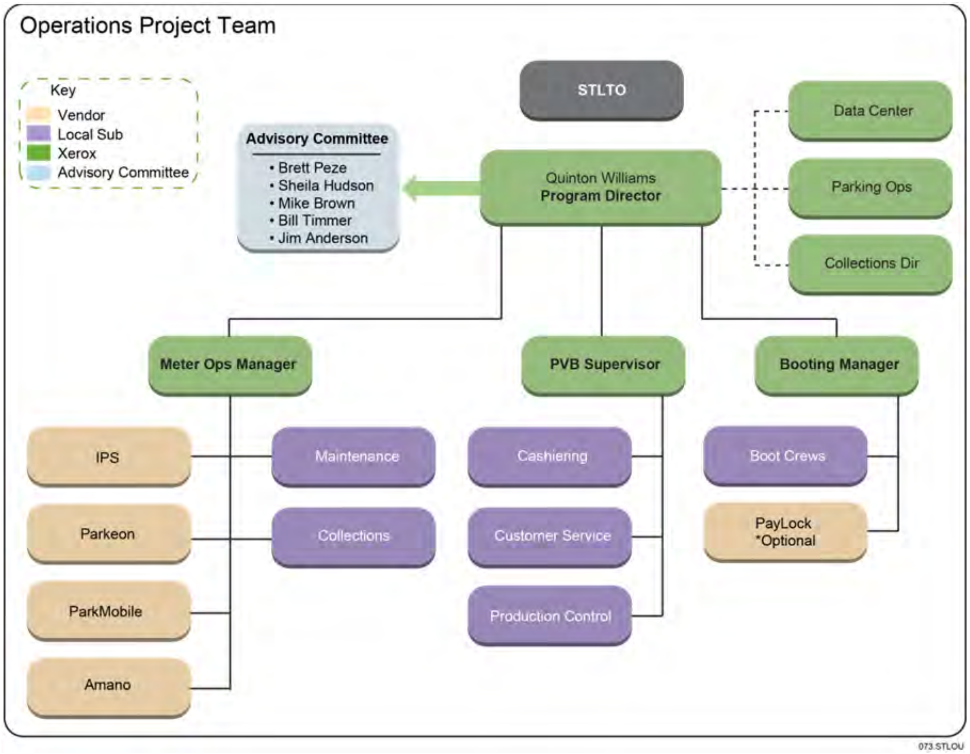

Exhibit A.d–10. Operations Project Team

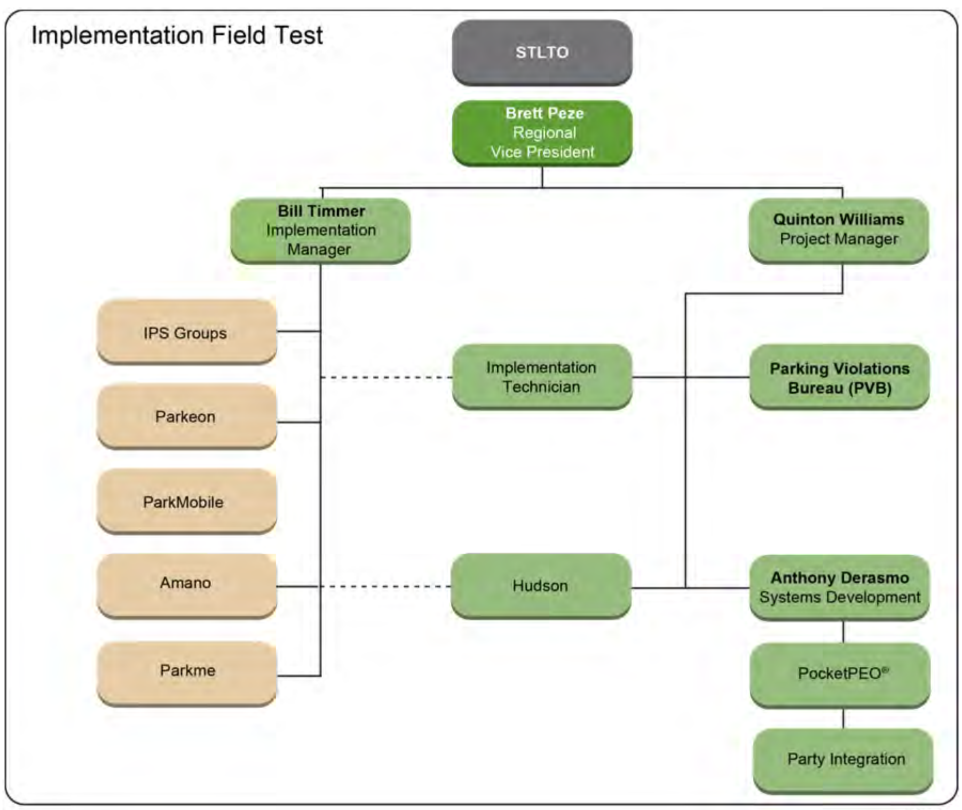

Exhibit A.d–11. Implementation Field Test Team

Brett Peze – Eastern Regional Director/Advisory Committee

SUMMARY

Mr. Peze has over 13 years of operational and management experience in support of diverse municipal parking programs, including direct project management of St. Louis, MO, Columbus, Cleveland, and Wilmington, DE. Mr. Peze supported the implementation of new contracts in St. Louis and Cleveland and a myriad of new system and service deployments nationwide. He is currently responsible for business development and management oversight of a large geographic area consisting of 30 intelligent parking system and violation processing contracts, including various contracts with Boston, Cleveland, Philadelphia, St. Louis, Washington DC., and other many other cities and counties. During his tenure with Xerox, Mr. Peze has held numerous positions in operations, business development, and implementation management.

WORK EXPERIENCE

Xerox, State & Local Solutions, Inc. **2001–Present**

Eastern Regional Director ***2010–Present***

- Management oversight of 30 contracts with municipal clients, including service delivery, profit and loss responsibility, and internal leadership development
- Management of technology partners and third party vendors throughout region
- Responsible for solution development in coordination with sales and IT delivery teams
- Oversight of contractual deliverables and coordination of ongoing system development strategy

Implementation and Product Development Manager, State &Local Solutions, Violations Processing ***2007–2010***

- Evaluate new business opportunities including RFP's, technology and vendor products; new business and add-on implementation support; vendor contracts and ongoing relationship management
- Assist in the development of new parking program management program strategies including collections, enforcement, and public service
- Oversight of various third party vendors and strategic partners

Project Manager, State & Local Solutions ***2006–2007***

- Managed implementation and day-to-day operations of the Cleveland Photo Enforcement Contract
- Worked closely with Cleveland Police Department, Department of Public Works, and the Clerk of Courts Office (including the Photo Enforcement and Parking Violations Bureau)
- Liaison between clients, ACS engineering staff, and data center programmers to resolve system issues and facilitate improvements or modifications
- Supervised field service technician's service of camera equipment, operational issues, financial performance, and client support

Project Manager, State & Local Solutions ***2004–2006***

- Managed day-to-day operations of the St. Louis parking violation processing and collections contract
- Worked with upper management to develop client revenue enhancement and customer service maximization strategies
- Reconciled daily eTIMS® transactional and financial information processed by clients and ensures data integrity using various quality assurance techniques
- Liaison between eTIMS® users and data center programmers to resolve system issues and facilitate improvements or modifications
- Oversaw implementation and training of new system features and enhancements
- Provided on-sight management and oversight of the St. Louis Parking Violations Bureau

Project Manager, State & Local Solutions ***2001–2004***

- Columbus, Ohio
  - Liaison between Columbus PVB and Ohio DMV regarding billing disputes and registration hold processing changes
  - Managed the implementation of a new web site that offers Pay-by-Web functionality to citizens and provides information on the City's parking program
  - Managed handheld implementation with the Columbus PVB and provided initial training and ongoing support
- Cleveland, Ohio
  - Developed and managed implementation of new collection strategies (including attorney collection project)
  - Managed implementation of Cleveland's Pay-by-Web site, ClevelandParkingTickets.com

  - Coordinated migrations from tape transfer process with data entry venders and mail house venders to FTP process
  - Managed the implementation, customization, and training for the ACS handheld application with the City's Parking Enforcement Division and Traffic Controllers
- Wilmington, Delaware
  - Initiated NPI Consulting Project with ACS consulting staff to assist in parking enforcement
  - Installed and trained on new mass entry application to ensure timely payment applications
  - Managed parking enforcement move from city/county building to public safety building and coordinated connectivity installations
  - Coordinated client specific procedures and specifications with new mail-house vender conjunction with a regional vender change

Lockheed Martin IMS **1999–2001**

Business Analyst

- Acted as a liaison between clients and data center programmers to create and analyze various reports Prepared, organized, and interpreted various reports and data used to develop long-term collection strategies
- Coordinated the installation of document imaging in (including design and training)

EDUCATION

B.S., Business Administration, Richard Stockton College of New Jersey
Additional studies in Marketing and Information Systems

SHEILA HUDSON – ADVISORY COMMITTEE, PRINCIPAL/CEO HUDSON ASSOCIATES

SUMMARY

As Principal-in-Charge, Ms. Hudson oversees daily operation for Hudson and Associates, LLC at the Metropolitan St. Louis Region office. With over 20 years of Program/Project Management experience in the transportation and infrastructure arenas, Ms. Hudson provides operations and staffing support to government agencies and private sector companies ensuring adequate manpower and resources are provided to meet and/or exceed various project programs, budget and schedule projections. Her responsibilities include coordinating project start-ups, staffing and operations management, developing customized programs, coordinating marketing and media strategies, and managing client/owner relationships.

PROFESSIONAL EXPERIENCE

Hudson and Associates, LLC, St. Louis, MO **2013 – Present**

Program Manager

- Act as subcontractor for two multi-million dollar On-Street programs with the Parking Division
- Manage daily operations and staffing to support the meter collection and ticket processing services at Gateway Parking and the Parking Violation Bureau (PVB)
- Provide operations management, revenue collection, maintenance and technician support, boot enforcement, dispatching, customer service and cashiering, as well as data entry to support the client's initiative or programs
- Responsible for staffing the most qualified employees to ensure that the program is operating efficiently and effectively

ACS/Xerox, St. Louis, MO **2010 –2012**

Project Manager, Parking Violation Bureau (PVB)

- Responsible for executing task and services as required in the services contract to support the ticket processing program
- Managed daily operations, developing and implementing policies and procedures to support regulations and business practices, revenue collection and reconciliation reporting, as well as client relations management
- Managed customer matters and managed staffing needs as required to support operation

HNTB Corporation, St. Louis, MO **2002 –2005**

External Affairs Manager

- Directed all office external communications outreach, and public education campaigns for the St. Louis office
- Responsible for developing and managing HNTB's regional government and community relations strategies
- Provide extensive government relations strategy-planning and implementation, public policy development, management of grassroots campaigns, and management and development of community outreach initiatives and promotional activities
- Designed and implemented "project specific" outreach and communications activities designed to engage the public in the planning and execution of public-sector projects and program initiatives

EDUCATION

B.S. Tennessee State University-Industrial Technology/Transportation Service and Management, Nashville, Tennessee, 1988
Fellowship - Rutgers Institute/National Transportation Institute (NTI) - Leadership Management, Newark, New Jersey

PROFESSIONAL AFFILIATIONS

- Women's Transportation Seminar (WTS), National Board (1991-2004)
- Conference of Minority Transportation Officials - St. Louis Chapter
- Commissioner, Tax Increment Finance (TIF) - City of St. Louis
- Commissioner, Missouri Downtown Economic Stimulus Authority/St. Louis (MoDESA)
- Commissioner, Tower Grove Park, St. Louis, Missouri

Michael Brown – Advisory Committee/Collections Director

SUMMARY

Mr. Brown has over 22 years of account receivable management experience with emphasis on call center management, contract implementation, marketing, and portfolio metrics and analysis. He has substantial accounts receivable experience in consumer, commercial, medical and governmental debt portfolios including credit card, mortgage, direct and indirect auto, medical, municipal, county and state debt, utilities and other consumer and commercial services. During the course of his career, he has managed 45 debt portfolios for 25 governmental clients totaling over a billion dollars in receivables. Mr. Brown is currently responsible for overseeing collection operations and project management across Xerox's parking clients.

PROFESSIONAL EXPERIENCE

Xerox, Parking and Judicial Solutions, St. Louis, MO **2011 – Present**

Director

- Oversee all aspects of secondary collection operations for parking, tolling, automated enforcement and court divisions.
- Manage proprietary Managed Receivables™ model including data mining and modeling, vendor management, reporting and best practice / innovation implementation
- Develop Collection Action Plans (CAPs) via data analysis and customized modeling to create innovative collection solutions for our governmental clients
- Oversee analytic staff in development of reporting tools, benchmark studies and vendor performance evaluations

Linebarger Goggan Blair & Sampson, LLP, St. Louis, MO **2002 – 2011**

Director

- Built national call centers in San Antonio, TX and Chicago, IL to oversee fees and fines collection portfolios
- Managed regional operations in Chicago
- Oversaw contract management for 50+ government clients
- Supervised risk management and data analytics departments
- Managed staff sizes in access of 125 people

Felco AutoLease, St. Louis, MO **2001 – 2002**

Director

- Managed indirect auto financing collection operations
- Built collection operations center in St. Louis
- Created secondary placement model for debt outsourcing
- Oversaw debt securitization operation mandates and contract compliance
- Managed staff sizes in excess of 40 people

US Bank, St. Louis, MO **1995 – 2001**

Assistant Vice President

- Managed direct, indirect, home equity and credit card collection operations
- Install score modeling into collection methodology
- Oversaw bankruptcy, probate, repossession and foreclosure operations
- Managed staff sizes in excess of 200 people

GC Services, LP, St. Louis, MO **1990 – 1995**

Collection Manager

- Oversaw automated outbound operations for MCI project
- Completed 9 month collection management training program
- GC Services certified collection manager (CM)
- Managed staff sizes in excess of 80 people

EDUCATION

B.S., Economics, University of Missouri – St. Louis

William Timmer - Implementation Manager/Advisory Committee

QUALIFICATIONS

Mr. Timmer has over 35 years of experience managing a wide range of technical business projects. His experience is primarily with the conceptual, design, and implementation phases, but has had several extended positions in operations and maintenance management. This combination of experiences has helped Mr. Timmer coach stakeholders to successfully adapt to the impact of major technology changes to ongoing operations. In many cases, he has made the implementation process significantly less intrusive without a major organizational or community disruption.

During the last ten years, he has focused his assignments on working with municipal on-street paid parking and enforcement organizations and industry equipment and control application vendors to innovatively apply new technology.

His knowledge of and experience with planning and implementing municipal wireless parking payment systems, the introduction of paid on-street parking to previously free urban business centers and the application of occupancy sensor technology to on-street parking management were the subjects of his international parking conference presentations in 2005, 2007, 2010 and 2013, respectively.

WORK EXPERIENCE

Xerox State & Local Solutions, Inc. **2010-Present**

Implementation Manager

- Tacoma, WA introduction of on-street paid parking to a previously free, time-limited central business district. Services included, implementation planning and supervision, public outreach, support for Stakeholder Parking Advisory Group, organization of parking equipment maintenance and collections services and performance results communications
- On-street paid parking system performance and enforcement evaluation with recommendations for operations and revenue performance improvement. Municipalities include Boston, Providence, New Orleans, Salt Lake City, Los Angeles ExpressPark, Honolulu, Reno, Buffalo and Tucson

Bluewater Project Management Services, LLC **!998-Present**

Principal

- Managed the City of Seattle Parking Citation Issuance System Replacement Project
- Managed the City of Seattle Paid Parking Asset Replacement inquiry and procurement
- Managed the City and County of Honolulu On-street Paid Parking Equipment Modernization Program, including the application of space occupancy sensors for improved parking management control
- Managed the design and implementation of the conversion of free on-street parking in the City of Tacoma’s downtown core to paid parking. Coordinated the upgrade of Tacoma’s hand-held citation system to reflect the new enforcement requirements
- Conducted on-street paid parking surveys and preliminary system configuration designs for Reno, Tucson, Salt Lake City, Oakland, Honolulu, Los Angeles ExpressPark program and Washington DC. Each project included an analysis of occupancy patterns, parking and citation revenue and projections of improvement potential associated with the application of new parking management technology.
- Managed the City of Seattle Parking Pay Station Project and the Hand-held Parking Citation System Modernization Program
- Responsible for upgrading Seattle’s parking meter system through the installation of multi-space control, solar-powered, wireless parking kiosks with on-line credit card authorization and an implementation budget of $20 million
- Managed the Seattle Parking Enforcement introduction of license plate recognition technology for on-street parking enforcement applications
- Facilitated equipment purchase negotiations and contract review processes
- Provided project planning and cost management leadership for large, complex, multi-site, enterprise information technology installations: Weyerhaeuser, Boeing and Microsoft

Seattle Office of Industry Engineers and Consultants, Seattle, WA. **!989-1998**

Manager

- Managed a full service engineering consulting office serving the North American pulp and paper industry
- Responsible for $250 million capital expansion and modernization program for Weyerhaeuser Longview, WA pulp mill

Boise Cascade, Portland, OR. **1981-1987**

Paper Division Capital Projects Manager

- Responsible for the capital project planning and implementation management for seven North American white paper production facilities, with annual budgets of approximately $500 million

Procter & Gamble, Cincinnati, OH. **1968-1981**

Divisional Manager

- Responsible for facilitation of strategic planning initiatives within various business groups as well as specific project implementations
- Worked with new business teams and related community groups
- Assisted project stakeholders to identify and mitigate the changes that often resulted from a major capital project
- Led major expansion and modernization programs
- Assisted project stakeholders to identify and mitigate the changes that often resulted from a major capital project

EDUCATION

B.S., Chemical Engineering, University of Michigan, 1968

AWARD AND CERTIFICATIONS

Certified Instructor, Microsoft Project, 2000
International Parking Institute- Technology Innovation, Wireless On-line Credit Card Authorization for On-street Parking Systems, 2005

Jim Anderson – Advisory Committee/Parking Operations Director

SUMMARY

Mr. Anderson has 13 years of professional and management experience in the parking industry, including four years of experience managing municipal parking operations, and four years of experience in university/hospital operations. He has 26 years of experience managing operations in the transportation industry in both public and private sectors including 20 years of experience in policy development and program planning.

WORK EXPERIENCE

Xerox State & Local Solutions, Inc. **2007—Present**

Parking Operations Director, Parking and Safety Solutions

- Serve as principal consultant on parking enforcement operations and techniques with all Parking and Safety Solutions (PSS) parking violations processing clients
- Leads teams in surveying and analyzing municipal on-street parking operations
- Develops plans and programs to improve the efficiency and effectiveness of parking operations
- Works with senior parking managers and city administrators in implementing program changes

City and County of Denver **2004—2007**

Acting Director, Department of Public Works

- Served as principal manager of parking operations for the City and County of Denver for more than one year
- Maintained overall responsibility for operations of enforcement, meters, management and administrative staff of 90 full time employees with $28 million revenue and $11 million operating budget
- Managed budget preparation, expenditures, profit and loss, personnel, request for proposal (RFP) and bid development, and proposal evaluation processes
- Negotiated contract and modifications with vendors and operators

Assistant Director

- Served as principal leader of the meter operations, lot and garage operations, analysis, and administrative groups within parking operations
- Maintained overall responsibility for the level of service provided to and all areas of contract compliance for the agency, including lot and garage operators, quality control standards, program development, operations analysis, and expansion of operations both on and off street
- Managed budget preparation, expenditures, profit and loss, personnel, capital repairs and maintenance along with new construction projects
- Negotiated and administered contracts modifications with vendors and operators

University of Colorado at Denver & Health Sciences Center **2000—2004**

Deputy Director, Facilities Operations

- Provided principal leadership over day to day operations of the Parking and Transportation division
- Maintain overall responsibility for the level of service provided to faculty, staff, and patients including: enforcement, meter operations, signs and pavement markings, citation processing and management, administrative adjudication process, systems development, and operational enhancements
- Manage budget preparation, expenditures, profit and loss, and personnel actions

Federal Express Corporation **1983—1999**

Senior Manager

- Serve as principal manager of an operating unit with an organization with 100 employee full time equivalents and $50 million of revenue
- Plan and implement policies and programs to maximize productivity while expanding product offerings and increasing service levels to the customer
- Maintain overall all responsibility for level of service provided to customer base by managing and controlling staff, sales, fleet maintenance, and on-road operations
- Negotiate and administer contracts with outside contractors and vendors

EDUCATION

MBA, University of Phoenix, Denver, Colorado
Bachelor of Science, Business Administration, Babson College, Wellesley, Massachusetts

Quinton Williams – Program Manager

SUMMARY

Quinton is the current Program Manager for the Parking Violations Bureau , with hands-on, industry experience. Quinton is well-versed in quality control and client relations. His interaction with clients on a daily-basis provides an interactive relationship with a hands-on approach to ensure customer satisfaction. Quinton is responsible for the oversight of all contract services and expectations.

PROFESSIONAL EXPERIENCE

Xerox State and Local Solutions, St. Louis, MO **2012 – Present**

Program Manager

- Manages day-to-day operations of the St. Louis parking violation processing and collections contract
- Conducts quality assurance reviews of subcontractor activity, including data entry, payment application, and suspend processing
- Work with upper management to develop client revenue enhancement and customer service maximization strategies
- Reconciles daily eTIMS® transactional and financial information processed by clients and ensures data integrity using various quality assurance techniques
- Liaison between eTIMS® users and data center programmers to resolve system issues and facilitate improvements or modifications
- Oversaw implementation and training of new system features and enhancements
- Provided on-sight management and oversight of the St. Louis Parking Violations Bureau

Xerox State & Local Solutions, Inc., St. Louis, MO. **2004 –2012**

Production Control Analyst

- Prepared daily, weekly and monthly production control reports, project reconciliations that includes monitoring the payment, ticket and transaction based transaction and revenue.
- Preformed Fleet account analysis to determine compliance or delinquent account status and report performance to manager and Department of Motor Vehicle (DMV) account liaison.
- Provided operational support to the DMV Fleet help desk which include provide monthly billing statements, create log in profile, and interact with participants via phone and email to mitigate payment discrepancies.
- Balanced and reconciled deposit documents for the St. Louis PVB IVR and Pay-by-web system.
- Lead training in In-Person (payment office) and oversee operations.

Waxx Factory Total Entertainment, St. Louis, MO

Production Supervisor ***2000 – 2004***

- Provided leadership and support for daily operations in accordance with all applicable regulatory agencies
- Responsibilities include inventory control, analysis of sales revenue, planning schedules in accordance with forecasted needs
- Communicated to and worked closely with vendors in procurement of specialty items.
- Trained/motivated staff of 12-15.
- Drove up sales volume, reduced shrinkage, and controlled cost.
- Evaluated in-house processes and systems for continuing improvement.
- Initiated disciplinary procedures, including verbal and written performance.
- Maintained health, safety, and sanitation standards and ensure quality control
- Resolve customer/staff complaint issues/conflict

EDUCATION

Business Management coursework
Fontbonne University, St. Louis, Missouri

Anthony Derasmo – Director Of Systems Development

SUMMARY

Mr. Derasmo has more than 20 years of development experience in large-scale systems integration, data processing, and development projects. As the Director of Systems Development, responsibilities include providing project management oversight and setting strategic direction of new technology service offerings. Mr. Derasmo also manages the development, implementation, and support of mobile wireless applications, geographic information systems, eCommerce applications, data warehouse, and imaging workflow systems. Project management roles consist of developing, coordinating, and executing project plans and management of project resources. Mr. Derasmo also manages a diverse group of project managers and programmers that develop and support applications for Xerox Violations Processing for over 38 clients.

PROFESSIONAL EXPERIENCE

Xerox State & Local Solutions, Inc. **1999–Present**

Director of Systems Development

Responsible for managing a team of City Analysts and Developers that develop, support, and maintain the Parking Management Customer Service product suite.

- **Data Warehouse.** Managed implementation and support of Oracle data warehouse project for client data that is over 4 terabytes. Responsibilities include; product support, insuring data integrity, data loads, and report generation.
- Responsible for Oracle Business Intelligence product upgrade project. Responsibilities included the planning, installation, and implementation of the Oracle Business Intelligence product suite.
- **eCommerce.** Managed implementation and support of Internet based citizen services that consist of payment processing for over $100M annually in parking and moving violations. Web sites developed and deployed for major cities; Los Angeles, Boston, Cleveland, Columbus, Dallas, Washington DC, Denver, and Philadelphia. Implemented Web services and Service Oriented Architecture (SOA) for interfacing external IVR vendors with host processing system.
- **Infrastructure and support operations.** Manage direct staff of senior technologists and development group. Support applications in parking violation processing, photo enforcement, emergency medical services billing, parking meter management, and GIS/GPS mapping systems. Implement new products and services to new and existing clients worth over $300M in sales and revenue.
- **Mobile Application Product Development.** Developed and implemented strategic plan for creating a mobile application product suite that includes; wireless moving and parking citation issuance systems, tow lot inventory system, mobile parking scofflaw boot and tow system, emergency medical services data capture and treatment system. These mobile wireless products and services are currently in use in the cities of Cleveland, Boston, Houston, Philadelphia, Denver, Los Angeles, St. Louis, Washington DC, Oakland, San Francisco, and Columbus. Currently working on expanding products and services to other clients across the United States for Homeland Security applications.

Lockheed Martin **1997–1999**

Project Leader

- Designed, developed and implemented new products and programs related to handheld citation issuance system and the Imaging/Workflow product line
- Designed and developed ActiveX dll’s using Visual Basic to run as packages in MS MTS; created an ActiveX image viewer that is used throughout Imaging product line
- Designed and developed an automated FTP process using Visual Basic that transmits data to multiple platforms including MVS, developed GUI user interface for indexing images into the system, and developed scanning software used to perform batch scans of incoming correspondence

United Parcel Service, Mahwah, NJ **1993–1997**

Systems Programmer

- Designed and developed Web-based Intranet inquiry system for Automotive Parts History application using WebObjects 3.0 on the front end and Oracle 7.3 on the back end
- Created tables and indexes using DDL from existing legacy application, populated tables with data using Access 7.0, designed and developed Web pages for inquiry and report screens using WebObjects Builder, and designed and developed Package Center Preload Reporting System using Visual Basic 4.0 and Microsoft Access 7.0 running under Windows NT 4.0

- Designed and coded GUI interfaces for data entry and report screens, created import facility for data collection from external systems, created context sensitive Windows help file, designed and created “Preload Reports” for use by center managers, and created runtime environment for distribution using MS Access Developers Toolkit
- Designed and developed Supervisor Maintenance System and Print Workstation for the International CSTC Package Pickup System using Microsoft Access
- Designed and coded GUI interfaces for data entry and report screens; created call back functions to customize combo and list boxes; manipulated Windows DEVNAMES and DEVMODE structures to change printer setup information; created translation routine to convert screens and reports to translate into other languages; designed and created queries, reports, modules and macros; developed DDE interface to share information with the AS/400; and created runtime environment using the Access Developers Tool Kit

Lockheed Martin Management Services **1990 – 1993**

Senior Programmer

After successfully completing intense COBOL internship training program, worked up through the rank of junior developer all the way to senior tech specialist. Responsibilities of creating program specifications for development team, providing system development guidance and support and maintenance of application programs.

- Designed and developed Employee Time Management System. This system kept track of all employees billing rates and time allocations by client and cost center. System was developed in CICS and COBOL using 4GL application development tool.
- Participated in the design and development of a payment tracking system for collection of unpaid parking fines. This system kept track of payments made on parking tickets and was used to track down scofflaws across all clients. System was also used for tracking diplomat parking violations.
- Responsible for maintaining Ticket Information Management System for cities of Los Angeles, Washington D.C. and Arlington Virginia. On call support was provided 24 / 7 to customers and required intimate knowledge of batch cycles, online processes and system architecture.

EDUCATION

BA, Business Administration, IONA College, New Rochelle, New York, 1989

AWARDS AND CERTIFICATIONS

Certified Project Management Professional

TECHNICAL SKILLS

- J2EE
- IBM WebSphere
- Apache Web Server
- MS Internet Information Server
- Oracle, .Net, Visual Basic
- Visual C++
- C#
- ASP
- Delphi
- Map Objects
- XML
- DHTML
- UML with MS SQL Server and Oracle on the backend
- HP-UX
- Microsoft Windows Server
- Microsoft Windows Mobile

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A.e Field Test Requirements (Phase 2)

Xerox's solution is fully compliant with the field test requirements. Xerox will provide program oversight and consulting, help drive the City's innovation strategy, and integrate the technology and business processes improvements necessary for a successful parking management demonstration. We have proven relationships, unparalleled experience, and deep integration with meter and equipment manufacturers. Our proposal leverages our rich parking history and our knowledge of innovative technologies, allowing us to put forth cost-effective and sustainable options for the STLTO's field test.

Xerox has proven relationships with all of the leading providers of parking meters, pay-by-cell technology, smart phone apps, sensors and occupancy detection technologies. We have integrated with the best, and our agnostic approach allows us to provide cost-effective and tailored solutions for our customers.

Xerox partners with the best equipment and technology providers

- The popular IPS single-space meters
- Easy to use Parkeon pay boxes
- Parkmobile pay-by-phone options
- PayLock self-release boots
- Sensors for occupancy detection

We support the concept of open architecture and open data, furthering the cause of innovation, providing choices to our customers, and reducing costs through competition. Consequently, we are best suited to provide a technology demonstration for the STLTO.

The STLTO recognizes parking as an integrated element of the overall transportation system, a scarce and valuable resource that also impacts traffic flow, congestion and economic vitality. To effectively manage this valuable resource, parking officials need a variety of tools and different strategies to address diverse needs of varied neighborhoods and districts.

As the largest systems integrator for U.S. State and Local Government, serving over 250 agencies in 50 states, Washington, DC, Canada, Europe, South America, the Middle East and Asia, Xerox will enable the City to systematically evaluate parking equipment, automated data collection technologies, and services, refine the City's functional and system requirements, develop the test and evaluation plan, manage the demonstration and testing of providers, compare data collection and enforcement methods, and provide robust reporting tools.

With Xerox as the City's single point-of-contact system integrator, the STLTO will be able to leverage our team of parking subject matter experts, product specialists, software, hardware, and operations specialists, to work with the STLTO to procure solutions that are designed to meet the desired outcomes.

We have proven relationships with all of the leading providers of parking meters, pay-by-cell technology, smart phone apps, sensors and occupancy detection technologies. We integrate with the best, and our agnostic approach allows us to provide cost-effective and tailored solutions for our customers. For this particular field test, we have chosen to partner with and demonstrate for the STLTO the industry's best and most innovative providers of on-street parking technology, namely:

- IPS, the industry's foremost provider of single-space, credit card accepting parking meters;
- Parkeon, a proven supplier of multi-space kiosks and pay boxes;
- Parkmobile, the leading provider of pay-by-phone tools and apps;
- PayLock self-release boots and services; and
- A variety of sensor companies to assist with the collection of occupancy data.

Xerox will provide meter technologies and phone payment solutions for the STLTO's review during the field test for no fee. We offer both single-space meters (SSMs) and multi-space meters (MSMs) for your consideration in hopes of offering the most diverse and complete field test. By offering the IPS and Parkeon solutions, we can help ensure the STLTO receives sustainable pricing for ongoing systems.

The STLTO can determine whether it would like to select SSMs, MSMs, or both during this six-month technology demonstration. Our solutions are all compliant with the STLTO's stated requirements as noted below in Table A.e–1.

Table A.e–1. Field Test Requirements

Field Test Requirement	No Fee SSM	No Fee MSM	Pay-by-Phone
	IPS Meters	Parkeon	Parkmobile
A. The power and communication requirements necessary for their equipment	Battery-powered with rechargeable solar power, cellular wireless technology	Battery-powered with rechargeable solar power, GPRS 3G Modems	Not applicable
B. Describe all on-street signage required for the project	No signage is required other than meter stickers.	The necessary signage is dependent upon the MSM programming. For instance, MSMs that accept payment in a “pay by space” mode can utilize signs or space numbers to indicate. MSMs that are programmed to accept payments in a “pay and display” mode will require signs. The options are discussed in detail below.	Meter stickers and/or signs
C. All training for operation and maintenance of the system, a recommended list of spare parts and fully functional software with reporting capabilities	A discussion of training for operation and maintenances, spare parts, and software capabilities is below.	A discussion of training for operation and maintenances, spare parts, and software capabilities is below.	Parkmobile will provide training and support a public information campaign. Spare parts are not applicable.
D. The ability to work with third party contractor and STLTO staff to promptly provide them with instruction for necessary repairs, collections and enforcement	Compliant	Compliant	Compliant
E. Furnish and install equipment to service 40 – 60 spaces of metered parking	M5 credit card enabled single-space meters that retrofit into existing housings	We will provide the requisite number of MSMs for this procurement.	Parkmobile can number the signs and support the field test
F. Describe/ Demonstrate enforcement protocol	Visual indicator using LED lights on front and rear (street-side) of the meter.	Discussed in detail below.	The integration with PocketPEO is discussed below.
G. Supply standard keys for collection and maintenance	The same keys used by the City today can be used. No substitutes required.	Parkeon will provide the necessary keys.	Not applicable.
H. Credit/Debit card verification system	Level 1 PCI certified secure credit card gateway to the City processing bank. Please see Attachment 2.	Level 1 PCI certified secure credit card gateway to the City processing bank. Please see Attachment 2.	Level 1 PCI certified secure credit card gateway to the City processing bank. Please see Attachment 2.
I. Integration with Xerox/ACS ETIMS system	Integrated as described below	Integration is underway.	Integrated as described below

IPS Group, Inc.

Vendor will supply equipment at no cost to the STLTO

IPS is a design, engineering, and manufacturing company focused on low power wireless telecommunications and parking technologies. IPS has been delivering world-class solutions to the telecommunications and parking industry for more than 19 years, including its solar-powered SSM and web-based management system.

A. The power and communication requirements necessary for their equipment

IPS meters are powered by a patent-pending combination solar power and battery system. The solar panel on the back of the meter allows for constant recharging of the battery with ambient light. This sustainable energy source provides for battery life lasting up to five years, depending on operating conditions and environmental factors. A nominal amount of ambient sunlight keeps the battery charged. Primary Cell technology keeps the unit operating even with minimal sunlight and acts as the back-up battery.

IPS parking meters offer the STLTO the most effective communication platform for the City, with CDMA on Verizon and/or GPRS on T-Mobile. Both IPS GPRS and CDMA meters operate exactly the same way and will be transparent to the City. No formal switchover process will be required other than simply installing the meters on the street as they are configured for either carrier. If two carriers are required, IPS management of the carriers will make the use of both seamless. The ability to swap a meter from one carrier to another is as simple as swapping the communications board within the meter. Each IPS single space parking meter is integrated into the web-based DMS in which the data is stored on central servers hosted by IPS. This data transfer happens automatically and does not require personnel to interface with each meter to retrieve data.

B. Describe all on-street signage required for the project

No additional street signage for IPS single-space meters is required. Xerox and IPS are prepared to provide additional marketing materials as outlined in this proposal to educate the public and promote the project, but for a single-space meter program, additional signage is generally not required.

Formulating the right messaging and raising public awareness is a key element for the successful deployment of new parking initiatives. IPS will provide customized marketing and public awareness materials that can be customized to the specific needs of the City's programs. Examples are shown in Exhibit A.e–1 of possible marketing collateral which were produced for the City of Honolulu during the deployment of IPS meters and sensors in Honolulu last summer.

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Exhibit A.e–1. Posters and Fliers

Sample poster (left) and sample marketing flyer introducing the new meters (right).

Exhibit A.e–2 provides examples of banners introducing the pilot program and providing a website for customers to share their experiences and provide feedback. These tools will not only help educate the public, but will also help the City collect valuable data regarding their parking experience. Customized survey questions, website language, and meter location map not only give the public a specific viewing experience, but they also help customers ensure they are supplying their constituents with the most comprehensive site possible.

Exhibit A.e–2. Sample Banners

Sample banner announcing pilot program and website for customer feedback survey.

We will assist the City of St Louis with formulating the proper messaging for addressing stakeholders both internally and externally, as well as develop press releases as necessary in coordination with the City. This includes communicating rate changes (if applicable) to the public. We encourage the City to utilize the skills of our team to help ensure the rollout of the new parking system is successful.

In order to help St Louis introduce IPS SmartMeters to their parking public, IPS Group is offering the City a custom designed website for the public to:

- Learn how to use the parking meter through written directions and a how-to video tutorial
- Answer questions through an online survey tool regarding their experience with the meter
- Better understand why the change has been implemented

IPS also provides a video depicting how to use the meter which the can be used to introduce the new parking meters.

C. All training for operation and maintenance of the system, a recommended list of spare parts and fully functional software with reporting capabilities

We comply. The IPS meter utilizes the cellular network for all credit card processing and data transmissions (such as rate configurations, sensor info, fault notifications, etc.). The cellular radio is designed as part of the meter mechanism and does not require a secondary connection to a wireless device. No networking equipment is needed for the meters and vehicle detection sensors communicate directly to the meter (no mesh network needed).

All software and firmware upgrades will be performed wirelessly as they become available, free of charge to the City.

The IPS web-based Data Management System highlights revenue reporting and equipment monitoring through administrative, financial, and technical reports. The DMS is available 24/7 over the web to authorized users.

- Hardware requirements: IPS is providing a hosted DMS, there is no local hardware required other than Internet access
- Network requirements: IPS recommends a high-speed Internet connection to the DMS service, such as cable or DSL access
- Operating system software requirements: IPS DMS only requires an Internet browser to access the system. Window or Apple iOS are typical
- Browser requirements: Any current version of internet browser will be sufficient to access the IPS DMS. MS Explorer, Mozilla Firefox, Google Chrome, iOS supported browsers are all compatible, including mobile phone browsers

We will provide as much training (both on-site and web-based) as required by the STLTO, including additional sessions, specialized sessions customized to the needs of the City, both before, during and after meter deployment. Additionally, IPS can provide multiple trainers to conduct even more sessions if necessary. Most IPS training sessions are a combination of onsite classroom and hands on use of meters and management system, including manuals for reference material. As new features are deployed, additional training sessions can be established at mutually agreeable times to provide updates and refresher training. Table A.e–2 represents what IPS believes to be the primary training subject areas, but can be further customized to meet City needs.

Table A.e–2. Training Overview

Training Subject: Data Management System Usage	
Element	**Description**
Subject Matter	Provide thorough review of all financial, technical, administrative reporting capabilities, specific to each functional user group, in addition to more advanced training for system administrators who will use multiple reporting areas, as well as meter configurations.
Primary Audience	Operations Supervisors/Managers, Adjudication Staff, Project Mangers, System Administrators
Training Hours per Student	1-2 hours per session
Students Eligible to Train	5-10 per session, no limit to number of total students
Proposed Schedule	One week or more prior to installation and one week after installation
Location of Training	Location TBD
Training Provided By	Local Field Service Technician
Training Subject: Meter Maintenance	
Element	**Description**
Subject Matter	To introduce maintenance and operational staff with basic meter use and operating features, including primary construction & disassembly, meter installation & removal, coin and card transactions, primary diagnostics tools, standard operating parameters, first line troubleshooting, and basic repair. Session also includes FAQs and Q&A session.
Primary Audience	All maintenance and operations staff
Training Hours per Student	1-2 hours per session
Students Eligible to Train	5-10 per session, no limit to number of total students
Proposed Schedule	Prior to and during installation
Location of Training	City meter shop or location TBD
Training Provided By	IPS Group Project Manager/Local Field Service Technician
Training Subject: Finance / Accounting / Audit / Adjudication	
Element	**Description**
Subject Matter	To provide overview of IPS meter management system reporting capabilities covering all financial reports, credit card settlement, coin reconciliation and transaction details.
Primary Audience	Operations Supervisors/Managers, Administration, Data Analysts, Finance & Accounting Managers
Training Hours per Student	1-2 hours per session
Students Eligible to Train	8-10 per session, no limit to number of total students
Proposed Schedule	One week prior to installation and one week after installation
Location of Training	Location TBD
Training Provided By	IPS Group Project Manager and Local Field Service Technician
Training Subject: Enforcement	
Element	**Description**
Subject Matter	Demonstrate how IPS meters are operated by a user as well as how to perform visual enforcement. Training will also demonstrate meter flexibility and configuration options that can be used to make enforcement as easy as possible.
Primary Audience	Enforcement Staff / Supervisors, Adjudication Staff
Training Hours per Student	1-2 hours per session
Students Eligible to Train	8-10 per session, no limit to number of total students
Proposed Schedule	Post-installation
Location of Training	Enforcement staff offices or location TBD

Training Subject: Data Management System Usage	
Element	Description
Training Provided By	Local Field Service Technician

We clearly understand the importance of ongoing project support and we encourage the City to speak with our references in this regard. We also understand that ongoing support is a critical element of any successful project and the basis of a long-term partnership. IPS is uniquely positioned to provide support services that will translate into the most responsive and comprehensive service offering available to the City of St Louis.

IPS will be providing telephone based help desk services during standard business hours from 8am – 5pm EST. IPS offers a toll-free telephone option (877-630-6638). Additionally, IPS provides after hour's service in the case of emergency, weekends, after hours and holidays, or 24/7 and 365 days a year. This answering service will notify IPS staff in the event of an emergency situation. Additionally, IPS will also provide contact information to all IPS senior staff should such an emergency arise.

IPS provides online help tools, such as access to all product manuals, frequently asked questions, as well as the ability to submit help tickets, and track the status of such tickets. IPS also offers the online ability to monitor and track RMA status. IPS is also in the process of deploying a video based training and help video library that can be accessed anytime, 24/7. If the City should have any specific input on the types of additional videos that would need to be included, IPS can provide those at no additional cost.

IPS will support the City with on-site project management and technical support during the implementation phase of the contract and can be further extended at the request of the City.

As both the designer and manufacturer, IPS is prepared to designate needed technical resources. This includes a team of hardware/software engineers, database administration, Web and data integration engineers. Ongoing support includes system and data security management, and backup/restoring systems in the case of a critical failure.

IPS provides a variety of reports to include financial, technical, and administrative functions via a single web-portal. No additional software will be required to access and update the meter system, other than access to an Internet browser.

Each IPS single space parking meter is integrated into the web-based DMS in which the data is stored on central servers hosted by IPS. This data transfer happens automatically and does not require personnel to interface with each meter to retrieve data. This data is available via a secure web-based portal and a username and password. We provide a full set of data and Management, Financial and Maintenance Reports, and the data can be exported into other software packages such as MS Excel, MS Access, and CSV, should the City have any specific requirements.

Some of the most common management system reports include: Daily, Weekly, Monthly and Annual Total Revenue Reports from the City level down to meter level, by payment type; Daily / Monthly credit card auditing and reconciliation, types used and searches; Coin collection by date, routes, collector; Monthly Citywide statistics for meters, average number and value of transactions.

Reports shall include, but are not limited to:

- **Monthly billing reconciliation.** The monthly billing reconciliation demonstrates monthly billing information such as credit card transaction date and settlement date (Exhibit A.e–3).

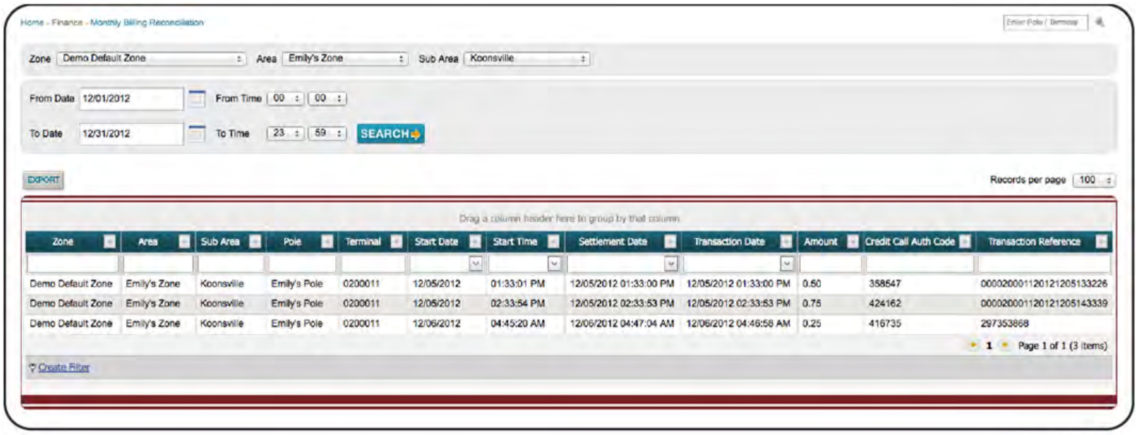

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Exhibit A.e–3. Monthly Billing Reconciliation

- **Monthly billing report.** This report allows you to reconcile your monthly invoice received from IPS to the DMS details. The amount of credit card transactions, gateway fees, and DMS fees will correspond line by line to your IPS invoice (Exhibit A.e–4).

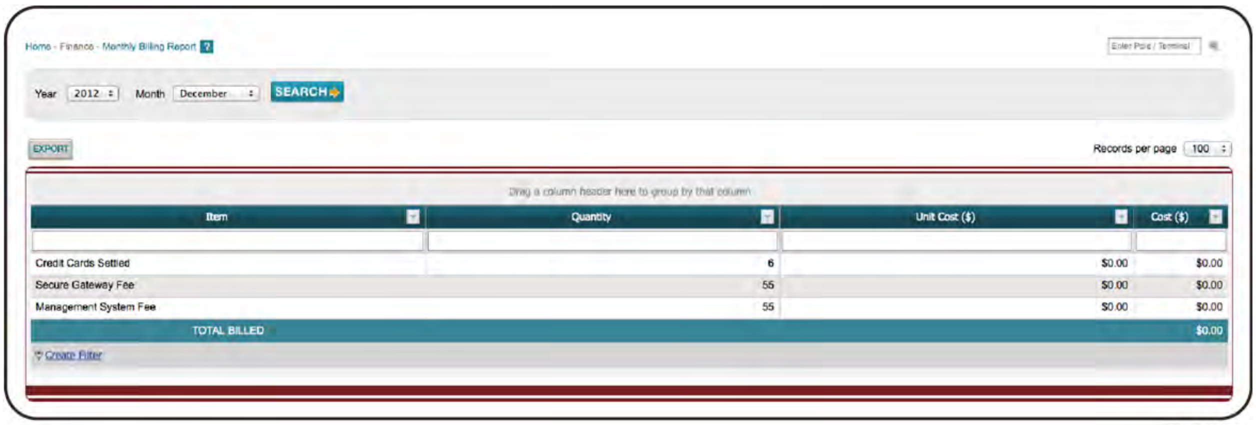

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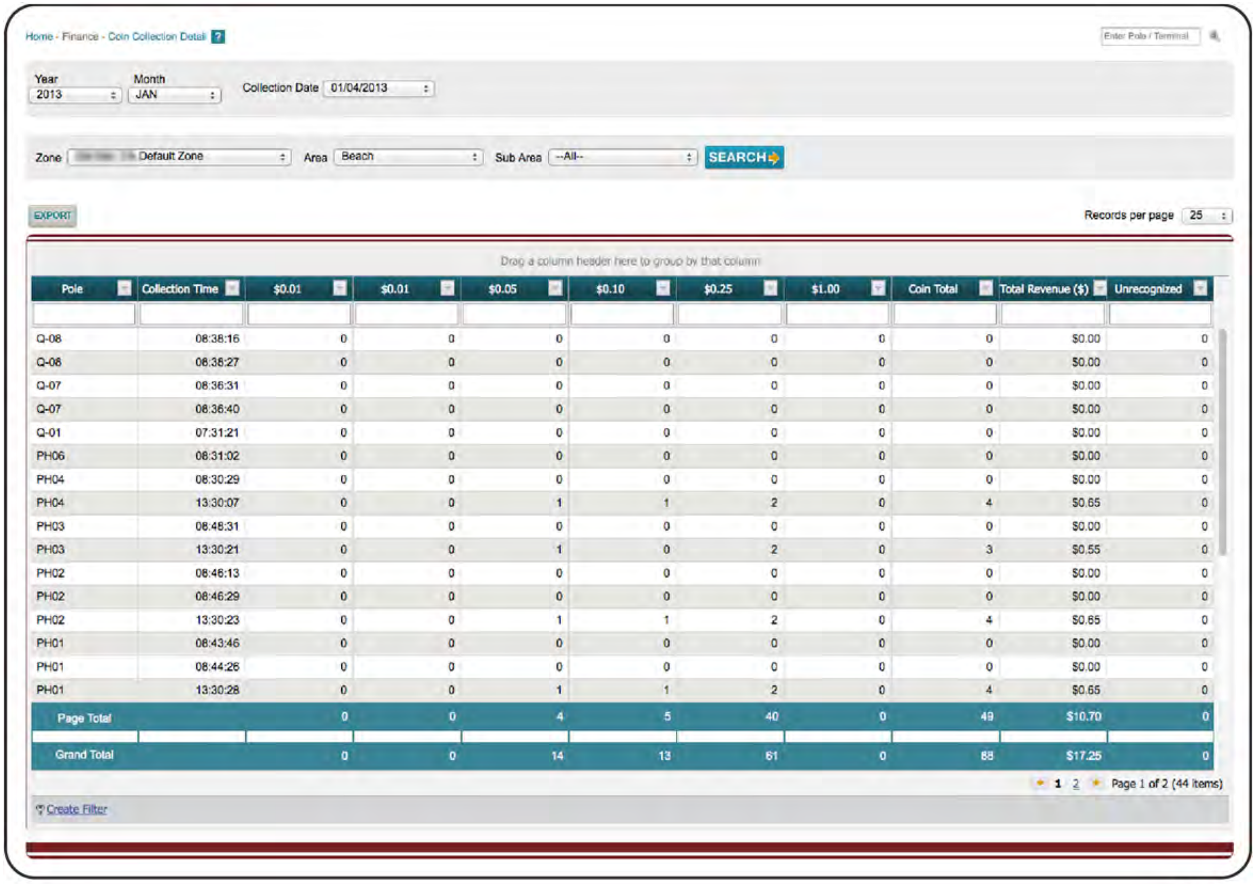
Exhibit A.e–4. Monthly Billing Report

- **Coin collection detail.** This report displays the coin collection information for each day in which a collection was performed (see Exhibit A.e–5). All available days for which a collection was performed will be displayed in the Collection Date drop-down list. The user can select a collection from a different month and year using the Year and Month drop-down list as well as sorting by zone, area and sub area. By default, all meters collected will be displayed. Similar to other reports, the coin collection detail report has the functionality to be sorted in ascending/descending order as well as sorting by specific information, similar to MS Excel Pivot Tables. This report gives the user the ability to see all the meters collected within specific routes, dates, etc.



Pole	Collection Time	$0.01	$0.01	$0.05	$0.10	$0.25	$1.00	Coin Total	Total Revenue ($)	Unrecognized
Q-08	08:38:16	0	0	0	0	0	0	0	$0.00	0
Q-08	08:38:27	0	0	0	0	0	0	0	$0.00	0
Q-07	08:36:31	0	0	0	0	0	0	0	$0.00	0
Q-07	08:36:40	0	0	0	0	0	0	0	$0.00	0
Q-01	07:31:21	0	0	0	0	0	0	0	$0.00	0
PH06	08:31:02	0	0	0	0	0	0	0	$0.00	0
PH04	08:30:29	0	0	0	0	0	0	0	$0.00	0
PH04	13:30:07	0	0	1	1	2	0	4	$0.65	0
PH03	08:48:31	0	0	0	0	0	0	0	$0.00	0
PH03	13:30:21	0	0	1	0	2	0	3	$0.55	0
PH02	08:46:13	0	0	0	0	0	0	0	$0.00	0
PH02	08:46:29	0	0	0	0	0	0	0	$0.00	0
PH02	13:30:23	0	0	1	1	2	0	4	$0.65	0
PH01	08:43:46	0	0	0	0	0	0	0	$0.00	0
PH01	08:44:26	0	0	0	0	0	0	0	$0.00	0
PH01	13:30:28	0	0	1	1	2	0	4	$0.65	0
Page Total		0	0	4	5	40	0	49	$10.70	0
Grand Total		0	0	14	13	61	0	88	$17.25	0

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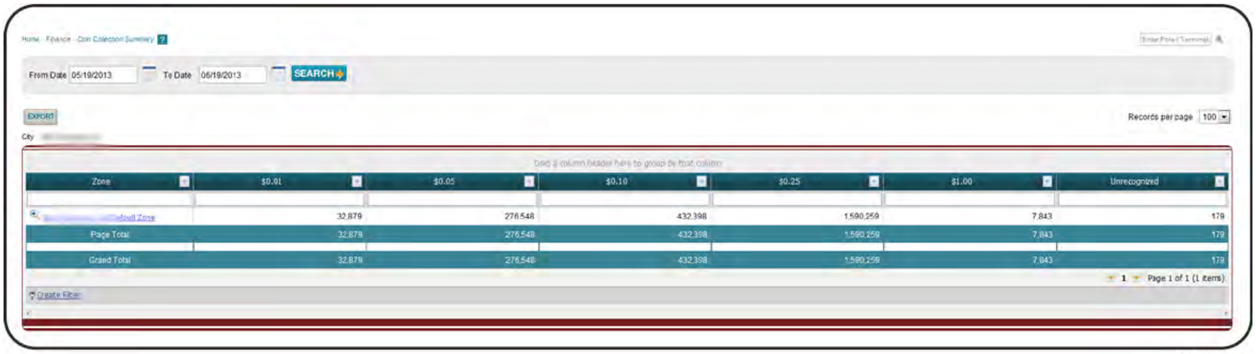
Exhibit A.e–5. Coin Collection Detail

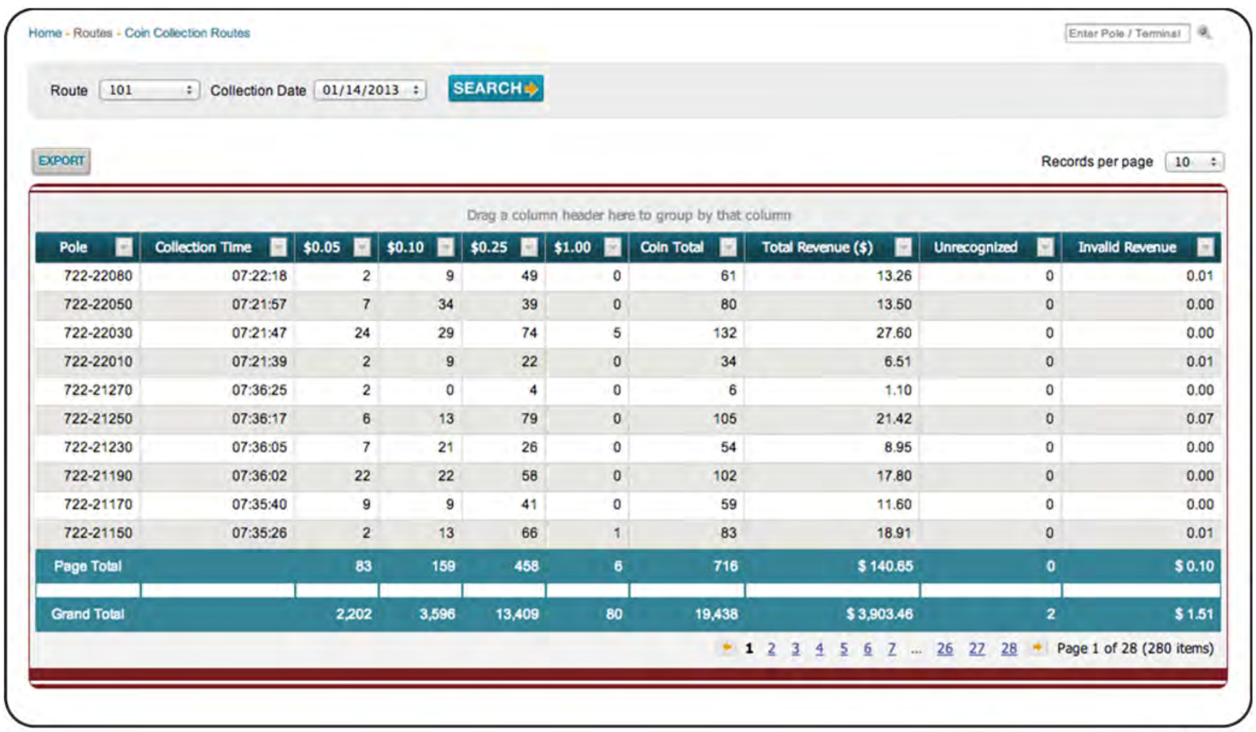
- **Coin collection summary.** This report generates the coin collection between two dates chosen by the user (Exhibit A.e–6). Basically, this report determines how much money was collected at the meters during those dates. Within this report as well as others, the user has the ability to further segment the data by zone, area or sub area, including amounts collected from individual meters by clicking on the blue hyperlinks. This report shows the amount of coins broken down by the value.



Zone	$0.01	$0.05	$0.10	$0.25	$1.00	Unrecognized
Default Zone	32,879	276,548	432,398	1,590,259	7,843	179
Page Total	32,879	276,548	432,398	1,590,259	7,843	179
Grand Total	32,879	276,548	432,398	1,590,259	7,843	179

Exhibit A.e–6. Coin collection summary

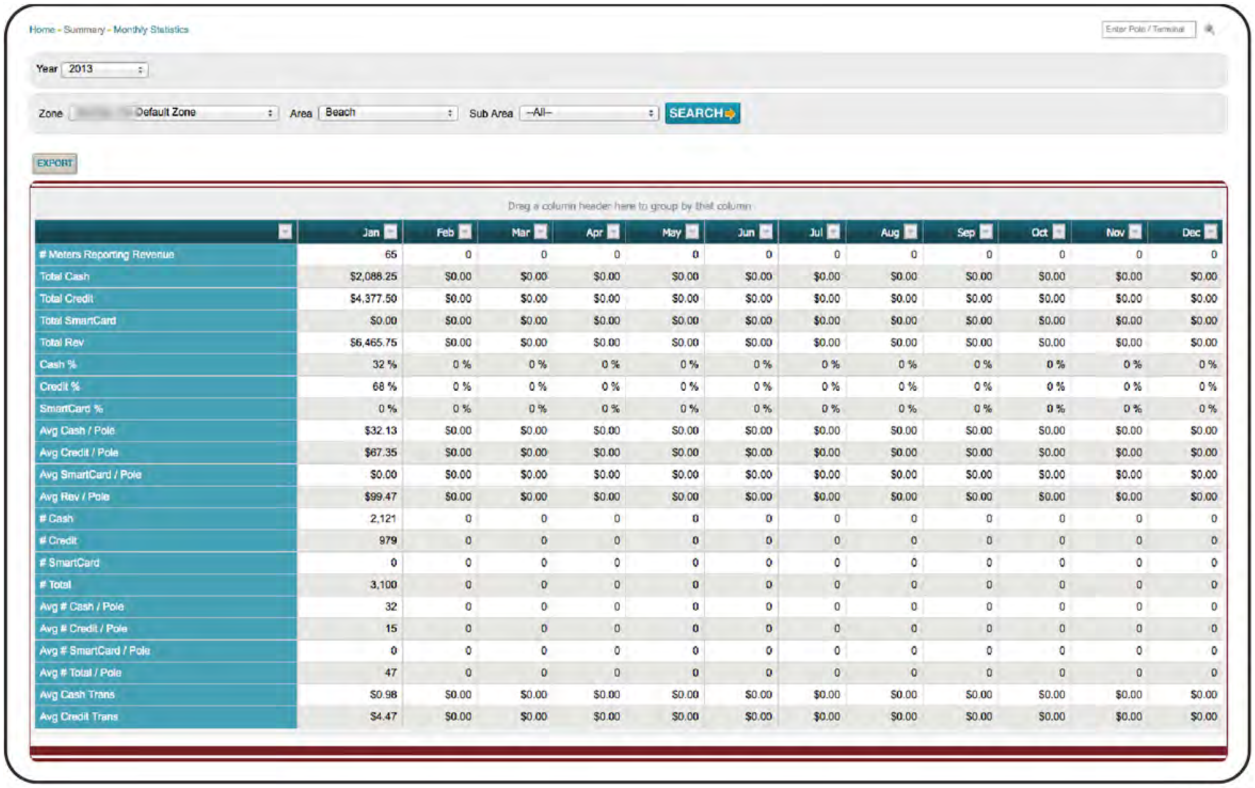
- **Coin Collection Routes** Exhibit A.e–7 is an example of collection broken into routes and coin collection detail given by pole (meter).



Pole	Collection Time	$0.05	$0.10	$0.25	$1.00	Coin Total	Total Revenue ($)	Unrecognized	Invalid Revenue
722-22080	07:22:18	2	9	49	0	61	13.26	0	0.01
722-22050	07:21:57	7	34	39	0	80	13.50	0	0.00
722-22030	07:21:47	24	29	74	5	132	27.60	0	0.00
722-22010	07:21:39	2	9	22	0	34	6.51	0	0.01
722-21270	07:36:25	2	0	4	0	6	1.10	0	0.00
722-21250	07:36:17	6	13	79	0	105	21.42	0	0.07
722-21230	07:36:05	7	21	26	0	54	8.95	0	0.00
722-21190	07:36:02	22	22	58	0	102	17.80	0	0.00
722-21170	07:35:40	9	9	41	0	59	11.60	0	0.00
722-21150	07:35:26	2	13	66	1	83	18.91	0	0.01
Page Total		83	159	458	6	716	$ 140.65	0	$ 0.10
Grand Total		2,202	3,596	13,409	80	19,438	$ 3,903.46	2	$ 1.51

Exhibit A.e–7. Coin Collection Routes

- **Monthly Statistics.** This report displays various financial statistics by month in a selected year (Exhibit A.e–8). Using this page is helpful to get a snapshot of financial instances in which customers would like to know the information.



	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec
# Meters Reporting Revenue	65	0	0	0	0	0	0	0	0	0	0	0
Total Cash	$2,088.25	$0.00	$0.00	$0.00	$0.00	$0.00	$0.00	$0.00	$0.00	$0.00	$0.00	$0.00
Total Credit	$4,377.50	$0.00	$0.00	$0.00	$0.00	$0.00	$0.00	$0.00	$0.00	$0.00	$0.00	$0.00
Total SmartCard	$0.00	$0.00	$0.00	$0.00	$0.00	$0.00	$0.00	$0.00	$0.00	$0.00	$0.00	$0.00
Total Rev	$6,465.75	$0.00	$0.00	$0.00	$0.00	$0.00	$0.00	$0.00	$0.00	$0.00	$0.00	$0.00
Cash %	32 %	0 %	0 %	0 %	0 %	0 %	0 %	0 %	0 %	0 %	0 %	0 %
Credit %	68 %	0 %	0 %	0 %	0 %	0 %	0 %	0 %	0 %	0 %	0 %	0 %
SmartCard %	0 %	0 %	0 %	0 %	0 %	0 %	0 %	0 %	0 %	0 %	0 %	0 %
Avg Cash / Pole	$32.13	$0.00	$0.00	$0.00	$0.00	$0.00	$0.00	$0.00	$0.00	$0.00	$0.00	$0.00
Avg Credit / Pole	$67.35	$0.00	$0.00	$0.00	$0.00	$0.00	$0.00	$0.00	$0.00	$0.00	$0.00	$0.00
Avg SmartCard / Pole	$0.00	$0.00	$0.00	$0.00	$0.00	$0.00	$0.00	$0.00	$0.00	$0.00	$0.00	$0.00
Avg Rev / Pole	$99.47	$0.00	$0.00	$0.00	$0.00	$0.00	$0.00	$0.00	$0.00	$0.00	$0.00	$0.00
# Cash	2,121	0	0	0	0	0	0	0	0	0	0	0
# Credit	979	0	0	0	0	0	0	0	0	0	0	0
# SmartCard	0	0	0	0	0	0	0	0	0	0	0	0
# Total	3,100	0	0	0	0	0	0	0	0	0	0	0
Avg # Cash / Pole	32	0	0	0	0	0	0	0	0	0	0	0
Avg # Credit / Pole	15	0	0	0	0	0	0	0	0	0	0	0
Avg # SmartCard / Pole	0	0	0	0	0	0	0	0	0	0	0	0
Avg # Total / Pole	47	0	0	0	0	0	0	0	0	0	0	0
Avg Cash Trans	$0.98	$0.00	$0.00	$0.00	$0.00	$0.00	$0.00	$0.00	$0.00	$0.00	$0.00	$0.00
Avg Credit Trans	$4.47	$0.00	$0.00	$0.00	$0.00	$0.00	$0.00	$0.00	$0.00	$0.00	$0.00	$0.00

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Exhibit A.e–8. Monthly Statistics

- **Monthly Statistics Enhanced.** This report is a more detailed report of the monthly statistics page (Exhibit A.e–9). This is broken down into revenue transactions, non-revenue transactions as well as operational statistics.

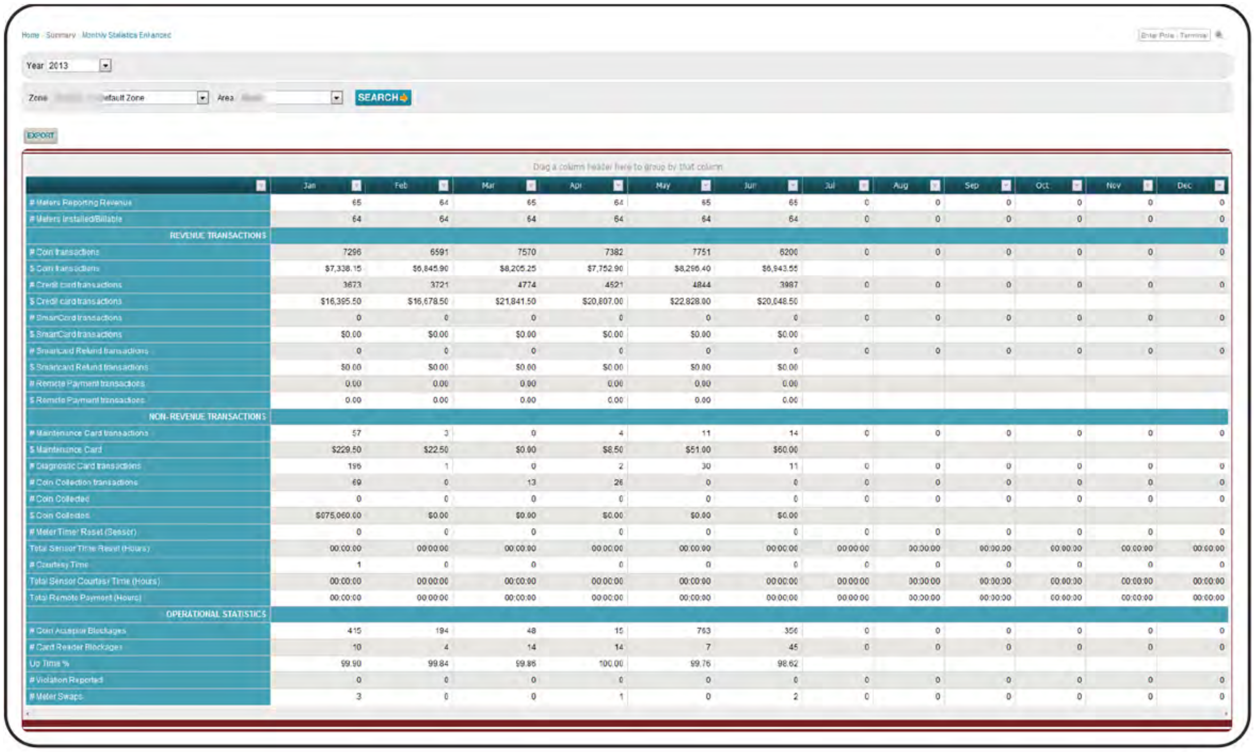

Exhibit A.e–9. Monthly Statistics Enhanced

- **Range Summary.** This report shows the revenue totals, breaking down each payment type by amount and percentage (Exhibit A.e–10). Once again, the data may be filtered to show various zones, areas, and subareas.

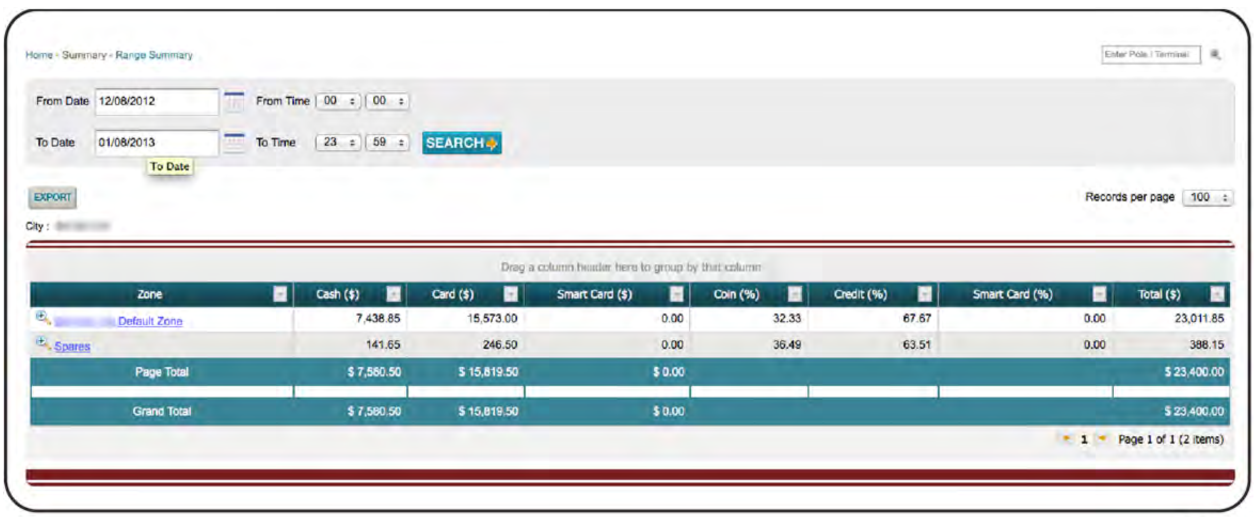

Exhibit A.e–10. Range Summary

- **Revenue Summary.** The revenue summary page displays a breakdown of the amount of money collected by cash, credit card, and smart cards as well as the number of transactions for a specific zone (Exhibit A.e–11).

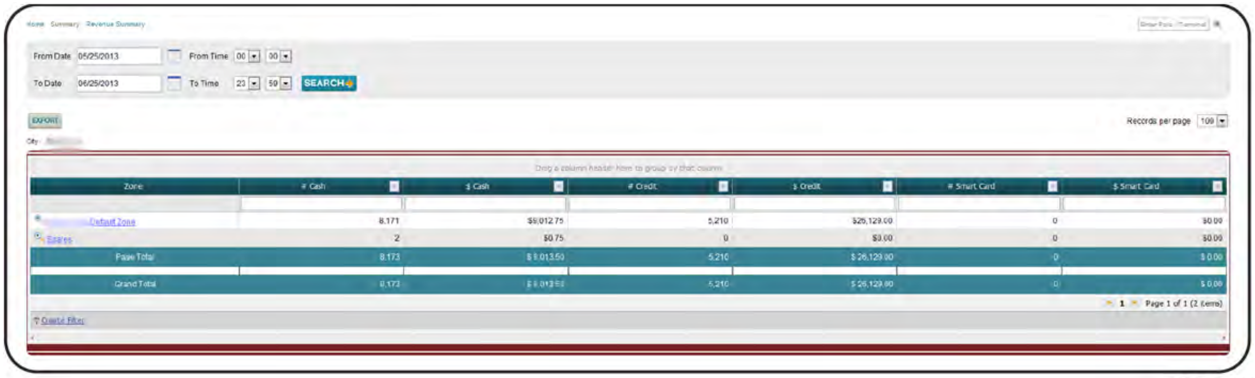

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Exhibit A.e–11. Revenue Summary

- **Transaction Summary.** This report displays all transactions between two dates (Exhibit A.e–12). The data may be filtered to show various zones, areas and subareas.

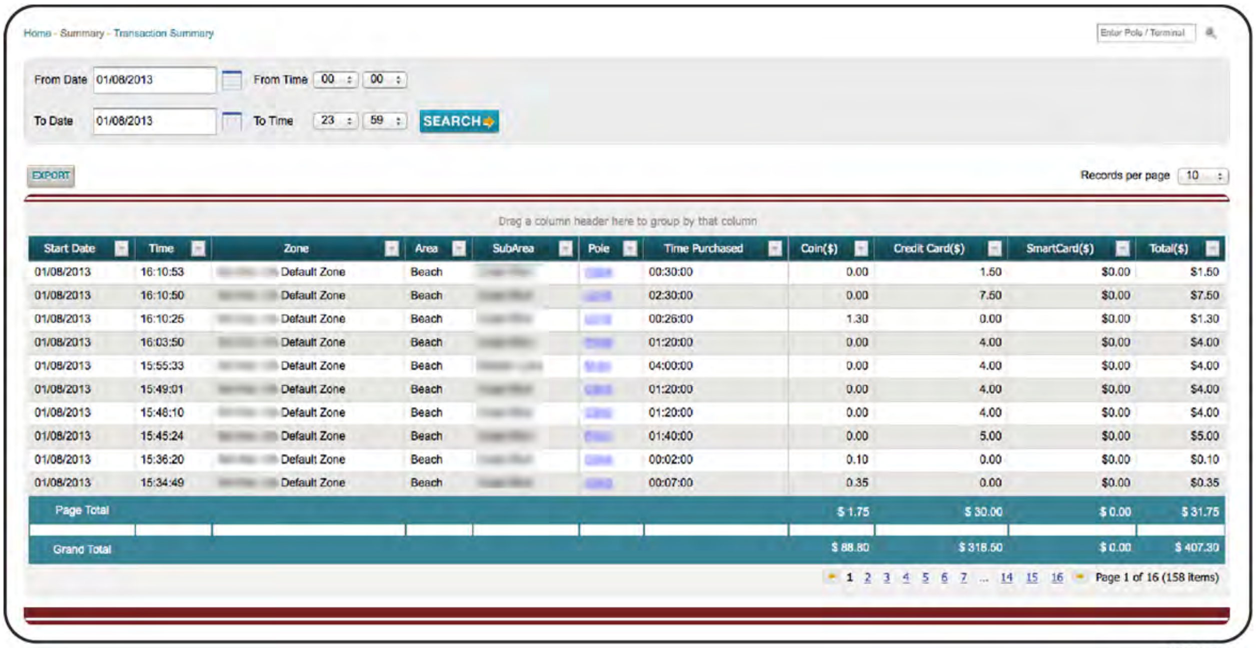

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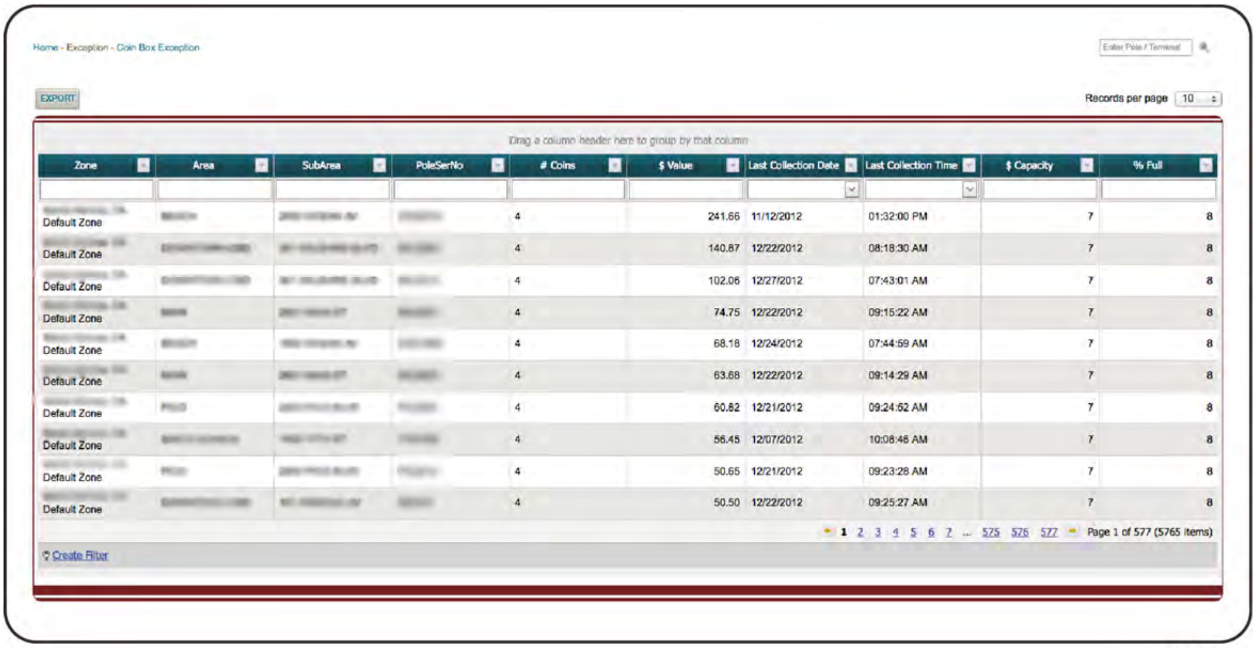
Exhibit A.e–12. Transaction Summary

- **Coin Box Exception.** Below shown as Exhibit A.e–13 is an example of one report which demonstrates the coin box percentage full. Alerts will be set to designated staff when the coin box reaches customized capacity level (i.e. 80 percent).



Home - Exception - Coin Box Exception

EXPORT

Records per page 10

Drag a column header here to group by that column

Zone	Area	SubArea	PoleSerNo	# Coins	$ Value	Last Collection Date	Last Collection Time	$ Capacity	% Full
Default Zone				4	241.66	11/12/2012	01:32:00 PM	7	8
Default Zone				4	140.87	12/22/2012	08:18:30 AM	7	8
Default Zone				4	102.06	12/27/2012	07:43:01 AM	7	8
Default Zone				4	74.75	12/22/2012	09:15:22 AM	7	8
Default Zone				4	68.18	12/24/2012	07:44:59 AM	7	8
Default Zone				4	63.68	12/22/2012	09:14:29 AM	7	8
Default Zone				4	60.82	12/21/2012	09:24:52 AM	7	8
Default Zone				4	56.45	12/07/2012	10:08:46 AM	7	8
Default Zone				4	50.65	12/21/2012	09:23:28 AM	7	8
Default Zone				4	50.50	12/22/2012	09:25:27 AM	7	8

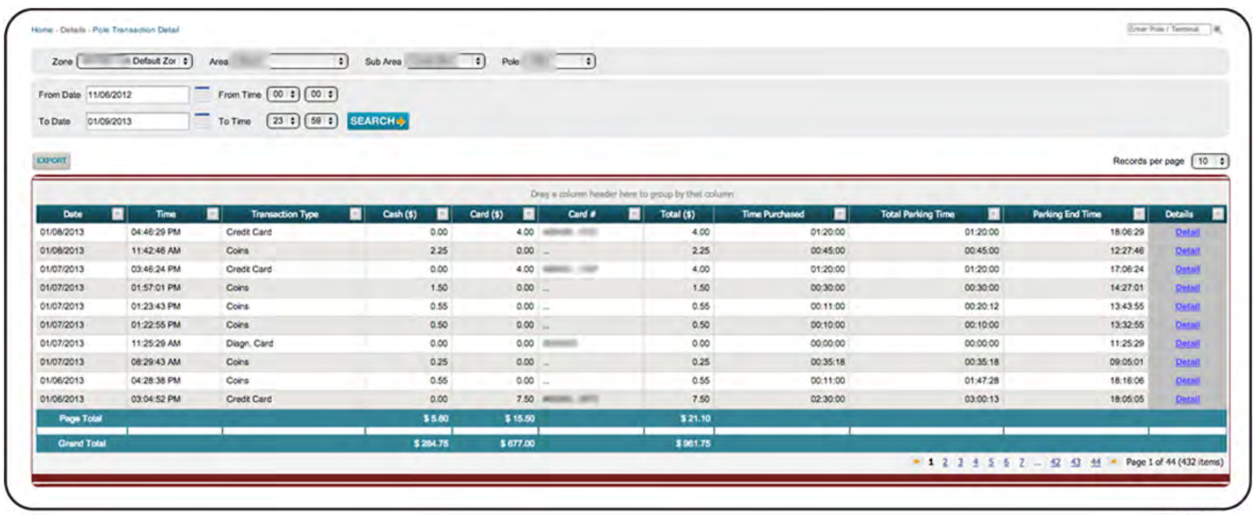
1 2 3 4 5 6 7 ... 575 576 577 Page 1 of 577 (5765 items)

Create Filter

028.STLOU

Exhibit A.e–13. Coin Box Exception

- **Pole Transaction Detail**. This report shows detailed transaction information for a specific pole location (Exhibit A.e–14). The user enters the zone, area, subarea, pole and the date range.



Home - Details - Pole Transaction Detail

Zone Default Zone Area Sub Area Pole

From Date 11/06/2012 From Time 00 00

To Date 01/09/2013 To Time 23 59 SEARCH

EXPORT

Records per page 10

Drag a column header here to group by that column

Date	Time	Transaction Type	Cash ($)	Card ($)	Card #	Total ($)	Time Purchased	Total Parking Time	Parking End Time	Details
01/08/2013	04:46:29 PM	Credit Card	0.00	4.00		4.00	01:20:00	01:20:00	18:06:29	Detail
01/08/2013	11:42:46 AM	Coins	2.25	0.00	...	2.25	00:45:00	00:45:00	12:27:46	Detail
01/07/2013	03:46:24 PM	Credit Card	0.00	4.00		4.00	01:20:00	01:20:00	17:06:24	Detail
01/07/2013	01:57:01 PM	Coins	1.50	0.00	...	1.50	00:30:00	00:30:00	14:27:01	Detail
01/07/2013	01:23:43 PM	Coins	0.55	0.00	...	0.55	00:11:00	00:20:12	13:43:55	Detail
01/07/2013	01:22:55 PM	Coins	0.50	0.00	...	0.50	00:10:00	00:10:00	13:32:55	Detail
01/07/2013	11:25:29 AM	Diagn. Card	0.00	0.00		0.00	00:00:00	00:00:00	11:25:29	Detail
01/07/2013	08:29:43 AM	Coins	0.25	0.00	...	0.25	00:35:18	00:35:18	09:05:01	Detail
01/06/2013	04:28:38 PM	Coins	0.55	0.00	...	0.55	00:11:00	01:47:28	18:16:06	Detail
01/06/2013	03:04:52 PM	Credit Card	0.00	7.50		7.50	02:30:00	03:00:13	18:05:05	Detail
Page Total			$ 5.60	$ 15.50		$ 21.10				
Grand Total			$ 284.75	$ 677.00		$ 961.75				

1 2 3 4 5 6 7 ... 42 43 44 Page 1 of 44 (432 items)

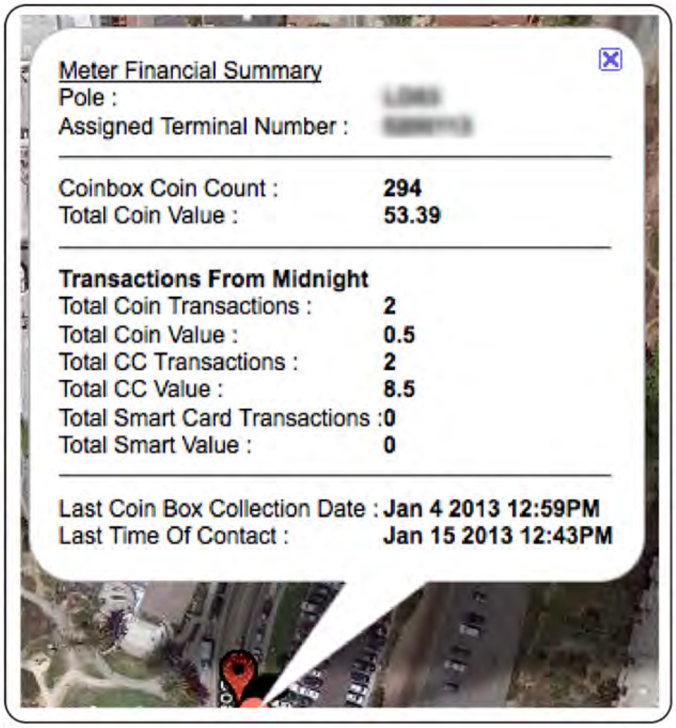
029.STLOU

Exhibit A.e–14. Pole Transaction Detail

The management system provides an easy way to view your meters using Google Maps. Select a zone, an area, and subarea to get detailed pole information. Each pole location is mapped to its physical location via GPS coordinates. Maps can be displayed as heat maps or street view, and can highlight status of the meters (such as battery faults), errors, and financial status of each meter. Examples are given below.

- **Meter Location Heat Map.** Within this status map, heat dots indicate the locations of the meters. There are multiple varieties and heat map types that the user can select. In addition to seeing the heat dots, the user has the ability to put the map into the toggle feature.

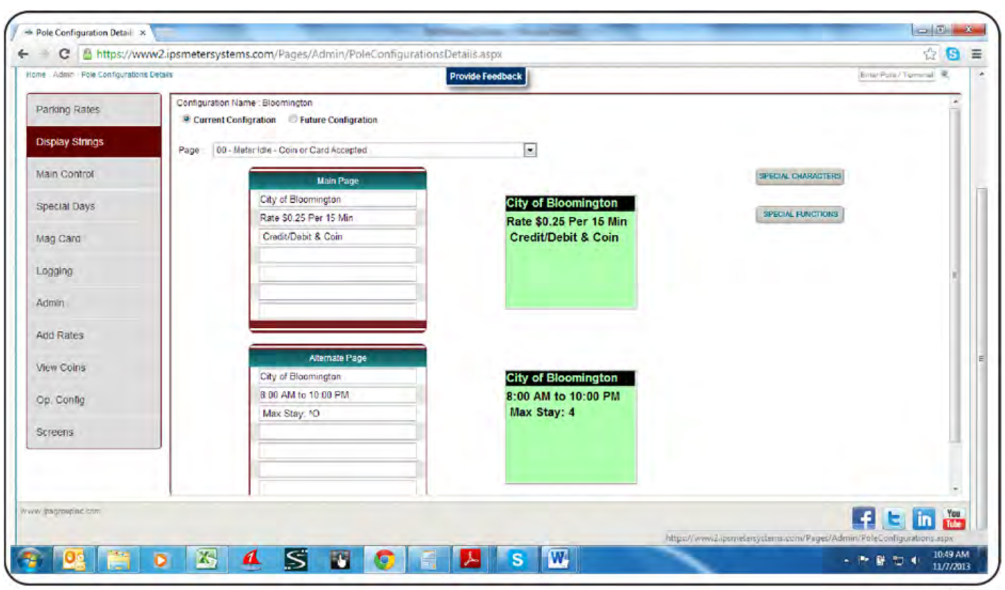
- **Meter Locations Finance.** Below is an example of a report which allows for the ability to check the meter financial summaries through a street view. Using this map feature allows for the user to see the specific location visually versus in a report; however, the report feature is still available for users as well. The user has the ability to look for a specific location and find out quick bits of data by zone, area, and subarea. Within the meter financial summary bubble, the following information will be displayed, as shown in Exhibit A.e–15:



030.STLOU

Exhibit A.e–15. Insert exhibit title here

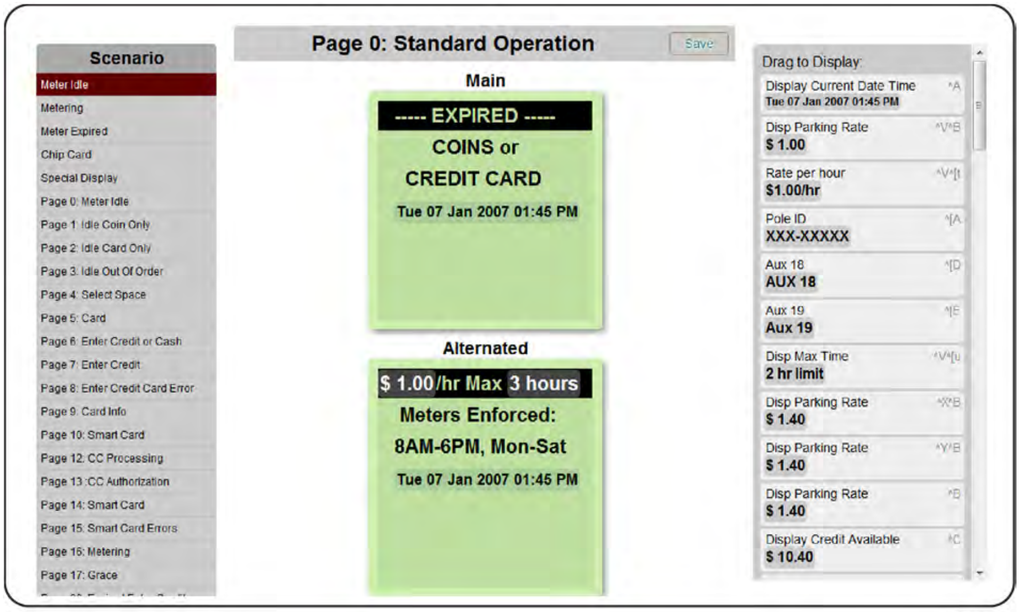
Configurations for the meter's display screen are done remotely via any web-based internet capable device. Below shown as Exhibit A.e–16 is an example of our intuitive meter configuration screen, where the user can build configurations (including messages) and view them in a virtual environment before pushing the configurations into the field.



031.STLOU

Exhibit A.e–16. Insert exhibit title here

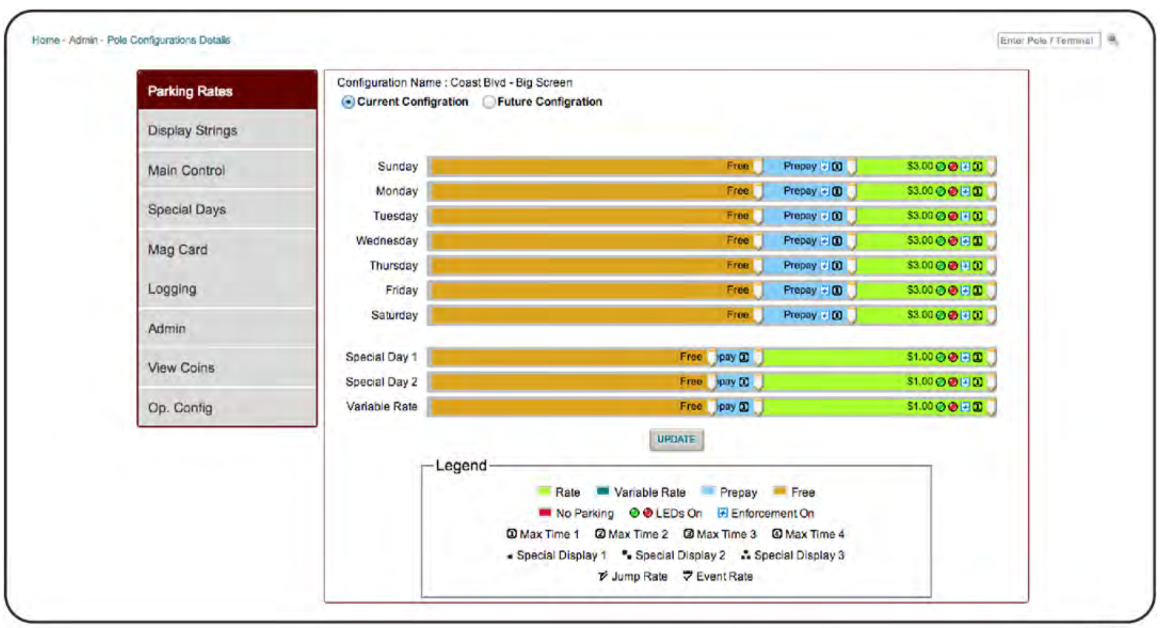
In the configurations menu, the DMS allows the user to drag and drop the configuration (new feature). Using this allows the customer to see exactly how the screen is going to appear before doing a communications test on the meter (Exhibit A.e–17).



032.STLOU

Exhibit A.e–17. Insert exhibit title here

Rate changes and operating parameters are programmed remotely using the intuitive parking rate configuration tool as seen below in Exhibit A.e–18.



033.STLOU

Exhibit A.e–18. Rate Changes and Operating Parameters

Meter uptime can be displayed in both reports and via the dashboard, as seen below in Exhibit A.e–19.

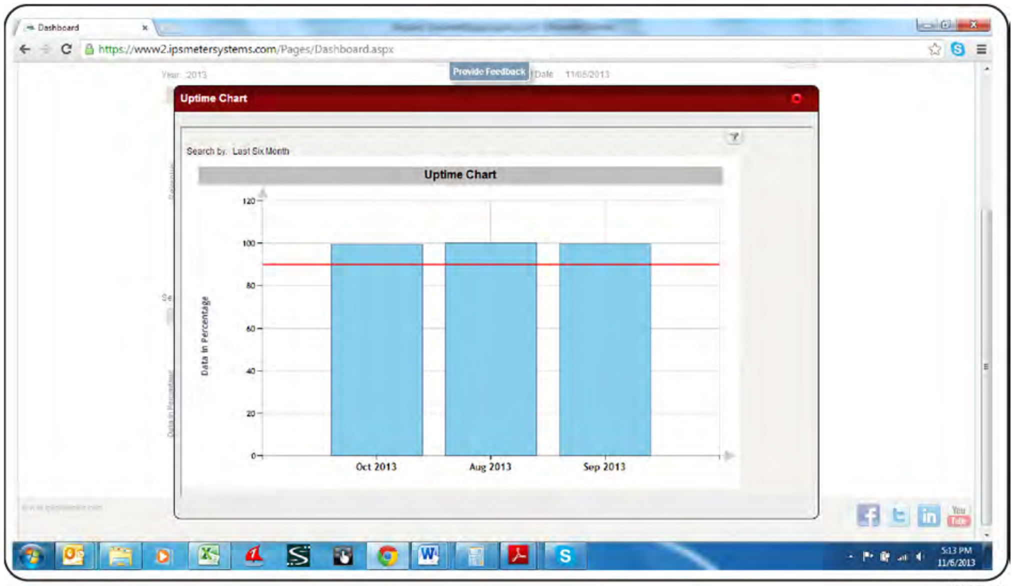


Exhibit A.e–19. Meter Uptime

Maintenance logging can also be done using the IPS Meter Maintenance Application, which will log events in the maintenance activity reports (Exhibit A.e–20).

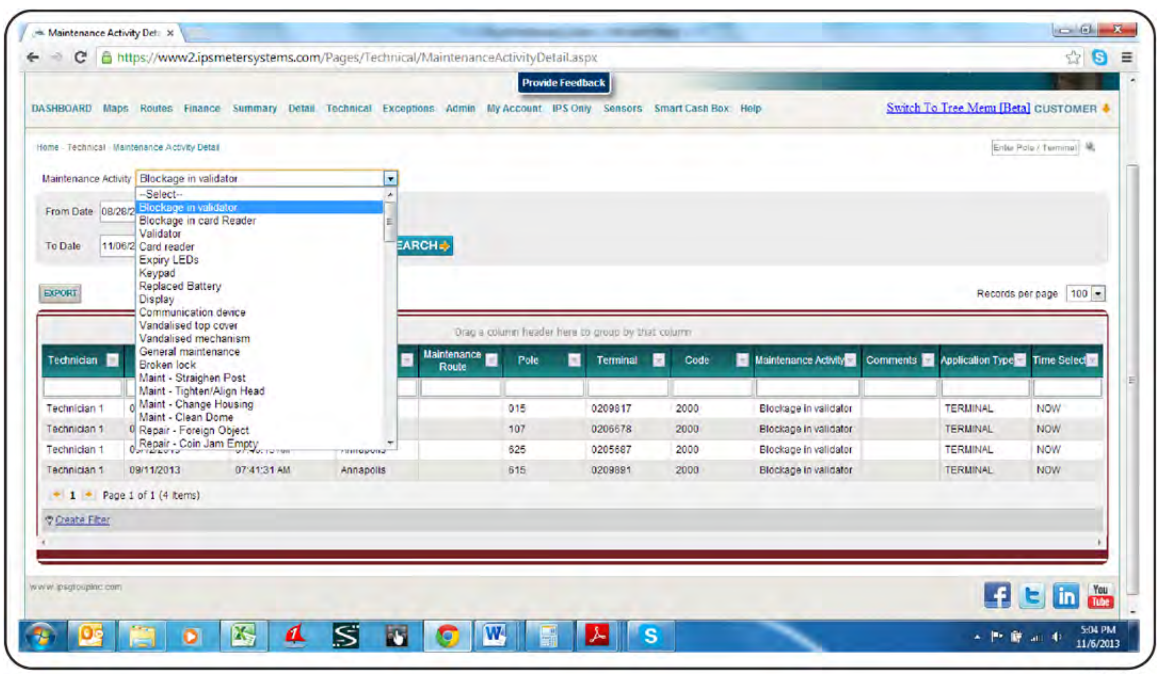
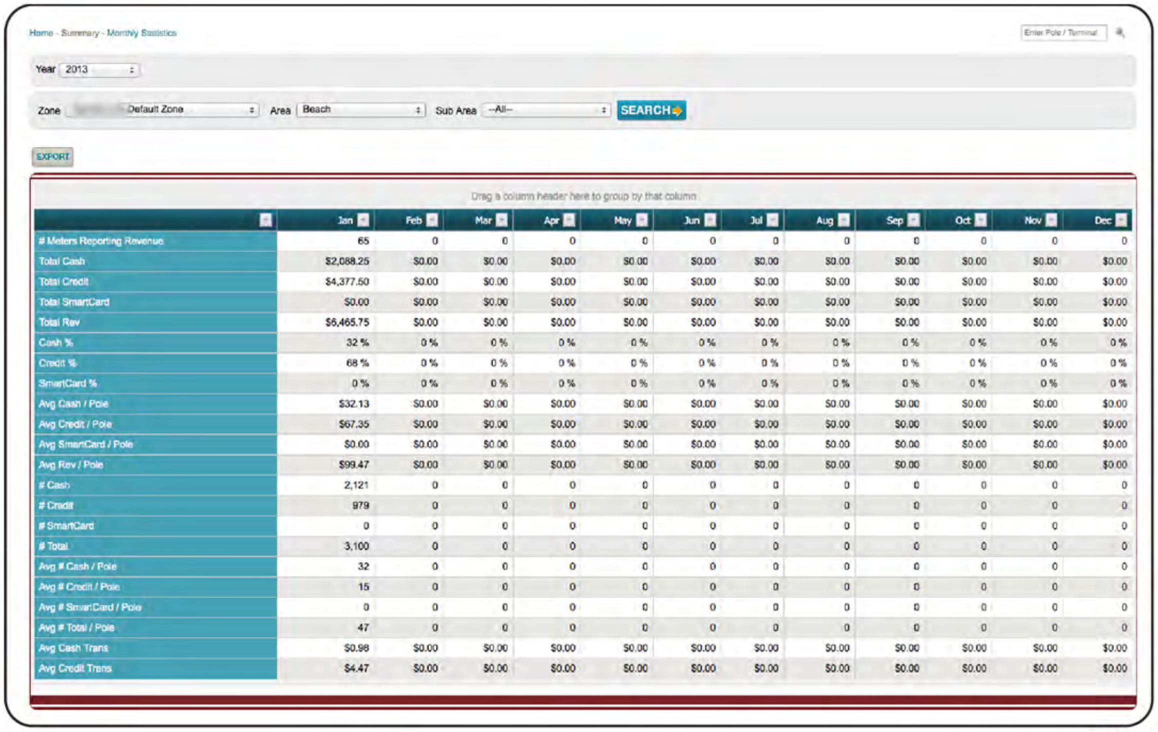


Exhibit A.e–20. Maintenance Logging

There are a number of reports that provide monthly statistics. Below shown as Exhibit A.e–21 is the general overview of the program's status given by month.



	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec
# Meters Reporting Revenue	65	0	0	0	0	0	0	0	0	0	0	0
Total Cash	$2,088.25	$0.00	$0.00	$0.00	$0.00	$0.00	$0.00	$0.00	$0.00	$0.00	$0.00	$0.00
Total Credit	$4,377.50	$0.00	$0.00	$0.00	$0.00	$0.00	$0.00	$0.00	$0.00	$0.00	$0.00	$0.00
Total SmartCard	$0.00	$0.00	$0.00	$0.00	$0.00	$0.00	$0.00	$0.00	$0.00	$0.00	$0.00	$0.00
Total Rev	$6,465.75	$0.00	$0.00	$0.00	$0.00	$0.00	$0.00	$0.00	$0.00	$0.00	$0.00	$0.00
Cash %	32 %	0 %	0 %	0 %	0 %	0 %	0 %	0 %	0 %	0 %	0 %	0 %
Credit %	68 %	0 %	0 %	0 %	0 %	0 %	0 %	0 %	0 %	0 %	0 %	0 %
SmartCard %	0 %	0 %	0 %	0 %	0 %	0 %	0 %	0 %	0 %	0 %	0 %	0 %
Avg Cash / Pole	$32.13	$0.00	$0.00	$0.00	$0.00	$0.00	$0.00	$0.00	$0.00	$0.00	$0.00	$0.00
Avg Credit / Pole	$67.35	$0.00	$0.00	$0.00	$0.00	$0.00	$0.00	$0.00	$0.00	$0.00	$0.00	$0.00
Avg SmartCard / Pole	$0.00	$0.00	$0.00	$0.00	$0.00	$0.00	$0.00	$0.00	$0.00	$0.00	$0.00	$0.00
Avg Rev / Pole	$99.47	$0.00	$0.00	$0.00	$0.00	$0.00	$0.00	$0.00	$0.00	$0.00	$0.00	$0.00
# Cash	2,121	0	0	0	0	0	0	0	0	0	0	0
# Credit	979	0	0	0	0	0	0	0	0	0	0	0
# SmartCard	0	0	0	0	0	0	0	0	0	0	0	0
# Total	3,100	0	0	0	0	0	0	0	0	0	0	0
Avg # Cash / Pole	32	0	0	0	0	0	0	0	0	0	0	0
Avg # Credit / Pole	15	0	0	0	0	0	0	0	0	0	0	0
Avg # SmartCard / Pole	0	0	0	0	0	0	0	0	0	0	0	0
Avg # Total / Pole	47	0	0	0	0	0	0	0	0	0	0	0
Avg Cash Trans	$0.98	$0.00	$0.00	$0.00	$0.00	$0.00	$0.00	$0.00	$0.00	$0.00	$0.00	$0.00
Avg Credit Trans	$4.47	$0.00	$0.00	$0.00	$0.00	$0.00	$0.00	$0.00	$0.00	$0.00	$0.00	$0.00

Exhibit A.e–21. General Overview of the Program's Status by Month

Others monthly reports include:

- **Faults Report-Detailed.** The faults report-detailed represents a detailed explanation of the faults occurring with the City's meters. This is broken down by report type, which can be sorted by using the filter button (Exhibit A.e–22).

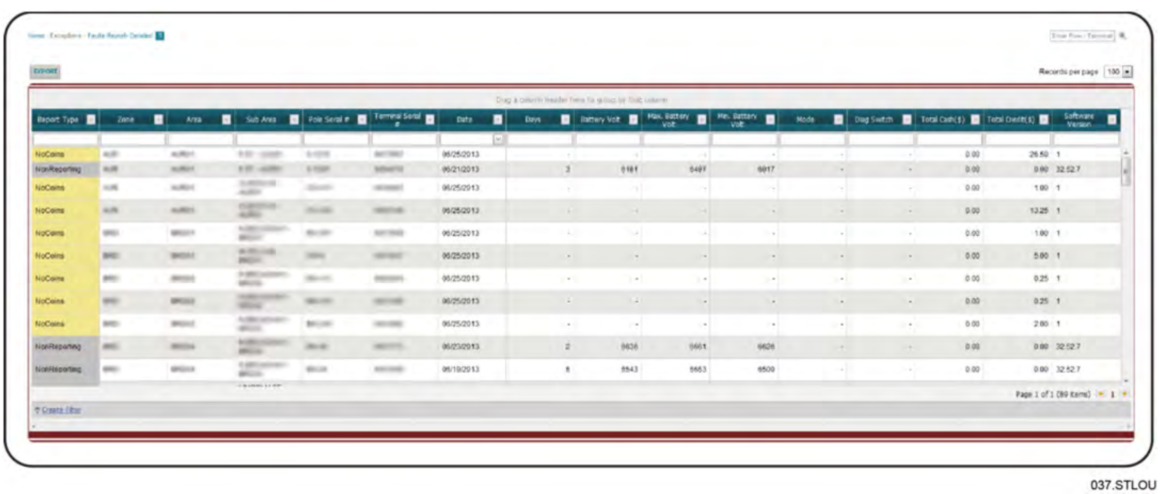


Exhibit A.e–22. Faults Report

- **Non-Reporting Meters.** Below shown as Exhibit A.e–23 is an example of a report drilled down to each meter to evaluate communications issues.

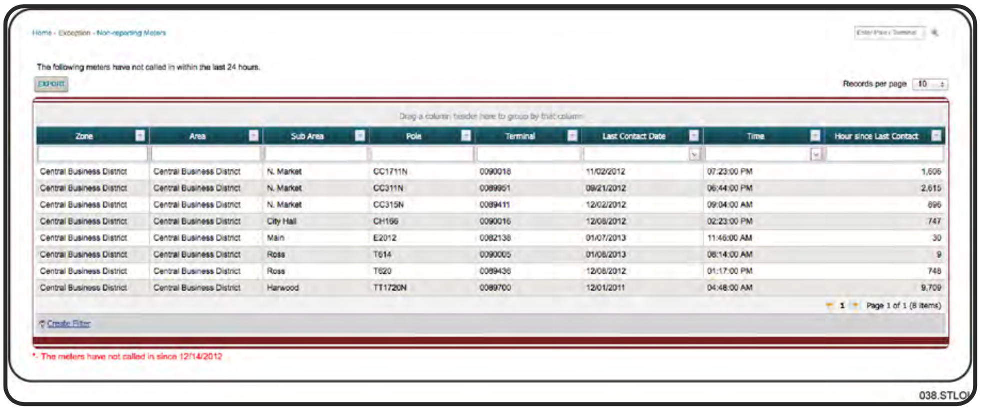


Exhibit A.e–23. Non-Reporting Meters

IPS will provide a list of spare parts as associated with a trial of 40-60 units. The warranty repair process is very straight forward and the progress of these repair services, including services performed, is available within our management system software.

Table A.e–3 shows a recommended list of spare parts for the field trial of 40-60 units. These parts will be provided at no cost to the City during the trial period.

Table A.e–3. Recommended List of Spare Parts for the Field Trial

M5 Replacement Components	Qty
Card Entry Die Casting	2
Hybrid Card Reader	2
Coin Validator	5
Complete Top Cover	2
Lexan for Top Cover	2
Coin Entry Slot	2
Keypad	2
Validator Connector Board	2
Battery Pack 795-600-H2 (non-rechargeable)	5
Validator Connection Cable	2
RFID Tag	5

D. The ability to work with third party contractor and STLTO staff to promptly provide them with instruction for necessary repairs, collections and enforcement

Xerox and IPS are fully prepared to work with a third party to provide both training and ongoing support services throughout the project.

E. Furnish and install equipment to service 40 – 60 spaces of metered parking

We will comply using IPS' fifth generation M5™ credit card enabled single-space parking meters that retrofit into the City's existing parking meter housings. Complete technical and product details are contained throughout the proposal.

F. Describe/Demonstrate enforcement protocol

IPS meters utilize highly visible LEDs in both the front (red, green and yellow) and the back (pairs of red, green and yellow) of the meter to provide a status indication for enforcement as shown in Exhibit A.e–24. The purpose of the rear-facing LEDs is to provide notice to staff enforcing via vehicles at larger distances. The front LEDs are for both users and enforcement personnel. The

LEDs are capable of being configured to a specific rate of flashing and can be turned on or off during paid, expired, idle and grace periods.

Exhibit A.e–24. LED Configurations

The solution provides notice to enforcement personnel and customers.

If paired with a vehicle sensor, we can provide additional mapping capabilities to highlight locations of current parking violations.

G. Supply standard keys for collection and maintenance

There are no changes required to the existing system. IPS meters retrofit into the existing meter housings and all collection and maintenance keys will remain the same.

H. Credit/Debit card verification system

IPS is Level 1 PCI-DSS and PA-DSS certified. IPS provides the hardware (meter) and the Level 1 PCI certified secure credit card gateway to the City processing bank. IPS is listed as a valid service provider for Visa Cardholder Information Security Program (CISP) and the MasterCard Site Data Protection (SDP) programs. The IPS Data Management System (DMS) provides complete reconciliation for all credit/debit card transactions.

Please refer to Attachment 2 for documentation concerning IPS' PCI-DSS Compliance.

I. Integration with Xerox/ACS ETIMS system

IPS is already pre-integrated with Xerox for eTIMS® in Denver, CO, Los Angeles, CA, and, soon, Indianapolis, IN. IPS is also integrated with the Xerox's Merge® application in Los Angeles, CA.

Parkeon

Vendor will supply equipment at no cost to the STLTO.

Xerox and Parkeon will provide the requested hardware plus applicable back office fees at no cost during the trial period. We estimate at least four MSMs will be necessary to fulfill this procurement. Xerox will provide labor to prep the installation location as necessary and will install the meters.

A. The power and communication requirements necessary for their equipment

Parkeon will provide solar-powered meters that run 3G modems for communications. Parkeon's solar-recharging batteries are 100 percent recyclable, just like standard car batteries, when they, too, finally reach end-of-life. Parkeon's "True Solar Autonomy" reduces the potential of revenue loss and ensures less time will be spent changing and charging batteries.

Designed from the ground up to run on the lowest possible power, the MSM's battery lasts an incredible three plus years on average while on the street before needing a battery charge or change. All it needs is a couple of hours of ambient light daily to recharge itself. That means cloud cover, snow, shade, and fog will not impact the ability to recharge the battery. The solar panel is built right in to the top of the meter, so it looks good on your street, too.

B. Describe all on-street signage required for the project

The need and layout for signs is largely dependent on the MSM configuration. A "Pay by Space" approach would require space—or stall—numbering. That numbering can occur at the meter pole or on the pavement/curb. A "Pay and Display" rollout would require two to three signs per block alerting customers that they must pay for parking at the MSM device.

There are a number of potential configurations as detailed in Exhibit A.e–25 below, and we will work with the STLTO to determine the best sign configuration for the pilot area in question.

Exhibit A.e–25. Potential Sign Configurations

Xerox can design signs the clearly and quickly convey information to customers.

C. All training for operation and maintenance of the system, a recommended list of spare parts and fully functional software with reporting capabilities

Parkeon will assign a Project Manager that will provide extensive training the City staff. The training plan will introduce operators to the MSM and provide a list of goals. It will discuss the differences between the Pay by Space and Pay and Display environments. There will be ample time for questions and answers before training begins on the following topics:

- Hardware overview, including the introduction to machine modules and the function of each in the system
- Installation procedure, including the commissioning of devices
- Detailed discussions of solar-power, the coin collection systems, bill systems, if applicable, and the card systems
- Troubleshooting, including machine self-diagnostics and fault discovery
- Preventative maintenance
- Machine application software, including programming, initialization, RAM/flash memory rate changes
- Receipts and enforcement procedures
- Collections procedures, including coins, tokens, bills, and card data collection
- Software modifications and upgrades
- MSM and parts ordering, including inventory
- Peripheral support systems, including myParkfolio (set-up and maintenance of passwords, security, programming changes, system monitoring and auditing, raw data file collection, credit card file analysis; financial and statistical capabilities, and reports.

Installation training will be initiated in the field during the installation of the first group of pay stations. Parkeon factory and distribution partner personnel will be on-site at the time as well to manage the installation and conduct training. Refresher training programs would be provided upon completion of the pilot as well, and this training would be customized to address specific training requirements and experiences.

Recommended spare parts are detailed in Table A.e–4 below.

Table A.e–4. Parkeon Spare Parts List

Strada Rapide Recommended Spares List for St. Louis			
Reference	Description	Quantity	Life Expectancy Major Components
ELP1000009195	Main Board - NEOPS	2	10-12 years
ELP1000009306	Display Module - NEOPS	2	5-7 years
400770311	4A Slow Blow Fuse (Pack of 10)	2	
ELM1000008737	Thermal Printer	2	325,000 transactions
SVT CAS 46	Programmed Coin Selector (.05, .10, .25, 1.00)	2	750,000 coins
404402613	Cable for Solar Power Supply	2	
ELM1000001431	NEOPS Datapack	2	7-10 years
404304570	EPSUM M900 Card Reader (no magnetic strip kit)	2	500,000 transactions
404304511	EPSUM M900 Magnetic Strip Kit	5	
143537	GPRS Modem (w/ modem, board, cable) no antenna	2	10-12 years
142757	GPRS Modem Antenna	3	
148125	Yellow button	2	
148126	Grey button	2	
148127	Blue button	2	
148128	Green button	2	
148129	Red button	2	
148110	6 button board	2	5-7 years (usage)
6004001694	Connector board	3	
404001714	Relay board	3	
125277	Escrow	3	
143430	Equipped Rack	2	
PHM SDA	Upper Door Lock (ball type) without key	2	
SVTCAS 18	Upper Door Key	4	
MEC1000012432	Lower Door Lock Square	3	
135078	Square Key	3	
148114	Upper Instructions Glass and Gasket	5	
148103	Upper Front Panel	2	
148117	Reinforced Display Glass and Gasket	5	
148107	Tariff Glass and Gasket	5	
MEC1000006542	Ticket Bowl with Antistatic Brush & e-lock interface	3	
120341	Ticket Bowl Flap	3	

Strada Rapide Recommended Spares List for St. Louis			
Reference	Description	Quantity	Life Expectancy Major Components
135410	Coin Bowl	3	
135493	Coin Bowl Flap	3	
135693	Electronic Lock Kit	5	
MEC1000003847	Mobile Cash Box	8	5-7 years (handling)
404002394	Solar Charger Board	3	7-10 years
ELM1000010538	Integrated Solar Module	2	
ELM1000003890	Lower Front Panel w/ coin inlet	6	

Highlighted parts are the recommended spares that should be kept on hand

Parkeon's myParkfolio serves as the meter management system. The system is hosted, so there is no need to maintain servers or update software. Data will be available to the STLTO 24 hours per day, seven days per week.

myParkfolio is an open system with the capability of integration in the future with other meter and parking technologies. Everything that happens at the Parkeon meter is recorded and transmitted wirelessly to the myParkfolio back-office system. Alerts and alarms can also be sent to via text or email to technicians and/or collection staff.

A typical credit card transaction takes approximately 15 seconds to authorize and complete the transaction. myParkfolio provides auditing and reconciliation for all credit card transactions displaying the status of the transaction (declined or submitted for settlement) as well as the bank status (reconciled or not reconciled to bank). It also reflects the banking ID, card type, truncated card number, authorization number, and batch ID number. All of the credit card transactions are authorized or denied in real-time. Data appears in MMS approximately 10 seconds after transaction completion.

All data (transactions, collections, maintenance) can be filtered by meter, zone, circuit, and date range. Transaction data can also be filtered by space number and payment type. Maintenance data can be filtered by type of alert, reason for alarm, peripheral.

Financial data is retained online and viewable in myParkfolio for a period of two years. Offline we keep a minimum of 5 years' worth of financial data that is available upon request. Certain maintenance information (alarms, alerts) is available online and offline for a minimum of one year. Maintenance activity is viewable online for a minimum of three months and is available offline for a minimum of one year.

This system is a web-based, hosted solution that requires only a Flash compatible browser on any Web enabled device. The system allows for different users to have different access rights. For instance, Parkeon can allow for collections personnel to have access to only collections data. Our team can allow the STLTO access to all transaction and collections data but block access to maintenance information. The back-office is password protected and can be configured to require password updates on a frequent basis.

myParkfolio has all of the features necessary to effectively manage a city-wide parking system, including the following:

- Optional remote download of rates, messages, and ticket layouts
- Alarms and warnings sent directly to your PC and cell phone
- Intuitive graphical user interface delivers transactions and collection data right to your fingertips
- Easy-to- generate reports allow you to analyze pay station performance, park occupancy, and more
- Dashboard control – get the data you want fast
- Revenue, transaction, and meter maintenance statistics can be displayed on Google Earth or Google Maps as an optional feature
- On-line real-time credit card authorization
- Fully hosted system, no hardware to buy or software to continually update
- Integrates with allied parking technologies such as cell phone payment systems, street sensors, and citation management devices
- Data can be reported in three ways – list view (also exportable as a .csv file), graph view, and map view

Dashboard reports include among others the following:

- Current Maintenance Action Required
- Terminal Out-of-Order
- Communications Problems
- Maintenance Performed for the last seven days
- Cash Collections for the last seven days
- Cash-In-Terminals Currently
- Consumables Status (tickets and batteries)
- Parking Activity (Tickets sold and dollar amounts for the last week)
- Ticket Sales Analysis (Active tickets and # of tickets sold for hourly time intervals)
- Transactions by Payment Mean

Workspace reports are very customizable but include the following standard reports:

- Maintenance activity and/or alarms by date range, meter, zone, circuit
- Alerts by type
- Alarms by peripheral
- Alarms by reason
- Maintenance activity by peripheral
- Collections activity by date range, meter, zone, circuit, payment type
- Collections completed by date range, meter, zone, circuit, payment type
- Transactions by date range, space number, meter, zone, circuit, payment type

There is a variety of displays, including pie charts, line graphs, and bar charts for the easy comparison of past and current trends. Statistics can be mapped, providing color-coded indicators for analysis. Data can be exported to external databases.

Examples of just some of the robust reporting functionality provided by myParkfolio are documented in Exhibit A.e–26.

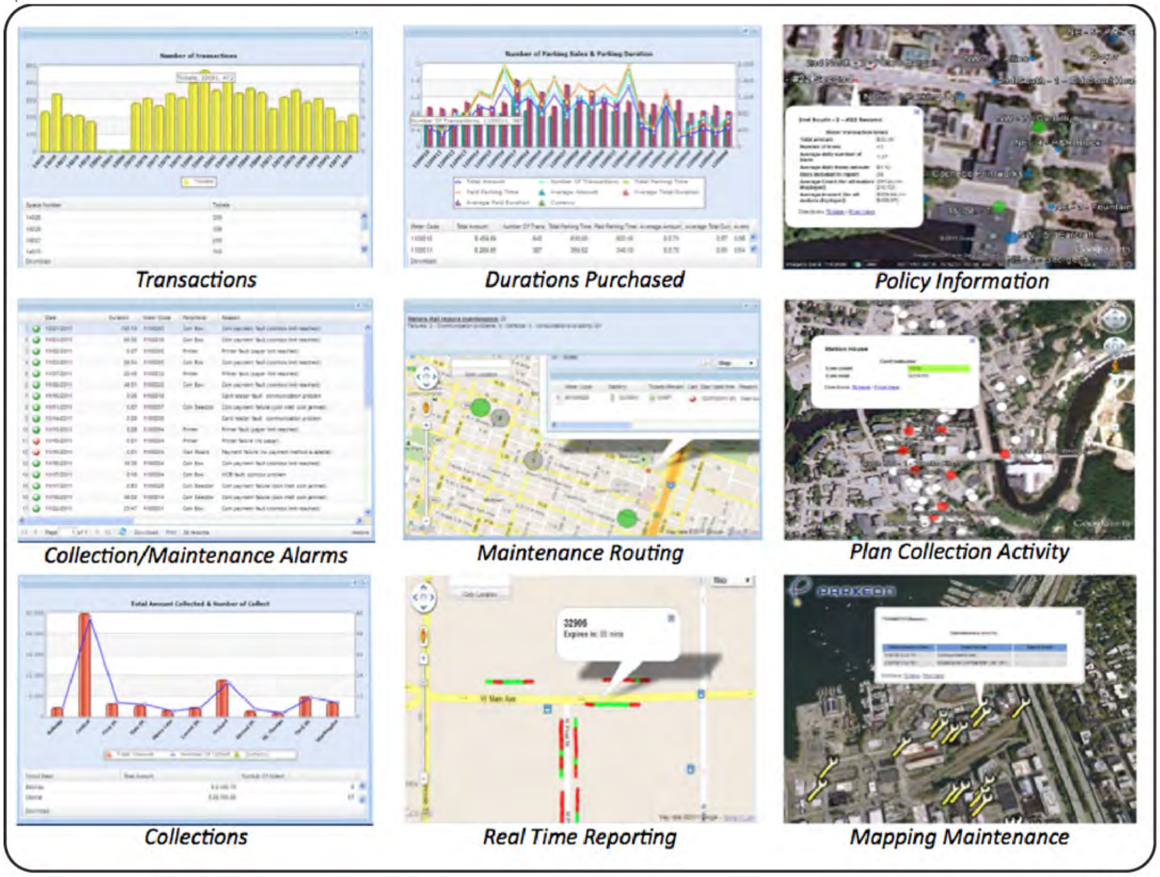


Exhibit A.e–26. myParkfolio Reports
Managing your operations through data.

D. The ability to work with third party contractor and STLTO staff to promptly provide them with instruction for necessary repairs, collections and enforcement

As referenced above, Xerox and Parkeon will provide a complete training program to STLTO staff covering all functions of the meters including repairs, collections and enforcement.

E. Furnish and install equipment to service 40 – 60 spaces of metered parking

We will comply with this requirement. Our team will survey the proposed 40-60 spaces and provide an adequate number of meters to properly cover said spaces.

F. Describe/Demonstrate enforcement protocol

Enforcement may be done by generating a report at the meter or more easily via a web-enabled computer or handheld device such as a cell phone or PDA. Each Strada is equipped with a SIM card and modem and is prepared to communicate wirelessly with Parkeon's servers and back-office system. When personnel are ready to enforce an area, he/she can wirelessly connect via handheld to the Parkeon central server and transaction database.

Paid and unpaid spaces on the enforcement screen are color-coded to be easily distinguished. Police personnel can also choose various display options, as they are configurable. As shown in Exhibit A.e–27, green indicates spaces that have been paid for, red are spaces that are unpaid, and yellow spaces have just expired. This expiration period, or grace period, can be defined by the City, allowing police and other enforcement personnel to look up areas prior to arriving on-site and quickly determine whether enforcement activity is warranted immediately or at a later time based on the status of paid or unpaid spaces.

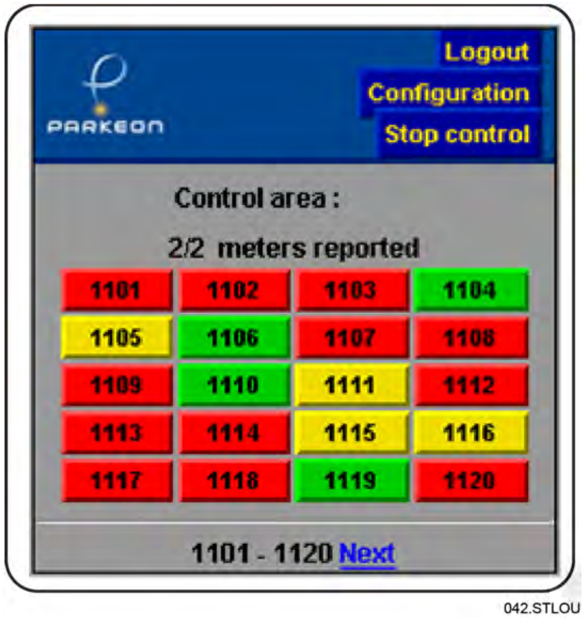


Exhibit A.e–27. Handheld Enforcement
Enforcement information at your fingertips.

G. Supply standard keys for collection and maintenance

Parkeon will provide a sufficient amount of keys for both collections and maintenance.

H. Credit/Debit card verification system

Please refer to Attachment 2 for documentation concerning Parkeon's PCIDSS Compliance.

I. Integration with Xerox/ACS ETIMS system

Parkeon is currently in the process of integrating with eTIMS® for violations processing. This effort is under way to support other customers like Washington, D.C., and the Miami Parking Authority. This integration would be available to the STLTO staff as well.

Parkmobile Pay-By-Phone Service

Vendor will supply equipment at no cost to the STLTO.

Parkmobile proposes providing at no cost to the City of St. Louis a comprehensive field test and citywide mobile payment parking solution that can be integrated with any current or future parking meters. Parkmobile's solution does not require any investment in equipment or other upfront capital expenditure. Rather, modest user fees, depending on whether a customer uses Parkmobile's Mobile Wallet or not, are passed on to the customer.

Parkmobile is the worldwide leader in mobile payment technology and has implemented its solutions in over 500 locations in the United States, Australia, New Zealand and Europe since 2000. This extensive background provides Parkmobile with the knowledge, processes, methodology, technology and implementation experience to provide St. Louis with a mobile payment service that meets and exceeds your expectations as well as providing your parking customers with a seamless, efficient, and secure parking experience.

Parkmobile offers users free, fast and easy on-street account set up options. Motorists can register via the Internet (www.parkmobile.com), mobile website, download one of the native mobile apps (iPhone, Android, Windows Mobile 8, and a generic browser version) or call the toll free number and register via the IVR. Required information is as follows:

- Credit card/debit card information (number, CVC, expiration date). Parkmobile also offers alternative payment methods such as PayPal and a stored value (wallet) payment method
- License plate number

- (Optional) Zone number (if motorist wants to park immediately)

Customers can start and extend (as allowed by City policy) their parking transactions in just seconds from a drivers' seat or remotely. They simply need pull into a space, look for the Parkmobile sign or meter sticker, and use our mobile app or phone to activate the parking session. Parkmobile will send an alert (push notification, email or SMS test message) 15 minutes prior to the expiration of the parking session.

Customers supply their debit/credit card information to Parkmobile only once when initially enrolling to use the system. This information is then stored in a securely encrypted PCI DSS Level 1 compliant and certified environment.

Parkmobile can use any merchant account (MID) for mobile payments and pass real time authorized debit/credit card transactions immediately to this dedicated account.

A. The power and communication requirements necessary for their equipment

Parkmobile offers a cellular service and a web-based portal for account management.

B. Describe all on-street signage required for the project

We will provide for standard signage and meter stickers as part of this proposal as shown in Exhibit A.e–28. Each SSM and/or MSM would be labeled with a Further, we can provide at no cost additional marketing and social media advertising in an effort to educate the public about the pay-by-phone service.

043.STLOU

Exhibit A.e–28. Parkmobile Signage
Communicating Pay-by-Phone options is the key to acceptance.

C. All training for operation and maintenance of the system, a recommended list of spare parts and fully functional software with reporting capabilities

A critical step before launching the mobile payment service will involve training of the STLTO staff. This training will focus upon two key areas and will be handled repeatedly up until the date of deployment: reporting and enforcement.

Reporting. Parkmobile will make this staff member available to assist the City of St. Louis with follow up questions and reporting needs.

Enforcement. Parkmobile will work with the City of St. Louis enforcement officers so that they understand the steps required in order to enforce successfully the motorist's license plate or zone number via the real time enforcement solution.

D. The ability to work with third party contractor and STLTO staff to promptly provide them with instruction for necessary repairs, collections and enforcement

We will work with third party contractors and STLTO staff to provide the appropriate instruction, especially in regards to our integrated enforcement approach. One benefit of the Parkmobile solution, however, is that it will reduce payments received at parking meters and, thereby, reduce wear and tear, repairs, and the need for physical collections.

E. Furnish and install equipment to service 40 – 60 spaces of metered parking

Parkmobile shall provide a field test serving 40 to 60 spaces, but also stands ready to implement a wider program. In our experience, pilot programs to not elicit the growth and behavioral change realized by larger citywide implementations. As an example of one such citywide implementation, Washington, DC has witnessed incredible growth in payments by phone and now receives 50 percent of its meter revenue through this service. There are a number of reasons why citywide programs are accepted by the public more than pilots, including the risk that a program may be discontinued after a field test, limited use in the pilot area, and the inability to leverage other city, state, and regional implementations. Our hope is that the STLTO will allow us to demonstrate a wider implementation and demonstrate the associated benefits.

F. Describe/Demonstrate enforcement protocol

Parkmobile and Xerox will provide the STLTO with direct access to a real-time database enabling enforcement personnel easy enforcement of mobile payment transactions. Parkmobile can bookmark the URL in the mobile browser of a smart phone, PDA or any other web-enabled device, and provide unique log-in credentials for City officials. Parking enforcement officers have several options to use the enforcement tool (zone number, license plate number, space number, etc.). Further, Parkmobile interfaces directly with Xerox's handheld solution, PocketPEO, making it easy for parking enforcement staff to do their job using a single device.

G. Supply standard keys for collection and maintenance

This provision is not applicable to pay-by-phone and virtual solutions.

H. Credit/Debit card verification system

Some mobile payment providers attempt to provide low cost solutions to municipalities by using third party payment gateway companies to attain PCI DSS compliance. A level 1 service provider certification can only be granted through the on-site security assessment, quarterly network scan and validation process led by a Qualified Security Assessor (QSA) recognized by the PCI Security Standards Council.

As a level 1 service provider, Parkmobile is registered on the Visa and MasterCard PCI DSS Global Registries of Service Providers and undergoes an audit by an independent QSA annually. Our partner meets or exceeds all PCI security standards outlined in the latest version published by the PCI Security Standards Council, and we are proud to work and integrate with them in a number of U.S. markets.

Please refer to Attachment 2 for documentation concerning Parkmobile's PCI-DSS Compliance.

I. Integration with Xerox/ACS ETIMS system

Xerox will offer the Parkmobile/PocketPEO enforcement integration as demonstrated in Exhibit A.e–29 at no cost from Parkmobile to the City for the integrated service. This integrated enforcement solution is currently deployed in large cities such as Washington DC, Oakland, and Los Angeles and has been met with much success, passing parking right data to the handhelds in less than 10 seconds.

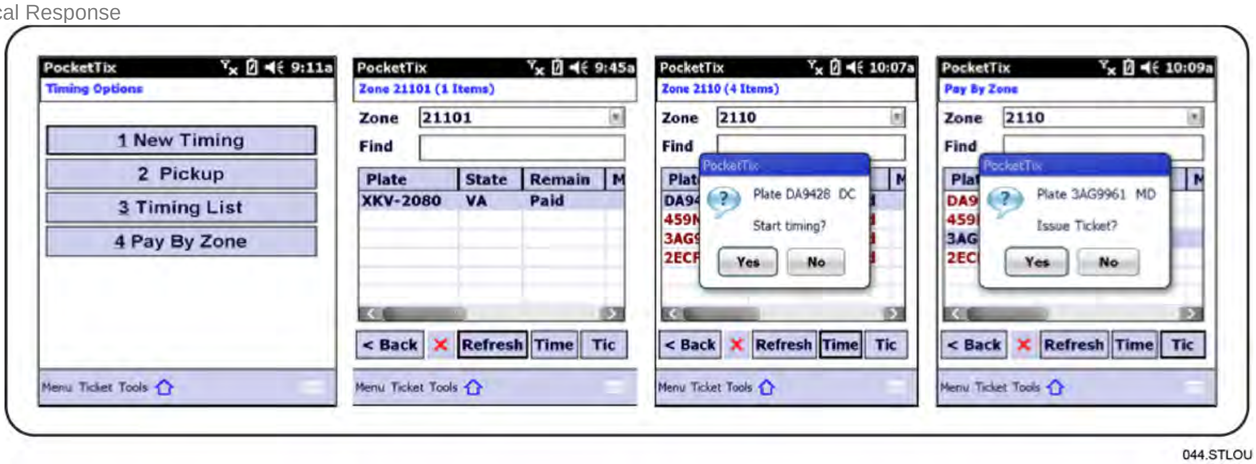


Exhibit A.e–29. Xerox's PocketPEO™ and Parkmobile
Providing simple solutions for enforcement staff.

Xerox and Evaluation Support

The STLTO has documented its preferred methodology for evaluating the various on-street technologies, and Xerox can help. Understanding data through the organization of core performance metrics will provide the path determine whether performance standards are being met. Our ability to assist the STLTO with evaluating technology is informed by our focus on data analytics, our researchers at PARC and Xerox Innovation Group (XIG), and our work in the Cities of New York, Los Angeles, San Francisco, and Indianapolis.

One of the major challenges with any new technology is the ability to adequately evaluate the performance and determine whether or not core mission needs are being met by the solution. Developing a benchmark for technology systems that may not have comparable markets becomes another challenge in the fair comparison of separate technologies. Xerox is an innovator and can assist the STLTO in developing the methods for evaluation of the performance standards for a test of technology/systems from the Equipment Providers. Our subject matter experts will provide insightful observations in order to help create evaluation processes that capture all the metrics necessary for a grounded technology evaluation.

Indianapolis

We have installed, to-date, over 1500 on-street sensors and the Parkmobile pay-by-phone system in the City of Indianapolis. Two different sensor technology vendors were used and managed through our subject matter experts. Quality control checklists were developed to guarantee a professional rollout and seamless installation of the new technology in the parking lane. In conjunction with the technology vendors, key validation processes were developed to confirm the reporting accuracy of the sensor units. One of the validation processes called "groundtrouthing" was performed by visual and CCTV inspection using electronic capture methods for reporting accuracy. GIS location maps to include supporting infrastructure hardware, were provided to key City stakeholder to maintain awareness of the deployed technology.

New York City

The City of New York recently selected Xerox to assist with reviewing a pilot of various sensors in on-street areas served by pay and display parking meters. We helped the City's Department of Transportation establish a plan for validating sensor events and provided an evaluation of the performance of the various technologies. There were more than 650 distinct events captured via the groundtruthing process, and we captured and stored key data components like event start and end times and parking areas. We sorted the data based on the event times, appended each line of data manually with the occupancy on other portions of a block face, and merged unoccupied segments mid-block. We determined the number of vehicles that could be parked in unoccupied segments and calculated availability by comparing these segments to the number of parked vehicles. We married the information to available sensor data and generated an output. Exhibit A.e–30 represents a typical rendering of output data.

Pre Event
Ground Truth
Post Event 1
Post Event 2

Prior1Tran	Prior1Stamp	Prior1A	FieldStamp	FieldSpace	FieldAvaila	Post1Trans	Post1Stamp	Post1Availa	Post2Trans	Post2Stamp	Post2Availa	Stamp
415369	06/21/2012 09:16:31 AM	1	06/21/2012 09:18:00 AM	13	2	415400	06/21/2012 09:20:19 AM	2	415409	06/21/2012 09:21:35 AM	1	07/30/2012 04:21:29 PM
415369	06/21/2012 09:16:31 AM	1	06/21/2012 09:20:09 AM	13	3	415400	06/21/2012 09:20:19 AM	2	415409	06/21/2012 09:21:35 AM	1	07/30/2012 04:21:30 PM
415409	06/21/2012 09:21:35 AM	1	06/21/2012 09:21:56 AM	13	4	415418	06/21/2012 09:22:51 AM	2	415425	06/21/2012 09:24:08 AM	1	07/30/2012 04:21:30 PM
415409	06/21/2012 09:21:35 AM	1	06/21/2012 09:22:09 AM	13	3	415418	06/21/2012 09:22:51 AM	2	415425	06/21/2012 09:24:08 AM	1	07/30/2012 04:21:30 PM
415425	06/21/2012 09:24:08 AM	1	06/21/2012 09:24:32 AM	11	3	415434	06/21/2012 09:25:24 AM	2	415449	06/21/2012 09:27:19 AM	3	07/30/2012 04:21:31 PM
415425	06/21/2012 09:24:08 AM	1	06/21/2012 09:25:08 AM	13	4	415434	06/21/2012 09:25:24 AM	2	415449	06/21/2012 09:27:19 AM	3	07/30/2012 04:21:31 PM
415434	06/21/2012 09:25:24 AM	2	06/21/2012 09:25:30 AM	12	3	415449	06/21/2012 09:27:19 AM	3	415453	06/21/2012 09:27:57 AM	4	07/30/2012 04:21:31 PM
415434	06/21/2012 09:25:24 AM	2	06/21/2012 09:27:13 AM	13	4	415449	06/21/2012 09:27:19 AM	3	415453	06/21/2012 09:27:57 AM	4	07/30/2012 04:21:32 PM
415453	06/21/2012 09:27:57 AM	4	06/21/2012 09:28:38 AM	14	7	415471	06/21/2012 09:29:51 AM	2	415493	06/21/2012 09:32:23 AM	3	07/30/2012 04:21:32 PM
415453	06/21/2012 09:27:57 AM	4	06/21/2012 09:28:59 AM	12	4	415471	06/21/2012 09:29:51 AM	2	415493	06/21/2012 09:32:23 AM	3	07/30/2012 04:21:32 PM
415453	06/21/2012 09:27:57 AM	4	06/21/2012 09:29:06 AM	13	3	415471	06/21/2012 09:29:51 AM	2	415493	06/21/2012 09:32:23 AM	3	07/30/2012 04:21:32 PM
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415493	06/21/2012 09:32:23 AM	3	06/21/2012 09:32:55 AM	14	5	415509	06/21/2012 09:34:55 AM	4	415517	06/21/2012 09:36:49 AM	3	07/30/2012 04:21:33 PM
415493	[illegible]	3	06/21/2012 09:33:13 AM	14	5	415509	06/21/2012 09:34:55 AM	4	415517	06/21/2012 09:36:49 AM	3	07/30/2012 04:21:33 PM
415493	[illegible]	3	06/21/2012 09:34:36 AM	13	5	415509	06/21/2012 09:34:55 AM	4	415517	06/21/2012 09:36:49 AM	3	07/30/2012 04:21:33 PM
415517	[illegible]	3	06/21/2012 09:37:36 AM	12	3	415533	06/21/2012 09:38:50 AM	2	415566	06/21/2012 09:43:25 AM	1	07/30/2012 04:21:34 PM
[illegible]	[illegible]	3	06/21/2012 09:38:40 AM	14	4	415533	06/21/2012 09:38:50 AM	2	415566	06/21/2012 09:43:25 AM	1	07/30/2012 04:21:34 PM
[illegible]	[illegible]	2	06/21/2012 09:42:51 AM	13	2	415566	06/21/2012 09:43:25 AM	1	415570	06/21/2012 09:44:03 AM	0	07/30/2012 04:21:34 PM
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415654	[illegible]	1	06/21/2012 09:55:39 AM	13	2	415659	06/21/2012 09:56:46 AM	0	415674	06/21/2012 09:58:40 AM	1	07/30/2012 04:21:39 PM
415659	06/21/2012 09:56:46 AM	0	06/21/2012 09:57:22 AM	13	1	415674	06/21/2012 09:58:40 AM	1	415682	06/21/2012 09:59:18 AM	2	07/30/2012 04:21:39 PM
415659	06/21/2012 09:56:46 AM	0	06/21/2012 09:58:16 AM	13	2	415674	06/21/2012 09:58:40 AM	1	415682	06/21/2012 09:59:18 AM	2	07/30/2012 04:21:39 PM
415682	06/21/2012 09:59:18 AM	2	[illegible]	13	3	415715	06/21/2012 10:04:21 AM	1	415830	06/21/2012 10:15:54 AM	0	07/30/2012 04:21:41 PM
415715	06/21/2012 10:04:21 AM	1	[illegible]	13	2	415830	06/21/2012 10:15:54 AM	0	415849	06/21/2012 10:17:48 AM	1	07/30/2012 04:21:41 PM
415715	06/21/2012 10:04:21 AM	[illegible]	[illegible]	13	1	415830	06/21/2012 10:15:54 AM	0	415849	06/21/2012 10:17:48 AM	1	07/30/2012 04:21:42 PM
415715	06/21/2012 10:04:21 AM	[illegible]	[illegible]	[illegible]	2	415830	06/21/2012 10:15:54 AM	0	415849	06/21/2012 10:17:48 AM	1	07/30/2012 04:21:43 PM
415715	06/21/2012 10:04:21 AM	[illegible]	[illegible]	[illegible]	1	415830	06/21/2012 10:15:54 AM	0	415849	06/21/2012 10:17:48 AM	1	07/30/2012 04:21:44 PM
415715	06/21/2012 10:04:21 AM	[illegible]	[illegible]	[illegible]	0	415830	06/21/2012 10:15:54 AM	0	415849	06/21/2012 10:17:48 AM	1	07/30/2012 04:21:46 PM
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415854	06/21/2012 10:19:43 AM	2	[illegible]	14	5	415858	[illegible]	4	415885	06/21/2012 10:22:16 AM	3	07/30/2012 04:21:49 PM
415885	06/21/2012 10:22:16 AM	3	[illegible]	13	[illegible]	[illegible]	[illegible]	4	415908	06/21/2012 10:24:48 AM	5	07/30/2012 04:21:51 PM
415885	06/21/2012 10:22:16 AM	3	06/21/2012 10:22:51 AM	13	[illegible]	[illegible]	[illegible]	4	415908	06/21/2012 10:24:48 AM	5	07/30/2012 04:21:51 PM
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415943	06/21/2012 10:29:14 AM	4	06/21/2012 10:32:49 AM	13	[illegible]	[illegible]	[illegible]	3	415981	[illegible]	2	07/30/2012 04:21:54 PM
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415981	06/21/2012 10:34:57 AM	2	06/21/2012 10:35:16 AM	13	5	415983	[illegible]	3	415989	[illegible]	4	07/30/2012 04:21:55 PM
415983	06/21/2012 10:35:35 AM	3	06/21/2012 10:35:44 AM	13	4	415989	[illegible]	[illegible]	[illegible]	[illegible]	3	07/30/2012 04:21:55 PM
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416004	06/21/2012 10:37:30 AM	2	06/21/2012 10:37:52 AM	13	4	416023	06/21/2012 10:40:01 AM	[illegible]	[illegible]	[illegible]	2	07/30/2012 04:21:56 PM
416004	06/21/2012 10:37:30 AM	2	06/21/2012 10:38:22 AM	13	3	416023	06/21/2012 10:40:01 AM	[illegible]	[illegible]	[illegible]	2	07/30/2012 04:21:57 PM
416004	06/21/2012 10:37:30 AM	2	06/21/2012 10:39:04 AM	12	1	416023	06/21/2012 10:40:01 AM	[illegible]	[illegible]	[illegible]	2	07/30/2012 04:21:57 PM
416030	06/21/2012 10:40:40 AM	2	06/21/2012 10:41:05 AM	13	3	416053	06/21/2012 10:43:13 AM	[illegible]	[illegible]	[illegible]	2	07/30/2012 04:21:58 PM

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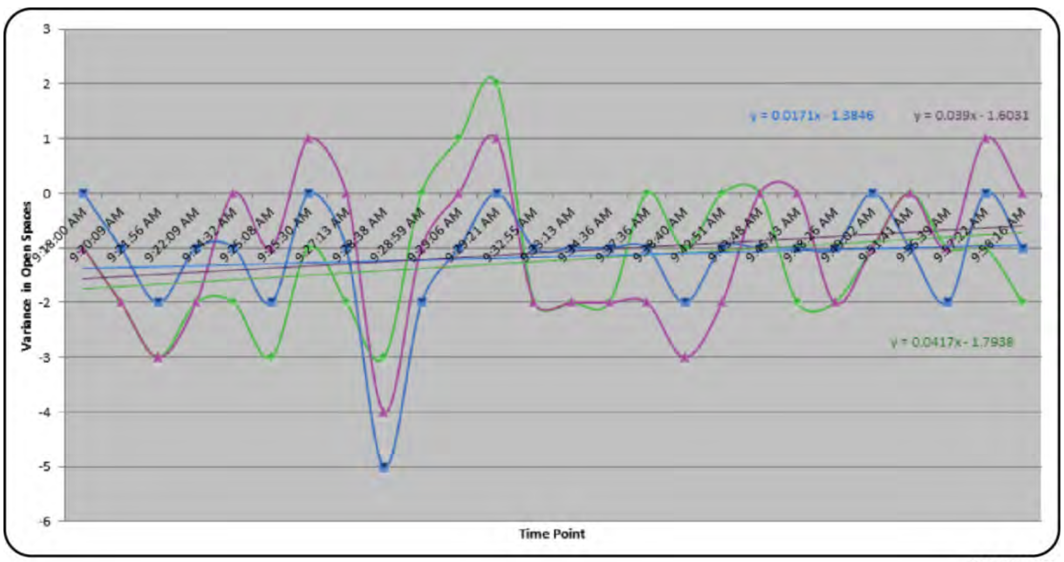
Exhibit A.e–30. Groundtruthing and Sensor Data

An Example of an Occupancy Output File

We utilized data to determine the accuracy of occupancy detection and prediction methodologies, mapping sensor, CCTV, and other occupancy events to our observations as represented in the example in Exhibit A.e–31 below.

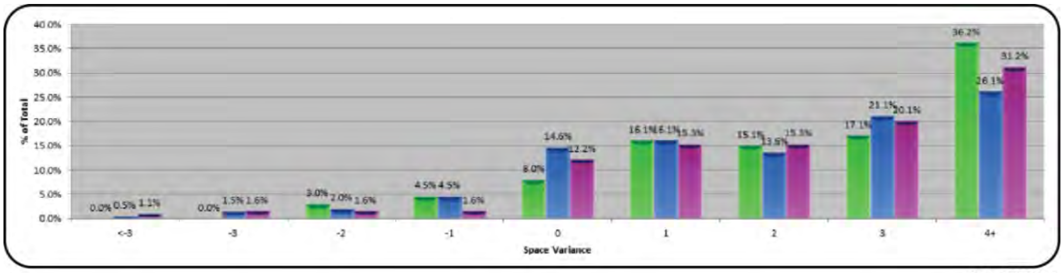


016_BMADCE

Exhibit A.e–31. Sensor and Observational Variances

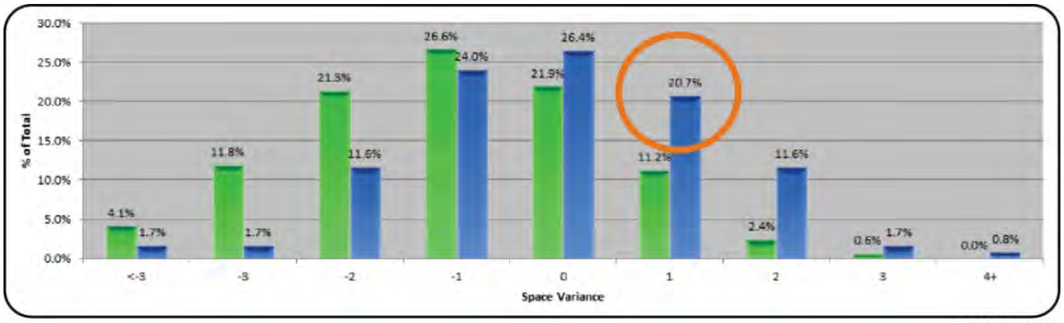
Sensing and Our Observations

Xerox provided examples of how we determine baseline averages, positive and negative deviations, and comparisons by block, accuracy by number of parkers, coefficients of correlation, closest in time evaluations, and technology side-by-side reviews as detailed in Exhibits A.e–32 through A.e–35.



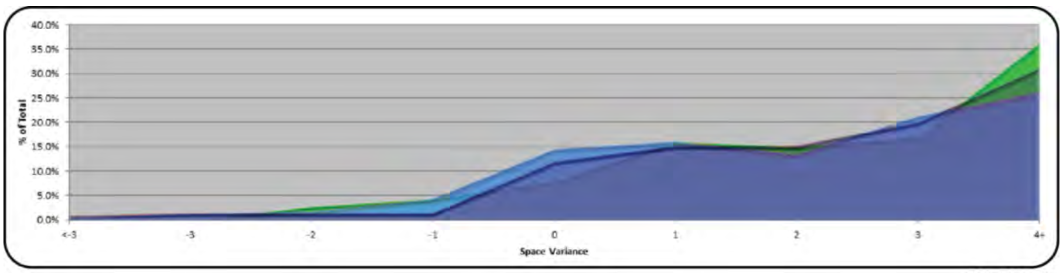
017_BMADCE

Exhibit A.e–32. Variety of Evaluation Techniques



018_BMADCE

Exhibit A.e–33. Variety of Evaluation Techniques



019_BMADCE

Exhibit A.e–34. Variety of Evaluation Techniques

The contents of this proposal are subject to the disclosure statement on the title page of this proposal.

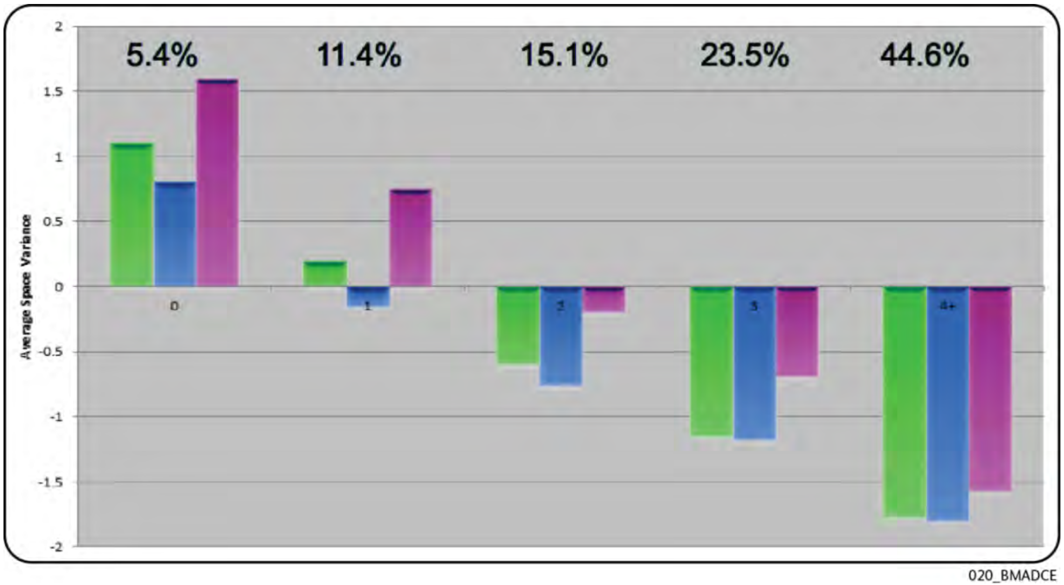


Exhibit A.e–35. Variety of Evaluation Techniques

Unlike any other vendor, we can provide multiple reports and studies for evaluating performance of the parking meters, including but not limited to reports concerning:

- Percent downtime
- Problem reports by type
- Average amount purchased (or average stay)
- Percentage credit card use, percentage cash
- Collections
- Pay-by-phone uptake
- Erroneous parking citations
- Customer service feedback

We have experience with customer service surveys, and have surveyed customers in Indianapolis about their familiarity with pay-by-phone and wayfinding apps and in Los Angeles concerning familiarity with and the impact of dynamic pricing. We stand ready to help the City gather and interpret meaningful data to allow for informed decisions regarding the convenience of technology.

Making Your Parking Data Work

Effective, reliable, and accurate parking data collections systems are crucial to the success of the technology demonstration. Xerox enjoys the advantage of having worked with, and integrated a variety of system and data warehouses.

Our expertise in planning, installing, and operating parking data collection and enforcement programs is extensive. Our employees and partners have implemented advanced reporting, metering, and enforcement systems for more than 20 client locations within the United States. From Boston to Washington, D.C., from Dallas to Indianapolis, and from Denver to Los Angeles, our teams have successfully integrated meters, payment apps, enforcement tools, sensors, video, automatic license plate recognition (ALPR) and meter rate pricing engines. Few organizations can match the breadth and depth of capabilities that Xerox can bring to bear in support of STLTO project.

Potential Performance Standards

Performance standards are a key component of any technology testing and evaluation plan. Xerox has demonstrated its expertise in working with clients to establish effective and realistic standards for vendors. Our experiences with LA Express Park™ and ParkIndy are two examples our capability to successfully determine, measure, and apply standards to equipment and systems that propelled those projects to achieving desired results.

The LA Express Park™ project required the use of sensors in a congested downtown area. It also required the data from sensors, meters, and pay-by-cell providers to be integrated in order to deliver a total reporting package and operating system, that would produce a high level command and control parking system, and parking support activities, within the LA Express Park™ area. Because the project utilized proprietary equipment and back-office software systems which were supplied by multiple vendors, the only way to ensure that the data provided from, as well as transmitted to, disparate sources could be unified and integrated, was by establishing standards and implementing operational systems which would deliver the high level results that were the client's desired outcomes.

The ParkIndy project had requirements and desired outcomes similar to those of LA Express Park™, although on a smaller scale. A major difference was that no grant funding was used for the project. It was more important that the project be implemented within cost constraints that made it critical that the technology was implemented in the most efficient, yet expeditious manner possible. We were able to improve space utilization and compliance with regulations, while still operating within the cost structure required by the overall program.

We look forward to working with the STLTO and the equipment providers to develop and report on meaningful metrics.

An Ongoing Partnership

The selection of Xerox ensures ongoing collaboration. Our work starts with the field tests, but it does not end there. We will continue to provide though leadership to the STLTO, providing insights into innovation and customer-friendly technologies. Together we can ensure that St. Louis remains at the vanguard of parking technology trends.

Xerox considers each of our municipal parking clients to be a member of a client community that benefits from innovations and best practices implemented in the most advanced parking on-street programs in the world. All cities, large and small, face challenges—sometimes unique but often common—to optimize parking management programs. Across our parking client community, when we implement a new solution that resolves a client's issue, we share these solutions with our other client cities in case they can benefit as well. We also invest and pilot ideas for proofs of concept.

Case in point, Washington, D.C., noted that every vehicle parked illegally along a street sweeper route resulted in three parking spaces being kept from being cleaned by the sweeper. This created the potential for environmental problems for communities. We trialed a Street Sweeper Photo Enforcement program for Washington, D.C., installing cameras on sweepers to catch parking violators disruptive to sweeper routes. This trial expanded into the country's first operational street sweeper photo enforcement program and became the catalyst for legislation adopted in California. Today we are piloting Street Sweeper Enforcement in San Francisco and Long Beach.

We listen to our clients and continuously evaluate the potential impact of new product releases for our customers.

The STLTO will benefit as well from our support of citation issuance and processing. In addition to providing enforcement-based analytics and parking enforcement routing, we can provide a path forward for integrating meter data with our next generation enforcement, adjudication, and violations processing systems. Having a single vendor point-of-contact for services will expedite the implementation process and improve responsiveness to City requests and concerns.

B. Experience and Capacity

The City of St. Louis will benefit from Xerox's expertise in parking citations and collection services by partnering with a company that is not only a trusted solution provider, but an elite, industry leader in smart parking solutions.

We are the industry's leader in providing ticket processing and collections services to major enforcement programs in the U.S. Our goal is to deliver the STLTO an intelligent parking solution that optimizes the parking program that is currently in place. We hold a consistent and unmatched record of providing the nation's highest profile cities with complete parking management systems and collections services.

Experience and Qualifications

- 10 cities issuing at least 300,000 parking citations annually
- 30 years in parking management
- Industry's premier processing solution, eTIMS®
- Process 16 million citations per year
- Over 20 million notices mailed
- Collect over $1.02 billion in revenue
- Initiated more than 27.9 million DMV name and address requests
- Low risk, high reward, best value services

Experience

The parking citation management industry has evolved considerably over the last 30 years, and we have been the leader in technology; policy and procedure improvements; revenue generation initiatives; and legislation that assists the parking industry.

We have successfully implemented, managed, and operated parking systems, and we have worked hand-in-hand with our clients to address traffic safety and congestion challenges by deploying technology that advances the movement of goods and services, as well as millions of people every day.

Our company's solutions have been tested in some of the largest, most complex major municipal parking programs in the United States. In fact, we currently serve 21 clients that issue citations including: Boston, MA; Beverly Hills, CA; Denver, CO; Los Angeles, CA; Los Angeles County, CA; Oakland, CA; Philadelphia, PA; St. Louis, MO; San Francisco, CA; and one of our biggest longstanding clients, Washington, D.C.

Supporting our client's requirements is our Germantown, MD transportation design center, where over 200 subject matter experts (SMEs) design, build, deploy and support integrated transportation solutions. Our rigorous product lifecycle development process and testing ensures quality and durability of our solutions. We currently have 170 employees dedicated to parking business, who are focused on system integration, not the manufacturing of meter devices. Our commitment for the future is based on ensuring that our customers have the solutions they need to intelligently manage their changing operating environment.

TableTable B–1 depicts the annual citation issuance for several of our major city clients, and demonstrates our consistency, and ability to meet or exceed program requirements under varied and demanding conditions.

Table B–1. 2012 Ticket Issuance of Select Xerox Clients

Client	Number of Tickets Issued in 2012
Washington, D.C.	2,666,027
Los Angeles, CA	2,708,486
Philadelphia, PA	1,609,541
San Francisco, CA	1,617,715
Boston, MA	1,476,592
Denver, CO	642,324
Oakland, CA	324,738
Cambridge, MA	331,951
Cleveland, OH	161,925
New Orleans, LA	313,013
St. Louis, MO	381,230

Table B–2 depicts number of meters installed for several of our major city clients, and demonstrates our consistency, and ability to meet or exceed program requirements under varied and demanding conditions.

Table B–2. 2012 Meter Statistics of Select Xerox Clients

Meter Statistics						
Program	LA Express Park™	ParkIndy	Washington D.C.	Dallas, TX	Providence, RI	Tacoma, WA
# On-street single meters managed	5,600	1,322	13,582	4,000	1,400	0
# On-street multi-meters managed	148	323	587	0	9	150
# Equivalent spaces managed by multi-meter	740	2,478	4,579	0	N/A	2,200
Total spaces	6,340	3,800	18,161	4,596	1,400	2,200

We are able to offer STLTO the ability to provide the latest in parking technology and services. We not only provide the stability of a $22.4 billion, Fortune 200 firm, but our company commits over $1 billion yearly to research and development, bringing innovation and analytics to our customers beyond any of our competitors' capabilities.

Our average parking ticket processing client volume is over 300,000 tickets. By comparison, our nearest competitor's average client volume is only about 35,000 tickets. Our ticket processing solution is supported by the industry's premier parking ticket processing system, eTIMS®. In partnership with local government parking agencies from around the country, we have invested over 30 years and millions of dollars to build and continuously enhance our eTIMS® system.

Table B–3 highlights our award-winning parking services and acknowledges some of the recognition and accolades that we have received over recent years from various clients.

Table B–3. Award-Winning Service Provider

Year	Award
2009	U.S. Conference of Mayors' Outstanding Achievement Award- Parking – Wilmington, DE
2009	International Parking Institute Award of Excellence for Innovation – Cost-Effective Enforcement Using LPR – Los Angeles, CA
2009	CIO 100 Award Winner (Washington D.C., Department of Public Works)
2010	Awarded Systems Integrator of the Year Global Winner (Americas) by VMware
2011	District of Columbia Department of Motor Vehicles American Association of Motor Vehicle Administrators (AAMVA) Customer Service Excellence Award

C. References

Our highly skilled and experienced teams have the ability to provide STLTO the latest in parking technology and services as proven through our experience in multiple parking management system programs for On-Street Meter Enforcement, Off Street Integration and Citation Management technologies.

References for each of these technologies are presented below.

C.i On-Street Meter Enforcement

To provide STLTO with advanced parking system technology that offers convenient options for payment and easy access to the public while optimizing associated back-end processes of collections and enforcement, Xerox will apply its proven capability implementing effective parking management solutions. To demonstrate our successful track record, we have included a list of projects comparable in size and scope to the project defined in STLTO's RFP.

We have been working with the City of St. Louis for more than 10 years to manage the City's Parking Violations Program which includes citation processing, payment processing, notices, customer service, cashiering, imaging, and administrative adjudication. Our parking management solutions are comprised of a diverse range of scalable services that include installing meters and managing parking meter operations, processing tickets, and collecting revenue using varied payment options such as web, phone, in-person and mail. We also provide efficient citation issuance equipment, as well as revenue processing that is compliant with Payment Card Industry (PCI) Data Security Standards (DSS). We are prepared to support the City's objective of upgrading its existing parking technology to manifest more efficient and effective revenue collection and parking enforcement while increasing the public's experience by implementing comprehensive and scalable parking solutions that align with the City's current and future business needs.

We are not only a provider of only hardware or software, and therefore not obliged to sell our own handhelds or license plate recognition technology. Our experienced management and operational staff allow us to be a top systems integrator by initiating challenges to the parking industry's hardware and software providers to build and design the best products for our clients. We have integrated more handhelds, more meters, and more revenue control systems than anyone else in the U.S. We are also at the forefront of implementing sensors for congestion pricing systems, pay-by-mobile solutions, and other parking related emerging technologies. We use these advances in technology to take our clients to the next level in on-street meter enforcement with installation, maintenance, and collection of the parking meters by increasing revenues and affording our clients greater efficiency and effectiveness, so they can better serve the public.

Our projects in the District of Columbia and City of Indianapolis (ParkIndy), provide evidence of our ability to successfully operate parking services systems and handle associated responsibilities. They also illustrate our flexibility and innovative problem-solving skills. The scope of work for these projects is similar to the scope of work outlined in the City's RFP.

References

District of Columbia. In 1997, Washington, DC, initiated a bold and innovative plan to stop vandalism and replace the District's meter stock, remove the entire mechanical meter system, and install new electronic meters with vandal-resistant housings with no capital costs to the District. This historic step called for a private vendor to take over various aspects of the District's meter management, including operations, installation, collection, counting, maintenance, repair, and asset tracking of meter revenues. To ensure success, the District selected Xerox, a proven vendor with demonstrated ability to accomplish all program objectives.

In February 1998, Xerox was awarded the contract for conversion and management of parking meters. After this first contract, we won a competitive re-bid in 2006 to extend the contract for another five years. Through our partnership with the District of Columbia, we increased meter revenue by 400 percent We initially purchased and installed 15,000 Duncan Eagle 2000 meters with the installation and replacement of posts where missing and/or damaged as needed, then added an additional 1,500 spaces. In total, we manage 17,157 parking spaces for the District of Columbia.

We successfully accomplished all aspects of the District's parking meter management goals, including:

- Financed purchase of 15,000 new meters that withstood vandalism
- Installed all meters and accessory equipment in 5.5 months, exceeding the RFP schedule by 6.5 months
- Established an accessible revenue and operational performance database

- Actively applied and promoted advantages of new technology
- Provided a responsive maintenance operation that sustains a high operability rate
- Collected and counted all coins from parking meters as frequently as needed
- Ensured operational integrity through aggressive security techniques
- Met a wide variety of performance standards
- Expanded the meter revenue stream to more than one million dollars per month from a pre-conversion low of $200,000 per month
- Installed more than 109 Parkeon Stelio multi-space kiosks
- Expanded payment options to include credit cards
- Collected and counted an average of 5,370 pounds of coins per day

Table C–1 contains specific project and reference information.

Table C–1. Washington, DC Meters

Reference #1: Washington, DC Meters		
Contract Name	Parking Meter Management Services	
Period of Performance	1998 - Present	
Point of Contact Email Phone	Soumya Dey, DDOT COTR Soumya.Dey@dc.gov 202-671-2700	Evian Patterson Deputy City Wide Program Support Manager 202-671-4625
Number of Meters	18,000 spaces managed – 587 kiosks, 13,582 single head meters	

Indianapolis, IN. The City of Indianapolis was plagued by numerous parking problems—from low parking turnover, to broken meters, to flat rates for the past 30 years. With 3,600 parking spaces, the City was in need of new meters and next-generation technology to meet ever increasing demand.

In 2012, Xerox was chosen to revitalize Indianapolis' parking environment, which resulted in a public-private partnership in charge of the modernization of the entire parking system.

To start, Xerox supplied an up-front investment of $20 million to the City in order to provide infrastructure improvements. During Phase I of the project, we also installed 1,320 new, credit card-accepting parking meters. New rates and hours of operation were implemented within a short time, with hourly parking meters rates adjusted for the first time in 35 years, increasing from 25 cents to $1 per hour. The days and hours of operation were extended as well, as were the time limits during the evening hours.

During Phase II, the majority of single space parking meters were replaced with pay boxes. The pay boxes allow motorists to pay by space. A variety of additional payment options, like payment by phone, are also now active.

The Indianapolis modernization is estimated to generate an ongoing revenue stream of $600 million over the contract period. Xerox was also able to structure the deal so that costly financial risks were deferred from the City to our company. This resulted in approximately $3 million of annual operating cost savings for the City.

We continue to provide project management, procurement of supply hardware/software, equity financing, and system integration expertise to the City.

Table C–2 contains specific project and reference information.

Table C–2. Indianapolis, IN

Reference #2: Indianapolis, IN	
Contract Name	Parking Meter Management Services
Period of Performance	2010 - Present
Point of Contact Email Phone	Darrell Fishell darrell.fishel@indy.gov 317-327-1550
Number of Meters	3,800

Please see Attachment 4 for a case study on ParkIndy.

C.ii Off-Street Meter Integration

The Xerox Team's experience with off-street parking integration provides STLTO with a solid understanding of how we can provide an account-based payment and guidance systems for off-street parking, and the ability to integrate data capture and analysis which provides a cornerstone for dynamic pricing, directed enforcement, and congestion management.

Xerox is positioned to integrate with off-street parking providers unlike any other vendor. Because of our varied and extensive experience in the transportation industry, we have the capability to provide STLTO with a successful parking management program providing off-street meter integration. We have partnered to integrate with one of our team members, ParkMe, in Los Angeles where we provide customers with a powerful tool for finding available parking in real-time. We propose a similar integration in St. Louis to help optimize transportation operations and alleviate the parking woes like that of Los Angeles County. As important, we have extensive experience in testing and evaluating different integrated technologies.

Our references for off-street meter integration, which include LA ExpressPark™ and Parkmobile are listed below.

LA *Express*Park™

We have experience directly relevant to the STLTO's RFP on our LA *Express*Park™ program. Working in conjunction with the City's Department of Transportation (LADOT), we customized and implemented several new technologies, including a real-time parking guidance system, new meter technologies to increase payment options, and a new backend system to allow for real-time reporting and demand-based pricing for 6,000 parking spaces in the central business district.

Xerox Helps Drivers Find a Parking Spot with LA *Express*Park™ Program

DALLAS, Oct. 27, 2011 – Finding a parking space in downtown Los Angeles will be a lot easier for drivers beginning in spring 2012. The city is teaming up with Xerox (NYSE: XRX), to create a new pricing system that is part of a parking strategy designed to relieve traffic congestion, reduce air pollution, and improve the efficiency of downtown LA's transit operations.

The Los Angeles Department of Transportation (LADOT) and Xerox will pilot a program called LA *Express*Park™ that will infuse Xerox innovation, technology expertise and demand-based pricing into a unique parking management program. Demand-based pricing adjusts parking rates based on driver demand for spaces and availability. By increasing rates on high demand spots, there is the potential for more parking spaces to become available on each block -- reducing traffic congestion and pollution generated by drivers hunting for curbside parking. It may also encourage drivers to consider carpooling, bicycling, and public transportation as alternatives.

The one-year pilot is funded by a $15 million grant from the U.S. Department of Transportation and could total $29 million if two option years are added. It includes:

- Real Time Parking Guidance Systems – Information will be displayed on street-side signs and up-to-the-minute smartphone apps directing drivers to available spaces. Sensors placed in parking spaces track occupancy.
- New Parking Meter Technology – New meters and upgraded multi-space pay stations will be installed for approximately 6,000 on-street parking spaces. The new meters will accept a variety of payment methods, including credit cards, coins and payments made by phone that are charged to a driver's account.
- Parking Management System – Xerox will deliver its Xerox MERGE™ Parking Management System to process all parking-related transactions and provide real-time parking data analytics to LADOT and drivers.

Table C–3 provides reference information for the LADOT project, which is currently using the products and services we propose as required by the RFP.

Table C–3. Los Angeles DOT

Reference #1: Los Angeles DOT	
Contract Name	Los Angeles DOT ExpressPark™
Period of Performance	2006 - Present
Point of Contact Email Phone	Peer Ghent Peer.ghent@lacity.org 213-473-0651
Total Spaces	6,000

Xerox has participated in the implementation, design, and management of pay-by-phone technologies to a degree not matched by curbside parking vendors. We have integrated Parkmobile in Washington, D.C., Los Angeles, and Indianapolis and have built the architecture necessary to communicate payments to enforcement personnel, way-finding technology, and meter systems.

Parkmobile

Parkmobile is the leading global provider of seamlessly integrated end-to-end solutions for mobile payments, parking guidance using business analytics and parking. Its offerings include mobile payments for on and off-street parking, digital parking permits, real-time enforcement and a seamless transit experience. Its services are used in 350 cities around the world by millions of registered users. Parkmobile is a new and better way to pay for parking. Motorists simply use their mobile phone to start a parking session and add time. The license plate and credit card details are on record, making the completion of transactions very fast.

Parkmobile offers flexible solutions designed to make a commuter's day a little easier. Motorists have their own secure online Parkmobile webpage, so they can activate parking, view their parking history, or change their account settings.

Table C–4 provides Parkmobile experience and references in off-street parking.

Table C–4. Parkmobile Off-Street Mobile Payment Partners

Parkmobile Off-Street Municipal Payment Partners				
Managed By	Location	Contact Information	Total Spaces	Period of Performance
Central Parking (Park It Program)	Charlotte, NC	Bob Kamper rkamper@spplus.com	1,066	July 2012 - present
City of Tampa	Tampa, FL	Jim Corbett Jim.Corbett@tampagov.net	1,338	October 2013 - present
CARTA (Transit Authority)	Chattanooga, TN	Brent Matthews brentmatthews@gocarta.org	2,308	June 2011 – present
City of Summit, NJ	Summit, NJ	Rita McNany rmcnany@cityofsummit.org	2,500	Nov 2012 - present
City of Houston	Houston, TX	Nicole Chinea Nicole.Chinea@houstontx.gov	7,168	August 2011 - present
METRA	Chicago, IL	Ivan Matic imatic@spplus.com	8,403	Sept 2011 - present
State of New York Metro North Railroad (MNR)	Northern NY (MTA line)	Philip Petillo petillo@MNR.org	13,693	May 2011 - present

C.iii Citation Management

Over the course of our 30 years in parking industry, Xerox has developed extensive specific parking management experience and earned program success, which validates our ability to continue to meet new and existing program requirements.

Since October 2003, Xerox has worked together with the City of St. Louis to manage the City's Parking Violations Program. The contract included citation processing, payment processing, notices, customer service, cashiering, imaging, and administrative adjudication. During the implementation process, (and at no cost to the City) we provided a comprehensive study of the City's parking enforcement program – including over 40 hours of beat surveys, interviews, and field studies. We are fully qualified to implement and maintain all the requirements and performance service levels as demonstrated in the current operations, and have the technical expertise and flexibility to re-engineer parking services as needs expand and change over time. Our success in parking management is attributable to our ability to work closely with the multiple agencies to design and implement solutions to problems that occur outside the scope of their RFP.

Highlights

- In 2012, our St. Louis operation processed approximately 375,000 parking tickets and collected an estimated $7.8 million in revenue.
- References include three cities with comparable programs

Today, we remain the industry's leading provider of parking ticket processing and management consulting services, processing over 16 million parking and code enforcement tickets annually and collection over $1.2 billion on behalf of our clients nationwide. Our parking ticket processing services are tailored to the unique needs of each client and are built on our industry-leading processing system, eTIMS®. Our core system and services are specifically designed to handle the robust processing needs associated with the high transaction volumes of major parking programs, such as yours.

We are not solely a hardware or software provider and therefore not beholden to sell our own handhelds or license plate recognition technology. We are a systems integrator with experienced management and operational staff who initiate challenges to the parking industry's hardware and software providers to build and design the best products for our clients. We have integrated more handhelds, more meters, and more revenue control systems than anyone else in the U.S. We are also at the forefront of implementing sensors for congestion pricing systems, pay-by-mobile solutions, and other parking related emerging technologies. We use these advances in technology to take our clients to the next level in parking management—reducing congestion, increasing revenues and affording our clients greater efficiency and effectiveness, so they can better serve the public.

For references in citation management, we have selected three parking management projects that closely mirror the requirements of the RFP, and also illustrate our flexibility and innovative problem-solving skills. For each of the client references submitted, we have met all contract cost estimates, schedules and implementation plans; complied with all technical bid requirements; fulfilled all requirements to customer's satisfaction; and successfully responded to special client needs that were not covered in any of the required work.

Philadelphia Parking Authority. Xerox has partnered with the Philadelphia Parking Authority (PPA) for 30 years. We currently provide citation processing and revenue collection, as well as, software and technical support of citation processing system, data imaging of citations and incoming correspondence, lockbox services, registered owner information look-up, data entry, telephone and walk-in customer service support, adjudication support, interactive voice response (IVR) and Pay-by-Web services, handheld citation issuance hardware and equipment, and processing of parking permits. During our current contract period we helped the PPA increase annual ticket revenue from $59.4 million in CY 2003 to $93.3 million in CY 2012. We have also continued to work with the PPA to substantially enhance the services provided to the public by accepting citation disputes online. This feature has met with great success for the PPA.

Table C–5 contains specific project and reference information.

Table C–5. Philadelphia Parking Authority

Reference #1: Philadelphia Parking Authority (PPA)	
Contract Name	Parking Violation/Parking Management Information Services System – Philadelphia, PA
Period of Performance	1983 - Present
Point of Contact Email Phone	Corinne O'Connor, Philadelphia Parking Authority COconnor@philapark.org 215-683-9431

Boston, MA. One of our longest-standing and most successful partnerships is with the City of Boston. We were initially awarded this contract in 1981, and have won numerous competitive re-bids. In 2012, we processed nearly 1.4 million tickets which generated $60 million; and mailed nearly 758,000 million courtesy and delinquent collection notices. In the City of Boston, we provide the following services:

- Pay by Web
- IVR with Pay by Phone capability
- Document imaging for correspondence and handwritten citations
- Lockbox
- RMV name and address inquiries, holds and releases
- RPP, meter, and boot/tow subsystems
- Parking violation noticing
- Handheld ticketing devices and printers
- Boston ticket portal
- Constituent Dispute Form
- Work Order Management System
- POS Cashiering

Table C–5 contains specific project and reference information.

Table C–5. Boston, MA

Reference #2: Boston, MA	
Contract Name	Parking Violation/Parking Management Information Services System – Boston, MA
Period of Performance	1981 - Present
Point of Contact Email Phone	Gina Fiandaca, Director, Office of the Parking Clerk gina.fiandaca@cityofboston.gov 617-635-3669

Cleveland, OH. For historical or administrative reasons, many cities keep their parking and photo enforcement programs separate – and highly inefficient. That wasn't good enough for Cleveland officials, who wanted to combine the systems. Since our eTIMS® solution was a proven database platform for the City's parking program, officials wanted to integrate photo enforcement information into that database, and merge the back office of both programs. By consolidating its photo enforcement and parking violation data into a single proven system, Cleveland achieved the following benefits:

- **A single point of contact and accountability.** Rather than maintaining separate contracts with separate vendors who may not coordinate.
- **One-stop processing system.** Our sophisticated, Web-accessible eTIMS® serves as the system of record for all programs. Integrated processing makes all photo radar, red light and parking ticket data available for authorized City, court, police and contractor staff. This reduces training requirements and increases staff flexibility.
- **Accessible, consolidated correspondence.** Correspondence for both programs is scanned and made immediately available to City staff online, ensuring that complete information is at their fingertips.
- **Consolidated, maximized collections.** "Dual noticing" means that for every delinquent parking ticket noticed, individuals are also notified of any outstanding photo violations, and vice versa.

With a consolidated back-office operation for noticing and violations processing on parking and photo enforcement tickets, Cleveland now offers drivers one-stop convenience for ticket payment—in person, over the phone or online. As the collection rates of both programs increased, and so did customer satisfaction. For Cleveland citizens, paying tickets is convenient and simple. And the City has seen quantifiable benefits from the system, including:

- A 70 percent increase in the photo program's collection rate
- A 69 percent increase in the parking program's collection rate
- More than 25 percent of photo enforcement tickets are paid with self-service options

Table C–6 contains specific project and reference information.

Table C–6. Cleveland, OH

Reference #3: Cleveland, OH	
Contract Name	Cleveland Parking
Period of Performance	1985 - Present
Point of Contact Email Phone	Maria Vargas, Administrator, Cleveland Parking and Photo Safety Division Maria.Vargas3@xerox.com (216) 664.4798

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D. Cost

Please refer to our cost proposal, presented in a separate sealed envelope.

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E. Insurance

Xerox will carry the traditional standard type business insurance such as commercial general liability, business automobile liability, and workers' compensation.

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Attachment 1 – Reports, Lists and Outlines

This section includes the following documents:

- Attachment 1a: Business Objects Solution
- Attachment 1b: SOC Report
- Attachment 1c: Approaches to Training
- Attachment 1d: List of Recommended Spare Parts

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Attachment 1a: Business Objects Solution

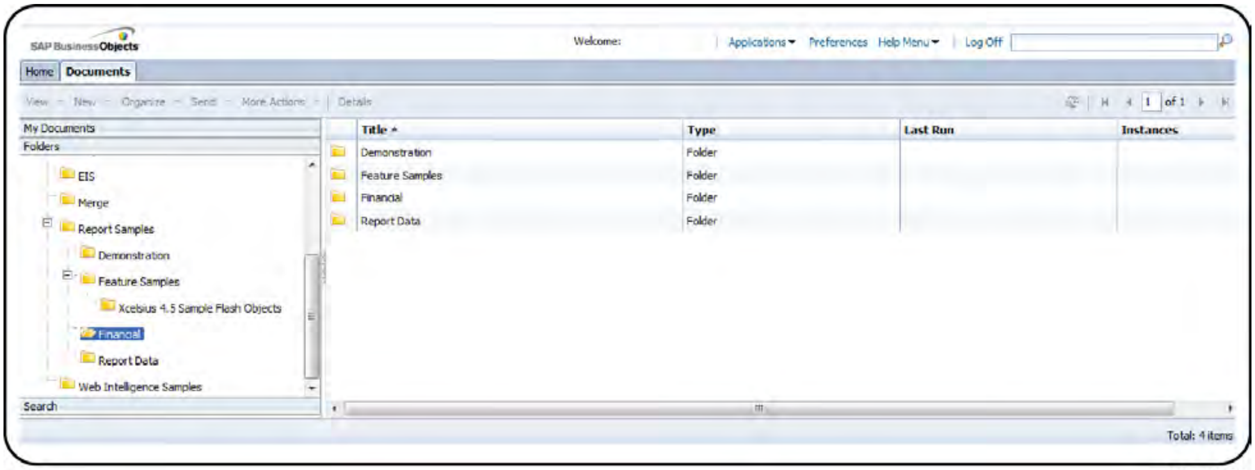
Our user friendly and intuitive Business Objects solution provides novice users the necessary guidance to create queries and reports on demand and empowers experienced users to fulfill their complex report requirements.

- **Flexible, User Friendly and Intuitive.** Business Objects is a flexible, user-friendly and intuitive reporting system which allows users to generate and manipulate standard reports in an easy to use windows graphical interface. The data can be exported to multiple types of external files, i.e., Excel, CSV, text.
- **Access and Analyze Data.** Business Objects can empower your teams to achieve remarkable results by allowing personnel in your organization self-service access to relevant information. And by helping business users transform their decision making by providing fact-based, quality information regardless of where the data resides.

Business Objects collects and presents business intelligence information and provides:

- Complete viewing and interaction for query and analysis, reporting, and performance management
- Integrated collaboration with threaded discussions, intuitive navigation, and support for 3rd party documents
- Advanced scheduling and distribution capabilities making it easier to share information with others
- On Demand services that enable users to easily access a wide variety of shared information

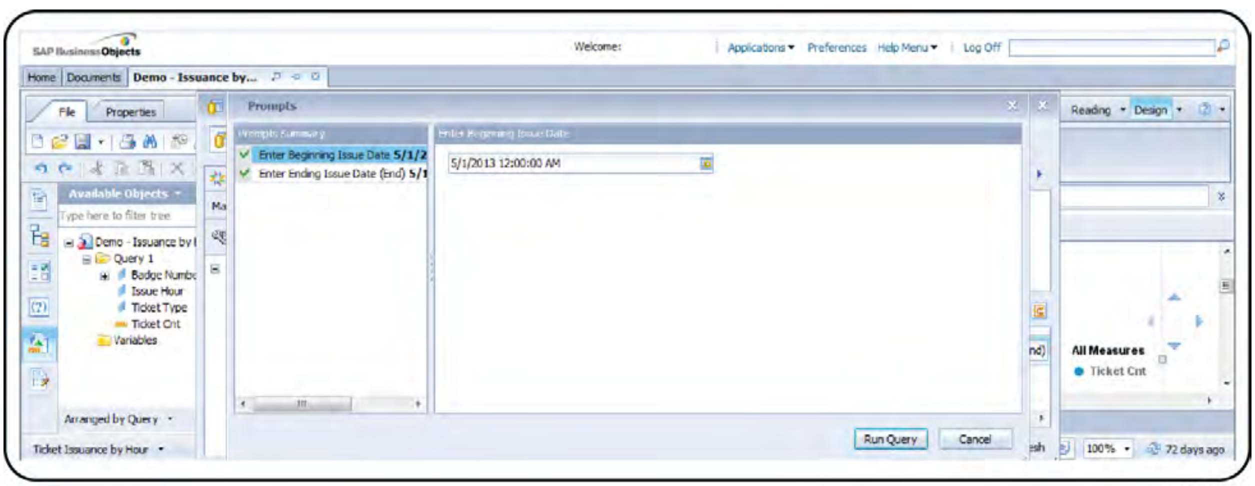
Business Objects is a web based reporting tool from software vendor SAP allowing the creation of various reports via queries. Creating ad-hoc reports within Business Objects is as easy as dragging a few business indicators onto a blank sheet. Users are presented with everyday business terms and no standard query language (SQL) knowledge is required. As shown in Exhibit A1a–1, users can select a previously created and saved report and simply change the parameters, then re-run. The report generator allows users to combine data easily and intuitively and permits drilling, slicing and dicing, advanced ranks and sorts, calculation creation, and complex graphing. Users can quickly create powerful, highly customizable reports that contain tables, charts, hyperlinks, and pictures.



031_MCPC

Exhibit A1a–1. Business Object Report Selection Page
Previously created reports are available for simple date and parameter changes.

We will work with the your users to establish routine reports as well as assist them with ad-hoc queries, an example of which appears in Exhibit A1a–2. Users may set up reports to run on a schedule or on a pre-determined recurring basis. All reports are available via the web browser on the user's desktop, making it easy to export and incorporate the data retrieved from the reports into other applications, such as Excel or Word. Printing the reports is as easy as clicking a button.



040_MCPC

Exhibit A1a–2. Business Objects Report
Sample of a Business Objects query.

Training and advice on report creation and modification will be routinely provided by Xerox.

This tool provides a wealth of information regarding your data, such as issuance, payment and adjudication statistics, as well as the ability to provide trend and variance analysis reporting, workload balancing tracking and monitoring, and productivity analysis.

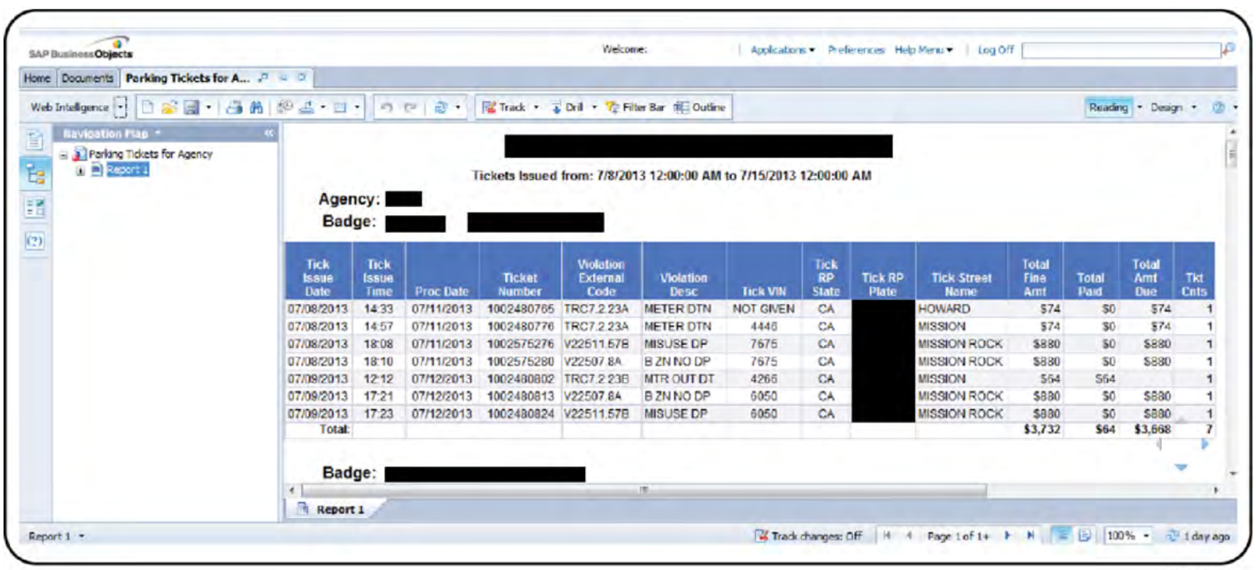
The Business Objects ad-hoc reporting tool allows the user to easily generate and manipulate standard reports. Users are able to start with either a new query or modify an existing query. Objects within Business Objects are organized into intuitive categories, no matter where they reside within the database. Given that most users do not have a complete understanding of the structure of the data beneath the tool, this feature allows for a more useful and efficient way to categorize the data. Once expanded, the user can view available data elements to help develop their query. The query is separated into two work areas, which allows the user to define the data elements needed in both the result set and in the query criteria. Data elements can be used both as a display and as restrictions.

Once the query is executed, a report is returned. Users may readily manipulate a report's stylistic parameters (e.g., color, font, borders and shading, line and page breaks) and may include filters, sorting, ranking, calculations, functions, and variables.

Ranking enables a user to view both the largest numbers and the smallest numbers in a report. Once the ranking threshold has been determined, the Business Objects ad-hoc tool hides the data that does not need to be displayed. The hidden data is not deleted from the report and can be viewed simply by removing the ranking. Ranking also sorts the data in descending order. Additionally, users can rank Top 10/Bottom 10 and perform other powerful ranking functions.

Filtering enables a user to select specific valid values to be displayed in the report, although much more data has returned in the query. This allows the user to display only pertinent information without having to limit the query conditions. Although the data is hidden from the report, it is still available and can be accessed simply by deleting the filter.

Exhibit A1a–3 is an example of the Business Objects interface and typical report layout.



Tick Issue Date	Tick Issue Time	Proc Date	Ticket Number	Violation External Code	Violation Desc	Tick VIN	Tick RP State	Tick RP Plate	Tick Street Name	Total Fine Amt	Total Paid	Total Amt Due	Tkt Cnts
07/08/2013	14:33	07/11/2013	1002480765	TRC7.2.23A	METER DTN	NOT GIVEN	CA	[redacted]	HOWARD	$74	$0	$74	1
07/08/2013	14:57	07/11/2013	1002480776	TRC7.2.23A	METER DTN	4446	CA		MISSION	$74	$0	$74	1
07/08/2013	18:08	07/11/2013	1002575276	V22511.57B	MISUSE DP	7675	CA		MISSION ROCK	$880	$0	$880	1
07/08/2013	18:10	07/11/2013	1002575280	V22507.8A	B ZN NO DP	7675	CA		MISSION ROCK	$880	$0	$880	1
07/09/2013	12:12	07/12/2013	1002480802	TRC7.2.23B	MTR OUT DT	4266	CA		MISSION	$64	$64		1
07/09/2013	17:21	07/12/2013	1002480813	V22507.8A	B ZN NO DP	6050	CA		MISSION ROCK	$880	$0	$880	1
07/09/2013	17:23	07/12/2013	1002480824	V22511.57B	MISUSE DP	6050	CA		MISSION ROCK	$880	$0	$880	1
Total:										$3,732	$64	$3,668	7

Exhibit A1a–3. Sample Business Objects Report

Business Objects can be used to plan and schedule resource-intensive reports. This feature saves significant time for users in terms of report development timeframes. Large reports can be scheduled to run overnight so as not to impact performance during peak hours. Additionally, users may retrieve and send reports through email or secure FTP.

Users may request an action only if a specified condition is met within the report by using the Condition function. The user creates a particular condition and further actions can be taken only if the defined criterion is reached.

Our solution for reporting for this program is to harness the functionality of Business Objects to service your business and program needs. Xerox's Business Objects solution will enable authorized users to easily create reports such as officer by badge or agency to include the listing of citations issued for specified periods, patrol routes, or locations. Xerox will assist you in creating canned reports for the Business Objects "Issuance" folder that users can select and simply change date range, officer badge number or agency number and execute to obtain reports as needed.

Our Business Object Solution is also fully integrated with our BI Mobile and Desktop Widgets. Xerox will provide iPads to you to access the BI Mobile reports described below. These solutions give our users the ability to generate reports from most mobile devices, iPad, iPhone and Android devices or have pre-defined reports readily available directly from their desktops. Our Business Objects, easy to use, client interface is the tool utilized to create all the reports that are delivered through the Business Objects Online application, Mobile BI or Widgets. A key element is that reports are only generated once and can be delivered through the different sources.

The exhibits shown below is the launch pad on the iPad showing a subset of reports that have been mobile-enabled. The launch pad provides the mobile user easy access to their reports. Simply clicking the graphic will retrieve the report and present it on the mobile device. The following exhibits display sample reports on the iPad and iPhone. Exhibit A1a–4 is an example of the BO Mobile iPad main page.

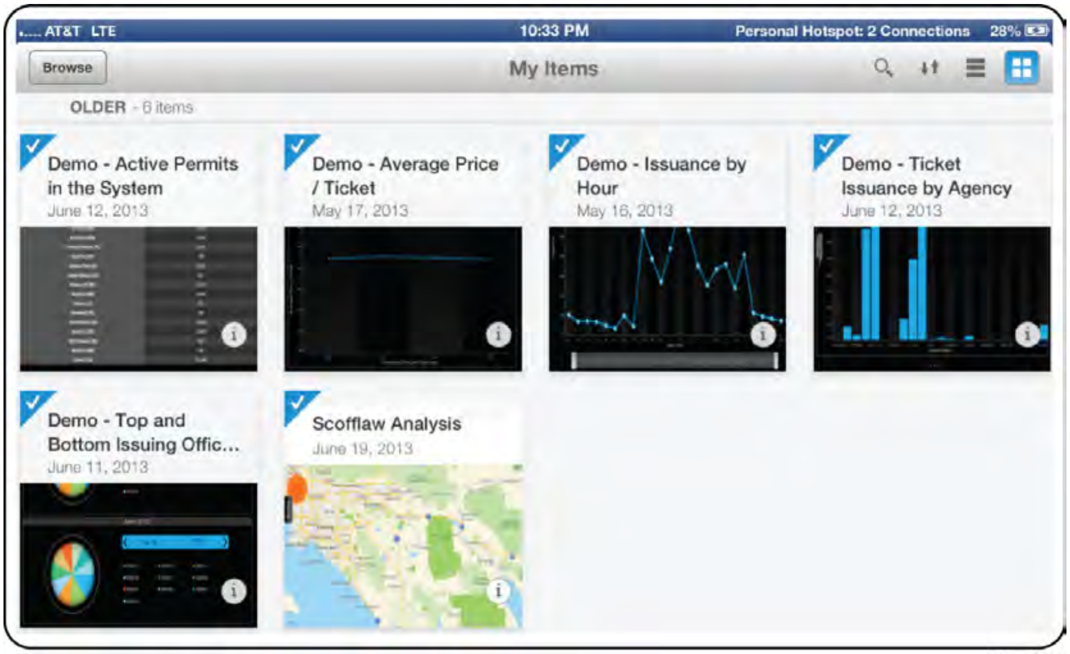
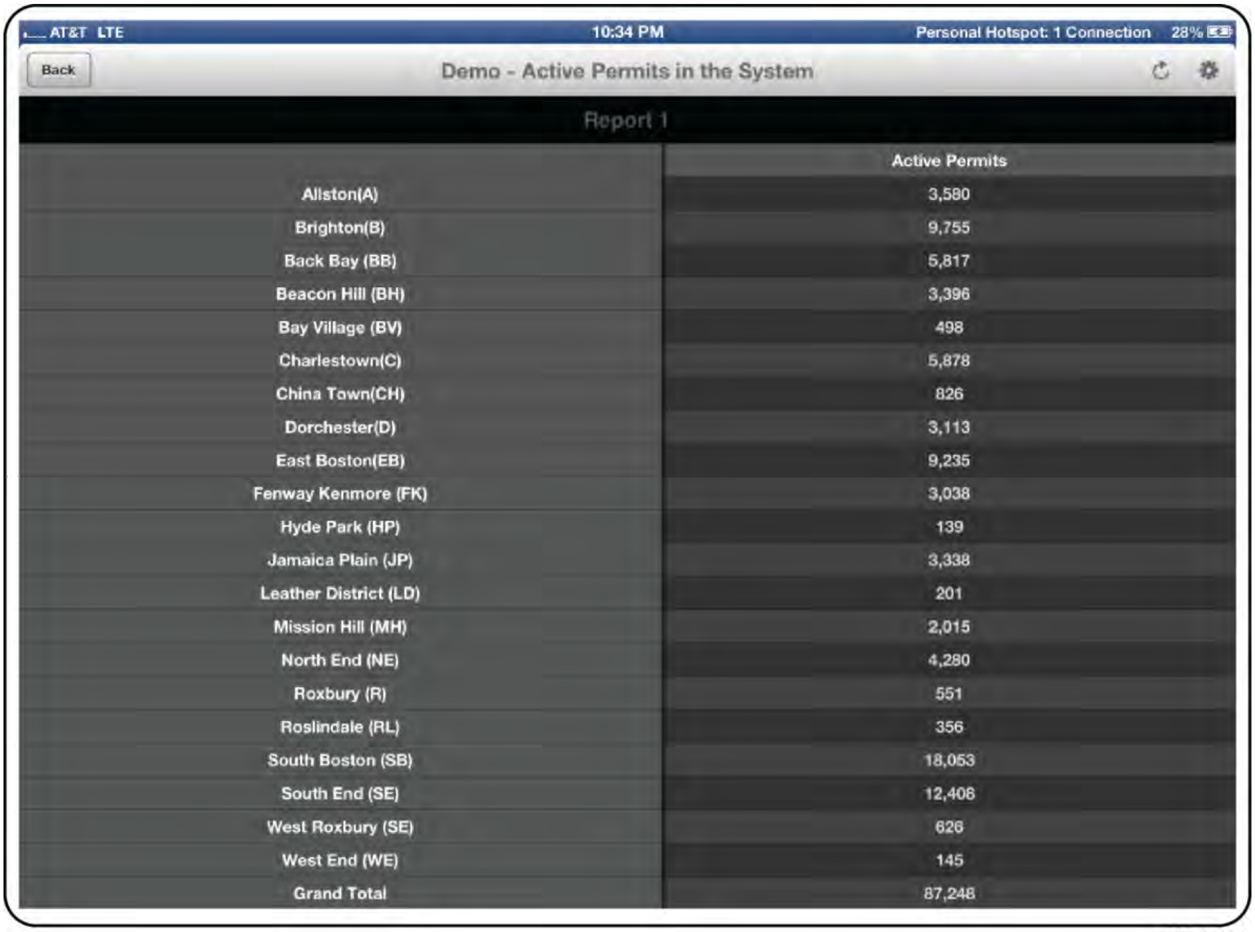


Exhibit A1a–4. Business Objects Mobile iPad main page

Exhibit A1a–5 is an example of the BO Mobile iPad Listing Report. Simply sliding the report up and down provides the ability to scroll through the data.



	Active Permits
Allston(A)	3,580
Brighton(B)	9,755
Back Bay (BB)	5,817
Beacon Hill (BH)	3,396
Bay Village (BV)	498
Charlestown(C)	5,878
China Town(CH)	826
Dorchester(D)	3,113
East Boston(EB)	9,235
Fenway Kenmore (FK)	3,038
Hyde Park (HP)	139
Jamaica Plain (JP)	3,338
Leather District (LD)	201
Mission Hill (MH)	2,015
North End (NE)	4,280
Roxbury (R)	551
Roslindale (RL)	356
South Boston (SB)	18,053
South End (SE)	12,406
West Roxbury (SE)	626
West End (WE)	145
Grand Total	87,248

043_MCPC

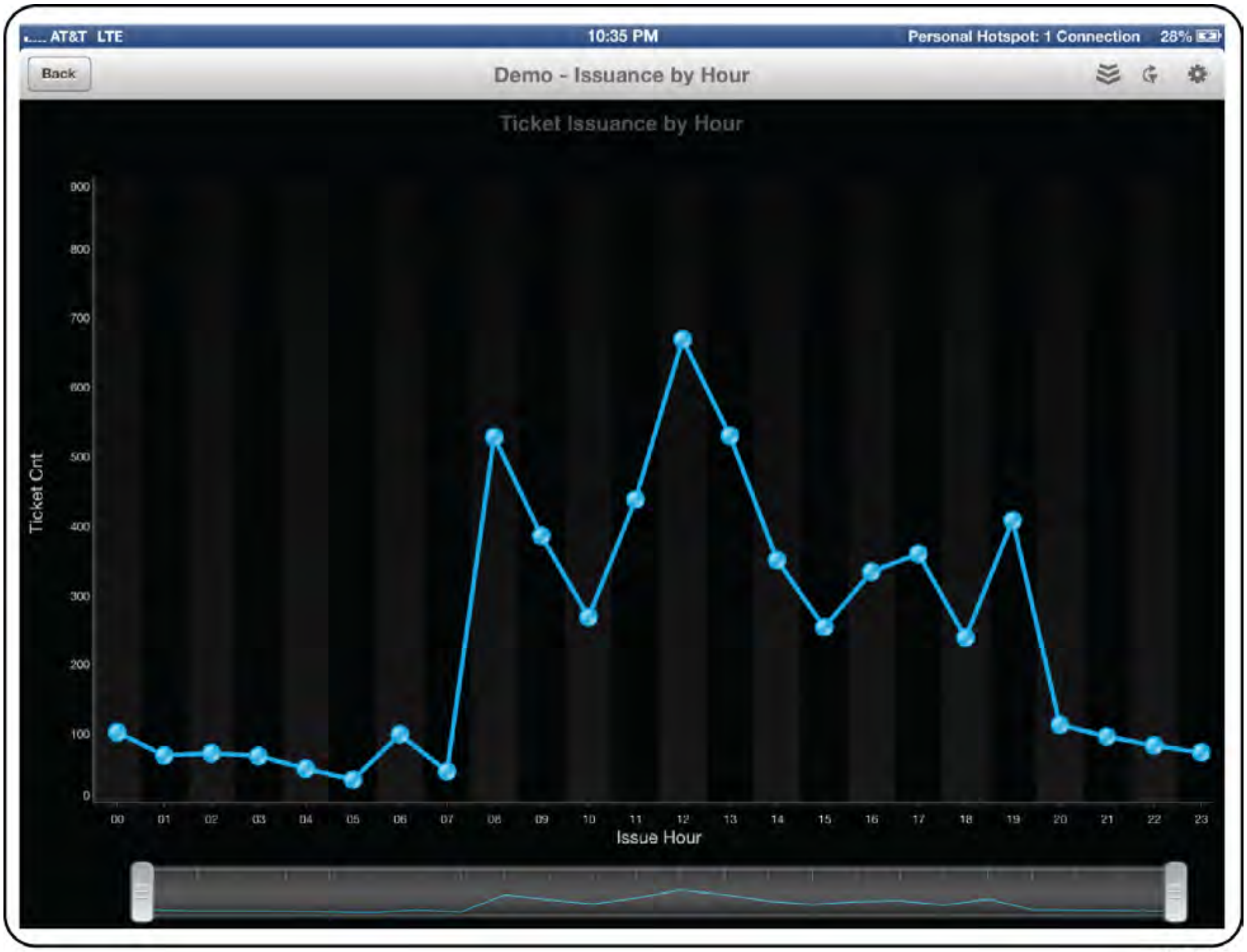
Exhibit A1a–5. Sample Business Objects Mobile Listing Report

Exhibit A1a–6 is an example of the BO Mobile iPad Graphical Displayed Report – Pie Chart. The example below has two reports incorporated into a single output to present the data to the end users. Sliding the handle on the pie chart, using the arrows in the navigation bar or clicking the officer number are all methods to select the data to display.

044_MCPC

Exhibit A1a–6. Sample Business Objects Mobile Graphical Displayed Report – Pie Chart

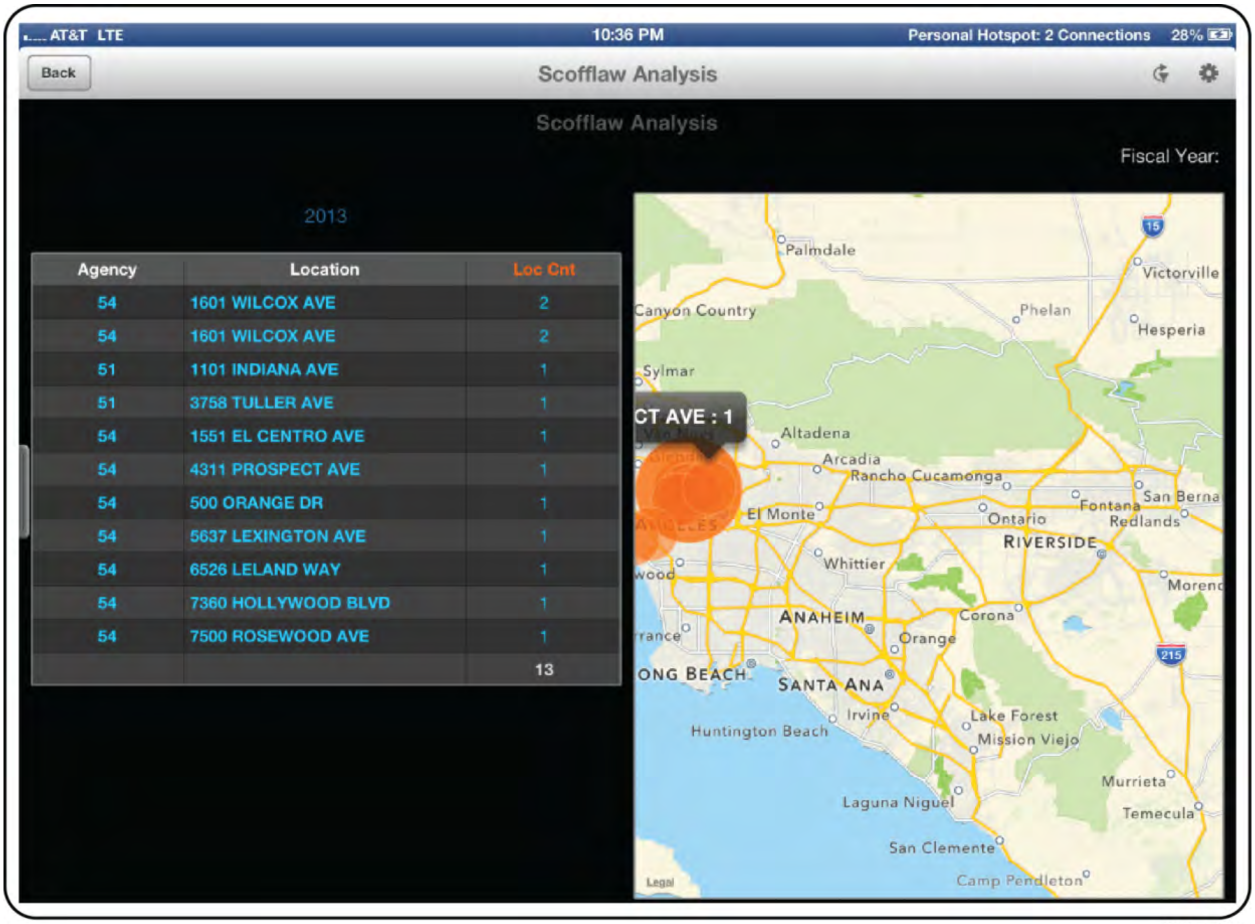
Exhibit A1a–7 is an example of the BO Mobile iPad Graphical Displayed Report – Line Chart. The key points on the line chart provide the ability to drill down to additional detail pertaining to the elements related to that specific result.



045_MCPC

Exhibit A1a–7. Sample Business Objects Mobile Graphical Displayed Report – Line Chart

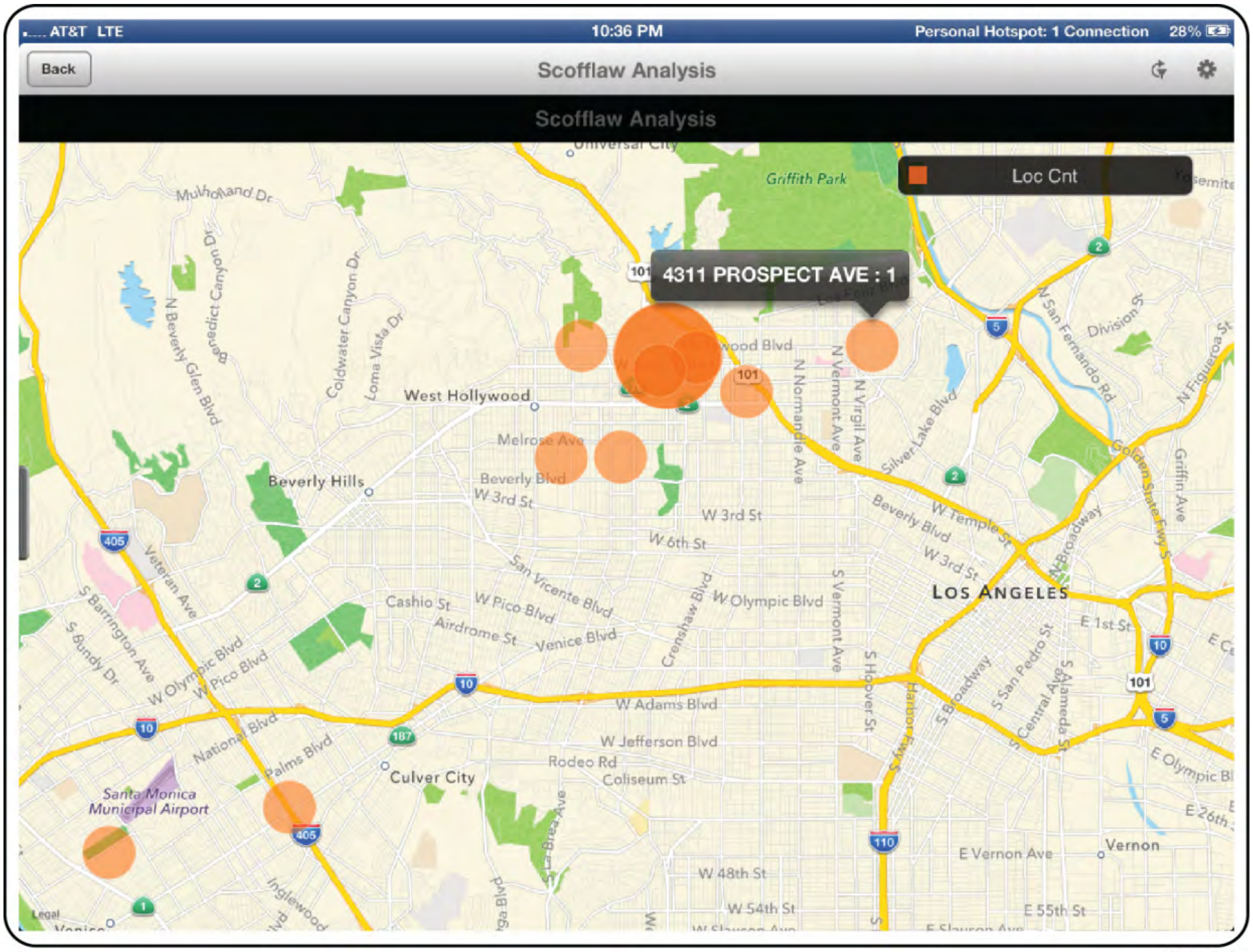
Exhibit A1a–8 is an example of the BO Mobile iPad Graphical Displayed Report – Map. Data presented on a map can be analyzed down to a street level view.



046_MCPC

Exhibit A1a–8. Sample Business Objects Mobile Graphical Displayed Report – Map

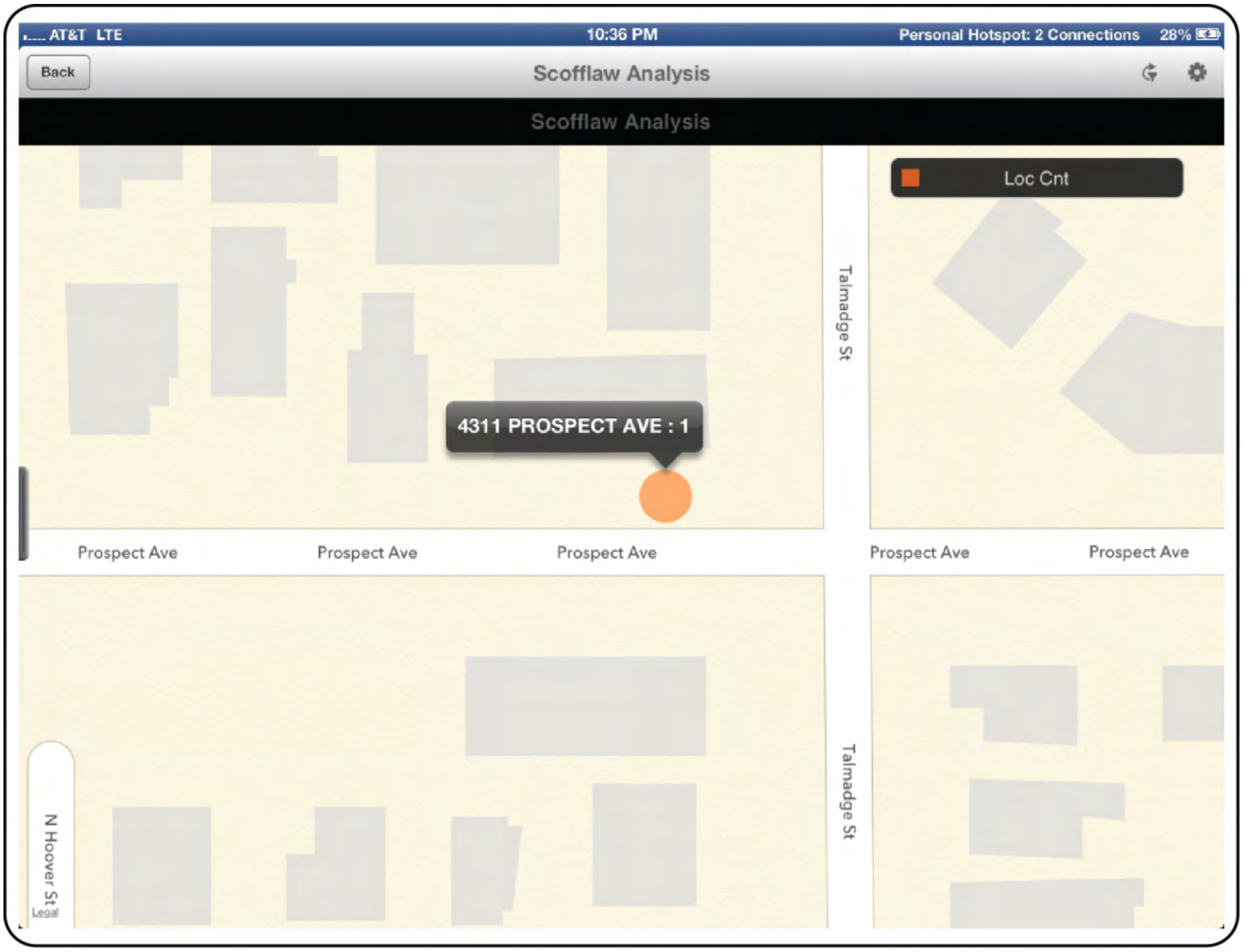
Exhibit A1a–9 is an example of the BO Mobile iPad Graphical Displayed Report – Map Zoomed In



047_MCPC

Exhibit A1a–9. Sample Business Objects Mobile Graphical Displayed Report – Map Zoomed In

Exhibit A1a–10 is an example of the BO Mobile iPad Graphical Displayed Report – Map Zoomed Into Street Level.



048_MCPC

Exhibit A1a–10. Sample Business Objects Mobile Graphical Displayed Report – Map Zoomed Into Street Level

Exhibit A1a–11 is an example of the BO Mobile iPhone Main Page. Similar to the iPad functionality, the iPhone displays the information taking into account the available display space on the device.

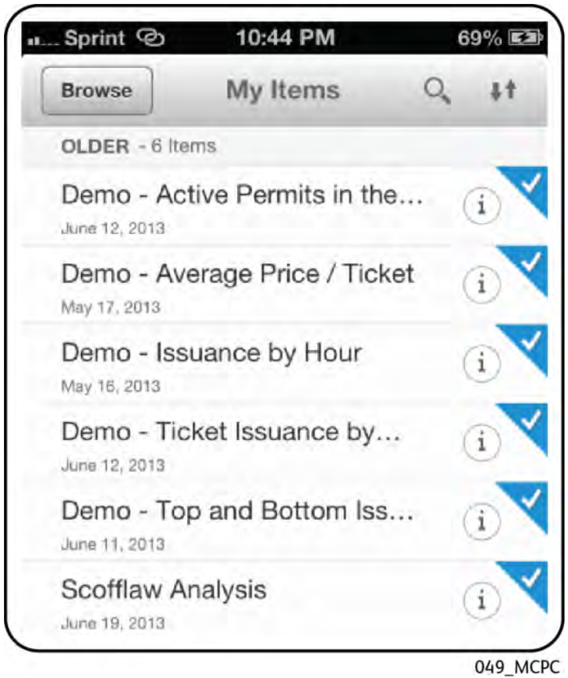
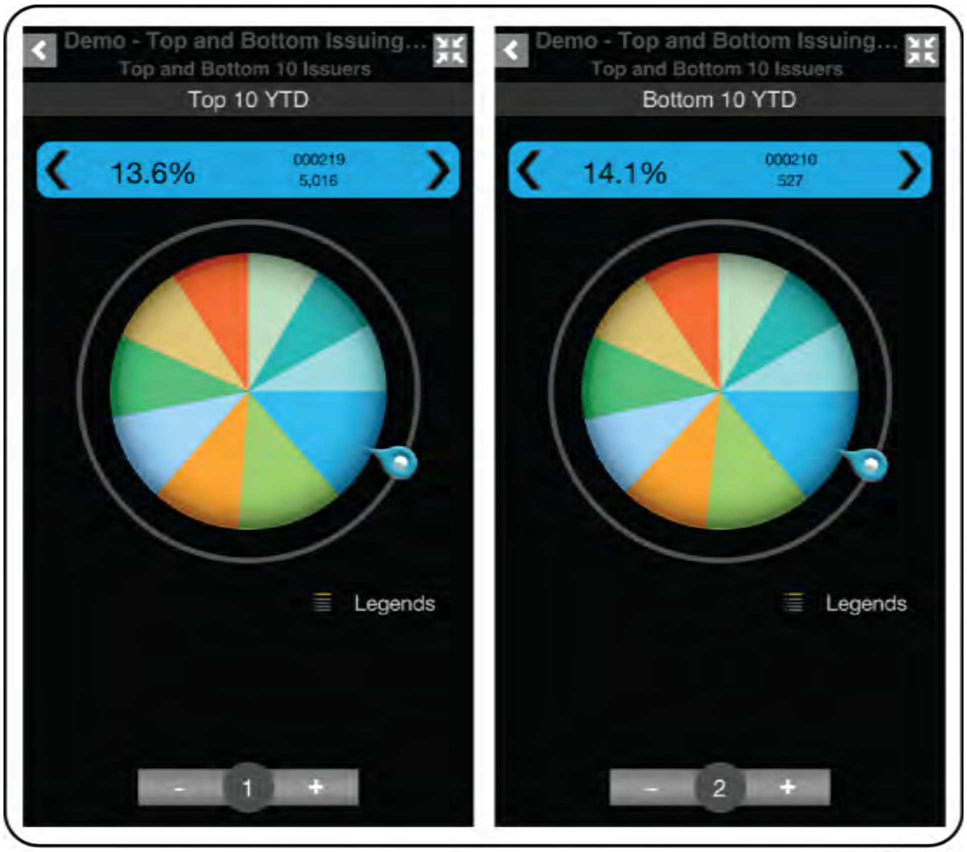


Exhibit A1a–11. Sample Business Objects Mobile iPhone Main Page

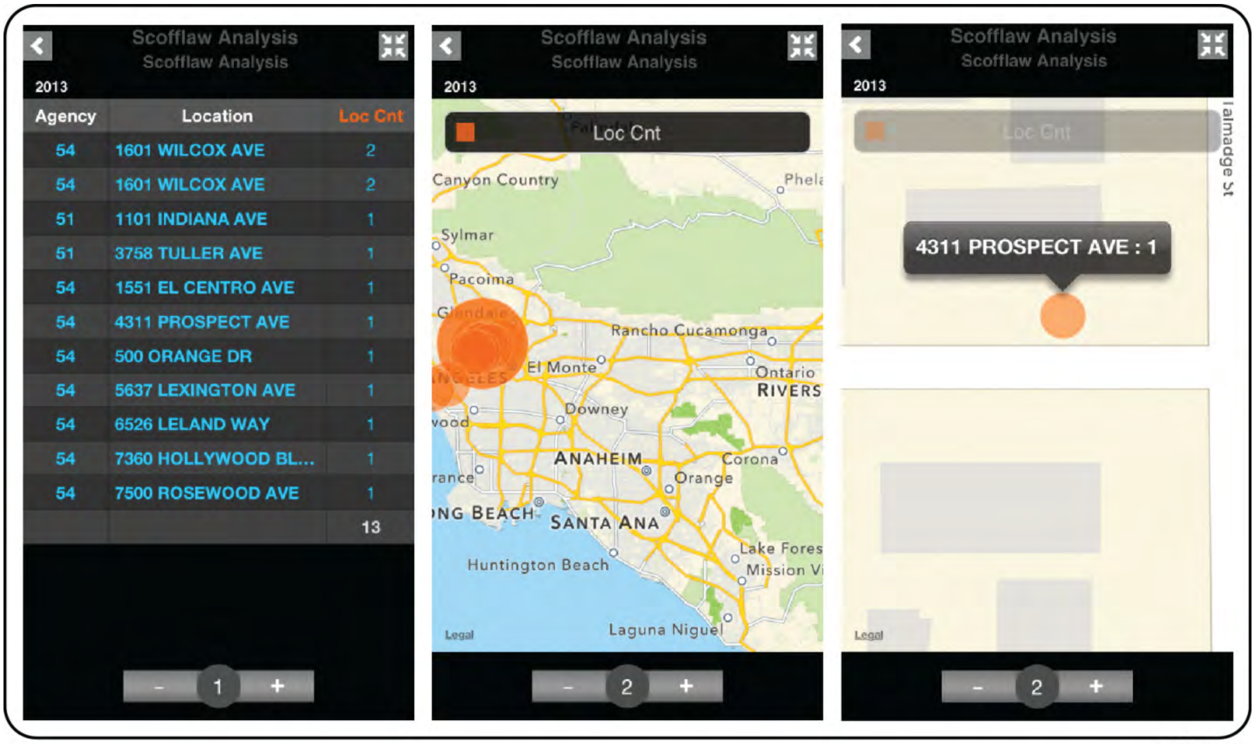
Exhibit A1a–12 is an example of the BO Mobile iPhone Graphical Displayed Report – Pie Chart. This report on the iPad was displayed as a single page but is automatically reformatted on the iPhone to present in the optimum method.



050_MCPC

Exhibit A1a–12. Sample Business Objects Mobile Graphical Displayed Report – Pie Chart

Exhibit A1a–13 is an example of the BO Mobile iPhone Graphical Displayed Report – Map. Image 1 is the table content, Image 2 is the default map display and Image 3 is a zoomed in street level view.



051_MCPC

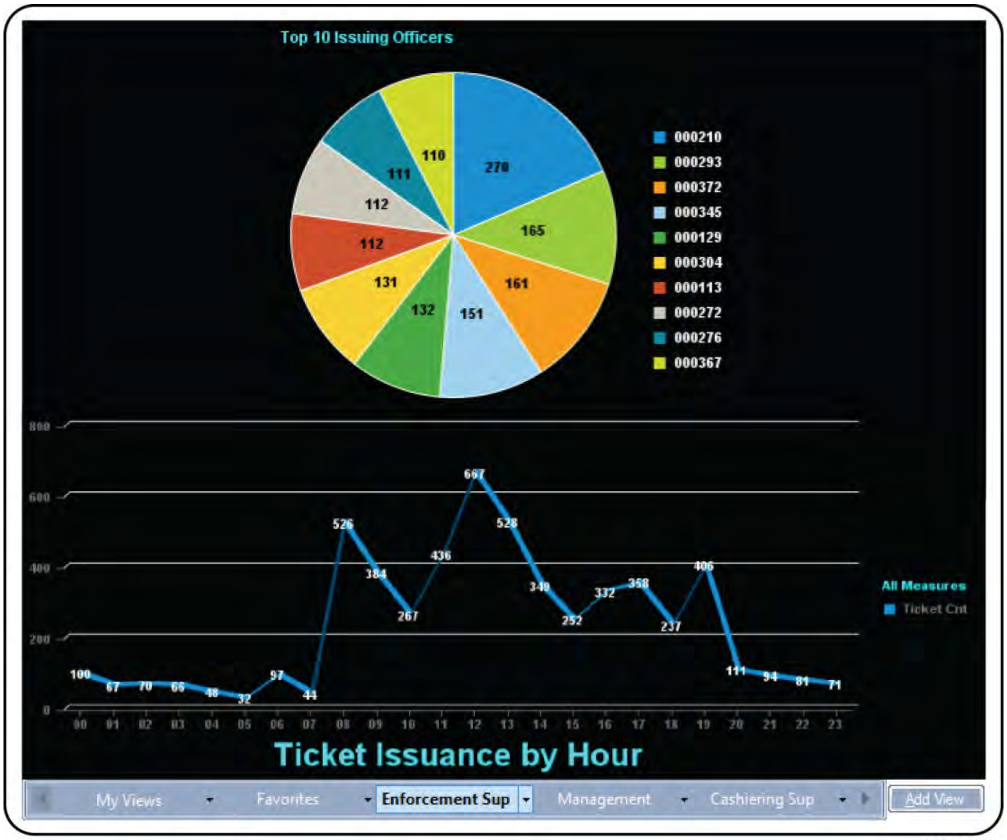
Exhibit A1a–13. Sample Business Objects Mobile Graphical Displayed Report – Map

Exhibit A1a–14 is an example of the BO Widget Toolbar. The categories on the Toolbar are user configured and different reports can be associated to the different view categories.

052_MCPC

Exhibit A1a–14. Sample Business Objects Widget Toolbar

Exhibit A1a–15 is an example of a specified view on the desktop for an Enforcement Supervisor which has been associated to two reports, issuance by hour and top 10 issuers.



053_MCPC

Exhibit A1a–15. Sample Business Objects Widget Toolbar

The views are configurable by user and the user has access to all Business Object Reports which they are permitted to access.

In conclusion, our multi-faceted management reporting solution provides you with an unparalleled array of report titles, formats, contents and delivery options that is unmatched in the industry. Following contract award and as an integral part of our transition and implementation plan, we will meet with you to review the reports available, identify those that meet the requirements or need modification, develop delivery frequencies and distribution protocols. On an on-going basis for the life of the contract, we will assist you with the creation of new reports as the need arises to meet new reporting requirements.

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Service Organization Control (SOC1) Report on the Suitability of the Design and Operating Effectiveness of the Controls

November 16, 2012

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Service Organization Control (SOC 1SM) Report on the Suitability of the Design and Operating Effectiveness of Controls

Tarrytown Data Center
For the Period November 1, 2011
to September 30, 2012

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I. Independent Service Auditors' Report

KPMG LLP
Suite 3100
717 North Harwood Street
Dallas, TX 75201-6585

Independent Service Auditors' Report

Xerox Services IT Risk Governance Board:

Scope

We have examined Xerox Business Services, LLC's (Xerox) description of its Tarrytown Data Center system throughout the period November 1, 2011 to September 30, 2012 (description) and the suitability of the design and the operating effectiveness of controls to achieve the related control objectives stated in the description. The description indicates that certain control objectives specified in the description can be achieved only if complementary user entity controls contemplated in the design of Xerox's controls are suitably designed and operating effectively, along with related controls at the service organization. We have not evaluated the suitability of the design or the operating effectiveness of such complementary user entity controls.

The information in Section V of management's description of the service organization's system, "Other Information Provided by Xerox Business Services, LLC," that describes management's response to control exceptions and information about disaster recovery, is presented by management of Xerox to provide additional information and is not a part of Xerox's description of its system made available to user entities during the period November 1, 2011 to September 30, 2012. Information about management's response to control exceptions and information about disaster recovery has not been subjected to the procedures applied in the examination of the description of the system and of the suitability of the design of controls to achieve the related control objectives stated in the description of the system, and, accordingly, we express no opinion on it.

Service organization's responsibilities

In its description, Xerox has provided an assertion about the fairness of the presentation of the description, the suitability of the design and the operating effectiveness of the controls to achieve the related control objectives stated in the description. Xerox is responsible for preparing the description and for the assertion, including the completeness, accuracy, and method of presentation of the description and the assertion, providing the services covered by the description, specifying the control objectives and stating them in the description, identifying the risks that threaten the achievement of the control objectives, selecting and using suitable criteria, and designing, implementing, and documenting controls to achieve the related control objectives stated in the description.

Service auditor's responsibilities

Our responsibility is to express an opinion on the fairness of the presentation of the description, the suitability of the design and the operating effectiveness of the controls to achieve the related control objectives stated in the description, based on our examination. We conducted our examination in accordance with attestation standards established by the American Institute of Certified Public Accountants and in accordance with International Standard on Assurance Engagements 3402, “Assurance Reports on Controls at a Service Organization,” issued by the International Auditing and Assurance Standards Board. Those standards require that we plan and perform our examination to obtain reasonable assurance about whether, in all material respects, the description is fairly presented and the controls were suitably designed and operating effectively to achieve the related control objectives stated in the description throughout the period November 1, 2011 to September 30, 2012.

An examination of a description of a service organization’s system, and the suitability of the design and the operating effectiveness of the service organization’s controls to achieve the related control objectives stated in the description involves performing procedures to obtain evidence about the fairness of the presentation of the description, the suitability of the design and the operating effectiveness of those controls to achieve the related control objectives stated in the description. Our procedures included assessing the risks that the description is not fairly presented and that the controls were not suitably designed or operating effectively to achieve the related control objectives stated in the description. Our procedures also included testing the operating effectiveness of those controls that we consider necessary to provide reasonable assurance that the related control objectives stated in the description were achieved. An examination engagement of this type also includes evaluating the overall presentation of the description and the suitability of the control objectives stated therein, and the suitability of the criteria specified by the service organization and described in management’s assertion. We believe that the evidence we obtained is sufficient and appropriate to provide a reasonable basis for our opinion.

Inherent limitations

Because of their nature, controls at a service organization may not prevent, or detect and correct, all errors or omissions in processing or reporting transactions. Also, the projection to the future of any evaluation of the fairness of the presentation of the description, or conclusions about the suitability of the design or operating effectiveness of the controls to achieve the related control objectives is subject to the risk that controls at a service organization may become inadequate or fail.

Opinion

In our opinion, in all material respects, based on the criteria described in Xerox’s assertion, (1) the description fairly presents the Tarrytown Data Center system that was designed and implemented throughout the period November 1, 2011 to September 30, 2012, (2) the controls related to the control objectives stated in the description were suitably designed to provide reasonable assurance that the control objectives would be achieved if the controls operated effectively throughout the period November 1, 2011 to September 30, 2012, and user entities applied the complementary user entity controls contemplated in the design of Xerox’s controls throughout the period November 1, 2011 to September 30, 2012, and (3) the controls tested, which together with the complementary user entity controls referred to in the scope paragraph of this report, if operating effectively, were those necessary to provide reasonable assurance that the control objectives stated in the description in Section III were achieved, operated effectively throughout the period November 1, 2011 to September 30, 2012.

Description of tests of controls

The specific controls tested and the nature, timing, and results of those tests are listed in Section IV.

Restricted use

This report, including the description of tests of controls and results thereof in Section IV, is intended solely for the information and use of Xerox, user entities of Xerox Tarrytown Data Center system during some or all of the period November 1, 2011 to September 30, 2012, and the independent auditors of such user entities, who have a sufficient understanding to consider it, along with other information including information about controls implemented by user entities themselves, when assessing the risks of material misstatements of user entities' financial statements. This report is not intended to be and should not be used by anyone other than these specified parties.

KPMG LLP

Dallas, Texas

November 15, 2012

II. Xerox Business Services, LLC's Management Assertion

Xerox Business Services, LLC's Management Assertion

We have prepared the description of Xerox's Tarrytown Data Center system for user entities of the system (description) during some or all of the period November 1, 2011 to September 30, 2012 and their user auditors who have a sufficient understanding to consider it, along with other information, including information about controls implemented by the user entities of the system themselves, when assessing the risks of material misstatements of the user entities financial statements. We confirm, to the best of our knowledge and belief, that:

a. the description fairly presents the Tarrytown Data Center system made available to the user entities of the system during some or all of the period November 1, 2011 to September 30, 2012 for providing technology hosting and management services. The criteria we used in making this assertion were that the description
   i. presents how the system made available to the user entities of the system was designed and implemented to provide relevant technology hosting and management services , including
      1) the types of services provided.
      2) the procedures, within both automated and manual systems, by which services are provided.
      3) the correction of incorrect information and how information is transferred to the reports and other information prepared for user entities.
      4) how the system captures significant events and conditions.
      5) the process used to prepare reports or other information for user entities.
      6) the specified control objectives and controls designed to achieve those objectives, including as applicable, complementary user entity controls contemplated in the design of Xerox's controls.
      7) other aspects of our control environment, risk assessment process, information and communication systems including related business processes), control activities, and monitoring controls that are relevant to the user entities of the system.
   ii. does not omit or distort information relevant to the scope of the Tarrytown Data Center system, while acknowledging that the description is presented to meet the common needs of a broad range of user entities of the system and their financial statement auditors, and may not, therefore, include every aspect of the Tarrytown Data Center system that each individual user entity of the system and its auditor may consider important in its own particular environment.
   iii. includes relevant details of changes to the system during the period covered by the description.
b. the controls related to the control objectives stated in the description were suitably designed and operating effectively throughout the period November 1, 2011 to September 30, 2012 to achieve those control objectives. The criteria we used in making this assertion were that:
   i. the risks that threaten the achievement of the control objectives stated in the description have been identified by management;
   ii. the controls identified in the description would, if operating as described, provide reasonable assurance that those risks would not prevent the control objectives stated in the description from being achieved; and
   iii. the controls were consistently applied as designed, including whether manual controls were applied by individuals who have the appropriate competence and authority.

Xerox Business Services, LLC

November 15, 2012

Management's Assertion Process

Management developed and implemented a process with the assistance of Internal Audit Services to help ensure that management's assertion about whether, in all material respects, and based on suitable criteria,

- the description of the system fairly presents the system that was designed and implemented throughout the period.
- the controls related to the control objectives stated in the description of the system were suitably designed throughout the period to achieve those control objectives.
- the controls related to the control objectives stated in the description of the system operated effectively throughout the period to achieve those control objectives.

Management's assertion process was designed to leverage the knowledge and experience of many employees, including, but not limited to, senior management, business unit leaders, and control owners, and management utilized suitable criteria as the basis for the assertion as documented in the description of the system.

Through the assertion process, management evaluated the control objectives as part of the description of the system. Management also identified and documented the risks that could threaten achievement of the control objectives and the controls designed to mitigate those risks to an acceptable level to achieve the control objectives.

Monitoring of the controls is the process to assess the effectiveness of internal control performance over time. Management accomplishes monitoring of controls through ongoing activities, separate evaluations, or a combination of the two. Ongoing monitoring activities are often built into the normal recurring activities and include regular management and supervisory activities. Monitoring activities may also include using information communicated by external parties, such as customer complaints and regulator comments, which may indicate potential problems or highlight areas in need of improvement.

This assertion process is designed to evaluate the effectiveness of controls on a timely basis, identifying and reporting potential deficiencies to appropriate individuals for evaluation, and taking corrective actions when necessary. The owners of identified risks that could threaten the achievement of the control objectives provide documented evidence demonstrating the mitigation of those risks to an acceptable level, and they report on a periodic basis to confirm the design, implementation and effectiveness of the controls that mitigate those risks.

This process is used to provide timely updates to the system, and to provide management with a reasonable basis for the assertion.

III. Description of the System Provided by Xerox Business Services, LLC

Overview of the Company

Xerox is one of the world's leading enterprises for business process and document management. Its technology, expertise and services enable workplaces – from small businesses to large global enterprises – to simplify the way work gets done so they operate more effectively and focus more on what matters most: their real business. Xerox offers business process outsourcing and IT outsourcing services, including data processing, healthcare solutions, HR benefits management, finance support, transportation solutions, and customer relationship management services for commercial and government organizations worldwide. The company also provides extensive leading-edge document technology, services, software and genuine Xerox supplies for graphic communication and office printing environments of any size. Xerox serves clients in more than 160 countries.

For more information, visit www.xerox.com, www.news.xerox.com, www.realbusiness.com or www.xerox.com/businessservices. For investor information, visit www.xerox.com/investor.

Overview of Operations Related to Tarrytown Data Center

Xerox delivers proven client results, aggressive growth, leading BPO position, experienced leadership, and outstanding performance.

Xerox provides hardware and operating systems software support to Xerox's outsourcing operations. Outsourcing users normally migrate their in-house data processing to one of the Technology Services data centers, and may continue to maintain and enhance their application programs and schedule and initiate processing, using computer and network resources provided by Xerox. In other instances, Xerox maintains and enhances application programs for the customer. Xerox owns certain proprietary application software used to provide services to commercial users and also licenses a variety of software applications from various vendors under perpetual or renewable term licenses.

The Tarrytown Data Center provides data processing services to its users 24 hours a day, 7 days a week on a variety of mainframe and midrange computers.

Relevant Aspects of the Control Environment, Risk Assessment Process, and Monitoring

Control Environment

Integrity and Ethical Values

Xerox Business Services, LLC ("Xerox") has instituted a Corporate Ethics Program designed to instill a climate of integrity and ethical values, which are critical to the establishment and maintenance of an effectively controlled organization. Our Corporate Ethics Program includes an Ethics and Ombudsman Office, which administers the Company Dispute Resolution Program, and Ethics Help-Line. It also communicates and disseminates ethics program materials, tracks and monitors ethics awareness and compliance training for each employee, while evaluating and improving the program effectiveness.

The principal element of the ethics program includes the Code of Ethical Business Conduct available to all employees. The principles and policies included in the Code address the following areas – Ethics, Legal Compliance, Data Privacy, Safety, and IT Security. Our employees are required to complete a New Hire Ethics Training course upon employment. Annually, management staff must certify and acknowledge compliance with the Code and every year all employees must refresh their understanding and commitment to the Code of Ethical Business Conduct by completing the Code of Ethical Business Conduct training. The training details expectations of the Code to include, compliance with laws, rules, and regulations, ethical considerations in business, and responding to ethical violations.

Commitment to Competence

Our values and commitment to competence begin with Human Resources documentation of the employee hiring and promotion processes. Job descriptions are created and maintained for each key position. Further, our commitment to quality and competence is evidenced by the fact that the skills and knowledge base of employees are fairly monitored and evaluated and are supported by the employee review process, and staff training and development. Key management practices are incorporated into the performance appraisal process.

Xerox Services IT Risk Governance Board

The Xerox Services IT Risk Governance Board is a board comprised principally of senior management. The purpose of the board is to review overall IT strategy, policies/procedures and baselines, key initiatives, security, and audits and engagements conducted for clients, mainly consisting of Service Organization Control examinations. The board meets regularly during the year.

Human Resources Policies and Practices

People are the key to our success and Human Resources is our people department. Its goal is to build an organization of excellent employees in an environment that encourages maximum development and professional growth. We are committed to respecting and supporting one another, regardless of physical differences, beliefs or personal values. It is on the basis of this respect that all dealings with people are pursued. The commitment is expressed in our personnel policies and related Human Resource programs. This begins with the recruiting process, which is the joint responsibility of the Operations' hiring managers and the Recruiting Department.

We are an equal opportunity employer and are committed to an active non-discrimination program. Decisions on employment are made based on each individual's qualifications and merit without regard to race, color, creed, religion, ancestry, national origin, age, gender/sex, marital status, sexual orientation, physical or mental disability, use of a guide dog or service animal, military/veteran status, citizenship status, the basis of genetic information, or any other group protected by Federal or State law or local ordinance. This approach extends to every phase of the employment process including recruiting, hiring, training, promotion, compensation, benefits, transfers, and company-sponsored educational, social and recreational programs. The department is committed to adding value to our community while providing exceptional customer service to every employee.

Risk Assessment Process

We have placed into operation a risk assessment process to identify and manage risks that could affect our ability to provide reliable transaction processing for user organizations. This process requires management to identify significant risks in their areas of responsibility and to implement appropriate measures to address those risks. Our Risk Management objectives include successfully identifying and analyzing risks to our services and organizations. Appropriate mitigation activities are established, monitored and controlled to reduce the risk to an appropriate level.

The focus of our business strategy is on new business opportunities, financial risks, service delivery risks and business impact risks and this focus is communicated to all levels of personnel. The results of planning activities are formally communicated to managers who disseminate such information to their subordinates by way of daily direction of their work activity.

Monitoring

Monitoring activities focus on the measurement of operations based on customer requirements. Effectively carrying out these activities ensures we consistently maintain customer satisfaction. Performance targets, such as system uptime and problem resolution turnaround, are geared toward adequately meeting customer standards. These are measurable as evidenced by the existence of customer contractual conditions.

On a regular basis, operations meetings are held with the management of all relevant operations departments. Performance standards and the reporting of exceptions or disruptions that may have occurred since the previous meeting are discussed. Regular management reports are prepared identifying key processing areas.

We provide a number of enterprise automation system monitoring, event management and correlation tools that integrate with the ITSM (information technology service management) ticketing solution that is specifically designed and implemented to meet each customer's requirements. We continue to work with multiple vendors to ensure that we can meet the demanding changing business requirements in the marketplace from entry level up-down monitoring, to Web based availability and transactional monitoring, to a fully integrated database, application or ERP automated monitoring solution. Each solution offers its own unique capabilities and pricing structure based upon a predefined measurement of thresholds, intervals and alerts. We can achieve this multi-vendor environment by having an integrated single pane of glass for all monitoring tools that allows for full integration of all automated alerting software with a single view and integration point.

We have standardized the delivery offering with system monitoring to ensure a more unified KPI (key performance indicator) baseline for each service offering available. A template has been developed and approved by the strategic business unit ("SBU") representative to ensure that the best practices in the industry are utilized within each offering to proactively monitor each device within the customers' environment. These KPI's are defined for each service offering and encompass a probe, which functions to capture the data and automatically report and alert based upon the interval threshold, and ensures the correct action and severity level is issued for notification and alerting.

Information and Communication

Information Systems

Mainframe Equipment

The Tarrytown Data Center operates IBM's z/OS operating system, using an IBM mainframe supported by various peripheral devices. These peripheral devices include systems to control DASD management, problem management, change management, communications network management, tape library management, automated job scheduling, database management, data security, and access security. The data center uses RAID architecture and CMOS technology to help achieve fault-tolerant reliability.

Midrange Equipment

The Tarrytown Data Center operates several iSeries servers. Peripheral midrange devices include various tape subsystems. The Tarrytown Data Center also maintains UNIX, VMS, LINUX and Windows midrange systems. In addition, the Tarrytown Data Center provides capacity planning, automated job scheduling, message monitoring, security auditing and system performance monitoring. The Tarrytown Data Center supports various midrange systems, outsourcing services, processing and administrative support and internal corporate information systems.

Network Equipment

In addition to mainframe technology, the Tarrytown Data Center maintains a Wide Area Network ("WAN") to support production processing and product development, which is supported and monitored by Xerox from the Tarrytown Data Center. Tarrytown serves as the main communications network center for the Data Center Customer Base.

Tarrytown's hardware also includes modems, DSUs, multiplexers and routers to support lines of varying sizes. These products are also used in remote locations and at several client sites.

Communication

We have implemented various methods of communication to ensure all employees understand their individual roles and responsibilities over transaction processing and controls and to ensure significant events are communicated in a timely manner. These methods include orientation and training programs for newly hired employees and the use of electronic mail messages to communicate time-sensitive messages and information. Managers also hold periodic staff meetings as appropriate.

We have also implemented various methods of communication to ensure user entities understand the role and responsibilities we have in processing their transactions and to ensure significant events are communicated to users in a timely manner. These methods include active participation in user meetings, as well as the designation of a Service Delivery Manager/Strategic Business Unit Manager, who maintains contact with designated user representatives to inform them of new issues and developments. User organizations also are encouraged to communicate questions and problems to their liaison, and such matters are logged and tracked until resolved, with the resolution also reported to the user entity.

Personnel in our customer support unit provide ongoing communication with customers. The customer support unit maintains records of problems reported by customers, and problems or incidents noted during processing, and monitors such items until they are resolved. The customer support unit also communicates information regarding changes in processing schedules, system enhancements, and other information to customers. We regularly schedule meetings with the clients to review monthly service level reports (scorecards) and annually to review the annual surveys through a formalized Business Relationship process.

Control Objectives and Related Controls

Xerox's control objectives and related controls are included in Section IV of this report, "Xerox's Control Objectives and Related Controls and KPMG LLP's Description of Tests of Controls and Results of Tests," to eliminate the redundancy that would result from listing them in this section and repeating them in Section IV. Although the control objectives and related controls are included in Section IV, they are, nevertheless, an integral part of Xerox's description of the system.

Computer Operations

Control Objective 1: Controls provide reasonable assurance that processing is properly scheduled and deviations from scheduled processing are identified and resolved.

Production Control is organized to provide a central point for processing using automated job scheduling products. Where applicable, Production Control's responsibilities include creating, maintaining, and making permanent revisions to job schedules. The criteria for these schedules are defined by the client. Only authorized Production Control personnel have access to schedule and manage production batch schedules. Schedule changes are requested through service management software, e-mail, or other client preferred methods and must be received from authorized individuals.

Online or hard-copy documentation is maintained for each batch application. This documentation includes the instructions to help ensure proper processing of daily, monthly, and yearly jobs. The client is responsible for supplying job documentation. Additionally, these instructions can include job dependencies, narrative descriptions, and restart instructions.

An online incident/problem reporting and service request system is used to report problems encountered during production processing and tracks these through resolution. ICSE (Internal Control Systems Engineering) coordinates the problem-reporting system, which reviews, tracks, and reports problems. The system generates Daily Status Reports that include high impact items such as abends, delayed job processing, significant events, and other failure issues. The Enterprise Command Center team review problem reports during daily problem management meetings held each business day. Representatives attend these meetings from every functional group at Xerox. New and recurring high severity problems, potential problems, and user-specific outages or interruptions are also discussed during these meetings. Systems Availability personnel review and resolve any problems identified.

Computer Operations is responsible for monitoring and reporting abnormally ended jobs ("abends"), recovering production abends, and reporting unresolved production abends, as defined by client contacts. To meet clients' needs, Computer Operations is staffed 24 hours a day, 7 days a week in multiple shifts. There is an overlap between shifts, at which time personnel conduct shift turnover meetings to familiarize themselves with the status of processing at the beginning of their shifts. Pending jobs, processing problems, and special request jobs are reviewed at this time.

Backup and Tape Management

Control Objective 2: Controls provide reasonable assurance that data and system files are backed up on a scheduled basis and rotated to an offsite location.

Backups are performed in accordance with defined schedules. The backup schedule, rotation schedule, and retention period of tapes at the offsite storage facility are determined by the user organization. Backup jobs are monitored for successful completion and failures are tracked to resolution.

Access to the onsite tape library is restricted to authorized personnel. Automated tape libraries and all onsite tape drives are located within the restricted area. Tape racks are also located throughout the onsite tape library which provides storage of magnetic tapes. The tape library environment is staffed by Media Services / Data Center personnel 24 hours a day, 7 days a week, 365 days a year.

Tape management systems are used to manage tape activities in the data center. Features of these systems, which are installed and operational include:

- Onsite media inventory
- Offsite media inventory
- Picking list for the vault
- Distribution list for the vault
- Scratch lists

The tape management systems produce control reports such as the Daily Distribution List, Daily Picking List and Offsite Tape Library Inventory List used to facilitate tape movement between the tape racks and drives in the data center as well as between the Data Center and the offsite facility. Tape rotation is monitored using Electronic Scanning and Offsite Vault Vendor Software. Reports are reconciled daily and discrepancies are evaluated and resolved. Periodic inventories of tapes located both onsite and at the offsite facility are conducted to ensure the accuracy of the tape management systems.

Offsite tapes are stored at an offsite third party facility or a secured Xerox facility which is located at least 10 miles from the Data Center. Tapes are externally labeled, for identification, with serial numbers, name, or dates depending on the client specifications.

A Vault Authorization List is maintained by each Data Center and the offsite storage facility, to determine who has been authorized for offsite facility access and their responsibility. This list details the employees with authority to receive tapes, call back tapes, access the storage facility, and alter the access list.

In the event a user has a need for offsite media, the user must notify the Data Center Media Services via e-mail showing manager approval, an approved service request, or change control record. The request is assigned to the Media Services group and based on the information in the request, the media is returned to the Data Center from the offsite storage facility.

Change Management

Control Objective 3: Controls provide reasonable assurance that changes to existing system software, and the implementation of new system software are authorized, tested, approved, properly implemented, and documented.

The Infrastructure Change Management (ICM) team is responsible for the Change Management process.

Change Management has the following points of control:

- Change request initiation;
- Technical approval;
- Client approval via the SBU / Account teams;
- Change Control Board (CCB) meeting; and
- Change closure.

Change requests can be initiated one of three ways: 1) internally by Xerox Technical Support groups, 2) directly by the client 3) by a Service Delivery Manager (SDM) on behalf of the client. Xerox Technical Support group managers or their designees monitor their own infrastructure tool service request queues daily and assign open tickets to the appropriate technician. Service management software is used to record and track requests, changes, and incidents. If a change is the result of an incident, the incident number is documented in the change record so the change can be traced back to the incident.

A change is assigned one of three change classes: 1) Normal, 2) Emergency, or 3) Quick (No Impact). The class of change drives the timeframe for implementation, the level of documentation, and the method of approval.

All change classes must include:

- Documented description;
- Instructions for implementation;
- Back-out method or reasonable explanation why back-out is not applicable;
- Test plan or reasonable explanation why pre/post testing is not applicable;
- Pre-change test results or location where evidence resides;
- Post-change test results or location where evidence resides;
- Change risk/impact (or equivalent); and
- Implementation start and end or duration times.

When applicable, two tests are required for system changes. One test occurs prior to the change implementation, and one occurs after the changes have been placed into production. Two plans are required when the pre-change and post-change tests are different. Results of pre-change and post-change tests are documented in the change record, or an explanation must be provided in the change record if either test is not performed.

Normal Changes are reviewed and sponsored by the client Service Delivery Manager or designee and/or the appropriate Xerox Technical Manager or designee in a Change Control Board (CCB) meeting. Upon completion of pre-change testing, the Technical Manager or designee of the assigned group must approve the change ticket electronically. For Normal changes, the Service Delivery Manager or designee reviews the change and pre-change testing with the customer and approves the change ticket. Until all required approvals are obtained, a change remains in pending status and will not be implemented.

Emergency changes must include the same information as required for Normal changes. Emergency changes must be approved by the Technical Assignment Group Manager or designee, the Assignment Group second level of leadership or designee, and the client SDM or designee prior to the implementation. Approval for all emergency changes designated as high risk is required from the GDU (Global Delivery Unit) Leader or designee. The GDU leader is responsible for the service delivery tower. The approvals for each emergency change are noted in the change ticket. For Emergency changes, the approvals can be via email or within the description/attachment of the change ticket.

Break/Fix Emergency changes resulting from an incident with a highest severity of 1 can be implemented to restore service first, and will be documented and approved as soon as possible afterward. In order for a Break/Fix Emergency change to be implemented prior to receiving the required approvals, there must be an open incident with a highest severity of 1 and a client must be impacted.

Break/Fix Emergency changes resulting from an incident with a highest severity of 2 can be authorized for immediate implementation by the on-call Datacenter Site Support Contact, when the Datacenter Site Support Contact believes the change is urgent and cannot wait until the usual approvals are documented in the Emergency change record. In this case, the change will be made first, and the change will be documented and approved as soon as possible afterward. This is only allowed when a highest severity 2 incident record is open and a client is or will be impacted if service is not restored in a short period.

Quick (No Impact) Changes are pre-approved by the Client and Xerox management. Because Quick changes are pre-approved, they are not reviewed in the weekly change meeting. Quick changes include some type of installation instruction (template-based is acceptable), and must include the same information as required for Normal changes. Quick Change agreements must be pre-approved by the client, the Account Management team, and Xerox Management. Quick changes do not require additional approval, prior to implementation, due to the minor nature of the changes.

The ICM group facilitates the change management process once a change has been tentatively scheduled for implementation. As part of this process, a Change Control Board meeting is held at least weekly to review the current Normal class changes on the CCB Report. All high-risk changes are discussed at the meeting and either approved, rejected, or pushed to a later date. Technical Managers and/or Service Delivery Managers or their designees are required to sponsor high-risk changes for their areas at the meeting. High-risk changes with no sponsors are denied at the CCB meeting and will not be implemented. The meeting facilitator leads participants through a review of “high profile” items, post implementation statistics, special information, and change management notes. Meeting attendees include Technical Managers involved in the changes, SDMs, and representation from the ICM group and Operations or their designees.

An infrastructure tool is used to identify the changes that have been closed and provides a place to document the results of the change, including the results of testing.

Logical Security

Mainframe

Control Objective 4: Controls provide reasonable assurance that system administration capabilities are properly limited to authorized individuals.

The Xerox Information Security Standard addresses data security support, data resource access, user ID and password restrictions, and security problem reporting. System security is the responsibility of the Security Administration Group, who reports into The Office of the Chief Information Security Officer. Xerox is not responsible for security administration for all clients in the mainframe environment. The level of involvement varies based on the client agreement. The varying degrees of responsibilities are:

- Xerox is responsible for the security settings as well as full user provisioning administration, including verification of proper approvals;
- Xerox performs system level security and user provisioning administration for all Xerox staff. The user organization administers its own users and data and also sets policy;
- Xerox performs system level security and the user organization is responsible for all user provisioning administration; and
- Xerox responsibility is limited to maintaining the physical environment.

Access to production and test data resident in the mainframe environment is restricted by Top Secret. Passwords are required for users of these systems and they are automatically forced to change at specified intervals. Password minimum length has been set and password histories are maintained. Additionally, IDs are suspended after a specified number of inactive days and must be reset by the System Security Administrator. Users are limited to a specified number of invalid access attempts before their ID is suspended, requiring reinstatement by the System Security Administrator or Help Desk Agent.

In the Top Secret environment, default passwords have been changed. Additional security measures in place include:

- LOCKTIME parameter set to log off inactive sessions;
- INACTIVE setting set to suspend IDs after 30 days of non-use;
- only authorized personnel have access to the SYS1 rule set;
- the alternate user authorization file is not used, and
- datasets are protected.

In order for a user to obtain access to the mainframe system, their supervisor or manager must complete a request in the ticketing system, which is sent to the System Security Administrator for setup on the system. Provided the proper approvals are present on the request, the System Security Administrator sets up the new user on the system as documented on the request. The request is dated and assigned a sequential number for maintenance of an electronic audit log.

Users requesting administrative or system level access also must complete a Powerful User Access Form acknowledging their understanding of responsibilities associated with a privileged account. Management is required to approve the Powerful User Access form prior to the access being granted. Each quarter, managers review the Powerful User Access Forms of their employees and notify Security Administrators if access for an employee is no longer required or needs updates.

When an employee is terminated, notifications are sent to the System Security Administrator or Help Desk to have the user's access disabled. Additionally, Human Resources sends the System Security Administrator a Daily Termination Report, which indicates employees who have been terminated. Once notification of termination has been received, System Security Administrators disable any system access. The disabled logon ID is maintained until such time as the password-protected files of the terminated employee are no longer required.

Security reports are created daily showing unsuccessful access attempts to protected data and programs. These reports are distributed through an online report management system, SAR, to the supervisors of the individuals creating the violations for review and follow-up. Larger user organizations monitor their own system security.

System libraries, which contain the operating system programs and system utilities, are protected to prevent unauthorized changes. The data-altering IBM system utility, "AMASZAP," and other such utility programs are maintained in protected libraries to prevent unauthorized use. Use of these utilities is logged and reported to the System Security Administrator for review and follow-up.

Midrange Environment

The Xerox Information Security Standard addresses data security support, data resource access, user ID and password restrictions, and security problem reporting. Various platforms are used for processing within the midrange environment, including Windows, UNIX, iSeries, and OpenVMS. Virtualization may be used in the Windows, UNIX, and iSeries environments. When virtualization is used, security controls are in place for the host and guest images consistent with the respective operating systems which are documented below. Xerox is not responsible for security administration for all clients. The level of involvement varies based on the client agreement. The varying degrees of responsibilities are:

- Xerox is responsible for the security settings as well as full user provisioning administration, including verification of proper approvals;
- Xerox performs system level security and user provisioning administration for all Xerox staff. The user organization administers its own users and data and also sets policy;
- Xerox performs system level security and the user organization is responsible for all user provisioning administration; and
- Xerox responsibility is limited to maintaining the physical environment.

An access change notification is required for changes to security. The notification is performed through a change form submitted either online or in hard copy, depending on the client. Xerox ensures the proper approvals are received prior to completing the request. In the case of a client requesting access changes via a hard copy form, the approvals are already documented on the form. Typically, an authorized client representative is responsible for obtaining the approvals and forwarding the request to Xerox. The same procedure is also used for terminations.

For Xerox employees, a ticketing system is used to request access. The request is routed to the appropriate security administrator, depending on the platform and client. When an employee is terminated, notifications are sent to the System Security Administrator or Help Desk to have the user profile removed from the system.

Users requesting administrative or system level access also must complete a Powerful User Access form acknowledging their understanding of responsibilities associated with a privileged account. Management is required to approve the Powerful User Access form prior to the access being granted. Each quarter, managers review the Powerful User Access forms of their employees and notify Security Administrators if access for an employee is no longer required.

In addition to controls associated with user and administrator accounts, Xerox also has controls for service and system accounts. Service and system accounts are used by systems and applications to perform routine functions and are not used by administrators to manage the system. Because of the nature of these accounts, password controls governing expiration and unsuccessful login attempts are not utilized in order to avoid service interruptions associated with changing passwords and locked accounts.

IBM iSeries

The iSeries operating system provides several facilities that are used to control and limit access to the system resources, including objects (i.e., programs and files), libraries and directories. All security features are built into the iSeries operating system, which helps prevent users from bypassing security, as the features are not a separate piece of software.

System wide security has been established to control logical access to the system. All users are required to enter a valid user ID and password to access the system. Where technically feasible, system-wide configuration values enforce the following password settings. Passwords are required for users of these systems and they are automatically forced to change at specified intervals. Password minimum length has been set and password histories are maintained. Passwords must be complex. Users are limited to a specified number of invalid access attempts before their ID is suspended. The iSeries operating system resource security defines what objects, including files, programs, and libraries, can be accessed and with what authority. Security reports are produced by the system and periodically reviewed by the security administrators and data owners. In addition, access to special privileged accounts such as *SECADM and *SECOFR will be restricted to authorized personnel. Authorities such as SECADM, ALLOBJ, SERVICE and IOSYSCFG are only provided to individuals that require them to perform their job functions.

UNIX

The UNIX operating system is an interactive multi-tasking and multi-user system. The UNIX operating system is a set of tools that enables the machine and the workstations connected to it to handle many programs, including network communications, computer applications, electronic mail, and numerous other programs. The operating system provides security capabilities for managing user IDs and passwords, file access permissions, supporting utilities, system accounting, and auditing.

System-wide configuration values have been established to control logical access to the system. Where technically feasible, system-wide values enforce the following password settings. Passwords are required for users of these systems and they are automatically forced to change at specified intervals. Password minimum length has been set and password histories are maintained. Passwords must be complex. Users are limited to a specified number of invalid access attempts before their ID is suspended.

In addition to the settings above, root level access is restricted to authorized personnel, the number of world writeable files is limited, and the use of UNIX services is restricted, including the finger daemon, to authorized personnel.

Windows

The Windows operating systems are interactive multi-tasking and multi-user systems. The operating system is a set of tools that enables the machine and the workstations connected to it to handle many programs, including network communications, computer applications, electronic mail, and numerous other programs. The Windows operating systems provide security rules to control access to system resources such as data and programs, and system-wide configuration values have been established to control logical access to the system. Where technically feasible, system-wide values for user accounts enforce the following password settings. Passwords are required for users of these systems and they are automatically forced to change at specified intervals. Password minimum length has been set and password histories are maintained. Passwords must be complex. Users are limited to a specified number of invalid access attempts before their ID is suspended.

In addition to the settings above, administrator level access is restricted to authorized personnel.

OpenVMS

The OpenVMS operating system has several built-in security capabilities that avoid the need for external or third-party applications for security. The built-in security capabilities include managing user accounts and passwords, file access permissions, system accounting, and auditing. Where technically feasible, system-wide configuration values enforce the following password settings. Passwords are required for users of these systems and they are automatically forced to change at specified intervals. Password minimum length has been set and password histories are maintained. Users are limited to a specified number of invalid access attempts before their ID is suspended.

Physical Security

Control Objective 5: Controls provide reasonable assurance that access to the data center and tape library is limited to authorized individuals.

Access to the facility entrance, data center, and tape library (including the raised floor and tape storage) is controlled by the Badge Access/Hand Reader system. Building access points are locked at all hours. At the facility entrance, visitors are required to provide relevant identification such as name, representing company, and Xerox employee contact. All visitors receive a visitor badge and must sign in on the Visitor Log. Visitors are escorted while in restricted-access areas of the facility and when leaving, visitors are required to sign out on the Visitor Log.

All personnel are required to display their badge at all times while in the facility. If an employee's badge is lost or damaged, the Badge Access/Hand Reader Administrator is notified so the card access can be replaced.

Various levels of access exist within the facility. Access to specific areas of the facility is controlled by security levels defined in the card/hand reader system. Security levels are commensurate with each employee's job responsibilities. Access is requested by the appropriate manager or sponsor and approved by the site support manager.

The Badge Access/Hand Reader Administrators are responsible for operating and maintaining the card/hand reader system. Only appropriate members of the Badge Access/Hand Reader Administration team have the capability to enable, change, or disable access levels within the card/hand reader system.

The Badge Access/Hand Reader Administration team is notified when an employee resigns or is terminated. Upon notification the terminated user's access is disabled in the card/hand reader system by a member of the Badge Access/Hand Reader Administration team.

Video cameras provide surveillance over the interior and exterior of the building. Television monitors at the front desk allow the Security Guards to view activity in specific areas. All camera activity is recorded on digital video, which is retained for at least 30 days.

Environmental Controls

Control Objective 6: Controls provide reasonable assurance that environmental controls are established within the data center to assure the protection of physical assets.

The Xerox data centers are specifically designed to mitigate the risk of environmental hazards to the computer hardware operations and include protection from fire and the loss or fluctuation of power, cooling and humidity.

- A fire suppression system in combination with smoke detection and hand-held fire extinguishers are installed throughout the data centers. Preventive maintenance is performed annually.
- An uninterruptible power supply (UPS) system provides continuous conditioned power through its strings of batteries to all computer hardware to control unanticipated power interruptions. Maintenance for the UPS is performed at least bi-annually. The batteries are inspected and maintained quarterly.
- Emergency generator systems are installed within the secure perimeter of the data center facilities. They are sized to provide 100% of the data center’s electrical service in the event of a Utility Service failure. These generators have scheduled maintenance performed at least quarterly.
- The temperature and humidity inside the Computer Room is controlled by dedicated air conditioning systems for computer hardware. These units act independently of any general building air conditioning. Maintenance is performed at least tri-annually.
- The data center environment; temperature, humidity, and power are monitored by a Building Management System.

Data Networks

Control Objective 7: Controls provide reasonable assurance that access to the network is limited to authorized individuals.

“The network” includes security devices to restrict external access to the Xerox managed client networks and Xerox Corporate Network, to restrict access between the Xerox Corporate Network and the Xerox Managed Client environments for user organizations, and to segregate user organizations within the Xerox Managed Client environment. The Xerox network architecture is designed to mitigate risks from public “untrusted” networks as well as limit access from inside "trusted" networks through secure configurations on routers, firewalls, and secure VPN.

Network diagrams, which include descriptions of data communications equipment and gateways to other networks are used to illustrate physical and logical connections between communications equipment. In addition, the actual equipment has been labeled in respect to its physical location in order to locate it during troubleshooting.

Network Operations monitors and manages the network with a variety of tools, which may include but are not limited to, HP OpenView, CiscoWorks, MicromuseNetcool, AppCritical and SevOne.

These aforementioned tools allow Network Operations to monitor network health both proactively and reactively to ensure quick alerting and notification in the event of a failure, and to ensure timely analysis and correction of network access outages. Network related problems are assigned an incident ticket and tracked to resolution using an incident/problem reporting system.

The network infrastructure is designed in such a manner to invoke alternative routing should a failure occur within the network, several methods are implemented within the network to ensure network resiliency:

- Networks can be implemented with analog or ISDN dial backup.
- Networks can be implemented with a VPN backup solution.
- Connectivity from several of the Xerox Data Centers is provided via SONET technology.
- Critical installations are equipped with multiple circuits provided by multiple carriers to ensure diversity.

The Network Engineer is responsible for ensuring that each network design follows current standards, interfaces with existing network management platforms, and includes the appropriate level of redundancy.

The TCP/IP protocols support point-to-point and packet switched networks. TCP/IP controls communication by assigning each device attached to the network a unique address. Communications within the network can be filtered so that information is only delivered to the desired device’s end destination using router ACLs (Access Control Lists) and firewall rules. Router and firewall configurations are based on networks services best practices standard configuration templates.

The Information Technology Outsourcing (ITO) Network Services Organization has deployed either a TACACS or Radius authentication server that is used to provide authentication and authorization for network devices in supported client organization networks and ITO data centers. Anyone attempting to gain access to a router to make changes must first authenticate through the authentication server. This server is set up with password protection and provides authorization levels corresponding to the specific ID being used to logon. Access to administer the authentication server is limited to authorized personnel. Access to network devices is limited to network engineering, network operations, operations and security personnel. Accounts are reviewed periodically for terminated employees and access requirements are reviewed for appropriateness.

Remote VPN access to the Xerox internal corporate network is restricted and the user is authenticated to the network with either an RSA SecurID token or their NT domain username and password.

Complementary User Entity Controls

The services provided by Xerox were designed with the assumption that certain controls would be implemented by user entities. The application of certain controls by user entities is necessary to achieve certain control objectives identified in this report. There may be additional control objectives and related controls that would be appropriate for the processing of user events and transactions, which are not identified in this report.

This section describes certain controls (outside the scope of this review) that user entities should consider for achievement of control objectives identified in this report. The complementary user entity controls presented below should not be regarded as a comprehensive list of all controls which should be employed by user entities:

- Controls should be established to ensure that user entities are receiving all required reports and that procedures have been implemented to ensure control and exception reports are reviewed on a timely basis and all exceptions are resolved.
- Controls should be established to ensure that systems administered by user entities have the appropriate controls in place, including but not limited to the following items:
  - Passwords have the appropriate minimum length, complexity, expiration, history, and are kept confidential;
  - Users have individual accounts, and those accounts have the appropriate account lockout duration settings;
  - A responsible individual is assigned to the security function; and
  - Security violations are monitored and investigated as necessary.
- Controls should be established to ensure that system security and access control settings are properly authorized and approved. Some system settings are set in accordance with Xerox policies while others are set in accordance with client specifications. The user entity (client) is responsible for communicating any specific system security and access control settings required for their environment. In the event user entities do not communicate specific requirements, Xerox may enforce their own system security and access control policies.
- Controls should be established to ensure that the list of individuals at a user entity that can approve system access (approvers) is properly communicated to Xerox security personnel.
- Controls should be established to ensure the user entity approvers review access requests before submitting them to Xerox security personnel to properly restrict logical access to users who require such access to perform their duties.
- Controls should be established to ensure that schedules for backing up systems and data meet the needs of the user entity.

IV. Xerox Business Services, LLC's Control Objectives and Related Controls and KPMG LLP's Description of Tests of Controls and Results of Tests

Computer Operations

Control Objective 1: Controls provide reasonable assurance that processing is properly scheduled and deviations from scheduled processing are identified and resolved.			
Control Number	**Description of Controls**	**Tests of Controls**	**Results of Testing**
1.01	Job schedules are maintained using automated job schedulers that control production processing.	Observed the job schedulers to note whether automated job schedulers are in use to maintain the system job schedules.	No exceptions noted.
1.02	Job processing documentation is maintained to ensure proper processing of jobs and includes information such as: • Description • Job Dependencies (Triggers/Predecessors) • Restart Procedures; and • Escalation/Contact Procedures (Call Lists)	Observed the batch job documentation for a selection of jobs scheduled in the automated job schedulers to determine whether they contained information such as: • Description; • Job Dependencies (Triggers/Predecessors); • Restart Procedures; and • Escalation/Contact Procedures (Call Lists).	No exceptions noted.
1.03	Production Control monitors jobs to completion. Processing deviations such as abnormal job terminations and processing delays are addressed according to documented instructions.	Observed the job processing monitoring software utilized by the Production Control team to determine whether the software alerted the team when a processing deviation or delay occurs.	No exceptions noted.
1.04	Incident tickets are created to document and track processing deviations to closure. Tickets are assigned a severity based on impact.	Inspected a selection of incident tickets to determine whether they contain information on job processing problems and were used to track problems to resolution.	No exceptions noted.
1.05	Schedule changes are requested through service management software, e-mail, or other client preferred methods and must be received from authorized individuals.	Inspected a selection of service requests to determine whether requests for changes to the schedules were properly completed.	No exceptions noted.
1.06	Access to change job schedules is limited to authorized personnel.	Inspected a listing of users with access to a selection of client job schedules for a selection of systems and inquired of management to determine whether access to modify job schedules was limited to authorized Production Services personnel.	No exceptions noted.

Conclusion

Based on the tests of operating effectiveness described above, controls were operating with sufficient effectiveness to achieve this control objective.

Backup and Tape Management

Control Objective 2: Controls provide reasonable assurance that data and system files are backed up on a scheduled basis and rotated to an offsite location.			
Control Number	**Description of Controls**	**Tests of Controls**	**Results of Testing**
2.01	Systems are backed up in accordance with a defined schedule.	Inspected the back-up job schedules for a selection of servers and LPARs to determine whether the servers and LPARs were being backed up in accordance with the defined schedule.	No exceptions noted.
2.02	Backup jobs are monitored for successful completion and backup failures are tracked to resolution.	Inspected backup completion logs for a selection of servers and LPARs to determine whether the backup jobs successfully ran as scheduled.	Exceptions noted. An incident ticket was not created to track backup failures that occurred on three of 15 selected UNIX servers. The weekly backup jobs for four jobs on these three servers failed; however, each backup was subsequently run successfully in following weeks. Management Response: See Section V.
2.03	Access to the offsite facility is limited to authorized personnel.	Inspected the Vault Authorization List to determine whether the authorization was granted to users according to job responsibilities.	No exceptions noted.
2.04	Xerox identifies and tracks storage media rotated to and from the offsite storage facility.	Observed Xerox personnel using the Iron Mountain online application to note whether a report of tapes returning from Iron Mountain for a specified date was generated.	No exceptions noted.
		Observed an Iron Mountain courier visit to note whether backup tapes were picked up to be rotated to the offsite location.	No exceptions noted.

Control Objective 2: Controls provide reasonable assurance that data and system files are backed up on a scheduled basis and rotated to an offsite location.			
Control Number	**Description of Controls**	**Tests of Controls**	**Results of Testing**
		Inspected a selection of tapes in the control report to determine whether the tapes were located in their proper location at the tape library as noted in the control report.	No exceptions noted.
		Inspected the Transaction reports from SecureSync for a selection of dates to determine whether the forms were completed, contained appropriate information, and were properly approved.	No exceptions noted.

Conclusion

Based on the tests of operating effectiveness described above, controls were operating with sufficient effectiveness to achieve this control objective.

Change Management

Control Number	Description of Controls	Tests of Controls	Results of Testing
Control Objective 3: Controls provide reasonable assurance that changes to existing system software, and the implementation of new system software are authorized, tested, approved, properly implemented, and documented.			
3.01	A change is classified with one of three change classes: 1) Normal, 2) Quick (No Impact), or 3) Emergency. All classes of change must include: 1. a documented description; 2. instructions for implementation; 3. a back-out method or reasonable explanation why a back-out plan is not applicable; 4. A test plan or reasonable explanation why pre/post testing is not applicable; 5. pre-change test results, or location where evidence resides; 6. post-change test results, or location where evidence resides; 7. change risk/impact (or equivalent); and 8. implementation start and end or duration times.	Inquired of management to note whether authorization of a change is documented through the assignment of a change.	No exceptions noted.
		Inspected a selection of Normal, Emergency and Quick change requests to determine whether they included the required information for the authorization, testing, implementation, and documentation of changes.	No exceptions noted.
		Inspected a selection of Normal, Emergency and Quick change requests to determine whether each included test plans, pre-change test results, and post-change test results, where applicable, indicating that effective testing was performed.	No exceptions noted.
3.02	Normal Changes are reviewed and sponsored by the client Service Delivery Manager or designee and/or the appropriate Xerox Technical Manager or designee in a Change Control Board (CCB) meeting which occurs at least weekly.	Observed the CCB's planning meeting to note whether upcoming and prior changes were discussed and approved during the meeting.	No exceptions noted.
		Inspected a selection of CCB meeting minutes to determine whether changes were discussed and approved by the client Service Delivery Manager and/or the appropriate Xerox Technical Manager during each meeting.	No exceptions noted.
3.03	Normal changes are approved by the Technical Group Manager, or designee and the client Service Delivery Manager or designee prior to implementation.	Inspected a selection of Normal changes from the change management systems to determine whether they contained the required approvals.	No exceptions noted.

Control Objective 3: Controls provide reasonable assurance that changes to existing system software, and the implementation of new system software are authorized, tested, approved, properly implemented, and documented.			
Control Number	**Description of Controls**	**Tests of Controls**	**Results of Testing**
3.04	Emergency changes are approved by the Technical Assignment Group Manager or designee, the Assignment Group second level of leadership or designee, and the client Service Delivery Manager or designee. Emergency changes are also approved by the GDU Leader or designee for all changes classified as high risk.	Inspected a selection of Emergency changes from the change management systems to determine whether they contained the required approvals.	No exceptions noted.
3.05	Quick change agreements are pre-approved by the client, the Account Management team, and Xerox management.	Inspected a selection of Quick changes from the change management systems to determine whether quick change agreements were pre-approved by the client, the account management team, and Xerox management.	No exceptions noted.

Conclusion

Based on the tests of operating effectiveness described above, controls were operating with sufficient effectiveness to achieve this control objective.

Logical Security

Control Objective 4: Controls provide reasonable assurance that system administration capabilities are properly limited to authorized individuals.			
Control Number	**Description of Controls**	**Tests of Controls**	**Results of Testing**
Mainframe Environment (Top Secret)			
4.01	Xerox employee requests for administrator level access to Xerox managed environments are documented and properly approved.	Inspected access request forms for a selection of user accounts added to the only Mainframe LPAR during the period to determine whether user access was approved.	No exceptions noted.
4.02	Once notification of termination has been received, system/security administrators disable any system data access.	Inspected a system generated listing of active user accounts with access to the only Mainframe LPAR and compared it to a listing of terminated employees to determine whether terminated employee's accounts were disabled or deleted.	No exceptions noted.
4.03	Only authorized personnel have access to the SYS1 datasets: SYS1.parmlib, SYS1.linklib, SYS1.svclib, and SYS1.proclib.	Inspected the listing of users with access to the SYS1 datasets: SYS1.parmlib, SYS1.linklib, SYS1.svclib, and SYS1.proclib for a selection of LPARs and inquired of management to determine whether access was restricted to authorized personnel.	No exceptions noted.
		Inspected powerful user access forms for a selection of users with access to SYS1 datasets to determine whether that the forms were completed and approved for each user.	No exceptions noted.
4.04	Passwords for the systems are required to comply with established client or Xerox policies. The Xerox password requirements include: • Expiration: 65 days; • Minimum Length: 8 characters; • Lockout after 5 unsuccessful login attempts; and • Complexity: contain characters from 3 of the following 4 categories: numeric, uppercase alphabetic, lowercase alphabetic, or special characters.	Inspected the TSS MODIFY STATUS reports for a selection of LPARs to determine whether the password settings were set in accordance with established Xerox or client password policies, or client-authorized deviations from policy.	No exceptions noted.

Control Objective 4: Controls provide reasonable assurance that system administration capabilities are properly limited to authorized individuals.			
Control Number	**Description of Controls**	**Tests of Controls**	**Results of Testing**
4.05	Default accounts are locked, names are changed or default passwords are changed.	Inspected the TSS MODIFY STATUS report to determine whether the MSCA account was SUSPENDED, and access to the MSCA account is only granted after a password change and operators are notified when the account is accessed.	No exceptions noted.
4.06	Top Secret is configured with authorization checking in FAIL Mode.	Inspected the TSS MODIFY STATUS report to determine whether the mode for each facility was configured with authorization checking in FAIL Mode.	No exceptions noted.
4.07	Top Secret is configured to allow only started tasks to bypass security when Top Secret is down.	Inspected the TSS MODIFY STATUS report to determine whether Top Secret is configured to allow only started tasks to bypass security when Top Secret is down.	No exceptions noted.
4.08	The MSCA, SCA, LCA, ZCA, VCA and DCA authorities are restricted to security or other authorized personnel.	Inspected a listing of users with MSCA, SCA, LCA, ZCA, VCA and DCA authority and inquired of management to determine whether the access was restricted to appropriate personnel.	No exceptions noted.
		Inspected powerful user access forms for a selection of users with MSCA, SCA, LCA, ZCA, VCA and DCA authority to determine whether the forms were completed and approved for each user.	No exceptions noted.

Control Objective 4: Controls provide reasonable assurance that system administration capabilities are properly limited to authorized individuals.			
Control Number	**Description of Controls**	**Tests of Controls**	**Results of Testing**
4.09	The NORESCHK, NOVOLCHK, NODSNCHK, NOLCFCHK, and NOSUBCHK privileges are restricted to security or other authorized personnel.	Inspected the list of users with NORESCHK, NOVOLCHK, NODSNCHK, NOLCFCHK, and NOSUBCHK privileges and inquired of management to determine whether the access was restricted to appropriate personnel.	No exceptions noted.
		Inspected powerful user access forms for a selection of users with NORESCHK, NOVOLCHK, NODSNCHK, NOLCFCHK, and NOSUBCHK privileges to determine whether the forms were completed and approved for each user.	No exceptions noted.
Midrange Environment			
4.10	Xerox employee requests for administrator level access to Xerox managed environments are documented and properly approved.	Inspected access request forms for a selection of user accounts added to a selection of servers during the period to determine whether user access was approved.	No exceptions noted.
4.11	Once notification of termination has been received, system/security administrators disable any system data access.	Inspected a system generated listing of active user accounts on a selection of servers and compared it to a listing of terminated employees to determine whether terminated employee's accounts were disabled or deleted.	Exceptions noted. One administrative account on the OpenVMS server (entire population) was not disabled when the employee was terminated on 1/20/12. The last log on date for the account was 5/29/06 and the account was disabled on 9/26/12. The selected servers had a total of 43 users with administrative access. One administrative account on one of 25 selected Windows servers was not disabled when the employee was terminated

Control Objective 4: Controls provide reasonable assurance that system administration capabilities are properly limited to authorized individuals.			
Control Number	**Description of Controls**	**Tests of Controls**	**Results of Testing**
			on 10/28/11. The last log on date for the account was 1/8/10 and the account was disabled on 9/14/12. The selected servers had a total of 396 users with administrative access. Management Response: See Section V.
Windows			
4.12	Passwords for the systems are required to comply with established client or Xerox policies. The Xerox password requirements include: • Expiration: 65 days; • Minimum Length: 8 characters; • Lockout after 5 unsuccessful login attempts; and • Complexity: contain characters from 3 of the following 4 categories: numeric, uppercase alphabetic, lowercase alphabetic or special characters.	Inspected the account policies for a selection of servers to determine whether the security parameters were configured in accordance with Xerox or client password requirements, or client-authorized deviations from policy.	Exceptions noted. Password parameters for three of 25 selected Windows servers were not in compliance with Xerox policies. On the first server, password minimum length was set to zero and account lockout was set to zero. On the second server, password minimum length was set to zero, password lockout was set to zero, and password complexity was not enabled. On the third server, password length was set to zero and password complexity was not enabled. The password settings were changed to comply with Xerox policies by 9/21/12.

Control Objective 4: Controls provide reasonable assurance that system administration capabilities are properly limited to authorized individuals.			
Control Number	**Description of Controls**	**Tests of Controls**	**Results of Testing**
			Management Response: See Section V.
4.13	Default accounts are locked, names are changed or default passwords are changed.	Inspected a report of the default accounts for a selection of servers, to determine whether the accounts were disabled or passwords changed.	No exceptions noted.
4.14	Administrator level access is restricted to authorized personnel.	Inspected the list of accounts with administrator level access for a selection of servers and inquired of management to determine whether access was restricted to authorized personnel, commensurate with their job responsibilities.	Exception noted. One administrative account on one of 25 selected Windows servers was not disabled when the employee was terminated on 10/28/11. The last log on date for the account was 1/8/10 and the account was disabled on 9/14/12. The selected servers had a total of 396 users with administrative access. Management Response: See Section V.
		Inspected powerful user access forms for a selection of privileged users to determine whether the forms were completed and approved for each user.	Exceptions noted. A powerful user access form was not completed and approved for three of 25 selected users with access to three of 25 selected Windows servers. Inquired of management and were informed the users' access was appropriate.

Control Objective 4: Controls provide reasonable assurance that system administration capabilities are properly limited to authorized individuals.			
Control Number	**Description of Controls**	**Tests of Controls**	**Results of Testing**
			Management Response: See Section V.
UNIX			
4.15	Passwords for the systems are required to comply with established client or Xerox policies. The Xerox password requirements include: • Expiration: 65 days; • Minimum Length: 8 characters; • Lockout after 5 unsuccessful login attempts; and • Complexity: contain characters from 3 of the following 4 categories: numeric, uppercase alphabetic, lowercase alphabetic or special characters.	Inspected password policies for a selection of UNIX servers to determine whether the security parameters were set in accordance with Xerox or client password requirements, or client-authorized deviations from policy.	Exceptions noted. Password parameters for one of 132 users with access to one of 15 selected UNIX servers were not in compliance with Xerox policies. The password lockout was set to zero. The password setting for the user was changed to comply with Xerox policies by 7/31/12. Management Response: See Section V.
4. 16	Default accounts are locked, names are changed or default passwords are changed.	Inspected system settings and system logins for a selection of UNIX servers to determine whether the default password for the root account has been changed and default IDs were disabled.	No exceptions noted.

Control Objective 4: Controls provide reasonable assurance that system administration capabilities are properly limited to authorized individuals.			
Control Number	**Description of Controls**	**Tests of Controls**	**Results of Testing**
4.17	Root level access is restricted to authorized personnel by: • Requiring Administrators to login using their own unique ID and then SU to root, or through SUDO. • Restricting root logins to just the console.	Inspected a selection of UNIX systems to determine whether root logins are restricted to the console, which forces users not connecting at the console to use their own ID and SU to root or use SUDO.	No exceptions noted.
		Observed the process for communicating root passwords for a selection of servers and, and inquired of management, to note whether the password was changed and distributed in an encrypted file, via email with no indication of server name, or communicated verbally.	No exceptions noted.
		Inspected powerful user access forms for a selection of privileged users to determine whether the forms were completed and approved for each user.	No exceptions noted.
iSeries			
4.18	Passwords for the systems are required to comply with established client or Xerox policies. The Xerox password requirements include: • Expiration: 65 days; • Minimum Length: 8 characters; • Lockout after 5 unsuccessful login attempts; and • Complexity: contain characters from 3 of the following 4 categories: numeric, uppercase alphabetic, lowercase alphabetic, or special characters.	Inspected a selection of iSeries servers to determine whether password settings were set in accordance with Xerox or client password policies, or client-authorized deviations from policy.	No exceptions noted.
		Inspected Systems Value Reports for a selection of iSeries servers to determine whether QSECURITY was set to at least 30.	No exceptions noted.
4.19	Default accounts are locked, names are changed or default passwords are changed.	Inspected user accounts on a selection of servers to determine whether default administrator accounts had been removed, disabled, or the corresponding default passwords had been changed.	No exceptions noted.

Control Objective 4: Controls provide reasonable assurance that system administration capabilities are properly limited to authorized individuals.			
Control Number	**Description of Controls**	**Tests of Controls**	**Results of Testing**
4.20	Access to special privileged accounts such as *SECADM and *SECOFR is restricted to authorized personnel. Authorities such as SECADM, ALLOBJ, SERVICE and IOSYSCFG, are only provided to individuals that require them to perform their job functions.	Inspected the list of users with special privileges on iSeries and inquired of management to determine whether they were restricted to security or other authorized personnel.	No exceptions noted.
		Inspected powerful user access forms for a selection of users with privileged authorities to determine whether the forms were completed and approved for each user.	No exceptions noted.
OpenVMS			
4.21	Passwords for the systems are required to comply with established client or Xerox policies. The Xerox password requirements include: • Expiration: 65 days; • Minimum Length: 8 characters; and • Lockout after 5 unsuccessful login attempts • Complexity: contain characters from 3 of the following 4 categories: numeric, uppercase alphabetic, lowercase alphabetic, or special characters.	Inspected a selection of OpenVMS systems to determine whether the password settings were set in accordance with Xerox or client password policies, or client-authorized deviations from policy.	Exceptions noted. Password expiration for 20 of 294 users with access to one of one selected OpenVMS servers were not in compliance with Xerox policies. The password expiration was set to zero. The password setting for the users was changed to comply with Xerox policies by 9/26/12. Management Response: See Section V.
4.22	Default accounts are locked, names are changed or default passwords are changed.	Inspected user accounts for a selection of servers to determine whether default accounts passwords had been changed.	No exceptions noted.
4.23	Administrator level access is restricted to authorized personnel.	Inspected the list of user accounts with administrative access to the OpenVMS systems and inquired of management to determine whether they were restricted to security or other authorized personnel.	No exceptions noted.

Control Objective 4: Controls provide reasonable assurance that system administration capabilities are properly limited to authorized individuals.			
Control Number	Description of Controls	Tests of Controls	Results of Testing
		Inspected powerful user access forms for a selection of users with privileged authorities to determine whether the forms were completed and approved for each user.	No exception noted.
4.24	Alternate user authorization file is not used.	Inspected the UAFALTERNATE parameter for a selection of OpenVMS systems to determine whether the parameter was set to 0, preventing authentication from being circumvented.	No exceptions noted.

Conclusion

Based on the tests of operating effectiveness described above, controls were operating with sufficient effectiveness to achieve this control objective.

Physical Security

Control Objective 5: Controls provide reasonable assurance that access to the data center and tape library is limited to authorized individuals.			
Control Number	**Description of Controls**	**Tests of Controls**	**Results of Testing**
5.01	Access to the raised floor and tape storage areas are restricted via badge/hand reader to employees and contractors that have been approved.	Inspected a selection of Access Card Request Forms for new employees with access to the data center and tape library areas to determine whether each was properly completed and approved by a designated Data Center Manager.	No exceptions noted.
		Observed the data center and tape library areas to note whether all entry points were restricted by badge readers.	No exceptions noted.
		Observed attempts to gain access to a selection of data center and tape library areas with an unauthorized badge to note whether access was denied in each instance.	No exceptions noted.
5.02	Visitors are required to provide identification and the name of the person they are visiting. Upon verification by the receiving party, the visitor is given a temporary badge that must be returned to security as they are leaving.	Observed the facility entrance to note whether a security guard requires visitors to be signed into the computer visitor log using a valid ID and stating their name, company, and Xerox employee contact.	No exceptions noted.
		Observed visitors to the Xerox facility to note whether visitors were verified by a Xerox employee and provided a temporary badge.	No exceptions noted.
5.03	Parties without fulltime access to the data center requiring temporary access must have a severity 1 or 2 ticket, service request, an approved change control, or approved data center tour guide verified by security.	Observed the data center and tape library entrances to note whether a security guard requires employees and visitors to the data center to have approval through one of the listed methods, sign into a visitor log, obtain a temporary badge for a specific location, and surrender identification.	No exceptions noted.
		Inspected a selection of temporary access instances to the data center and tape library areas with the temporary badges and inspected the temporary badge approval forms to determine whether access was approved.	No exceptions noted.

Control Objective 5: Controls provide reasonable assurance that access to the data center and tape library is limited to authorized individuals.			
Control Number	**Description of Controls**	**Tests of Controls**	**Results of Testing**
5.04	Quarterly, access to the data center and secure locations is reviewed by the manager in charge of the secure area. Any changes noted by the manager are made in the access card/hand system.	Inspected a selection of quarterly reviews of user access to the data center and tape library areas to determine whether the manager in charge of the each area reviewed user access and provided security personnel with any required changes to the badge system.	No exceptions noted.
		Inspected the current badge list to determine whether users marked to be changed or removed on the quarterly access reviews were updated as noted in the review.	No exceptions noted.
5.05	Access and administration to the card/hand control system is restricted to authorized personnel based on job responsibilities.	Inspected a list of users with access to the badge system and inquired of management to determine whether access and administration are restricted to authorized personnel based on job responsibilities.	No exceptions noted.
5.06	Upon notification of employment termination, the badging office removes the physical access of the terminated party.	Inspected the badge system for a selection of terminated employees to determine whether the access was removed in each instance.	No exceptions noted.
5.07	Camera surveillance is monitored and activity is recorded on a 24 hour, real-time basis and is retained for a minimum of 30 days.	Observed the security monitoring areas to note whether all entry points to the data center and tape library areas are protected by camera surveillance and badge readers.	No exceptions noted.
		Observed the security service and Safety and Security Personnel to note whether they were monitoring the camera surveillance system.	No exceptions noted.
		Observed the camera surveillance system to note whether activity was recorded using video cameras on a 24 hour, real-time basis.	No exceptions noted.
		Observed playback for camera surveillance recorded on a selected date within the previous 30 days to note whether activity was recorded and retained.	No exceptions noted.

Conclusion

Based on the tests of operating effectiveness described above, controls were operating with sufficient effectiveness to achieve this control objective.

Environmental Controls

Control Objective 6: Controls provide reasonable assurance that environmental controls are established within the data center to assure the protection of physical assets.			
Control Number	**Description of Controls**	**Tests of Controls**	**Results of Testing**
6.01	A fire suppression system, fire and smoke detectors are installed throughout the data center. Maintenance is performed annually.	Observed the fire control systems on a tour to note whether fire and smoke detectors, sprinklers and a Halon fire suppression system were installed for the data center and tape library areas.	No exceptions noted.
		Inspected the maintenance reports for the fire suppression systems to determine whether the systems received annual maintenance.	No exceptions noted.
6.02	Air conditioning units are installed to provide temperature and humidity control required for computer hardware. These units act independently of the general building air conditioning. Maintenance is performed at least tri-annually.	Observed the air conditioning units in the data center and tape library areas during a facility tour to note whether they provided temperature and humidity control separate from the general building air conditioning.	No exceptions noted.
		Inspected a selection of maintenance reports to determine whether the air conditioning units receive quarterly maintenance.	No exceptions noted.
6.03	An uninterruptible power supply (UPS), with battery backup, is available to control unanticipated power interruptions. Scheduled maintenance for the UPS is performed bi-annually.	Observed the power systems during a tour for the data center and tape library areas to note whether a UPS is used to provide continuous power to computer equipment.	No exceptions noted.
		Inspected a selection of maintenance reports to determine whether the UPS systems receive bi-annual scheduled maintenance.	No exceptions noted.

Control Objective 6: Controls provide reasonable assurance that environmental controls are established within the data center to assure the protection of physical assets.			
Control Number	**Description of Controls**	**Tests of Controls**	**Results of Testing**
6.04	Generators are installed and operational and have scheduled maintenance performed quarterly to ensure they are in working order.	Observed the data center and tape library area power systems during a tour to note whether generators were located near the rear dock area inside the building.	No exceptions noted.
		Inspected a selection of maintenance reports to determine whether the generators receive scheduled semi-annual maintenance.	No exceptions noted.

Conclusion

Based on the tests of operating effectiveness described above, controls were operating with sufficient effectiveness to achieve this control objective.

Data Networks

Control Objective 7: Controls provide reasonable assurance that the network is limited to authorized individuals.			
Control Number	**Description of Controls**	**Tests of Controls**	**Results of Testing**
7.01	Network security devices (firewalls) are configured to restrict access from the Xerox Corporate Network to the Xerox Managed Client environments, and only authorized services are enabled.	Inspected the configuration of the network security devices (firewalls) to determine whether the devices were configured to restrict access from the Xerox Corporate Network to the Xerox Managed Client environments, and only authorized services were enabled.	No exceptions noted.
	Network security devices (firewalls and routers) are configured to securely segregate each client environment within the Xerox Managed Client environment, and only authorized services are enabled.	Inspected the configuration of the network security devices (firewalls and routers) to determine whether the devices were configured to securely segregate each client environment within the Xerox Managed Client environment, and only authorized services were enabled.	No exceptions noted.
7.02	Access to administer network security devices requires authentication through an authentication server and/or local device authentication.	Inspected the list of users with access to administer network security devices protecting client environments and inquired of management to determine whether access was restricted to authorized personnel.	No exceptions noted.
		Inspected the list of terminated employees to note whether no terminated employees had active accounts on the TACACS server.	No exceptions noted.
7.03	Passwords for the authentication server are required to comply with the following established Xerox policy. • Minimum password length: 8 • Password expiration: 65 • Password complexity: Enabled	Inspected the password configuration for the TACACS authentication server or local device authentication to determine whether the password settings were set in accordance with Xerox policies.	No exception noted.
7.04	Access to administer the authentication server is limited to authorized personnel.	Inspected the list of users with access to administer the TACACS server and inquired of management to determine whether access was restricted to authorized personnel.	No exceptions noted.

Control Objective 7: Controls provide reasonable assurance that the network is limited to authorized individuals.			
Control Number	**Description of Controls**	**Tests of Controls**	**Results of Testing**
7.05	Network Operations monitors the Xerox Managed Client environments for network related problems and incidents, which are tracked to resolution using the ticketing systems.	Observed Network Operations personnel to note whether automated monitoring tools were used to monitor the network for security incidents on selected dates.	No exceptions noted.
		Inspected a selection of network security incidents to determine whether they were tracked to resolution and the ticket number, problem description, client name, problem status, and problem severity were documented.	No exceptions noted.
7.06	Remote network access is restricted by authentication devices and methods	Inspected configuration settings of the remote access devices and methods, which consist of RSA SecurID and Cisco Secure VPN, to determine whether RSA SecurID was using two-factor authentication and Cisco Secure VPN is using Windows Active Directory authentication.	No exceptions noted.
7.07	Access to administer remote access devices/methods is limited to authorized personnel.	Inspected the list of administrators with access to the remote access devices and methods, which consist of RSA SecurID and Cisco Secure VPN, and inquired of management to determine whether access was limited to authorized and appropriate personnel (TACACS administrators).	No exceptions noted.
		Inspected the list of terminated employees to note whether terminated employees had active accounts to administer the RSA SecurID and Cisco Secure VPN applications.	No exceptions noted.

Conclusion

Based on the tests of operating effectiveness described above, controls were operating with sufficient effectiveness to achieve this control objective.

V. Other Information Provided by Xerox Business Services, LLC

Management Responses Referenced in Section IV

Backup and Tape Management

Control Objective 2: Controls provide reasonable assurance that data and system files are backed up on a scheduled basis and rotated to an offsite location.

Control Number	Exceptions	Management Response
2.02	An incident ticket was not created to track backup failures that occurred on three of 15 selected UNIX servers. The weekly backup jobs for four jobs on these three servers failed; however, each backup was subsequently run successfully in following weeks.	Xerox will reiterate the process of restarting the job after the first failure. Xerox is developing an automatic process to open tickets for backup job failures so we can ensure all failures are tracked to resolution.

Logical Security

Control Objective 4: Controls provide reasonable assurance that system administration capabilities are properly limited to authorized individuals.

Control Number	Exceptions	Management Response
4.11	One administrative account on the OpenVMS server (entire population) was not disabled when the employee was terminated on 1/20/12. The last log on date for the account was 5/29/06 and the account was disabled on 9/26/12. The selected servers had a total of 43 users with administrative access.	A Chief Operating Officer (COO) communication has been sent out to all employees reinforcing the importance of timely processing of terminations. Management will continue to reinforce the importance of removing terminated users from systems in a timely manner.
	One administrative account on one of 25 selected Windows servers was not disabled when the employee was terminated on 10/28/11. The last log on date for the account was 1/8/10 and the account was disabled on 9/14/12. The selected servers had a total of 396 users with administrative access.	A Chief Operating Officer (COO) communication has been sent out to all employees reinforcing the importance of timely processing of terminations. Management will continue to reinforce the importance of removing terminated users from systems in a timely manner.

Control Number	Exceptions	Management Response
4.12	Password parameters for three of 25 selected Windows servers were not in compliance with Xerox policies. On the first server, password minimum length was set to zero and account lockout was set to zero. On the second server, password minimum length was set to zero, password lockout was set to zero, and password complexity was not enabled. On the third server, password length was set to zero and password complexity was not enabled. The password settings were changed to comply with Xerox policies by 9/21/12.	All Windows servers will be reviewed to determine Resultant Set of Policy (RSoP) via the Active Directory Group Policy Management tool. The RSoP review will identify any non-compliant security setting. Local Policies of local servers (non-domain servers) will be reviewed ensure that the settings are in compliance. Completion date is scheduled for 2/28/2013.
4.14	One administrative account on one of 25 selected Windows servers was not disabled when the employee was terminated on 10/28/11. The last log on date for the account was 1/8/10 and the account was disabled on 9/14/12. The selected servers had a total of 396 users with administrative access.	A Chief Operating Officer (COO) communication has been sent out to all employees reinforcing the importance of timely processing of terminations. Management will continue to reinforce the importance of removing inappropriate users from systems in a timely manner, and in performing reviews on a quarterly basis.
	A powerful user access form was not completed and approved for three of 25 selected users with access to three of 25 selected Windows servers. Inquired of management and were informed the users' access was appropriate.	Security Administration Form eRepository (SAFE) Training has been updated by the Xerox Governance and Policy organization to re-enforce adherence to Security Policy. Management will continue to ensure that all existing and new managers and administrators complete the updated training.
4.15	Password parameters for one of 132 users with access to one of 15 selected UNIX servers were not in compliance with Xerox policies. The password lockout was set to zero. The password setting for the user was changed to comply with Xerox policies by 7/31/12.	Xerox has initiated a review of all UNIX servers to ensure that the settings are in compliance with the defined security policy. Completion date is scheduled for 1/31/2013.

Control Number	Exceptions	Management Response
4.21	Password expiration for 20 of 294 users with access to one of one selected OpenVMS servers were not in compliance with Xerox policies. The password expiration was set to zero. The password setting for the users was changed to comply with Xerox policies by 9/26/12.	A procedure was implemented for resetting passwords which will prevent changing the password expiration.

Disaster Recovery Planning

Xerox IT Service Continuity Management personnel have developed Disaster Recovery Plans (DRP) for the various components existing in the data center. The DRP is designed to restore the technical infrastructure (CPU power, communication links, and disk space) and the operating systems. The exact hardware and telecommunications configuration to be restored in the event of a disaster is documented in Xerox Services' contract with its disaster recovery service provider. The plan is designed to allow for the technical infrastructure and operating systems supported at the data center to be restored at an alternate processing facility within the timeframe specified in the contract with the client. The purpose of the plan and its appendices is to cover situations ranging from major events that would result in the total loss of the operations facilities to minor events that could affect specific functional units/departments within the operations facilities. A disaster is considered a service interruption whose estimated restoration time will exceed the documented recovery time objective

The Disaster Recovery Plan (DRP) is organized to follow the anticipated life cycle of an incident. The DRP contains the following information:

- Disaster declaration and notification procedures – Contains information concerning the declaration of a disaster, the disaster notification process, and calling tree procedures to communicate disaster information to members of the Xerox Services disaster recovery teams.
- Calling trees – Detailed calling trees and phone lists have been developed and include: Xerox Services personnel and management, site management, offsite storage and disaster recovery site contacts, corporate contacts, and vendor contacts.
- Site responsibilities – Each Xerox Services customer is required to prepare a DRP for their site. These plans address how the site would recover from a disaster that forced either a loss of the site or forced Xerox Services to move the disaster recovery location. After the operating system environments are reestablished, the individual customer DRPs are invoked to restore the sites' data and applications.
- System recovery – Procedures that address recovery of hardware.
- Operating system recovery – Procedures that contain the actual steps needed to recover operating system environments at the disaster recovery location.
- Disaster kit – A disaster kit stored at the offsite storage location contains the Standalone Restore Tape, Facility Information Guide, Facility Operation Guide, System and Application Manuals, Xerox Services and user organization contact lists, and the Disaster Operational Guide.

The DRP is reviewed yearly and tested according to the client's requirements. Sites access the disaster recovery location through virtual private networks to segregate network and prevent interruption to production services. With full cutover exercises, Xerox Services switches a customer's network to the disaster recovery location. Site participation in recovering applications and data is encouraged but not mandated. The results of the tests are documented and assembled into a problem/resolution log. Problems encountered during a test are assigned to be resolved. After the test, the DRP is revised to address any problems that were noted during the test. The DRP is reviewed and updated on a yearly basis.

Attachment 1c: Approaches to Training

Parkeon's Approaches to Training

STRADA Multi-Space Parking Pay Station

Customer Training Outline

I. Introduction

II. The Multi-Space Concept

- Definition of Multi-Space & Training Goals
- Pay & Display and/or Pay-by-Space Concept
- Question & Answer Period

III. Hardware Overview

- Introduction to Each Machine Module and its Function Within the System
- Question & Answer Period

IV. Installation Procedure*

- Machine Installation
- Commissioning
- Question & Answer Period

V. Theory of Operation

- Solar Power
- Coin System
- Bill System
- Card System
- Question & Answer Period

VI. Troubleshooting

- Using Machine Self-Diagnostics
- Using the "Theory of Operation" to Diagnose Faults
- Question & Answer Period

VII. Preventative Maintenance

- Preventative Maintenance
- Biannual Preventative Maintenance

- Question & Answer Period

VIII. Machine Application Software (On-site Programming)

- Initialization
- RAM/ Flash Memory Rate Changes
- Question & Answer Period

IX. Receipts & Enforcement Procedures

- User Receipts
- Collection Receipts
- Enforcement Procedures
- Question & Answer Period

X. Collections Procedures

- Coin/Token Collection
- Bill Collection
- Credit Card Data Collection
- Question & Answer Period

XI. Software Modification and/or Upgrade

- Personalization "PERSO" Request Form
- RAM rate changes
- Question & Answer Period

XII. Pay Station & Parts Ordering Procedures (Inventory)

- Machine Order Worksheet
- Spares Order Worksheet
- Question & Answer Period

XIII. Peripheral Support Systems

- myParkfolio
  - Set Up and Maintenance of User Passwords
  - Programming Changes
  - System Monitoring and Auditing
  - Raw Data File Collection
  - Credit Card File Analysis
  - Use of Financial and Statistical Capability
  - Reports
  - Question & Answer Period

XIV. Wrap-up & Final Question & Answer Period

* Installation training should be initiated in the field during the installation of the first group of pay stations at the customer site. Parkeon factory and distribution partner personnel will be on site at the time to manage the installation and conduct training.

Notes

This training program should be presented in conjunction with the initial installation of pay stations at the customer site. A refresher-training program is recommended at 3-4 months after completion of the initial installation. This refresher training will be customized to address specific questions that will result from the experience gained during their months of pay station operation.

IPS Approach to Training

IPS will provide as much training (both on-site and web-based) as required by the City, including additional sessions, specialized sessions customized to the needs of the City, both before, during and after meter deployment. Additionally, IPS can provide multiple trainers to conduct even more sessions if necessary. Most IPS training sessions are a combination of onsite classroom and hands on use of meters and management system, including manuals for reference material. As new features are deployed, additional training sessions can be established at mutually agreeable times to provide updates and refresher training. Below represents what IPS believes to be the primary training subject areas, but can be further customized to meet City needs.

Training Subject: Data Management System Usage	
Element	**Description**
Subject Matter	Provide thorough review of all financial, technical, administrative reporting capabilities, specific to each functional user group, in addition to more advanced training for system administrators who will use multiple reporting areas, as well as meter configurations.
Primary Audience	Operations Supervisors/Managers, Adjudication Staff, Project Mangers, System Administrators
Training Hours per Student	1-2 hours per session
Students Eligible to Train	5-10 per session, no limit to number of total students
Proposed Schedule	One week or more prior to installation and one week after installation
Location of Training	Location TBD
Training Provided By	Local Field Service Technician

Training Subject: Meter Maintenance	
Element	**Description**
Subject Matter	To introduce maintenance and operational staff with basic meter use and operating features, including primary construction & disassembly, meter installation & removal, coin and card transactions, primary diagnostics tools, standard operating parameters, first line troubleshooting, and basic repair. Session also includes FAQs and Q&A session.
Primary Audience	All maintenance and operations staff
Training Hours per Student	1-2 hours per session
Students Eligible to Train	5-10 per session, no limit to number of total students
Proposed Schedule	Prior to and during installation
Location of Training	City meter shop or location TBD
Training Provided By	IPS Group Project Manager/Local Field Service Technician

Training Subject: Finance / Accounting / Audit / Adjudication	
Element	**Description**
Subject Matter	To provide overview of IPS meter management system reporting capabilities covering all financial reports, credit card settlement, coin reconciliation and transaction details.
Primary Audience	Operations Supervisors/Managers, Administration, Data Analysts, Finance & Accounting Managers
Training Hours per Student	1-2 hours per session
Students Eligible to Train	8-10 per session, no limit to number of total students
Proposed Schedule	One week prior to installation and one week after installation
Location of Training	Location TBD
Training Provided By	IPS Group Project Manager and Local Field Service Technician

Training Subject: Enforcement	
Element	**Description**
Subject Matter	Demonstrate how IPS meters are operated by a user as well as how to perform visual enforcement. Training will also demonstrate meter flexibility and configuration options that can be used to make enforcement as easy as possible.
Primary Audience	Enforcement Staff / Supervisors, Adjudication Staff
Training Hours per Student	1-2 hours per session
Students Eligible to Train	8-10 per session, no limit to number of total students
Proposed Schedule	Post-installation
Location of Training	Enforcement staff offices or location TBD
Training Provided By	Local Field Service Technician

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Attachment 1d: List of Recommended Spare Parts

Table A1d–1. Strada Rapide Recommended Spares List for the City of St. Louis

Reference	Description	Quantity
ELP1000009195	Main Board - NEOPS	2
ELP1000009306	Display Module - NEOPS	2
400770311	4A Slow Blow Fuse (Pack of 10)	2
ELM1000008737	Thermal Printer	2
SVT CAS 46	Programmed Coin Selector (.05, .10, .25, 1.00)	2
404402613	Cable for Solar Power Supply	2
ELM1000001431	NEOPS Datapack	2
404304570	EPSUM M900 Card Reader (no magnetic strip kit)	2
404304511	EPSUM M900 Magnetic Strip Kit	5
143537	GPRS Modem (w/ modem, board, cable) no antenna	2
142757	GPRS Modem Antenna	3
148125	Yellow button	2
148126	Grey button	2
148127	Blue button	2
148128	Green button	2
148129	Red button	2
148110	6 button board	2
6004001694	Connector board	3
404001714	Relay board	3
125277	Escrow	3
143430	Equipped Rack	2
PHM_SDA_xxxxxxx	Upper Door Lock (ball type) without key	2
SVTCAS 18	Upper Door Key	4
MEC1000012432	Lower Door Lock Square	3
135078	Square Key	3
148114	Upper Instructions Glass and Gasket	5
148103	Upper Front Panel	2
148117	Reinforced Display Glass and Gasket	5
148107	Tariff Glass and Gasket	5
MEC1000006542	Ticket Bowl with Antistatic Brush & e-lock interface	3
120341	Ticket Bowl Flap	3
135410	Coin Bowl	3
135493	Coin Bowl Flap	3
135693	Electronic Lock Kit	5

Reference	Description	Quantity
MEC1000003847	Mobile Cash Box	8
404002394	Solar Charger Board	3
ELM1000010538	Integrated Solar Module	2
ELM1000003890	Lower Front Panel w/ coin inlet	6

Highlighted parts are the recommended spares that should be kept on hand

IPS Spare Parts List

Below is a recommended list of spare parts for the field trial of 40-60 units. These parts will be provided at no cost to the City during the trial period.

M5 Replacement Components	Qty
Card Entry Die Casting	2
Hybrid Card Reader	2
Coin Validator	5
Complete Top Cover	2
Lexan for Top Cover	2
Coin Entry Slot	2
Keypad	2
Validator Connector Board	2
Battery Pack 795-600-H2 (non-rechargeable)	5
Validator Connection Cable	2
RFID Tag	5

Attachment 2 – PCI Compliance

This section includes the following documents:

- Attachment 2a: Parkmobile PCI AoC 2012 Attestation of Compliance
- Attachment 2b1: Parkeon PCI DSS Certificate of Compliance
- Attachment 2b2: 2013 PCI DSS Compliance of Parkeon Payment Services
- Attachment 2c1: IPS Group Data Security Standard Certification
- Attachment 2c1: IPS Group PCI Certificate of Compliance

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Attestation of Compliance – Service Providers

Payment Card Industry (PCI)
Data Security Standard

Attestation of Compliance for Onsite Assessments – Service Providers

Version 2.0

October 2010

Instructions for Submission

The Qualified Security Assessor (QSA) and Service Provider must complete this document as a declaration of the Service Provider's compliance status with the Payment Card Industry Data Security Standard (PCI DSS). Complete all applicable sections and submit to the requesting payment brand.

Part 1. Service Provider and Qualified Security Assessor Information

Service Provider Organization Information

Company Name:	Parkmobile USA, Inc		DBA(s):	Parkmobile	
Contact Name:	Alison Ehrlich		Title:	Regulatory and Compliance Officer	
Telephone:	(770) 818-9036		E-mail:	Alison.Ehrlich@parkmobileglobal.com	
Business Address:	3200 Cobb Galleria Parkway SE, Suite 100		City:	Atlanta	
State/Province:	GA	Country:	United States	Zip:	30339
URL:	us.parkmobile.com				

Qualified Security Assessor Company Information

Company Name:	Habif, Arogeti, and Wynne (HA&W)				
Lead QSA Contact Name:	Dan Schroeder		Title:	Partner, IT Audit & Risk Advisory Services	
Telephone:	(770) 353-8379		E-mail:	dan.schroeder@hawcpa.com	
Business Address:	Five Concourse Parkway Suite 1000		City:	Atlanta	
State/Province:	GA	Country:	United States	Zip:	30328
URL:	www.hawcpa.com				

Part 2 PCI DSS Assessment Information

Part 2a. Services Provided that WERE INCLUDED in the Scope of the PCI DSS Assessment (check all that apply)

☐ Payment Processing-POS	☐ Tax/Government Payments	☐ Fraud and Chargeback Services
☒ Payment Processing-Internet	☐ Payment Processing – ATM	☐ Payment Processing – MOTO
☐ Issuer Processing	☐ Payment Gateway/Switch	☐ Clearing and Settlement
☐ Account Management	☐ 3-D Secure Hosting Provider	☐ Loyalty Programs
☐ Back Office Services	☐ Prepaid Services	☐ Merchant Services
☐ Hosting Provider – Web	☐ Managed Services	☐ Billing Management
☐ Network Provider/Transmitter	☐ Hosting Provider – Hardware	☐
☐ Records Management	☐ Data Preparation	☐

☐ Others (please specify):

List facilities and locations included in PCI DSS review:

Part 2b. Relationships

Does your company have a relationship with one or more third-party service providers (for example, gateways, web-hosting companies, airline booking agents, loyalty program agents, etc.)? ☒ Yes ☐ No

Security Standards Council

Part 2c. Transaction Processing

How and in what capacity does your business store, process and/or transmit cardholder data?

Please provide the following information regarding the Payment Applications your organization uses:

Payment Application in Use	Version Number	Last Validated according to PABP/PA-DSS
Phonixx		N/A (1)
Permixx		N/A (1)

(1) Parkmobile developed and maintained the applications

Part 3. PCI DSS Validation

Based on the results noted in the Report on Compliance ("ROC") dated *December 12, 2012*, *Habif, Arogeti, and Wynne* asserts the following compliance status for the entity identified in Part 2 of this document as of *December 12, 2012* (check one):

☒ **Compliant:** All requirements in the ROC are marked "in place," and a passing scan has been completed by the PCI SSC Approved Scanning Vendor Qualys(#3728-01-07), thereby Parkmobile USA has demonstrated full compliance with the PCI DSS 2.0.

☐ **Non-Compliant:** Some requirements in the ROC are marked "not in place," resulting in an overall **NON-COMPLIANT** rating, or a passing scan has not been completed by a PCI SSC Approved Scanning Vendor, thereby *(Service Provider Name)* has not demonstrated full compliance with the PCI DSS.

Target Date for Compliance:

An entity submitting this form with a status of Non-Compliant may be required to complete the Action Plan in Part 4 of this document.

Part 3a. Confirmation of Compliant Status

QSA and Service Provider confirm:

☒ The ROC was completed according to the *PCI DSS Requirements and Security Assessment Procedures*, Version *2.0*, and was completed according to the instructions therein.

☒ All information within the above-referenced ROC and in this attestation fairly represents the results of the assessment in all material respects.

☒ The Service Provider has read the PCI DSS and recognizes that they must maintain full PCI DSS compliance at all times.

☒ No evidence of magnetic stripe (that is, track) data[1], CAV2, CVC2, CID, or CVV2 data[2], or PIN data[3] storage after transaction authorization was found on ANY systems reviewed during this assessment.

Part 3b. QSA and Service Provider Acknowledgments

Signature of Service Provider Executive Officer ↑	*Date:* Jan 15, 2013
Service Provider Executive Officer Name: Mike McCloskey	*Title:* Chief Financial Officer
Signature of Lead QSA ↑	*Date:* Jan 16, 2013
Lead QSA Name: Dan Schroeder	*Title:* Partner

[1] Data encoded in the magnetic stripe or equivalent data on a chip used for authorization during a card-present transaction. Entities may not retain full magnetic stripe data after transaction authorization. The only elements of track data that may be retained are account number, expiration date, and name.

[2] The three- or four-digit value printed on the signature panel or face of a payment card used to verify card-not-present transactions.

[3] Personal Identification Number entered by cardholder during a card-present transaction, and/or encrypted PIN block present within the transaction message.

Part 4. Action Plan for Non-Compliant Status

Please select the appropriate “Compliance Status” for each requirement. If you answer “No” to any of the requirements, you are required to provide the date Company will be compliant with the requirement and a brief description of the actions being taken to meet the requirement. *Check with the payment brand(s) before completing Part 4 since not all payment brands require this section.*

PCI Requirement	Description	Compliance Status (Select One)	Remediation Date and Actions (if Compliance Status is “No”)
1	Install and maintain a firewall configuration to protect cardholder data.	☒ Yes ☐ No	
2	Do not use vendor-supplied defaults for system passwords and other security parameters.	☒ Yes ☐ No	
3	Protect stored cardholder data.	☒ Yes ☐ No	
4	Encrypt transmission of cardholder data across open, public networks.	☒ Yes ☐ No	
5	Use and regularly update anti-virus software.	☒ Yes ☐ No	
6	Develop and maintain secure systems and applications.	☒ Yes ☐ No	
7	Restrict access to cardholder data by business need to know.	☒ Yes ☐ No	
8	Assign a unique ID to each person with computer access.	☒ Yes ☐ No	
9	Restrict physical access to cardholder data.	☒ Yes ☐ No	
10	Track and monitor all access to network resources and cardholder data.	☒ Yes ☐ No	
11	Regularly test security systems and processes.	☒ Yes ☐ No	
12	Maintain a policy that addresses information security.	☒ Yes ☐ No	

Trustwave®

Date of Compliance:
May 02, 2013

Payment Card Industry Data Security Standard
(PCI DSS)

Certificate of Compliance

This is to certify that Parkeon has successfully completed an assessment by Trustwave against the Payment Card Industry Data Security Standard v2.0 (PCI DSS).

Awarded to:

Parkeon
Level 1 Service Provider

Service(s) Covered:
Payment Processing - POS
Payment Gateway/Switch

Conditions of issuing:

1. Trustwave has issued this certificate to indicate that the aforementioned company's card holder environment has been provisionally validated against the Payment Card Industry Data Security Standard v2.0(PCI DSS) as of the Date of Compliance as stated above.
2. This certificate is subject to validation conditions as laid out within the PCI DSS audit and assessment procedures, and is subject to final acceptance by the relevant acquirer and/or card scheme(s). Any queries please contact Trustwave at Compliance-QA@trustwave.com. This certificate covers a one year period beginning from the Date of Compliance.
3. This certificate shall not warrant or guarantee to any third party that Parkeon's card holder environment is invulnerable to attack or compromise. Accordingly, in no event shall Trustwave be liable to any third party in the event of loss or damage caused by any failure or breach of Parkeon's systems or payment applications.
4. This certificate is issued by Trustwave as a commercial representation of work complete, and is not officially sanctioned by either the SSC or any card scheme making up said body.

Certificate ID: 36JS2Q-02052013

Michael Aminzade, Director, Delivery - EMEA / APAC

Date: May 02, 2013

Parc La Fayette
6, rue Isaac Newton
25075 Besançon cedex 9 - France
Tél : +33 (0)3 81 54 56 00
Fax : + 33 (0)3 81 52 76 38

2013 PCI DSS Compliance of Parkeon Payment Services

De/*From*	Luc Porchon	Date	9th June 2013
Cc	D.Mandy	Cl.	

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1. Business Description

1.1. General Business Description

Parkeon designs, develops, builds and installs on-street and off-street parking management solutions and ticketing sales equipment for mass transit. Recent models of Parkeon's parking ticket machines offer the ability to pay with a bank card. The card processing in the parking ticket machines is carried out by an EMV Level 2 compliant card reader module, MR40 or MR900, combined with a PCI-PED compliant PINpad, Sagem P40. The card reader module reads the card (stripe or Chip and PIN) and handles the payment processing.

For card payments on its parking solutions, Parkeon offers payment gateway services to its customers in major cities in the world. Authorization and instant clearing requests are sent from the card reader module to the Parkeon payment server via GPRS and Internet. The incoming payment authorization requests are handled by software modules called EPSUM and Archipel (Payment Applications), both developed by Parkeon, and forwarded to the upstream processors for authorization. Parkeon maintains two separate environments for credit card processing: a legacy environment used to service customers with older contracts not requiring PCI DSS compliant services, and a PCI DSS compliant environment for newer contracts. The assessment focused solely on the PCI DSS compliant platform.

1.2. Card Brands Accepted

Visa, MasterCard, American Express

1.3. Card Transaction Types Received

Parkeon processes transactions with the following cardholder data types:

1.3.1. Card Present:

- Card Present transactions, including track 2 data or, in the case of EMV transactions, the EMV equivalent of track2 data, is accepted at the card readers integrated in the unattended payment terminals and sent to the Parkeon cardholder data environment.

1.3.2. Card-Not-Present:

- Not Accepted

1.3.3. PIN/Debit:

- EMV Level 2 compliant PIN pads are used for Chip and PIN cards, when PIN entry is required. The PIN is authenticated on the EMV chip of the card, the encrypted PIN block is not passed on the network.

1.3.4. Card Data Storage

- The payment applications store truncated PANs (first six/last four or last four digits only depending on the country where parking ticket machine is installed) as well as PANs in encrypted form in the Parkeon data center.

In case of connection problems with the data center, the card readers at the customer site may store (according to the agreement with the customer) the payment request containing track 2 data (or track 2 data equivalent in the case of EMV transactions) in encrypted form which is securely deleted once the connection is re-established and the payment request has been authorized, or after 24 hours of storage if the connection cannot be re-established.

1.4. Entities Receiving Card Data

Cardholder data is sent to the upstream processors.

1.5. Additional Information Required

- Parkeon is not an acquirer.
- Parkeon is not an issuer.
- Parkeon does not manage any ATM functions.
- Parkeon is not connected to any card brands.
- Parkeon does not use any offsite media storage companies.

- Parkeon uses virtualization technologies based on ESXI in single mode implementation.

1.6. Entity Classification

- Parkeon is classified as Level 1 Service Provider.
- Parkeon IS NOT a VisaNet Processor.
- Parkeon IS NOT an issuer.

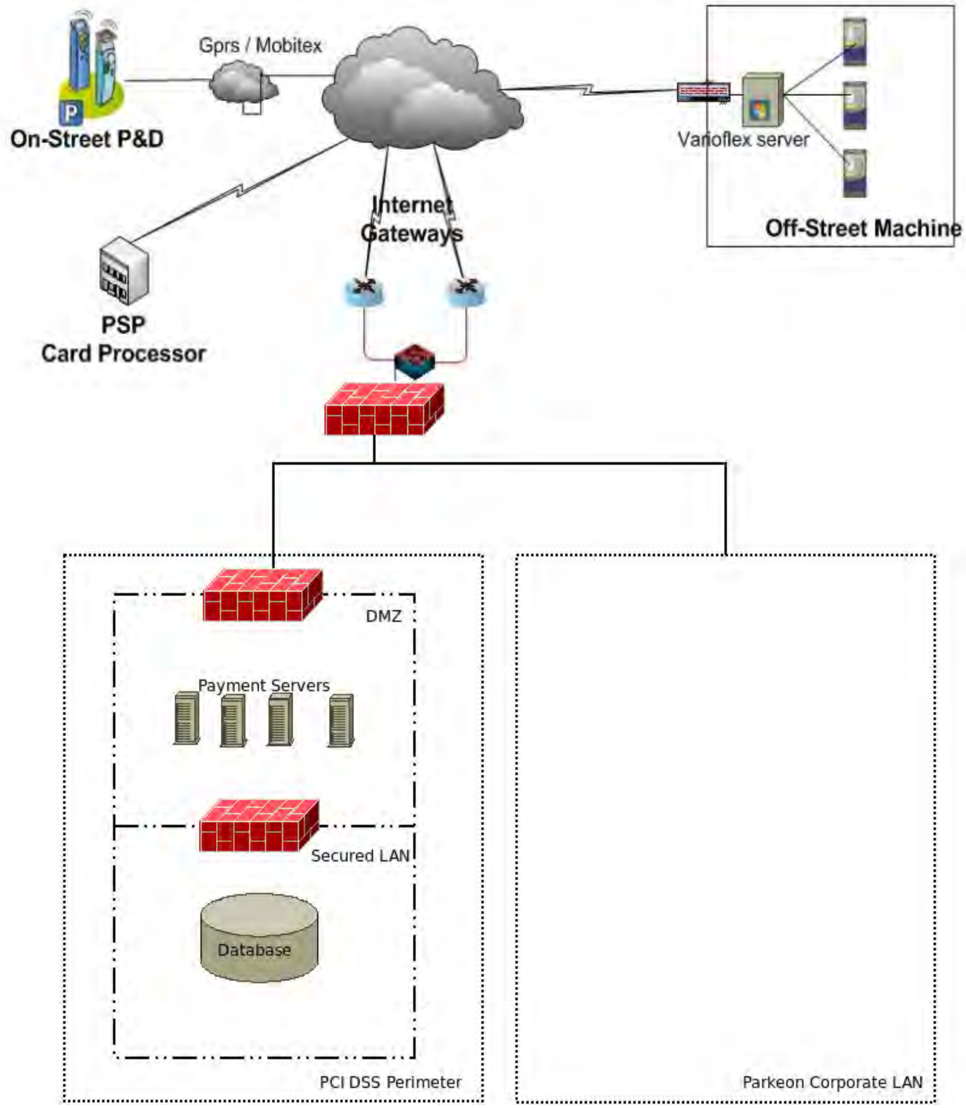
2. Scope

2.1. Network Diagram

The in-scope cardholder data environment in the data center is displayed as « PCI DSS Perimeter » at the left side of the network diagram. It consists of separate payment servers and is protected by a stateful 3 zones firewall from the Internet and the Parkeon internal networks. The connections to the unattended machines and to the upstream processors are displayed at the top of the diagram.

The in-scope cardholder data environment in the data center is displayed on green ground at the left side of the network diagram. It consists of separate VLANs and is protected by a stateful firewall from the Internet and the Parkeon networks. The connections to the on-street and off-street parking machines and to the upstream processors are displayed at the top of the diagram.

The out-of-scope Parkeon networks (the Parkeon Intranet, the Parkeon internal wireless LAN, the DCO and Service Center Team segment) are displayed as Parkeon Corporate LAN at the right side of network diagram.



2.2. Scope Accuracy Validation

2.3.

Parkeon's in-scope environment is hosted in a completely segregated environment with dedicated Internet access. Connection to this environment is only possible via the Internet and several dual homed servers, which are connected both to the cardholder data environment and the Parkeon Corporate LAN.

Allowed connections to the cardholder data are reviewed bi-annually as part of the firewall rule review and user access rights, application and database connections are revalidated each year in a formal meeting in order to validate whether the present scope of the cardholder environment is still valid.

The customer-defined scope was validated during the assessment by review of documentation, inventory lists, network and flow diagrams, inspection of firewall rules and network settings, review of payment application communications and interviews with network, system and application administrators.

The QSA verified that the scope is accurate and appropriate.

2.4. Environment Included in Scope of Validation

2.5.

Parkeon's PCI DSS environment has been specifically set up to manage all PCI DSS sensitive processes and is segregated from the rest of Parkeon's IT infrastructure. The cardholder data environment is protected by a pair of high available firewalls and segmented into several VLANs.

To access the PCI DSS environment, the administrators of the Data Center Operation (DCO) Team have to establish a VPN tunnel from their office location to the VPN server. Two-factor authentication is required to establish this connection. Access is also granted to Service Center Team Members who have access to the payment application, requiring two-factor authentication as well.

The card readers in the parking machines at the customer sites are hardware-based devices without underlying OS functionality. They are tamper proof; only well-defined configuration parameters can be modified via the payment application server. They communicate only with the payment server over encrypted channel with mutual authentication. If communication is down between the card readers and the payment server, sensitive authentication data can be stored in encrypted form. When the line comes up, the stored transaction information is forwarded to the payment server and overwritten.

After 24 hours of communication outage, all stored data is securely overwritten.

2.6. Segmentation used to Reduce Scope

The PCI DSS environment is completely segregated from the Internet and the Parkeon corporate environment by a pair of the firewalls. Cardholder data is not exchanged between the in-scope environment and any other Parkeon network. Two-factor authentication is required for administrators to connect to the cardholder data environment.

The segmentation was verified by review of the entire firewall policy of the main firewall, by review of VLAN configuration and port settings, by analysis of MAC addresses broadcasted on the VLANs under review, by inspection of network configurations and settings of the in-scope servers, and by interviews with system administrators.

2.7. Wholly-owned Entities that Require Compliance with the PCI DSS

2.8.

Parkeon does not have any wholly-owned entities that require compliance with the PCI-DSS.

2.9. International Entities that Require Compliance with the PCI DSS

2.10.

Parkeon does not have any international entities that require compliance with the PCI DSS.

2.11. Wireless LANs and/or Unattended Terminals Connected to the Cardholder Environment

Wireless networks are not connected to the cardholder data environment and therefore not included in the scope. The cardholder data environment is separated from the wireless networks by two layers of firewalls.

The card readers in the parking machines communicate over GPRS or Mobitex. GPRS or Mobitex connections are provided by a third party and transmitted over the Internet to the Parkeon data centre. All traffic is encrypted from the card readers to the payment server. The Parkeon customer is responsible for these wireless connections.

2.12. Version of the Security Audit Procedures

The compliance was completed using version 2.0 (dated October 2010) of the PCI DSS.

2.13. Timeframe of Assessment

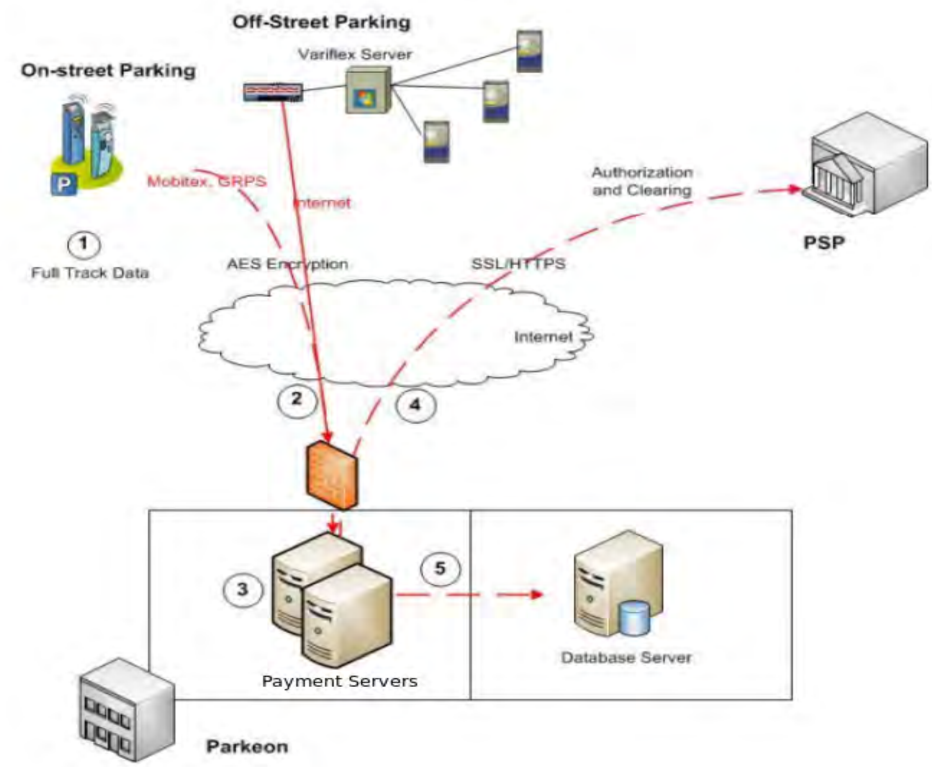
2.14.

The QSA conducted both on-site and remote compliance reviews pursuant to the PCI assessment process between 01/13/2013 and 04/30/2013.

3. Credit Card Dataflow Overview / Dataflow Diagram

The authorization and instant clearing cardholder data flow is organized as follows:

1) The payment card is introduced into the MR40 or M900 card reader installed at the unattended terminals. The card reader reads the magnetic stripe or starts communicating with the chip of the card. For EMV transactions, the PIN is verified locally on the chip, i.e. encrypted. PINs are not passed on the network. Card data is read and encrypted by the card reader.
2) The card reader module is connected to the Internet via GPRS, Mobitex, or via local network connection. The card reader opens a connection directly with the payment server over one defined UDP port in the case of on-street parking or over one defined TCP port via the Varioflex server in case of off-street parking. The Varioflex server is managed by the customer and not included in the PCI DSS scope of Parkeon. The authorization and instant clearing request is sent to the payment server over this encrypted channel. Encryption is done end-to-end from card reader to the server. The transport keys are changed every days between the card reader and the server.
3) The payment server decrypts the payment request and processes the request and translates it into the format used by the upstream processor.
4) The authorization and instant clearing request is passed on to the upstream processor over an encrypted (SSL v3) channel.
5) Once the transaction has been confirmed by the upstream processor, transaction data is cleared.



No cardholder data is stored by the card readers during normal operation. If the communication between the card reader and the Parkeon payment server is down, the payment request, including sensitive authentication data, might be stored in the flash memory of the card reader (depending on the agreement between Parkeon and their customer) in encrypted form and transmitted and overwritten once connection has been re-established. Data is stored for a maximum of 24 hours on the card reader and overwritten when this period is exceeded.

In order to communicate with some acquirers Parkeon may use a PA DSS certified third-party application which is integrated into payment application.

Clearing files are built in memory and sent to the upstream processors by the payment server over an SSL connection.

4. Quarterly Scans

The remote vulnerability assessment of Parkeon's Internet accessible systems was conducted by an ASV. The most recent scan was performed on 02/12/2013. This scan covered all identified systems and IP addresses of Parkeon's external Internet presence.

To meet the system perimeter security standard, the scan must not reveal any PCI-DSS Non-Compliant findings. The system perimeter scan for Parkeon revealed 0 PCI-DSS Non-Compliant vulnerabilities; therefore, Parkeon is COMPLIANT with the perimeter scan standard.

The QSA has verified that the ASV and the entity have completed the Attestations of Scan Compliance confirming that all externally accessible (Internet-facing) IP addresses in existence at the entity were appropriately scoped for the ASV scans.

Date of Scan	Result of Scan (Pass/Fail)	Date of Rescan, if Fail
November 13, 2012	Pass	N/A
May 13, 2012	Pass	N/A
August 13, 2012	Pass	N/A
February 13, 2013	Pass	N/A

5. Overall Compliance

The PCI assessment process focuses solely on the security of cardholder data, whether Parkeon has effectively implemented information security policies and processes, and if there are adequate security measures to comply with the requirements to protect cardholder data. Additionally, the assessment reviews whether Parkeon is employing payment industry best-practices and provides recommendations for remediation of any non-compliant policies, processes, procedures, system configurations or vulnerabilities.

As a result of this assessment, it was determined that Parkeon is COMPLIANT with PCI security requirements.

PCI Section Title	Overall Compliance	Reference
Requirement 1: Install and Maintain a Firewall Configuration to Protect Data	YES	Section 7.1, Page 19
Requirement 2: Do Not Use Vendor Supplied Defaults for System Passwords and Other Security Parameters	YES	Section 7.2, Page 32
Requirement 3: Protect Stored Cardholder Data	YES	Section 7.3, Page 45
Requirement 4: Encrypt Transmission of Cardholder Data Across Open, Public Networks	YES	Section 7.4, Page 64
Requirement 5: Use and Regularly Update Anti-Virus Software or Programs	YES	Section 7.5, Page 69
Requirement 6: Develop and Maintain Secure Systems and Applications	YES	Section 7.6, Page 73
Requirement 7: Restrict Access to Cardholder Data by Business Need to Know	YES	Section 7.7, Page 91
Requirement 8: Assign a Unique ID to Each Person with Computer Access	YES	Section 7.8, Page 95
Requirement 9: Restrict Physical Access to Cardholder Data	YES	Section 7.9, Page 112
Requirement 10: Track and Monitor All Access to Network Resources and Cardholder Data	YES	Section 7.10, Page 125
Requirement 11: Regulary Test Security and Processes	YES	Section 7.11, Page 143
Requirement 12: Maintain a Policy That Addresses Information Security For All Personnel	YES	Section 7.12, Page 157

The references in the table refer to chapters in the QSA's Report of Compliance. Because of confidentiality these sections are not included in this document.

The compliance status may be checked at:

Europe:
http://www.visaeurope.com/en/businesses__retailers/payment_security/service_providers.aspx

USA: http://usa.visa.com/download/merchants/cisp-list-of-pcidss-compliant-service-providers.pdf

TEVORA
Business Solutions

Certificate of Compliance

This award acknowledges that

Single Space Parking Meter v 3.2.18

Parking Meter Manager v2.1.0.10

has successfully completed the

Payment Application

Data Security Standard Assessment

performed by

Tevora Business Solutions, Inc.

Ray Zadjmool, President
Tevora Business Solutions, Inc.

Certified on: September 18, 2009
Re-validated on: September 17, 2012
Valid until: October 28, 2013

This designation is subject to re-qualification at 36-month intervals.

Certified Customer Name:	IPS Group Inc.
Certified Customer Address:	5601 Oberlin Drive, Suite 100 San Diego, CA 92121
Certified Payment Application and Version:	Single Space Parking Meter (SSPM) v 3.2.18 Parking Meter Manager v 2.1.0.10

This certificate is only issued to organizations that have met PA-DSS Security Standards program requirements.

This certificate is for the sole purpose of indicating compliance with the Payment Card Industry PA-DSS Security Standards program. Tevora Business Solutions makes no express or implied warranty or representations with respect to whether the customer's systems are secure against compromise.

Customers must retain all detailed assessment documentation for review upon request by organizations authorized under PA-DSS Security Standards program. Tevora Business Solutions retains all detailed documentation and working papers in order to comply with PA-DSS Security Standards program requirements.

Customers are responsible for maintaining compliance with the Payment Card Industry PA-DSS Security Standards. Periodic and ongoing reassessments are requirements under the PA-DSS Security Standards program. Significant customer changes may require reassessment.

It is understood that Tevora's assessment represents a point in time interpretation of the customers adherence to the Payment Card Industry PA-DSS Security Standards (v. 1.2) based upon the standardized documents and procedures provided under Payment Card Industry PA-DSS Security Standards program.

This designation is subject to re-qualification at 36-month intervals.

Certificate of Compliance

This award acknowledges that

IPS Group

has successfully completed the

Payment Card Industry Assessment

Level 1 Service Provider

performed by

Tevora, Inc.

A Qualified Security Assessor (QSA)

Valid: October 11 2013

Expires: October 10 2014

Ray Zadjmool, President
Tevora Business Solutions, Inc.

This designation is subject to re-qualification at 12-month intervals.

Certified Customer Name:	IPS Group
Certified Customer Address:	5601 Oberlin Drive, Suite 100 San Diego, CA 92121
Certified Service Area:	POS Managed Services Payment Gateway Services
Certified Co-Location Sites:	San Diego, CA

This certificate is only issued to organizations that have met PCI security program requirements.

This certificate is for the sole purpose of indicating compliance with PCI security programs. Tevora, Inc. makes no express or implied warranty or representations with respect to whether the customer's systems are secure against compromise.

Customers must retain all detailed assessment documentation for review upon request by organizations authorized under PCI security programs. Tevora, Inc. retains all detailed documentation and working papers in order to comply with PCI security program requirements.

Customers are responsible for maintaining compliance with the PCI Standard. Periodic and ongoing reassessments are requirements under PCI security programs. Significant customer changes may require reassessment.

It is understood that Tevora's assessment represents a point in time interpretation of the customers adherence to the PCI Data Security Standards (v. 2.0) based upon the standardized documents and procedures provided under PCI security programs.

This designation is subject to re-qualification at 12-month intervals.

Attachment 3 – Company Financials

This section includes the following document:

- Xerox Corporation 2012 Form 10-k (which includes financial date for 2010, 2011, and 2012)

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

FORM 10-K

(Mark One)

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

For the fiscal year ended: December 31, 2012

☐ **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	**16-0468020**
(State of incorporation)	(IRS Employer Identification No.)
P.O. Box 4505, 45 Glover Avenue, **Norwalk, Connecticut 06856-4505**	**(203) 968-3000**
(Address of principal executive offices)	**(Registrants telephone number, including area code)**

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

Title of each class	Name of each exchange on which registered
Common Stock, $1 par value	**New York Stock Exchange**
	Chicago Stock Exchange

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

None

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act. Yes ☒ No ☐

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Act. Yes ☐ No ☒

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 Website, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T 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 if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K is not contained herein, and will not be contained, to the best of Registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K. ☐

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

Large accelerated filer ☒ Accelerated filer ☐ Non-accelerated filer ☐ Smaller reporting company ☐

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

The aggregate market value of the voting stock of the registrant held by non-affiliates as of June 30, 2012 was $10,287,686,280.

Indicate the number of shares outstanding of each of the Registrant's classes of common stock, as of the latest practicable date:

Class	Outstanding at January 31, 2013
Common Stock, $1 par value	1,223,836,871

DOCUMENTS INCORPORATED BY REFERENCE

Portions of the following documents are incorporated herein by reference:

Document	Part of Form 10-K in which Incorporated
Xerox Corporation 2012 Annual Report to Shareholders	I & II
Xerox Corporation Notice of 2013 Annual Meeting of Shareholders and Proxy Statement (to be filed no later than 120 days after the close of the fiscal year covered by this report on Form 10-K)	III

FORWARD-LOOKING STATEMENTS

From time to time, we and our representatives may provide information, whether orally or in writing, including certain statements in this Annual Report on Form 10-K, which are deemed to be "forward-looking" within the meaning of the Private Securities Litigation Reform Act of 1995 (the "Litigation Reform Act"). These forward-looking statements and other information are based on our beliefs as well as assumptions made by us using information currently available.

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 our current views with respect to future events and are subject to certain risks, uncertainties and assumptions. Should one or more of these risks or uncertainties materialize, or should underlying assumptions prove incorrect, actual results may vary materially from those described herein as anticipated, believed, estimated, expected or intended or using other similar expressions. We do not intend to update these forward-looking statements, except as required by law.

In accordance with the provisions of the Litigation Reform Act, we are making investors aware that such forward-looking statements, because they relate to future events, are by their very nature subject to many important factors that could cause actual results to differ materially from those contemplated by the forward-looking statements contained in this Annual Report on Form 10-K, any exhibits to this Form 10-K and other public statements we make. Such factors include, but are not limited to: changes in economic conditions, political conditions, trade protection measures, licensing requirements and tax matters in the United States and in the foreign countries in which we do business; changes in foreign currency exchange rates; actions of competitors; 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 unexpected costs will be incurred; the risk that subcontractors, software vendors and utility and network providers will not perform in a timely, quality manner; our ability to recover capital investments; the risk that multi-year contracts with governmental entities could be terminated prior to the end of the contract term; the risk that our Services business could be adversely affected if we are unsuccessful in managing the ramp-up of new contracts; development of new products and services; our ability to protect our intellectual property rights; our ability to expand equipment placements; 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; interest rates, cost of borrowing and access to credit markets; reliance on third parties for manufacturing of products and provision of services; our ability to drive the expanded use of color in printing and copying; the outcome of litigation and regulatory proceedings to which we may be a party; 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 Annual Report on Form 10-K, as well as in our Quarterly Reports on Form 10-Q and Current Reports on Form 8-K.

XEROX CORPORATION
FORM 10-K
DECEMBER 31, 2012

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PART I

ITEM 1. BUSINESS OVERVIEW

Xerox is the world's leading enterprise for business process and document management. We provide services, technology and expertise to enable our customers - from small businesses to large global enterprises - to focus on their core business and operate more effectively. The key areas in which we help businesses are:

Business Process Outsourcing: We are the largest worldwide diversified business process outsourcing company with an expertise in managing transaction-intensive processes. This includes services which support all enterprises through offerings such as customer care, finance and accounting and human resources, as well as vertically focused offerings in areas such as healthcare, transportation, retail and telecommunications, among others.

Information Technology Outsourcing: We specialize in designing, developing and delivering effective IT solutions that leverage our secure data centers, help desks and managed storage facilities around the world to provide a reliable IT infrastructure.

Document Technology and Document Outsourcing: Our document technology products and solutions support the work processes of our customers and provide them an efficient, cost effective printing and communications infrastructure. Our managed print services offering helps customers optimize the use of document systems across small businesses or large global enterprises.

We are a leader in a large, diverse and growing market estimated at over $600 billion. The global **business process outsourcing** and **information technology outsourcing** markets are estimated at roughly $250 billion each. These markets are very broad, encompassing horizontal business processes as well as industry specific-processes. The **document management** market is estimated at roughly $130 billion. This market is comprised of the document systems, software, solutions and services that our customers have relied on for years to help run their businesses and reduce their costs. Xerox led the establishment of the managed print services market and continues as the industry leader today.

These market estimates are calculated by leveraging third party forecasts from firms such as Gartner and NelsonHall in conjunction with our assumptions about our markets.

Our Strategy and Business Model

We are well-positioned to lead in the markets in which we participate. At the heart of our strategy is the creation of sustained shareholder value through EPS growth and strong cash flow.

Our core strengths which drive our strategy include:

- **Our Brand** - We have a well-recognized and respected brand that is known by businesses worldwide for delivering industry-leading document technology, services and solutions. It continues to be ranked in the top percentile of the most valuable global brands.

- **Global Presence** - Our geographic footprint spans 160 countries and allows us to serve customers of all sizes to deliver superior technology and services regardless of complexity or number of customer locations.

- **Renowned Innovation** - We have a history of innovation and, with more than 11,500 active U.S. patents and five global research centers, we continue to lead the document technology industry and to take our technology into new service areas. See the "Innovation and RD&E" section for additional information about our renowned innovation.

- **Operational Excellence** - We have an operational excellence model that leverages our global delivery capabilities, production model, incentive-based compensation process, proprietary systems and financial discipline to deliver productivity and lower costs for our customers and for our business.

We use our core strengths and market opportunities to grow our businesses by executing on the following growth drivers:

- **Expand Globally -** We leverage our global presence and customer relationships to expand our BPO and ITO services internationally. The majority of our BPO and ITO revenues are currently derived from services provided to customers in the United States. In addition, we will continue to grow globally through acquisitions. Three of our 2012 acquisitions were made outside of the United States.

- **Capitalize on Advantaged Verticals -** Within our Services and Document Technology segments, we serve verticals in which we have deep expertise resulting from years of experience, strong customer relationships, large scale and our renowned innovation. Capitalizing on the opportunities that these strengths provide us will continue to be key to growth.

  An example of an advantaged vertical is healthcare, where we have built a $2 billion business that touches every aspect of the industry - government, provider, payer, employer and pharma. In addition, we apply our innovation to differentiate our offerings. As a result, we are positioned to capitalize on current industry trends, including the changes presented by health reform. We also view transportation, wireless communications and graphic communications, among others, as advantaged verticals in which we have a leading position, strong capabilities and attractive market opportunities.

- **Disciplined Management of Portfolio -** Xerox has the most broad and diverse set of offerings in the Services segment and the most complete product portfolio in the Document Technology business. Our acquisitions are targeted at businesses that will increase our Services capabilities, position us in attractive Services segments and provide us with a greater global presence. We will continue to focus on managing our portfolio to maximize profitable growth.

- **Leverage Document Technology Leadership -** Xerox is the market share leader in the Document Technology market. We led the establishment of the managed print services ("MPS") market and we continue to lead this area of market growth. Our MPS offerings continue to expand and now consist of a continuum of offerings that serve large enterprise down through small and mid-size businesses. In addition, we leverage our leadership in Document Technology to help grow our business process outsourcing and IT outsourcing businesses.

- **Expand Customer Relationships -** We expand customer relationships through a strategy of "penetrate and radiate". As we establish relationships, we prove our capabilities and then work with the customer to determine other areas where we can improve their operations and drive down costs by managing non-core parts of their business. Our wide array of Services offerings enables us to do this effectively and results in a win-win for Xerox and our customers.

- **Invest in New Services -** Our Services acquisitions are a key element of our strategy. We target companies that provide new capabilities, offer access to adjacent services areas or expand our geographic presence. We will continue to invest in new services to grow our business profitably.

Annuity-Based Business Model

Through our annuity-based business model, we deliver significant cash generation and have a strong foundation upon which we can expand earnings.

The fundamentals of our business are based on an annuity model that drives significant recurring revenue and cash generation. Approximately 84 percent of our 2012 total revenue was annuity-based revenue that includes contracted services equipment maintenance, consumable supplies and financing, among other elements. The remaining 16 percent of our revenue comes from equipment sales, either from lease agreements that qualify as sales for accounting purposes or outright cash sales.

Our strategy and business model fundamentals translate into the following 2013 priorities:

- Managing our Services business for growth;
- Maintaining our leadership in document Technology;
- Managing our business with a focus on operational excellence; and
- Delivering strong cash flow and returning value to shareholders.

Acquisitions

Consistent with our strategy to expand our Services offerings through acquisitions, we acquired the following companies in 2012:

In July 2012 we acquired:

- **Wireless Data Services ("WDS")**, a telecommunications technical support and consultancy firm headquartered in the U.K. WDS uses a proprietary cloud-based platform called GlobalMine ™ to capture, analyze and manage millions of technical support interactions across thousands of different types of mobile devices.

- **Lateral Data**, a leading e-discovery technology provider based in the United States. Lateral Data 's flagship software, Viewpoint™, brings simplicity and affordability to e-discovery by enabling corporate legal departments and law firms to manage the entire e-discovery lifecycle using a single, in-house solution.

In January 2012 we acquired:

- **LaserNetworks Inc.**, a provider of MPS solutions that include print device tracking, centralized service and supply management and document routing. LaserNetworks is headquartered in Canada.

- **XL World,** a multi-lingual customer care firm based in Italy that will further expand our business process outsourcing capabilities across Europe.

Additionally, we made the following acquisitions consistent with our strategy to expand distribution to under-penetrated markets:

- In February 2012, we acquired **R.K. Dixon**, a leading provider of IT services, printers and MPS, with locations in seven cities in Iowa and Illinois.

- In addition, we enhanced our distribution capabilities by acquiring office products distributors in Wisconsin, California and Illinois.

Innovation and RD&E

Xerox has a rich heritage of innovation that continues to be a core strength of the company as well as a competitive differentiator. The Company's investments in innovation align with its growth opportunities in areas like business services, color printing and customized communication. Our overall aim is to create value for our customers, for our shareholders and for our people by influencing the future in certain key areas. Our research work can be categorized under four themes:

- **Implementing Agile Business Processes:** To enable true business process agility, our research aims to automate business processes via flexible platforms that run on robust and scalable infrastructures. Automation of business processes benefits from our research on image, video and natural language processing coupled with machine learning. Application of these methods to business processes enables technology to perform tasks that today are performed manually by workers, thus enhancing worker productivity.

- **Harvesting Knowledge from Information:** Information comes in two forms: structured, where the content sits tidily in searchable indices or in limiting databases; or unstructured, where content can be anything from photos, videos, hand-written forms, emails, etc. Unstructured information has endless growth and creates a need for businesses to be more effective in mining context from content. This is a key research area for us - making sense of unstructured information using natural language processing and semantic analysis. We explore how to better analyze information for human use by better understanding contextual detail on how the content has been created and used. We are also developing proprietary methods for predictive analytics applied to business processes.

- **Delivering the Value of Personalization:** Our research leads to technologies that improve the efficiency, economics and relevancy of business communications and printing applications. We research methods to create affordable ubiquitous color printing, leveraging our solid ink printing technology. We are also exploring ways to expand the application space of digital printing to cover new applications such as packaging printing and printing directly on mediums that go far beyond paper, like food and clothing.

- **Enabling the Sustainable Enterprise:** Our research also focuses on developing technologies that minimize the environmental impact of document systems and business processes. An example is how we are continually working on lowering the operating and standby power of our printing systems by using new materials and print processes.

Within this framework, one particular area of focus is data analytics - simplifying complex data to turn it into actionable knowledge - helping our customers drive operational efficiencies, guide decisions, yield new insights and help predict what is next. The following are a few ways in which we are achieving this:

- **Digital Nurse Assistant: improving the quality of healthcare and enhancing service to individuals**
  With the overload of information and data in the workplace, often more time is spent wading through data than focusing on the task at hand. When information can be intelligently aggregated and grouped, time can be saved. In healthcare, nurses sometimes spend 75 percent of their day coordinating documents. One of the innovations we developed, Digital Nurse Assistant, collects and categorizes all patient information into a simple, touch-screen dashboard. This means that critical patient information is not in a computer or in a file somewhere, it's in the hands of the people who need it.

- **Mining Mobile Information**
  GlobalMine™, a proprietary cloud based platform, captures, analyzes, and manages millions of technical support interactions across thousands of different mobile device types. This data helps telecommunications clients react, in real time, to any systems issues or customer satisfaction problems that their customers may be experiencing with their devices or service.

- **Making Transportation Information and Data Meaningful**
  The millions of commuters who take public transportation also provide critical data about their daily habits and that can be used to optimize service and save money for cities. Xerox analytics use this information to provide cities with structured data, which becomes the basis for schedule and infrastructure improvements that are responsive to what their passengers need. This has resulted in increased ridership and lower costs in the cities in which it has been implemented.

Global Research Centers
We have five global research centers that have unique areas of focus and are places where creativity and entrepreneurship are truly valued and leadership has empowered employees to deliver, resulting in leading-edge research and high-impact innovations that make a difference in the world. Our research centers are as follows:

- **Palo Alto Research Center ("PARC")** - Located in Palo Alto California, PARC is a wholly owned subsidiary of Xerox that is focused on areas of innovation on behalf of Xerox in areas that include content-centric networking, intelligent mobile computing and intelligent automation. PARC also leverages its heritage as the birthplace of modern technologies to provide research and development for non-competitive businesses in areas that include UV-LEDs and ethnography services.

- **Xerox Research Centre of Canada ("XRCC")** - Located in Mississauga, Ontario Canada, XRCC is Xerox's materials research center with a focus on imaging and consumable materials, such as toner and inks, for our document technology.

- **Xerox Research Center Webster ("XRCW")** - Located in Webster New York, XRCW focuses on system design, imaging, computing and marking science. In addition, XRCW is now focused on innovation to help the healthcare industry.

- **Xerox Research Centre Europe ("XRCE")** - Located in Grenoble France, XRCE research differentiates Xerox business process service offerings. The center focuses on image, text and data analytics, business process modeling and the study and understanding of work practices.

- **Xerox Research Center India ("XRCI")** - Located in Chennai India, XRCI focuses on unique innovation opportunities that emerge in and best serve developing markets. As Xerox's newest research lab, XRCI has a broad mandate to foster innovation across the Company's document technology and business process services offerings.

Investment in R&D is critical for competitiveness in our fast-paced markets. One of the ways that we maintain our market leadership is through strategic coordination of our R&D with Fuji Xerox (an equity investment in which we maintain a 25 percent ownership interest). We have aligned our R&D investment portfolio with our growth initiatives, including enhancing customer value by building on our Services leadership as well as accelerating our color leadership.

Our total research, development and engineering expenses (including sustaining engineering expenses, which are the hardware engineering and software development costs incurred after we launch a product) totaled $655 million in 2012, $721 million in 2011 and $781 million in 2010. Fuji Xerox R&D expenses were $860 million in 2012, $880 million in 2011 and $821 million in 2010.

Segment Information

Our reportable segments are Services, Document Technology and Other. We present operating segment financial information in Note 2 - Segment Reporting in the Consolidated Financial Statements, which we incorporate by reference here. We have a very broad and diverse base of customers by both geography and industry, ranging from small and midsize businesses ("SMBs") to graphic communications companies, governmental entities, educational institutions and Fortune 1000 corporate accounts. None of our business segments depends upon a single customer, or a few customers, the loss of which would have a material adverse effect on our business.

Revenues by Business Segment

Our Services segment is the largest segment within the company, with $11,528 million in revenue in 2012, representing 52 percent of total revenue. The Document Technology segment contributed $9,462 million in revenue, representing approximately 42 percent of total revenue, while the Other segment represented $1,400 million in revenue representing approximately 6 percent of total revenue.

Services Segment

Our Services segment comprises three service offerings: Business Process Outsourcing ("BPO"), Information Technology Outsourcing ("ITO") and Document Outsourcing ("DO"). We provide non-core, mission-critical services that our clients need to run their day-to-day business. These services help our clients simplify the way work gets done, giving them more time and resources to allocate to their core operations, respond rapidly to changing technologies and reduce expenses associated with their business processes and information technology support.

Business Process Outsourcing

We are the largest worldwide diversified business process outsourcing company, with an expertise in transaction-intensive offerings tailored for several industries. BPO represented 57 percent of our total Services segment revenue in 2012. Our services include:

- **Government Healthcare Solutions:** This business serves state and federal-funded government healthcare programs. We provide a broad range of solutions, from processing Medicaid claims to pharmacy benefits management, clinical program management, supporting health information exchanges, eligibility application processing and determination, delivering public and private health benefit exchange services and care and quality management. We have been delivering these systems since 1971 and we apply our deep knowledge of the Medicaid system, along with technological advances, to simplify and automate transactional-intensive processes. As a result, we are uniquely positioned to capitalize on the opportunities that health care reform is presenting.

- **Healthcare Payer and Pharma:** We deliver administrative efficiencies to our healthcare payer clients through our scalable and flexible transactional business solutions, which encompass both our global delivery model and domestic payer service centers. Services include data capture, claims processing, customer care, recovery services and healthcare communications. No competitor has offerings in all of these areas.

- **Healthcare Provider Solutions:** We provide consulting solutions, revenue cycle management and application services that are customized to meet the varying and changing needs of healthcare providers. We serve every large health system in the United States, with contracts in all 50 states. We also help our clients improve care through an analytics solution designed to provide clinical staff information.

- **Human Resources Services ("HRS"):** From actuarial expertise to full range of human resources consulting - from employee service centers to learning, retirement, health and welfare services - HRS delivers game-changing, innovative solutions that enable our clients to focus on their business. We differentiate ourselves around two themes of innovation: engagement and enablement. We help HR departments engage employees as individuals by communicating to them with personalized messages and enabling employees to get smarter about managing their own health, wealth and career outcomes.

- **Financial Services:** We provide finance and accounting services for any industry - from accounting to billing to procurement to accounts payable and receivable to tax management. In addition, we provide outsourcing of financial aid and enrollment office operations for colleges and universities and back-room functions such as customer services, transaction processing and mailroom operations for the financial services industry. We have a deep understanding of what drives the customer and we move beyond simply driving down costs.

- **Customer Care:** Xerox is the largest domestic customer care provider to the Wireless Telecom industry.
We have years of experience in providing customer care services that improve our customers ' productivity, efficiency and customer retention in telecommunications as well as a variety of other industries. Our customer care offerings include: customer service, sales, technical support, transaction processing, fulfillment and managed mobility services, among others.

- **Retail, Travel and Insurance:** We provide technology-based transactional services for retail, travel and non-healthcare insurance companies. We handle their data entry, mailrooms, imaging input and hosting, call centers and help desk with targeted industry focus.

- **Transportation Solutions:** We provide revenue-generating solutions in over 30 countries. Our solutions include fare collection, toll and parking solutions, and monitoring of red light cameras. We differentiate through the breadth of our offerings and innovative technology. For example, we developed dynamic pricing algorithms, which will be used in the new Los Angeles ExpressPark program. This program will create a new pricing system designed to relieve traffic congestion, reduce air pollution and improve the efficiency of downtown LA's transit operations.

- **Government Solutions:** We support our government clients with solutions for child support payment processing, tax and revenue systems, eligibility systems and services, electronic payments transfer, electronic payment cards and unclaimed property services, among others. Our competitive advantage is our depth of local expertise while at the same time having the scale required to deliver and manage multiple programs for federal, state, county and town governments.

Information Technology Outsourcing

We specialize in designing, developing and delivering effective IT solutions. Our secure data centers, help desks and managed storage facilities around the world provide a reliable IT infrastructure that minimizes the risk of disruption to our clients' daily operations. ITO represented 12 percent of our total Services segment revenue in 2012.

We provide our ITO services across several verticals. Our ITO services include:

- **Mainframe and Server Outsourcing:** We support our clients' needs for adaptable computing environments and their potential growth. We provide comprehensive systems support services. We provide a 24/7 support organization that maintains a unified set of tools and processes to support our clients' IT environments, including systems administration, database administration, systems monitoring, batch processing, data backup and capacity planning.

- **Network Outsourcing:** We provide telecommunications management services for voice and data networks. We leverage our enterprise agreements, proprietary tools, procedures and skilled personnel to provide our clients with a scalable and automated processing environment.

- **Desktop Outsourcing:** Our desktop services provide our clients with a comprehensive approach to managing their end-user platforms and devices. We design and execute desktop management strategies that address and resolve issues such as enterprise bandwidth constraints, unstable computing environments, areas of insecurity and unavailable network resources.

- **Cloud Services:** Our cloud services solutions cover the full range from infrastructure, mobility, collaboration and platform. We designed our solutions to quickly scale up or down and fit different business needs. These solutions are delivered through our cloud-based, multi-tenant infrastructure with compliance, monitoring and performance transparency built in.

In addition, we provide Remote Infrastructure Management, Help Desk/Service Desk Management, Managed Storage, Utility Computing, Disaster Recovery and Security Services.

Document Outsourcing
We are the industry leader in document outsourcing services, with more than 20 years experience and 15,000 business professionals across 160 countries. We help companies optimize their printing infrastructure and simplify their communication and business processes to grow revenue, reduce costs and operate more efficiently. DO represented 31 percent of our total Services segment revenue in 2012. Our two primary offerings within Document Outsourcing are Managed Print Services and Communication and Marketing Services.

- **Managed Print Services ("MPS"):** Xerox MPS optimizes, rationalizes and manages the operations of Xerox and non-Xerox print devices, driving efficiencies that can save clients up to 30 percent on their document-related costs. We provide the most comprehensive portfolio of MPS services in the industry, supporting small-and midsize businesses up through large global enterprises.

  The key factors that differentiate us include our commitment to innovation and technology, including our cloud-based connectivity and integrated suite of software tools, as well as our global direct and channel partner coverage and certification programs. In addition, the industry's broadest portfolio of printing products sets us apart from our competition. We are recognized as an industry leader by several major analyst companies, including Gartner, IDC, Quocirca and Forrester.

  We also partner with industry leaders to enhance our solutions. As an example, we recently selected Cisco 's Unified Computing System ("UCS") to support our network of cloud-based MPS delivery centers around the world and speed up the connection between data servers and the more than one million Xerox and non-Xerox print devices we manage. As a result, customers experience a faster, more reliable delivery of MPS applications and we stay ahead of their needs by utilizing the data we collect to continually recommend new ways to simplify the way they work with both paper and digital documents.

  The Xerox MPS continuum complements and provides opportunities to expand existing BPO and ITO services. Within BPO accounts, Xerox MPS helps to improve workflow and enhance employee productivity. In ITO accounts, MPS complements the client IT services that we are currently managing and positions Xerox as a complete IT services provider.

- **Communication & Marketing Services ("CMS"):** CMS delivers end-to-end outsourcing for design, communications, marketing, logistics and distribution services that help clients communicate with their customers and employees more effectively. We deliver communications through traditional routes, such as print, but also through a growing number of multimedia channels including SMS, Web, email and mobile media.

  We help our clients identify how their customers want to be engaged, tailor their content, translate it, personalize their communication, decide on the appropriate channel, execute on campaigns and measure the resulting success.

  Our advantage results from the breadth of our capabilities and our service-orientated approach that provides a single, seamless service for all communication and marketing logistics.

Document Technology Segment

Document Technology includes the sale of products and supplies, as well as the associated technical service and financing of those products (that which is not related to document outsourcing contracts). Our Document Technology business is centered around strategic product groups that share common technology, manufacturing and product platforms.

Our strategic product groups are as follows:

Entry

Entry comprises products sold primarily to small and midsize businesses through a worldwide network of independent resellers and online merchants. Our entry products represented 22 percent of our total Document Technology segment revenue in 2012 . It includes desktop monochrome and color printers and multifunction printers ("MFPs") ranging from small personal devices to larger workgroup printers designed to serve the needs of demanding office users. In 2012, we continued to build on our position in the market by:

- Making high-quality desktop color more affordable and easier to use for all businesses;
- Expanding our channel reach, partner programs and capacity to support the needs of small to midsize businesses in our customers ' preferred buying locations; and
- Launching products and solutions that help individuals, small work teams, large workgroups or whole departments achieve their business goals.

In 2012, we added the following products:

- **ColorQube® family multifunction printers:** Based on Xerox solid ink technology, the ColorQube 8700 and ColorQube 8900 multifunction printers provide cost savings and color quality for small and midsize businesses. In addition, they have the ability to expand into a floor device with extra paper capacity and helpful finishing options.

- **WorkCentre® 3315 and WorkCentre® 3325:** These high-performance monochrome products feature a print speed of up to 37 pages per minute and a first-page-out time of 6.5 seconds. The WorkCentre 3325 also comes standard with internal Wi-Fi connectivity and the latest security features. Both devices feature a small footprint, allowing for easy integration within customer work environments.

- **Phaser® 7100 Color Printer:** This printer produces exceptional print quality on a wide variety of media - including oversize paper. The Phaser 7100 can be used either on a desktop or as a floor device with print speeds of up to 30 pages per minute and simple printer management with CentreWare Internet service.

- **The WorkCentre® 6605 and Phaser® 6600 printers:** These devices provide vibrant color output for smaller businesses and feature Print resolution of up to 600 X 600 X 4 dpi and color and black-and-white print speeds of up to 36 ppm.

Mid-range

Mid-range comprises products sold to enterprises of all sizes, principally through dedicated Xerox-branded partners and our direct sales force, indirect multi-branded channel partners and resellers worldwide. Our mid-range products represented 58 percent of our total Document Technology segment revenue in 2012. We offer a wide range of multifunction printers, copiers, digital printing presses and light production devices that deliver flexibility and advanced features . In 2012, our mid-range business continued to build on our position in the market by:

- Making high-quality color more affordable and easier to use for small and mid-size businesses and large enterprises;
- Expanding our channel reach, partner programs and capacity to support the needs of the SMB market; and
- Offering a complete range of services and solutions in partnership with independent software partners that allow our customers to analyze, streamline, automate, secure and track document workflows.

The breadth of our Mid-range product portfolio is unmatched. These products include:

- **Xerox WorkCentre® 7525, 7530, and 7535:** These multifunction printers are equipped with features to help small and midsize businesses boost productivity and meet their sustainability goals. They offer speeds up to 25, 30 and 35 ppm color and black-and-white. The MFPs, which can print, copy, scan, fax and email, include advanced document management and workflow tools to make office work easier and also offer unparalleled ease of use and security features. In addition, the Hi-Q LED print engine technology consumes less energy and space and produces less noise, while printing resolutions of 1200 x 2400 dpi.

- **Xerox ColorQube® 9301/9302/9303:** The ColorQube™ 9300 Series combines Xerox's solid ink innovation with our legacy of advanced multifunction product leadership. This results in a multifunction printer that produces vivid color quality that is affordable and produces significantly less printing waste versus comparable color laser devices. The device copies and prints at speeds up to 55 ppm color and 60 ppm black-and-white, while increasing productivity even further with speeds up to 85 ppm in Fast Color mode for draft or short-life documents.

- **Xerox WorkCentre® 5325/5330/5335:** The highly modular WorkCentre 5300 series black-and-white MFP serves both small and midsize businesses as well as enterprise office environments. Its customizable workflow solutions help customers in document-intensive industries such as legal, health care and financial make their daily tasks more efficient.

- **Xerox D95/110/125 Copier/Printer:** This device offers production print, copy, scan and advanced finishing capabilities for pay-for-print shops and centralized reprographic departments in addition to education, healthcare and many other industries. With industry leading speeds of up to 125 ppm, this D95/110/125 Copier/Printer helps customers increase productivity and reduce costs.

High-end

Our High-end digital color and monochrome solutions are designed for customers in the graphic communications industry and for large enterprises. Our high-end products comprised 20 percent of our total Document Technology segment revenue in 2012. These devices enable digital on-demand printing, full-color printing and enterprise printing. We continue to expand our portfolio of cut sheet and continuous feed offerings in both toner and inkjet products. Our hardware and our integrated solutions such as automated in-line finishing result in "touch less" workflows (with little to no manual processing or human intervention) allow Xerox customers to produce more jobs and grow their business.

For more than two decades, Xerox has delivered innovative technologies that have revolutionized the production printing industry, maintaining our position as the industry leader in the number of pages produced on digital production color presses. We continued to build on our award-winning lineup in 2012 with the launches of:

- **Xerox iGen® 150:** In May at drupa, we introduced our latest iGen product. The iGen 150 builds on the capabilities of the iGen4 with a number of new feature sets. The fastest cut sheet product in the production color fleet prints at 150 A4 ppm. In addition, we included a new 26" internal stacker to maximize output of the largest sheet size in the industry. A number of automated color management tools help enable productivity and our latest finishing solution, Integrated Plus, makes the production of booklets simpler.

- **Xerox Nuvera® 157 & 314:** At Graph Expo in October, we introduced the latest members of the Xerox Nuvera family, the Xerox Nuvera 157 and tandem engine 314 black-and-white production products. These products build on the success of the Nuvera family and offer new speed levels and functionality. The top speed of the single engine is increased to 157 ppm and to 314 images per minute in the tandem configuration. These devices also contain a new production stacking system that delivers neat output stacks at waist level that can be unloaded as the engine continues to print.

- **FreeFlow® Digital Workflow:** Our FreeFlow digital workflow is a collection of software technology solutions that our customers can use to improve all aspects of their processes, from content creation and management to production and fulfillment. Our digital technology combined with total document solutions and services that enable personalization and printing on demand, delivers value that improves our customers' business results.

Other Segment

The Other segment primarily includes revenue from paper sales, wide-format systems, network integration solutions and electronic presentation systems from Global Imaging Systems. Paper comprised approximately 59 percent of the revenues in the Other segment in 2012.

Geographic Information

Our global presence is one of our core strengths. Overall, approximately 34 percent of our revenue is generated by customers outside the U.S. We have a significant opportunity to leverage our global presence and customer relationships to expand our Services business in Europe and developing markets.

In 2012, our revenues by geography were as follows: United States: $14,701 million (66% of total revenue), Europe:$5,111 million (23% of total revenue) and Other areas: $2,578 million (11% of total revenue). Revenues by geography are based on the location of the unit reporting the revenue and includes export sales.

Patents, Trademarks and Licenses

Xerox and its subsidiaries were awarded 1,215 U.S. utility patents in 2012. On that basis, we would rank 20th on the list of companies that were awarded the most U.S. patents during the year. Including our research partner Fuji Xerox, we were awarded about 1,900 U.S. utility patents in 2012. Our patent portfolio evolves as new patents are awarded to us and as older patents expire. As of December 31, 2012, we held more than 11,500 U.S. design and utility patents. These patents expire at various dates up to 20 years or more from their original filing dates. While we believe that our portfolio of patents and applications has value, in general no single patent is essential to our business or any individual segment. In addition, any of our proprietary rights could be challenged, invalidated or circumvented, or may not provide significant competitive advantages.

In the U.S., we are party to numerous patent-licensing agreements and, in a majority of them, we license or assign our patents to others in return for revenue and/or access to their patents. Most patent licenses expire concurrently with the expiration of the last patent identified in the license. In 2012, we added 11 new agreements to our portfolio of patent-licensing and sale agreements, and Xerox and its subsidiaries were licensor or seller in all 11 of the agreements. We are also a party to a number of cross-licensing agreements with companies that hold substantial patent portfolios, including Canon, Microsoft, IBM, Hewlett-Packard, Oce, Sharp, Samsung, Seiko Epson and Toshiba TEC. These agreements vary in subject matter, scope, compensation, significance and time.

In the U.S., we own more than 500 U.S. trademarks, either registered or applied for. These trademarks have a perpetual life, subject to renewal every 10 years. We vigorously enforce and protect our trademarks.

Marketing and Distribution

We operate in over 160 countries worldwide and provide the industry's broadest portfolio of document technology, services and software, and the most diverse array of business processes and IT outsourcing support through a variety of distribution channels around the world. We manage our business based on the principal segments described earlier. We have organized the marketing, selling and distribution of our products and services by geography, channel type and line of business.

We go to market with a Services-led approach and sell our products and services directly to customers through our world-wide sales force and through a network of independent agents, dealers, value-added resellers, systems integrators and the Web. In addition, our wholly-owned subsidiary, Global Imaging Systems ("GIS"), an office technology dealer which is comprised of regional core companies in the United States, sells and services document management systems, network integration devices and electronic presentation systems.

For small and mid-size business, we continued to expand our distribution in 2012 as GIS acquired four companies.Our brand is a valuable resource and continues to be ranked in the top percentile of the most valuable global brands.

In Europe, Africa, the Middle East and parts of Asia, we distribute our products through Xerox Limited, a company established under the laws of England, and related non-U.S. companies. Xerox Limited enters into distribution agreements with unaffiliated third parties to distribute our products in many of the countries located in these regions, and previously entered into agreements with unaffiliated third parties distributing our products in Sudan and Syria. Sudan and Syria, among others, have been designated as state sponsors of terrorism by the U.S. Department of State and are subject to U.S. economic sanctions. We maintain an export and sanctions compliance program and believe that we have been and are in compliance with U.S. laws and government regulations for these countries. We have no assets, liabilities or operations in these countries other than liabilities under the distribution agreements. After observing required prior notice periods, Xerox Limited terminated its distribution agreements with distributors servicing Sudan and Syria in August 2006. Now, Xerox has only legacy obligations to third parties, such as providing spare parts and supplies to these third parties. In 2012, total Xerox revenues of $22.4 billion included less than $35 thousand attributable to Sudan and Syria.

Competition

Although we encounter competition in all areas of our business, we are the leader or among the leaders in each of our principal business segments. We compete on the basis of technology, performance, price, quality, reliability, brand, distribution and customer service and support.

In the Services business, our larger competitors include Accenture, Aon, Computer Sciences Corporation, Convergys, Dell, Genpact, Hewlett-Packard, IBM and Teletech. In addition, we compete with in-house departments performing the functions that we are seeking to have them outsource to us.

In the Document Technology business, our larger competitors include Canon, Hewlett-Packard, Kodak, Konica Minolta, Lexmark, and Ricoh.

Our brand recognition, positive reputation for business process and document management, innovative technology and service delivery are our competitive advantages. This combined with our breadth of product offerings, global distribution channels, and customer relationships positions us as a strong competitor going forward.

Global Employment

Globally, we have approximately 147,600 direct employees, including approximately 7,100 sales professionals, approximately 11,300 technical service employees and approximately 100,000 employees serving our customers through on-site operations or off-site delivery centers.

Customer Financing

We finance a large portion of our direct channel customer purchases of Xerox equipment through bundled lease agreements. Financing facilitates customer acquisition of Xerox technology and enhances our value proposition, while providing Xerox an attractive gross margin and a reasonable return on our investment in this business. Additionally, because we primarily finance our own products and have a long history of providing financing to our customers, we are able to minimize much of the risk normally associated with a finance business.

Because our lease contracts permit customers to pay for equipment over time rather than at the date of installation, we maintain a certain level of debt to support our investment in these lease contracts. We fund our customer financing activity through a combination of cash generated from operations, cash on hand, proceeds from capital market offerings and the sale of selected U.S. finance receivables. At December 31, 2012, we had $5.3 billion of finance receivables and $0.5 billion of equipment on operating leases, or Total Finance assets of $5.8 billion. We maintain an assumed 7:1 leverage ratio of debt to equity as compared to our Finance assets, which results in a significant portion of our $8.5 billion of debt being associated with our financing business.

Manufacturing and Supply

Our manufacturing and distribution facilities are located around the world. The company's largest manufacturing site is in Webster, NY, where we produce fusers, photoreceptors, Xerox iGen and Nuvera ® systems, components, consumables and other products. We also have an EA Toner plant located in Webster. Our other primary manufacturing operations are located in: Dundalk, Ireland, for our High-end production products and consumables; and Wilsonville, OR, for solid ink products, consumable supplies and components for our Mid-range and Entry products. We also have a facility in Venray, Netherlands, which handles supplies manufacturing and supply chain management for the Eastern Hemisphere.

Our master supply agreement with Flextronics, a global electronics manufacturing services company, to outsource portions of manufacturing for our Mid-range and Entry businesses, continues through 2014. We also acquire products from various third parties in order to increase the breadth of our product portfolio and meet channel requirements.

We have arrangements with Fuji Xerox under which we purchase and sell products, some of which are the result of mutual research and development agreements. Refer to Note 8 - Investments in Affiliates, at Equity in the Consolidated Financial Statements in our 2012 Annual Report for additional information regarding our relationship with Fuji Xerox.

Services Global Production Model

Our global services production model is one of our key competitive advantages. We have approximately 120 Strategic Delivery Centers located around the world including India, Mexico, Philippines, Jamaica, Ghana, Brazil, Guatemala, Chile, Argentina, Spain, Poland and Ireland, among others. These locations are comprised of Customer Care Centers, Mega IT Data Centers, Finance and Accounting Centers, Human Resource Centers and Document Process Centers. Our global production model is enabled by the use of proprietary technology, which allows us to securely distribute client transactions within data privacy limits across a global workforce. This global production model allows us to leverage lower-cost production locations, consistent methodology and processes and time zone advantages.

Fuji Xerox

Fuji Xerox is an unconsolidated entity in which we own a 25 percent interest and FUJIFILM Holdings Corporation ("FujiFilm") owns a 75 percent interest. Fuji Xerox develops, manufactures and distributes document processing products in Japan, China, Hong Kong, other areas of the Pacific Rim, Australia and New Zealand. We retain significant rights as a minority shareholder. Our technology licensing agreements with Fuji Xerox ensure that the two companies retain uninterrupted access to each other's portfolio of patents, technology and products.

International Operations

We are incorporating by reference the financial measures by geographical area for 2012, 2011 and 2010 that are included in Note 2 - Segment Reporting in the Consolidated Financial Statements in our 2012 Annual Report. See also the risk factor entitled "Our business, results of operations and financial condition may be negatively impacted by economic conditions abroad, including local economies, political environments, fluctuating foreign currencies and shifting regulatory schemes" in Part I, Item 1A of our 2012 Form 10-K.

Backlog

Backlog, or the value of unfilled orders, is not a meaningful indicator of future business prospects because of the significant proportion of our revenue that follows contract signing and/or equipment installation, the large volume of products we deliver from shelf inventories and the shortening of product life cycles.

Seasonality

Our technology revenues are affected by such factors as the introduction of new products, the length of sales cycles and the seasonality of technology purchases. These factors have historically resulted in lower revenue in the first quarter and the third quarter.

Other Information

Xerox is a New York corporation, organized in 1906, and our principal executive offices are located at 45 Glover Avenue, P.O. Box 4505, Norwalk, Connecticut 06856-4505. Our telephone number is (203) 968-3000.

In the Investor Information section of our Internet website, you will find our Annual Reports on Form 10-K, Quarterly Reports on Form 10-Q, Current Reports on Form 8-K and any amendments to these reports. We make these documents available as soon as we can after we have filed them with, or furnished them to, the Securities and Exchange Commission.

Our Internet address is **www.xerox.com**.

ITEM 1A. RISK FACTORS

Our business, results of operations and financial condition may be negatively impacted by conditions abroad, including local economics, political environments, fluctuating foreign currencies and shifting regulatory schemes.

A significant portion of our revenues are generated from operations outside the United States. In addition, we maintain significant operations and acquire or manufacture many of our products and/or their components, outside the United States. Our future revenues, costs and results of operations could be significantly affected by changes in foreign currency exchange rates - particularly the Japanese Yen to U.S. Dollar and Japanese Yen to Euro exchange rates, as well as by a number of other factors, including changes in economic conditions from country to country, changes in a country's political conditions, trade protection measures, licensing requirements, local tax issues, capitalization and other related legal matters. We generally hedge foreign currency denominated assets, liabilities and anticipated transactions primarily through the use of currency derivative contracts. The use of derivative contracts is intended to mitigate or reduce transactional level volatility in the results of foreign operations, but does not completely eliminate volatility. We do not hedge the translation effect of international revenues and expenses, which are denominated in currencies other than our U.S. parent functional currency, within our consolidated financial statements. If our future revenues, costs and results of operations are significantly affected by economic conditions abroad and we are unable to effectively hedge these risks, they could materially adversely affect our results of operations and financial condition.

We face significant competition and our failure to compete successfully could adversely affect our results of operations and financial condition.

We operate in an environment of significant competition, driven by rapid technological advances and the demands of customers to become more efficient. Our competitors range from large international companies to relatively small firms. Some of the large international companies have significant financial resources and compete with us globally to provide document processing products and services and/or business process services in each of the markets we serve. We compete primarily on the basis of technology, performance, price, quality, reliability, brand, distribution and customer service and support. Our success in future performance is largely dependent upon our ability to compete successfully in the markets we currently serve and to expand into additional market segments. To remain competitive, we must develop services, applications and new products; periodically enhance our existing offerings and attract and retain key personnel and management. If we are unable to compete successfully, we could lose market share and important customers to our competitors and that could materially adversely affect our results of operations and financial condition.

Our profitability is dependent upon our ability to obtain adequate pricing for our products and services and to improve our cost structure.

Our success depends on our ability to obtain adequate pricing for our services and products and which provides a reasonable return to our shareholders. Depending on competitive market factors, future prices we obtain for our services and products may decline from previous levels. In addition, pricing actions to offset the effect of currency devaluations may not prove sufficient to offset further devaluations or may not hold in the face of customer resistance and/or competition. If we are unable to obtain adequate pricing for our services and products, it could materially adversely affect our results of operations and financial condition.

We continually review our operations with a view towards reducing our cost structure, including but not limited to reducing employee base, exiting certain businesses, improving process and system efficiencies and outsourcing some internal functions. We from time to time engage in restructuring actions to reduce our cost structure. If we are unable to continue to maintain our cost base at or below the current level and maintain process and systems changes resulting from prior restructuring actions, it could materially adversely affect our results of operations and financial condition.

Our ability to sustain and improve profit margins is dependent on a number of factors, including our ability to continue to improve the cost efficiency of our operations through such programs as Lean Six Sigma, the level of pricing pressures on our services and products, the proportion of high-end as opposed to low-end equipment sales, the trend in our post-sale revenue growth and our ability to successfully complete information technology initiatives. If any of these factors adversely materialize or if we are unable to achieve productivity improvements through design efficiency, supplier and manufacturing cost improvements and information technology initiatives, our ability to offset labor cost inflation, potential materials cost increases and competitive price pressures would be impaired, all of which could materially adversely affect our results of operations and financial condition.

For our services contracts, we rely to a significant extent on third-party providers, such as subcontractors, a relatively small number of primary software vendors, utility providers and network providers; if they cannot deliver or perform as expected or if our relationships with them are terminated or otherwise change, our business, results of operations and financial condition could be materially adversely affected.

Our ability to service our customers and clients and deliver and implement solutions depends to a large extent on third-party providers such as subcontractors, a relatively small number of primary software vendors and utility providers and network providers meeting their obligations to us and our expectations in a timely, quality manner. Our business, revenues, profitability and cash flows could be materially and adversely affected and we might incur significant additional liabilities if these third-party providers do not meet these obligations or our expectations or if they terminate or refuse to renew their relationships with us or were to offer their products to us with less advantageous prices and other terms than we previously had. In addition, a number of our facilities are located in jurisdictions outside of the United States where the provision of utility services, including electricity and water, may not be consistently reliable and, while there are backup systems in many of our operating facilities, an extended outage of utility or network services could have a material adverse effect on our operations, revenues, cash flow and profitability.

Our ability to recover capital investments in connection with our contracts is subject to risk.

In order to attract and retain large outsourcing contracts, we sometimes make significant capital investments to enable us to perform our services under the contracts, such as purchases of information technology equipment and costs incurred to develop and implement software. The net book value of such assets recorded, including a portion of our intangible assets, could be impaired, and our earnings and cash flow could be materially adversely affected in the event of the early termination of all or a part of such a contract or a reduction in volumes and services thereunder for reasons such as, among other things, a customer's or client's merger or acquisition, divestiture of assets or businesses, business failure or deterioration, or a customer's or client's exercise of contract termination rights.

Our government contracts are subject to termination rights, audits and investigations, which, if exercised, could negatively impact our reputation and reduce our ability to compete for new contracts.

A significant portion of our revenues are derived from contracts with U.S. federal, state and local governments and their agencies, as well as international governments and their agencies. Governments and their agencies may have the right to terminate many of these contracts at any time without cause. These contracts, upon their expiration or termination, are typically subject to a bidding process in which Xerox may not be successful. Also, our contracts with governmental entities are generally subject to the approval of annual appropriations by the United States Congress or other legislative/governing bodies to fund the expenditures of the governmental entities under those contracts. Additionally, government contracts are generally subject to audits and investigations by government agencies. If the government finds that we improperly charged any costs to a contract, the costs are not reimbursable or, if already reimbursed, the cost must be refunded to the government. If the government discovers improper or illegal activities in the course of audits or investigations, we may be subject to various civil and criminal penalties and administrative sanctions, which may include termination of contracts, forfeiture of profits, suspension of payments, fines and suspensions or debarment from doing business with the government. Any resulting penalties or sanctions could have a material adverse effect on our business, financial condition, results of operations and cash flows. Further, the negative publicity that arises from findings in such audits, investigations or the penalties or sanctions therefore could have an adverse effect on our reputation in the industry and reduce our ability to compete for new contracts and may also have a material adverse effect on our business, financial condition, results of operations and cash flow.

Our services business could be adversely affected if we are unsuccessful in managing the ramp-up of new contracts.

In order for our services business to continue its growth, we must successfully manage the ramp-up of services related to new contracts. If a client is not satisfied with the quality of work performed by us or a subcontractor, or with the type of services or solutions delivered, then we could incur additional costs to address the situation, the profitability of that work might be impaired and the client 's dissatisfaction with our services could damage our ability to obtain additional work from that client. In particular, clients that are not satisfied might seek to terminate existing contracts prior to their scheduled expiration date and could direct future business to our competitors. We could also trigger contractual credits to clients or a contractual default. Failure to properly transition new clients to our systems, properly budget transition costs or accurately estimate new contract operational costs could result in delays in our contract performance, trigger service level penalties, impair fixed or intangible assets or result in contract profit margins that do not meet our expectations or our historical profit margins.

If we fail to successfully develop new products, technologies and service offerings and protect our intellectual property rights, we may be unable to retain current customers and gain new customers and our revenues would decline.

The process of developing new high technology products and solutions is inherently complex and uncertain. It requires accurate anticipation of customers' changing needs and emerging technological trends. We must make long-term investments and commit significant resources before knowing whether these investments will eventually result in products that achieve customer acceptance and generate the revenues required to provide desired returns. In developing these new technologies and products, we rely upon patent, copyright, trademark and trade secret laws in the United States and similar laws in other countries, and agreements with our employees, customers, suppliers and other parties, to establish and maintain our intellectual property rights in technology and products used in our operations. However, the laws of certain countries may not protect our proprietary rights to the same extent as the laws of the United States and we may be unable to protect our proprietary technology adequately against unauthorized third-party copying or use, which could adversely affect our competitive position. In addition, some of our products rely on technologies developed by third parties. We may not be able to obtain or to continue to obtain licenses and technologies from these third parties at all or on reasonable terms, or such third parties may demand cross-licenses to our intellectual property. It is also possible that our intellectual property rights could be challenged, invalidated or circumvented, allowing others to use our intellectual property to our competitive detriment. We also must ensure that all of our products comply with existing and newly enacted regulatory requirements in the countries in which they are sold, particularly European Union environmental directives. If we fail to accurately anticipate and meet our customers' needs through the development of new products, technologies and service offerings or if we fail to adequately protect our intellectual property rights or if our new products are not widely accepted or if our current or future products fail to meet applicable worldwide regulatory requirements, we could lose market share and customers to our competitors and that could materially adversely affect our results of operations and financial condition.

Our operating results may be negatively impacted by lower equipment placements and usage trends.

Our ability to maintain a consistent trend of revenue growth over the intermediate to longer term is largely dependent upon expansion of our worldwide equipment placements, as well as sales of services and supplies occurring after the initial equipment placement (post sale revenue) in the key growth markets of digital printing, color and multifunction systems. We expect that revenue growth can be further enhanced through our document management and consulting services in the areas of personalized and product life cycle communications, enterprise managed print services and document content and imaging. The ability to achieve growth in our equipment placements is subject to the successful implementation of our initiatives to provide advanced systems, industry-oriented global solutions and services for major customers, improve direct and indirect sales productivity and expand our indirect distribution channels in the face of global competition and pricing pressures. Our ability to increase post sale revenue is largely dependent on our ability to increase the volume of pages printed, the mix of color pages, equipment utilization and color adoption, as well as our ability to retain a high level of supplies sales in unbundled contracts. Equipment placements typically occur through leases with original terms of three to five years. There will be a lag between the increase in equipment placement and an increase in post sale revenues. The ability to grow our customers' usage of our products may continue to be adversely impacted by the movement toward distributed printing and electronic substitutes and the impact of lower equipment placements in prior periods. If we are unable to maintain a consistent trend of revenue growth, it could materially adversely affect our results of operations and financial condition.

We are subject to United States and foreign jurisdiction laws relating to individually identifiable information, and failure to comply with those laws, whether or not inadvertent, could subject us to legal actions and negatively impact our operations.

We receive, process, transmit and store information relating to identifiable individuals, both in our role as a service provider and as an employer. As a result, we are subject to numerous United States (both federal and state) and foreign jurisdiction laws and regulations designed to protect individually identifiable information, including social security numbers and financial and health information, as well as laws that regulate how we can obtain and use such information. For example, in 1996, Congress passed the Health Insurance Portability and Accountability Act and as required therein, the Department of Health and Human Services established regulations governing, among other things, the privacy, security and electronic transmission of individually identifiable health information. We have taken measures to comply with each of those regulations on or before the required dates. Another example is the European Union Directive on Data Protection, entitled “Directive 95/46/EC of the European Parliament and of the Council of 24 October 1995 on the protection of individuals with regard to the processing of personal data and on the free movement of such data.” We have also taken steps to address the requirements of that Directive. Other United States (both federal and state) and foreign jurisdiction laws apply to the processing of individually identifiable information as well and additional legislation may be enacted at any time. Failure to comply with these types of laws may subject us to, among other things, liability for monetary damages, fines and/or criminal prosecution, unfavorable publicity, restrictions on our ability to obtain and process information and allegations by our customers and clients that we have not performed our contractual obligations, any of which may have a material adverse effect on our profitability and cash flow.

We are subject to breach of our security systems.

We have implemented security systems with the intent of maintaining the physical security of our facilities and protecting our, our customers', clients' and suppliers' confidential information and information related to identifiable individuals against unauthorized access through our information systems or by other electronic transmission or through the misdirection, theft or loss of physical media. These include, for example, the appropriate encryption of information. Despite such efforts, we are subject to breach of security systems which may result in unauthorized access to our facilities and/or the information we are trying to protect. If unauthorized parties gain physical access to one of our facilities or electronic access to our information systems or such information is misdirected, lost or stolen during transmission or transport, any theft or misuse of such information could result in, among other things, unfavorable publicity, governmental inquiry and oversight, difficulty in marketing our services, allegations by our customers and clients that we have not performed our contractual obligations, litigation by affected parties and possible financial obligations for damages related to the theft or misuse of such information, any of which could have a material adverse effect on our profitability and cash flow.

Our ability to fund our customer financing activities at economically competitive levels depends on our ability to borrow and the cost of borrowing in the credit markets.

The long-term viability and profitability of our customer financing activities is dependent, in part, on our ability to borrow and the cost of borrowing in the credit markets. This ability and cost, in turn, is dependent on our credit ratings and is subject to credit market volatility. We primarily fund our customer financing activity through a combination of cash generated from operations, cash on hand, capital market offerings, sales and securitizations of finance receivables and commercial paper borrowings. Our ability to continue to offer customer financing and be successful in the placement of equipment with customers is largely dependent on our ability to obtain funding at a reasonable cost. If we are unable to continue to offer customer financing, it could materially adversely affect our results of operations and financial condition.

Our significant debt could adversely affect our financial health and pose challenges for conducting our business.

We have and will continue to have a significant amount of debt and other obligations, primarily to support our customer financing activities. Our substantial debt and other obligations could have important consequences. For example, it could (i) increase our vulnerability to general adverse economic and industry conditions; (ii) limit our ability to obtain additional financing for future working capital, capital expenditures, acquisitions and other general corporate requirements; (iii) increase our vulnerability to interest rate fluctuations because a portion of our debt has variable interest rates; (iv) require us to dedicate a substantial portion of our cash flows from operations to service debt and other obligations thereby reducing the availability of our cash flows from operations for other purposes; (v) limit our flexibility in planning for, or reacting to, changes in our business and the industry in which we operate; (vi) place us at a competitive disadvantage compared to our competitors that have less debt; and (vii) become due and payable upon a change in control. If new debt is added to our current debt levels, these related risks could increase.

We need to maintain adequate liquidity in order to have sufficient cash to meet operating cash flow requirements, repay maturing debt and meet other financial obligations, such as payment of dividends to the extent declared by our Board of Directors. If we fail to comply with the covenants contained in our various borrowing agreements, it may adversely affect our liquidity, results of operations and financial condition.

Our liquidity is a function of our ability to successfully generate cash flows from a combination of efficient operations and improvement therein, access to capital markets and funding from third parties. We believe our liquidity (including operating and other cash flows that we expect to generate) will be sufficient to meet operating requirements as they occur; however, our ability to maintain sufficient liquidity going forward depends on our ability to generate cash from operations and access to the capital markets and funding from third parties, all of which are subject to general economic, financial, competitive, legislative, regulatory and other market factors that are beyond our control.

The Credit Facility contains financial maintenance covenants, including maximum leverage (debt for borrowed money divided by consolidated EBITDA, as defined) and a minimum interest coverage ratio (consolidated EBITDA divided by consolidated interest expense, as defined). At December 31, 2012, we were in full compliance with the covenants and other provisions of the Credit Facility. Failure to comply with material provisions of or covenants in the Credit Facility could have a material adverse effect on our liquidity, results of operations and financial condition.

We have outsourced a significant portion of our overall worldwide manufacturing operations and face the risks associated with relying on third-party manufacturers and external suppliers.

We have outsourced a significant portion of our overall worldwide manufacturing operations to third parties and various service providers. To the extent that we rely on third-party manufacturing relationships, we face the risk that those manufacturers may not be able to develop manufacturing methods appropriate for our products, they may not be able to quickly respond to changes in customer demand for our products, they may not be able to obtain supplies and materials necessary for the manufacturing process, they may experience labor shortages and/or disruptions, manufacturing costs could be higher than planned and the reliability of our products could decline. If any of these risks were to be realized, and assuming similar third-party manufacturing relationships could not be established, we could experience interruptions in supply or increases in costs that might result in our being unable to meet customer demand for our products, damage our relationships with our customers and reduce our market share, all of which could materially adversely affect our results of operations and financial condition.

We need to develop and expand the use of color printing and copying.

Increasing the proportion of pages that are printed in color and transitioning color pages currently produced on offset devices to Xerox technology represent key growth opportunities. A significant part of our strategy and ultimate success in this changing market is our ability to develop and market technology that produces color prints and copies quickly, easily, with high quality and at reduced cost. Our future success in executing on this strategy depends on our ability to make the investments and commit the necessary resources in this highly competitive market, as well as the pace of color adoption by our existing and prospective customers. If we are unable to develop and market advanced and competitive color technologies or the pace of color adoption by our existing and prospective customers is less than anticipated, or the price of color pages declines at a greater rate and faster pace than we anticipate, we may be unable to capture these opportunities and it could materially adversely affect our results of operations and financial condition.

Our business, results of operations and financial condition may be negatively impacted by legal and regulatory matters.

We have various contingent liabilities that are not reflected on our balance sheet, including those arising as a result of being involved in a variety of claims, lawsuits, investigations and proceedings concerning securities law, intellectual property law, environmental law, employment law and the Employee Retirement Income Security Act (“ERISA”), as discussed in the “Contingencies” note in the Consolidated Financial Statements. 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.

Our operations and our products are subject to environmental regulations in each of the jurisdictions in which we conduct our business and sell our products. Some of our manufacturing operations use, and some of our products contain, substances that are regulated in various jurisdictions. For example, various countries and jurisdictions have adopted or are expected to adopt restrictions on the types and amounts of chemicals that may be present in electronic equipment or other items that we use or sell. If we do not comply with applicable rules and regulations in connection with the use of such substances and the sale of products containing such substances, then we could be subject to liability and could be prohibited from selling our products, which could have a material adverse effect on our results of operations and financial condition. Further, various countries and jurisdictions have adopted or are expected to adopt, programs that make producers of electrical goods, including computers and printers, responsible for certain labeling, collection, recycling, treatment and disposal of these recovered products. If we are unable to collect, recycle, treat and dispose of our products in a cost-effective manner and in accordance with applicable requirements, it could materially adversely affect our results of operations and financial condition. Other potentially relevant initiatives throughout the world include proposals for more extensive chemical registration requirements and/or possible bans on the use of certain chemicals, various efforts to limit energy use in products and other environmentally related programs impacting products and operations, such as those associated with climate change accords, agreements and regulations. For example, the European Union's Energy-Related Products Directive (“ERP”) is expected to lead to the adoption of “implementing measures” intended to require certain classes of products to achieve certain design and/or performance standards, in connection with energy use and potentially other environmental parameters and impacts. It is possible that some or all of our products may be required to comply with ERP implementing measures. Another example is the European Union “REACH” Regulation (Registration, Evaluation, Authorization and Restriction of Chemicals), a broad initiative that requires parties throughout the supply chain to register, assess and disclose information regarding many chemicals in their products. Depending on the types, applications, forms and uses of chemical substances in various products, REACH could lead to restrictions and/or bans on certain chemical usage. Xerox continues its efforts toward monitoring and evaluating the applicability of these and numerous other regulatory initiatives in an effort to develop compliance strategies. As these and similar initiatives and programs become regulatory requirements throughout the world and/or are adopted as public or private procurement requirements, we must comply or potentially face market access limitations that could have a material adverse effect on our operations and financial condition. Similarly, environmentally driven procurement requirements voluntarily adopted by customers in the marketplace (e.g., U.S. EPA EnergyStar) are constantly evolving and becoming more stringent, presenting further market access challenges if our products fail to comply.

ITEM 1B. UNRESOLVED STAFF COMMENTS

None

ITEM 2. PROPERTIES

We own several manufacturing, engineering and research facilities and lease other facilities. Our principal manufacturing and engineering facilities, located in New York, California, Oklahoma, Oregon, Canada, U.K., Ireland and the Netherlands, are used primarily by the Document Technology Segment. Our principal research facilities are located in California, New York, Canada, France and India. The research activities in our principal research centers benefit all of our operating segments. We lease and own several facilities worldwide to support our Services segment with larger concentrations of space in Texas, Kentucky, New Jersey, California, Mexico, Philippines, Jamaica and India. Our Corporate Headquarters is a leased facility located in Norwalk, Connecticut.

As a result of implementing our restructuring programs, (refer to Note 10 - Restructuring and Asset Impairment Charges in the Consolidated Financial Statements in our 2012 Annual Report, incorporated by reference), several leased and owned properties became surplus. We are obligated to maintain our leased surplus properties through required contractual periods. As of December 31, 2012, we have two remaining properties in surplus in Monrovia, California and Rampur, India. The facility in Monrovia has been subleased and the facility in Rampur has been sold pending receipt of a final 50% cash deferred payment.

We acquired approximately 23 leased properties totaling approximately 378,000 square feet in 2012 through mergers and acquisitions.

We also own or lease numerous facilities globally, which house general offices, sales offices, service locations, data centers, call centers and distributions centers. It is our opinion that our properties have been well maintained, are in sound operating condition and contain all the necessary equipment and facilities to perform their functions. We believe that our current facilities are suitable and adequate for our current businesses.

ITEM 3. LEGAL PROCEEDINGS

The information set forth under the “Contingencies” note in the Consolidated Financial Statements, of the Xerox Corporation 2012 Annual Report is hereby incorporated by reference.

Part II

ITEM 5 — MARKET FOR THE REGISTRANT'S COMMON EQUITY, RELATED STOCKHOLDER MATTERS AND ISSUER PURCHASES OF EQUITY SECURITIES

Market Information, Holders and Dividends

The information set forth under the following captions of the Xerox Corporation 2012 Annual Report to Shareholders is hereby incorporated by reference:

Stock Exchange Information
Xerox Common Stock Prices and Dividends
Five Years in Review - Common Shareholders of Record at Year-End
Performance Graph

(a) Sales of Unregistered Securities During the Quarter Ended December 31, 2012

During the quarter ended December 31, 2012, 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 October 31, 2012: Registrant issued 4,139 deferred stock units ("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 and one retired Director of Registrant: Glenn A. Britt, Richard J. Harrington, William Curt Hunter, Robert J. Keegan, Robert A. McDonald, N. J. Nicholas, Jr., Charles Prince, Ann N. Reese, Sara Martinez Tucker and Mary Agnes Wilderotter.

(c) The DSUs were issued at a deemed purchase price of $7.315 per DSU (aggregate price $30,277), based upon the market value of our Common Stock 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 December 31, 2012

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

Board Authorized Share Repurchase Program:

	Total Number of Shares Purchased	Average Price Paid per Share(1)	Total Number of Shares Purchased as Part of Publicly Announced Plans or Programs(2)	Maximum Approximate Dollar Value of Share That May Yet Be Purchased Under the Plans or Programs(2)
October 1 through 31	13,044,987	$ 7.26	13,044,987	$ 548,454,665
November 1 through 30	20,999,340	6.44	20,999,340	1,413,120,094
December 1 through 31	14,924,318	6.95	14,924,318	1,309,348,335
Total	48,968,645		48,968,645	

(1) Exclusive of fees and costs.

(2) In October 2012, the Board of Directors authorized an additional $1 billion in share repurchase. Of the cumulative $6.0 billion of share repurchase authority granted by our Board of Directors, exclusive of fees and expenses, approximately $4.7 billion has been used through December 31, 2012. Repurchases may be made on the open market, or through derivative or negotiated transactions. Open-market repurchases will be made in compliance with the Securities and Exchange Commission's Rule 10b-18, and are subject to market conditions, as well as applicable legal and other considerations.

Repurchases Related to Stock Compensation Programs [1]:

	Total Number of Shares Purchased	Average Price Paid per Share[2]	Total Number of Shares Purchased as Part of Publicly Announced Plans or Programs	Maximum Number (or Approximate Dollar Value) of Shares That May Yet Be Purchased under the Plans or Programs
October 1 through 31	24,343	$ 7.35	n/a	n/a
November 1 through 30	—	—	n/a	n/a
December 1 through 31	8,078	6.81	n/a	n/a
Total	32,421			

(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 6. SELECTED FINANCIAL DATA

The following selected financial data for the five years ended December 31, 2012, as set forth and included under the caption “Five Years in Review,” of the Xerox Corporation 2012 Annual Report to Shareholders, is incorporated by reference in this Form 10-K.

Revenues
Income from continuing operations
Per-share data:
- Income from continuing operations - Basic and Diluted
- Earnings - Basic and Diluted

Common stock dividends
Total assets
Long-term debt
Liability to subsidiary trust issuing preferred securities
Series A convertible preferred stock

ITEM 7. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

The information set forth under the caption “Management's Discussion and Analysis of Financial Condition and Results of Operations,” of the Xerox Corporation 2012 Annual Report is hereby incorporated by reference.

ITEM 7A. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

The information set forth under the caption “Financial Risk Management,” in the Xerox Corporation 2012 Annual Report is hereby incorporated by reference.

ITEM 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA

The consolidated financial statements, together with the report thereon of PricewaterhouseCoopers LLP, included in the Xerox Corporation 2012 Annual Report, are incorporated by reference in this Form 10-K. With the exception of the aforementioned information and the information incorporated in Items 1, 3, 5, 6, 7, 7A and 8, the Xerox Corporation 2012 Annual Report is not to be deemed filed as part of this Form 10-K.

The quarterly financial data included under the caption “Quarterly Results of Operations (Unaudited)” of the Xerox Corporation 2012 Annual Report is incorporated by reference in this Annual Report on Form 10-K.

The financial statement schedule required herein is filed as referenced in Item 15 of this Form 10-K.

ITEM 9. CHANGES IN AND DISAGREEMENTS WITH ACCOUNTANTS ON ACCOUNTING AND FINANCIAL DISCLOSURE

None

ITEM 9A. CONTROLS AND PROCEDURES

Management's Responsibility for Financial Statements

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

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

Disclosure Controls and Procedures

We have established disclosure controls and procedures to ensure that material information relating to the Company, including its consolidated subsidiaries, is made known to the officers who certify the Company's financial reports and to other members of senior management and the Board of Directors. Based on their evaluation as of December 31, 2012, our principal executive officer and principal financial officer have concluded that the Company's disclosure controls and procedures (as defined in Rules 13a-15(e) and 15d-15(e) under the Securities Exchange Act of 1934) were effective to ensure that the information required to be disclosed by the Company in the reports that it files or submits under the Securities Exchange Act of 1934 is recorded, processed, summarized and reported within the time periods specified in the Securities and Exchange Commission's rules and forms 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 disclosures.

Management's Report on Internal Control over Financial Reporting

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

Based on the above evaluation, management concluded that our internal control over financial reporting was effective as of December 31, 2012.

The effectiveness of our internal control over financial reporting as of December 31, 2012 has been audited by PricewaterhouseCoopers LLP, an independent registered public accounting firm, as stated in their report which appears in our 2012 Annual Report to Shareholders which is incorporated by reference in Part II, Item 8 of this Form 10-K.

Changes in Internal Control over Financial Reporting

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.

ITEM 9B. OTHER INFORMATION

Principal Accounting Officer

On February 19, 2013, Registrant was informed that its Principal Accounting Officer, Gary R. Kabureck, will retire as Vice President and Chief Accounting Officer of Xerox Corporation effective March 31, 2013. Kabureck is a 28 year employee of Xerox. He will become a Board Member of the International Accounting Standards Board.

Effective April 1, 2013, Joseph H. Mancini, Jr. will become Vice President and Chief Accounting Officer of Xerox Corporation and will become Registrant's Principal Accounting Officer. A 23 year employee of Xerox, Mancini has held a number of senior finance roles including leading Xerox's mergers & acquisitions organization and serving as

Chief Financial Officer for Xerox's Document Technology business.

Executive Compensation

On February 20, 2013, the Compensation Committee of the Board of Directors of the Company took the following actions:

2012 and 2013 Annual Performance Incentive Plan (APIP)

The Compensation Committee approved the payments of cash awards under the Xerox 2004 Performance Incentive Plan (“2004 PIP”), as amended, for 2012 APIP. The measures on which awards are based for the 2012 fiscal year are set out on Exhibit 10(e)(16) attached hereto. The Compensation Committee approved the payment of cash awards under the 2004 PIP for fiscal year 2012 to Ursula M. Burns, Chairman and Chief Executive Officer of the Company; Luca Maestri, Chief Financial Officer; and certain other officers, including Lynn R. Blodgett, Armando Zagalo de Lima and James A. Firestone, our next three most highly compensated executive officers for fiscal year 2012 (collectively, the “Named Executive Officers”). The Compensation Committee approved a cash award of $1,072,500 to Ms. Burns, $544,440 to Mr. Maestri, $663,000 to Mr. Blodgett, $454,282 to Mr. Zagalo de Lima, and $464,100 to Mr. Firestone.

The Compensation Committee approved the measures for APIP awards for fiscal year 2013, which are set out on Exhibit 10(e)(23) attached hereto.

Other Compensation Actions

Effective January 1, 2013, the Compensation Committee increased Ms. Burns' annual incentive target amount from 150% to 200% of base salary based on a review of peer group proxy data.

Effective August 1, 2013, the Compensation Committee approved the following with respect to Mr. Zagalo de Lima's compensation as he transitions off an international assignment: 1) set the annualized base salary for Mr. Zagalo de Lima at $750,000 from €517,000 (approximately $690,600 at the exchange rate as of February 15, 2013 of $1.3359/€1) based on the significant increase in his 2012 responsibilities, a review of internal pay data and the decrease in exchange rates since he was initially transferred to the U.S. Mr. Zagalo de Lima's base salary will now be denominated in U.S. dollars; 2) provided a transition allowance of $182,000 for 2013 and $90,000 for 2014; and 3) changed his pension formula benefit to include 100% of his target bonus (previously 70%) for retirement at age 55 or later (previously age 58 or later).

2010 E-LTIP Awards

The Compensation Committee determined that 149.80% of the performance shares granted under the 2010 Executive Long-Term Incentive Program (“2010 E-LTIP”) was earned based on the Company's three-year cumulative targets established for Earnings Per Share and Cash Flow from Operations. A description of the targets is set out on Exhibit 10(e)(8). The total number of shares earned for the three-year cumulative performance period ended December 31, 2012 that shall vest on July 1, 2013 for each Named Executive Officer is as follows: Ms. Burns, 1,409,663 shares; Mr. Blodgett, 375,923 shares; Mr. Zagalo de Lima, 281,939 shares; and Mr. Firestone, 375,923 shares. Included in these share amounts are shares that were previously earned for 2010 and 2011 annual performance, as previously disclosed in our 2010 Form 10-K and 2011 Form 10-K.

2011 E-LTIP Awards

The Compensation Committee determined that no performance shares granted under the 2011 Executive Long-Term Incentive Program (“2011 E-LTIP”) were earned based on the Company's 2012 performance against the annual targets established for Earnings Per Share, Core Cash Flow from Operations and Revenue Growth. A description of the targets is set out on Exhibit 10(e)(13).

2012 E-LTIP Awards

The Compensation Committee determined that 13.33% of the performance shares granted under the 2012 Executive Long-Term Incentive Program (“2012 E-LTIP”) was earned based on the Company's 2012 performance against the annual targets established for Earnings Per Share, Operating Cash Flow and Revenue Growth. A description of the targets is set out on Exhibit 10(e)(17). The number of shares earned for 2012 for each Named Executive Officer is as follows: Ms. Burns, 131,300 shares; Mr. Maestri, 50,826 shares*; Mr. Blodgett, 50,826 shares; Mr. Zagalo de Lima, 42,355 shares; and Mr. Firestone, 42,355 shares. Earned shares vest three years from their grant date.

ACS Performance Shares

In connection with the acquisition of ACS, Mr. Blodgett received a special one-time grant of performance shares that vested over a three-year period contingent upon ACS meeting pre-determined annual targets for Earnings Before Interest and Taxes. The aggregate number of shares that could be delivered based on achievement of the targets was determined on the grant date and ranges in value as follows: 50% of base salary (threshold); 100% of base salary (target); and 200% of base salary plus 50% of the value of previously awarded stock options (maximum). The Compensation Committee determined that no shares were earned for 2012 based on ACS's performance against the 2012 stated target. All previously earned shares are now fully vested.

2013 E-LTIP Awards

2013 E-LTIP awards made to Named Executive Officers reflect their leadership role in the Company, their historical and expected future contributions, and competitive award levels. The purpose of the 2013 E-LTIP is to provide the necessary incentives to retain and reward executives for sustained performance improvements over the next three-year period. Awards under the 2013 E-LTIP for Named Executive Officers are comprised entirely of performance shares that may be earned based on achieving performance targets between threshold and maximum as determined by the Compensation Committee. All performance shares that are earned will vest in 2016. Named Executive Officers who retire, are involuntarily terminated (without cause) or voluntarily terminate due to a reduction in force prior to the end of the three-year performance cycle will vest in a portion of the performance shares earned on a pro rata basis.

Performance metrics for the 2013 E-LTIP are Adjusted Earnings Per Share (weighted 40%), Adjusted Operating Cash Flow (weighted 40%) and Revenue Growth (weighted 20%). These metrics are defined in Exhibit 10(e)(24) attached hereto. The Compensation Committee has established three-year cumulative targets for Adjusted Earnings Per Share, Adjusted Operating Cash Flow and Revenue Growth. Based on actual performance versus targets, the number of performance shares earned by Named Executive Officers under the 2013 E-LTIP will range from 0% to 150% of the initial number of shares subject to the grant. The form of award agreement pursuant to which such grants will be made is attached hereto as Exhibit 10(e)(25).

Named Executive Officers in the 2013 E-LTIP are subject to meaningful ownership requirements and mandatory share holding requirements of 50% of the net vested shares until their ownership requirements have been met.

*In January 2013, Mr. Maestri announced his intention to step down from his position of Executive Vice President and Chief Financial Officer on February 28, 2013; accordingly, all earned shares under his E-LTIP awards will be cancelled effective February 28, 2013.

PART III

ITEM 10. DIRECTORS, EXECUTIVE OFFICERS AND CORPORATE GOVERNANCE

The information regarding directors is incorporated herein by reference to the section entitled “Proposal 1 - Election of Directors” in our definitive Proxy Statement (“2013 Proxy Statement”) to be filed pursuant to Regulation 14A of the Securities Exchange Act of 1934, as amended, for our Annual Meeting of Stockholders to be held on May 21, 2013. The Proxy Statement will be filed within 120 days after the end of our fiscal year ended December 31, 2012.

The information regarding compliance with Section 16(a) of the Securities and Exchange Act of 1934 is incorporated herein by reference to the section entitled “Section 16(a) Beneficial Ownership Reporting Compliance” of our 2013 Proxy Statement.

The information regarding the Audit Committee, its members and the Audit Committee financial experts is incorporated by reference herein from the subsection entitled “Committee Functions, Membership and Meetings” in the section entitled “Proposal 1 - Election of Directors” in our 2013 Proxy Statement.

We have adopted a code of ethics applicable to our principal executive officer, principal financial officer and principal accounting officer. The Finance Code of Conduct can be found on our website at: http://www.xerox.com/investor and then clicking on Corporate Governance.

Executive Officers of Xerox

The following is a list of the executive officers of Xerox, their current ages, their present positions and the year appointed to their present positions.

Each officer is elected to hold office until the meeting of the Board of Directors held on the day of the next annual meeting of shareholders, subject to the provisions of the By-Laws.

Name	Age	Present Position	Year Appointed to Present Position	Xerox Officer Since
Ursula M. Burns*	54	Chairman of the Board and Chief Executive Officer	2010	1997
Lynn R. Blodgett	58	Executive Vice President; President, Services Business	2012	2010
James A. Firestone	58	Executive Vice President; President, Corporate Operations	2008	1998
Luca Maestri	49	Executive Vice President; Chief Financial Officer	2011	2011
Armando Zagalo de Lima	54	Executive Vice President; President, Technology Business	2012	2000
Don H. Liu	51	Senior Vice President, General Counsel and Secretary	2007	2007
Thomas J. Maddison	49	Senior Vice President, Human Resources	2010	2010
Gary R. Kabureck	59	Vice President and Chief Accounting Officer	2003	2000
Leslie F. Varon	56	Vice President, Finance and Corporate Controller	2010	2001

* Member of Xerox Board of Directors

Each officer named above, with the exception of Lynn R. Blodgett and Luca Maestri, has been an officer or an executive of Xerox or its subsidiaries for at least the past five years.

Prior to joining Xerox in 2010 through our acquisition of Affiliated Computer Services, Inc. (“ACS”), Mr. Blodgett was President and Chief Executive Officer of ACS since 2006. Prior to that he served as Executive Vice President and Chief Operating Officer of ACS from 2005-2006 and before that he served as Executive Vice President and Group President - Commercial Solutions of ACS since July 1999.

Prior to joining Xerox in 2011, Mr. Maestri was with Nokia Siemens Networks where he was Chief Financial Officer from 2008 to 2011. Prior to that, he had a 20-year career with General Motors Corporation, where he served as Chief Financial Officer of GM Europe and GM Brazil, was executive-in-charge of the Fiat Alliance for GM Europe in Switzerland and held several executive finance positions with General Motors Corporation in Europe and Asia Pacific.

ITEM 11. EXECUTIVE COMPENSATION

The information included under the following captions under “Proposal 1-Election of Directors” in our 2013 definitive Proxy Statement is incorporated herein by reference: “Compensation Discussion and Analysis”, “Summary Compensation Table”, “Grants of Plan-Based Awards in 2012”, “Outstanding Equity Awards at 2012 Fiscal Year-End”, “Option Exercises and Stock Vested in 2012”, “Pension Benefits for the 2012 Fiscal Year”, “Nonqualified Deferred Compensation”, “Potential Payments upon Termination or Change in Control”, “Summary of Director Annual Compensation” and “Compensation Committee”. The information included under the heading “Compensation Committee Report” in our 2013 definitive Proxy Statement is incorporated herein by reference; however, this information shall not be deemed to be “soliciting material” or to be “filed” with the Commission or subject to Regulation 14A or 14C, or to the liabilities of Section 18 of the Exchange Act of 1934, as amended.

ITEM 12. SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT AND RELATED STOCKHOLDER MATTERS

Information regarding security ownership of certain beneficial owners and management and securities authorized for issuance under equity compensation plans is incorporated herein by reference to the subsections entitled “Ownership of Company Securities,” and “Equity Compensation Plan Information” under “Proposal 1- Election of Directors” in our 2013 definitive Proxy Statement.

ITEM 13. CERTAIN RELATIONSHIPS, RELATED TRANSACTIONS AND DIRECTOR INDEPENDENCE

Information regarding certain relationships and related transactions is incorporated herein by reference to the subsection entitled “Certain Relationships and Related Person Transactions” under “Proposal 1- Election of Directors” in our 2013 definitive Proxy Statement. The information regarding director independence is incorporated herein by reference to the subsections entitled “Corporate Governance” and “Director Independence” in the section entitled “Proposal 1 - Election of Directors” in our 2013 definitive Proxy Statement.

ITEM 14. PRINCIPAL AUDITOR FEES AND SERVICES

The information regarding principal auditor fees and services is incorporated herein by reference to the section entitled “Proposal 2 - Ratification of Election of Independent Registered Public Accounting Firm” in our 2013 definitive Proxy Statement.

PART IV

ITEM 15. EXHIBITS AND FINANCIAL STATEMENT SCHEDULES

(a) (1) Index to Financial Statements and Financial Statement Schedule, incorporated by reference or filed as part of this report:

- Report of Independent Registered Public Accounting Firm;
- Consolidated Statements of Income for each of the years in the three-year period ended December 31, 2012;
- Consolidated Statements of Comprehensive Income for each of the years in the three-year period ended December 31, 2012;
- Consolidated Balance Sheets as of December 31, 2012 and 2011;
- Consolidated Statements of Cash Flows for each of the years in the three-year period ended December 31, 2012;
- Consolidated Statements of Shareholders' Equity for each of the years in the three-year period ended December 31, 2012;
- Notes to the Consolidated Financial Statements;
- Report of Independent Registered Public Accounting Firm on Financial Statement Schedule;
- Schedule II - Valuation and Qualifying Accounts for the three years ended December 31, 2012; and
- All other schedules are omitted as they are not applicable, or the information required is included in the financial statements or notes thereto.

(2) Supplementary Data:

- Quarterly Results of Operations (unaudited); and
- Five Years in Review.

(3)The exhibits filed herewith or incorporated herein by reference are set forth in the Index of Exhibits included herein.

(b) The management contracts or compensatory plans or arrangements listed in the “Index of Exhibits” that are applicable to the executive officers named in the Summary Compensation Table which appears in Registrant's 2013 Proxy Statement are preceded by an asterisk (*).

Pursuant to the requirements of Section 13 or 15(d) 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

/s/ URSULA M. BURNS

Ursula M. Burns
Chairman of the Board and
Chief Executive Officer
February 21, 2013

Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed below by the following persons on behalf of the registrant and in the capacities and on the date indicated.

February 21, 2013

Signature	Title
Principal Executive Officer:	
/s/ URSULA M. BURNS **Ursula M. Burns**	Chairman of the Board, Chief Executive Officer and Director
Principal Financial Officer:	
/s/ LUCA MAESTRI **Luca Maestri**	Executive Vice President and Chief Financial Officer
Principal Accounting Officer:	
/s/ GARY R. KABURECK **Gary R. Kabureck**	Vice President and Chief Accounting Officer
/s/ GLENN A. BRITT **Glenn A. Britt**	Director
/s/ RICHARD J. HARRINGTON **Richard J. Harrington**	Director
/s/ WILLIAM CURT HUNTER **William Curt Hunter**	Director
/s/ ROBERT J. KEEGAN **Robert J. Keegan**	Director
/s/ ROBERT A. MCDONALD **Robert A. McDonald**	Director
/s/ CHARLES PRINCE **Charles Prince**	Director
/s/ ANN N. REESE **Ann N. Reese**	Director
/s/ SARA MARTINEZ TUCKER **Sara Martinez Tucker**	Director
/s/ MARY AGNES WILDEROTTER **Mary Agnes Wilderotter**	Director

Report of Independent Registered Public Accounting Firm on Financial Statement Schedule

To the Board of Directors of Xerox Corporation:

Our audits of the consolidated financial statements and of the effectiveness of internal control over financial reporting referred to in our report dated February 21, 2013 appearing in the 2012 Annual Report to Shareholders of Xerox Corporation (which report and consolidated financial statements are incorporated by reference in this Annual Report on Form 10-K) also included an audit of the financial statement schedule listed in Item 15(a)(1) of this Form 10-K. In our opinion, this financial statement schedule presents fairly, in all material respects, the information set forth therein when read in conjunction with the related consolidated financial statements.

/s/ PRICEWATERHOUSECOOPERS LLP

PricewaterhouseCoopers LLP
Stamford, Connecticut
February 21, 2013

SCHEDULE II
VALUATION AND QUALIFYING ACCOUNTS
For the three years ended December 31, 2012

(in millions)	Balance at beginning of period	Additions charged to bad debt provision (1)	Amounts (credited) charged to other income statement accounts (1)	Deductions and other, net of recoveries (2)	Balance at end of period
2012					
Allowance for Losses on:					
Accounts Receivable	$ 102	$ 45	$ 2	$ (41)	$ 108
Finance Receivables	201	75	5	(111)	170
	$ 303	$ 120	$ 7	$ (152)	$ 278
2011					
Allowance for Losses on:					
Accounts Receivable	$ 112	$ 57	$ (1)	$ (66)	$ 102
Finance Receivables	212	100	(2)	(109)	201
	$ 324	$ 157	$ (3)	$ (175)	$ 303
2010					
Allowance for Losses on:					
Accounts Receivable	$ 148	$ 60	$ (14)	$ (82)	$ 112
Finance Receivables	222	128	6	(144)	212
	$ 370	$ 188	$ (8)	$ (226)	$ 324

(1) Bad debt provisions relate to estimated losses due to credit and similar collectability issues. Other charges (credits) relate to adjustments to reserves necessary to reflect events of non-payment such as customer accommodations and contract terminations.
(2) Deductions and other, net of recoveries primarily relates to receivable write-offs, but also includes the impact of foreign currency translation adjustments and recoveries of previously written off receivables.

INDEX OF EXHIBITS
Document and Location

3(a)	Restated Certificate of Incorporation of Registrant filed with the Department of State of the State of New York on February 21, 2013.
3(b)	By-Laws of Registrant, as amended through May 21, 2009.
	Incorporated by reference to Exhibit 3(b) to Registrant's Current Report on Form 8-K dated May 21, 2009 (filed May 28, 2009). See SEC File Number 001-04471.
4(a)(1)	Indenture dated as of December 1, 1991, between Registrant and Citibank, N.A., as trustee, relating to unlimited amounts of debt securities, which may be issued from time to time by Registrant when and as authorized by or pursuant to a resolution of Registrant's Board of Directors (the "December 1991 Indenture").
	Incorporated by reference to Exhibit 4(a) to Registrant's Registration Statement Nos. 33-44597, 33-49177 and 33-54629. See SEC File Number 001-04471.
4(a)(2)	Instrument of Resignation, Appointment and Acceptance dated as of February 1, 2001, among Registrant, Citibank, N.A., as resigning trustee, and Wilmington Trust Company, as successor trustee, relating to the December 1991 Indenture.
	Incorporated by reference to Exhibit 4(a)(2) to Registrant's Annual Report on Form 10-K for the fiscal year ended December 31, 2000 filed on June 7, 2001. See SEC File Number 001-04471.
4(a)(3)	Instrument of Resignation, Appointment and Acceptance dated as of July 30, 2008, among Registrant, Wilmington Trust Company, as prior trustee, Citibank,, N.A. as prior paying agent, registrar and issuing and paying agent, and The Bank of New York Mellon, as successor trustee, relating to the December 1991 Indenture.
	Incorporated by reference to Exhibit 4(a)(3) to Registrant's Annual Report on Form 10-K for the fiscal year ended December 31, 2008. See SEC File Number 001-04471.
4(b)(1)	Indenture, dated as of June 25, 2003, between Registrant and Wells Fargo, as trustee, relating to unlimited amounts of debt securities which may be issued from time to time by Registrant when and as authorized by or pursuant to a resolution of Registrant's Board of Directors (the "June 25, 2003 Indenture").
	Incorporated by reference to Exhibit 4.1 to Registrant's Current Report on Form 8-K dated June 25, 2003. See SEC File Number 001-04471.
4(b)(2)	Form of Third Supplemental Indenture, dated as of March 20, 2006, to the June 25, 2003 Indenture.
	Incorporated by reference to Exhibit 4(b)(6) to Registrant's Current Report on Form 8-K dated March 20, 2006. See SEC File Number 001-04471.
4(b)(3)	Form of Fourth Supplemental Indenture, dated as of August 18, 2006, to the June 25, 2003 Indenture.
	Incorporated by reference to Exhibit 4(b)(7) to Registrant's Current Report on Form 8-K dated August 18, 2006. See SEC File Number 001-04471.
4(b)(4)	Form of Sixth Supplemental Indenture, dated as of May 17, 2007 to the June 25, 2003 Indenture.
	Incorporated by reference to Exhibit 4(b)(2) to Registrant's Registration Statement No. 333-142900. See SEC File Number 001-04471.
4(c)	Form of Credit Agreement dated as of December 16, 2011 between Registrant and the Initial Lenders named therein, Citibank, N.A., as Administrative Agent, and Citigroup Global Markets Inc., J.P. Morgan Securities Inc., Merrill Lynch, Pierce, Fenner & Smith Incorporated and BNP Paribas Securities Corp. as Joint Lead Arrangers and Joint Bookrunners (the "Credit Agreement").
	Incorporated by reference to Exhibit 4(d) to Registrant's Current Report on Form 8-K dated December 16, 2011. See SEC File Number 001-04471.

4(d)	Form of Indenture dated as of December 4, 2009 between Xerox Corporation and the Bank of New York Mellon, as trustee, relating to an unlimited amount of senior debt securities.
	Incorporated by reference to Exhibit 4(b)(5) to Post-Effective Amendment No. 1 to Registrant's Registration Statement No. 333-142900. See SEC File Number 001-04471.
4(e)(1)	Indenture, dated as of June 6, 2005, by and between Affiliated Computer Services, Inc. (“ACS”) as Issuer and The Bank of New York Trust Company, N.A. as Trustee (the “June 6, 2005 Indenture”).
	Incorporated by reference to Exhibit 4.1 to ACS's Current Report on Form 8-K, filed June 6, 2005. See SEC File Number 001-12665.
4(e)(2)	Second Supplemental Indenture, dated as of June 6, 2005, to the June 6, 2005 Indenture.
	Incorporated by reference to Exhibit 4.3 to ACS's Current Report on Form 8-K, filed June 6, 2005. See SEC File Number 001-12665.
4(e)(3)	Third Supplemental Indenture, dated as of February 5, 2010, to the June 6, 2005 Indenture between Boulder Acquisition Corp., the successor to ACS, and The Bank of New York Trust Company, N.A.
	Incorporated by reference to Exhibit 4(j)(4) to Registrant's Annual Report on Form 10-K for the fiscal year ended December 31, 2009. See SEC File Number 001-04471.
4(f)	Instruments with respect to long-term debt where the total amount of securities authorized thereunder does not exceed 10 percent of the total assets of Registrant and its subsidiaries on a consolidated basis have not been filed. Registrant agrees to furnish to the Commission a copy of each such instrument upon request.
10	The management contracts or compensatory plans or arrangements listed below that are applicable to the executive officers named in the Summary Compensation Table which appears in Registrant's 2013 Proxy Statement are preceded by an asterisk (*).
*10(a)(1)	Registrant's Form of Separation Agreement (with salary continuance) - February 2010.
	Incorporated by reference to Exhibit 10(a)(1) to Registrant's Annual Report on Form 10-K for the fiscal year ended December 31, 2009. See SEC File Number 001-04471.
*10(a)(2)	Registrant's Form of Separation Agreement (without salary continuance) - February 2010.
	Incorporated by reference to Exhibit 10(a)(2) to Registrant's Annual Report on Form 10-K for the fiscal year ended December 31, 2009. See SEC File Number 001-04471.
*10(b)(1)	Registrant's 1991 Long-Term Incentive Plan, as amended and restated December 4, 2007 (“1991 LTIP”).
	Incorporated by reference to Exhibit 10(b)(1) to Registrant's Annual Report on Form 10-K for the fiscal year ended December 31, 2007. See SEC File Number 001-04471.
*10(b)(2)	Form of Agreements under 1991 LTIP, as amended through July 12, 2007.
	Incorporated by reference to Exhibit 10(b)(2) to Registrant's Annual Report on Form 10-K for the fiscal year ended December 31, 2007. See SEC File Number 001-04471.
*10(b)(3)	Amendment dated December 4, 2007 to 1991 LTIP.
	Incorporated by reference to Exhibit 10(b)(3) to Registrant's Annual Report on Form 10-K for the fiscal year ended December 31, 2007. See SEC File Number 001-04471.
10(c)(1)	Registrant's 1996 Non-employee Director Stock Option Plan, as amended and restated December 5, 2007 (“1996 NDSOP”).
	Incorporated by reference to Exhibit 10(c)(1) to Registrant's Annual Report on Form 10-K for the fiscal year ended December 31, 2007. See SEC File Number 001-04471.
10(c)(2)	Amendment dated December 5, 2007 to 1996 NDSOP.

	Incorporated by reference to Exhibit 10(c)(2) to Registrant's Annual Report on Form 10-K for the fiscal year ended December 31, 2007. See SEC File Number 001-04471.
10(d)(1)	Registrant's 2004 Equity Compensation Plan for Non-Employee Directors, as amended and restated December 5, 2007 ("2004 ECPNED").
	Incorporated by reference to Exhibit 10(d)(1) to Registrant's Annual Report on Form 10-K for the fiscal year ended December 31, 2007. See SEC File Number 001-04471.
10(d)(2)	Form of Agreement under 2004 ECPNED.
	Incorporated by reference to Exhibit 10(d)(2) to Registrant's Quarterly Report on Form 10-Q for the Quarter ended March 31, 2005. See SEC File Number 001-04471.
10(d)(3)	Form of Grant Summary under 2004 ECPNED.
	Incorporated by reference to Exhibit 10(d)(3) to Registrant's Quarterly Report on Form 10-Q for the Quarter ended March 31, 2005. See SEC File Number 001-04471.
10(d)(4)	Form of DSU Deferral under 2004 ECPNED.
	Incorporated by reference to Exhibit 10(d)(4) to Registrant's Quarterly Report on Form 10-Q for the Quarter ended March 31, 2005. See SEC File Number 001-04471.
10(d)(5)	Amendment dated December 5, 2007 to 2004 ECPNED.
	Incorporated by reference to Exhibit 10(d)(5) to Registrant's Annual Report on Form 10-K for the fiscal year ended December 31, 2007. See SEC File Number 001-04471.
*10(e)(1)	Registrant's 2004 Performance Incentive Plan, as amended and restated as of December 6, 2005 ("2004 PIP").
	Incorporated by reference to Exhibit 10(e)(1) to Registrant's Annual Report on Form 10-K for the fiscal year ended December 31, 2005. See SEC File Number 001-04471.
*10(e)(2)	Form of Amendment to Agreements under 2004 PIP.
	Incorporated by reference to Exhibit 10(e)(7) to Registrant's Current Report on Form 8-K dated May 19, 2005. See SEC File Number 001-04471.
*10(e)(3)	Registrant's 2004 Performance Incentive Plan, as amended and restated as of February 15, 2007 ("2007 PIP").
	Incorporated by reference to Exhibit 10(e)(10) to Registrant's Annual Report on Form 10-K for the fiscal year ended December 31, 2006. See SEC File Number 001-04471.
*10(e)(4)	Registrant's 2004 Performance Incentive Plan, as amended and restated as of December 4, 2007 ("2007-2 PIP").
	Incorporated by reference to Exhibit 10(e)(15) to Registrant's Annual Report on Form 10-K for the fiscal year ended December 31, 2007. See SEC File Number 001-04471.
*10(e)(5)	Amendment dated December 4, 2007 to 2007-2 PIP.
	Incorporated by reference to Exhibit 10(e)(20) to Registrant's Annual Report on Form 10-K for the fiscal year ended December 31, 2007. See SEC File Number 001-04471.
*10(e)(6)	Amendment No. 1 dated December 17, 2008 to 2007-2 PIP.
	Incorporated by reference to Exhibit 10(e)(22) to Registrant's Annual Report on Form 10-K for the fiscal year ended December 31, 2008. See SEC File Number 001-04471.
*10(e)(7)	Amendment No. 2 dated February 16, 2009 to 2007-2 PIP.
	Incorporated by reference to Exhibit 10(e)(23) to Registrant's Quarterly Report on Form 10-Q for the quarter ended March 31, 2009. See SEC File Number 001-04471.
*10(e)(8)	Performance Elements for 2010 Executive Long-Term Incentive Program ("2010 ELTIP").

	Incorporated by reference to Exhibit 10(e)(21) to Registrant's Annual Report on Form 10-K for the fiscal year ended December 31, 2009. See SEC File Number 001-04471.
*10(e)(9)	Form of Executive Long-Term Incentive Program Award Agreement under 2010 ELTIP.
	Incorporated by reference to Exhibit 10(e)(22) to Registrant's Annual Report on Form 10-K for the fiscal year ended December 31, 2009. See SEC File Number 001-04471.
*10(e)(10)	Form of Executive Long-Term Incentive Program Award Summary under 2010 ELTIP.
	Incorporated by reference to Exhibit 10(e)(23) to Registrant's Annual Report on Form 10-K for the fiscal year ended December 31, 2009. See SEC File Number 001-04471.
*10(e)(11)	Registrant's 2004 Performance Incentive Plan, as amended and restated May 20, 2010.
	Incorporated by reference to Exhibit 10(e)(24) to Registrant's Current Report on Form 8-K dated May 20, 2010. See SEC File Number 001-04471.
*10(e)(12)	Annual Performance Incentive Plan for 2011
	Incorporated by reference to Exhibit 10(e)(16) to Registrant's Annual Report on Form 10-K for the fiscal year ended December 31, 2011. See SEC File Number 001-04471.
*10(e)(13)	Performance Elements for 2011 Executive Long-Term Incentive Program ("2011 ELTIP")
	Incorporated by reference to Exhibit 10(e)(20) to Registrant's Annual Report on Form 10-K for the fiscal year ended December 31, 2010. See SEC File Number 001-04471.
*10(e)(14)	Form of Executive Long-Term Incentive Award under 2011 ELTIP
	Incorporated by reference to Exhibit 10(e)(22) to Registrant's Annual Report on Form 10-K for the fiscal year ended December 31, 2010. See SEC File Number 001-04471.
*10(e)(15)	Form of Executive Long-Term Incentive Program Award Summary under 2011 ELTIP
	Incorporated by reference to Exhibit 10(e)(21) to Registrant's Annual Report on Form 10-K for the fiscal year ended December 31, 2010. See SEC File Number 001-04471.
*10(e)(16)	Annual Performance Incentive Plan for 2012.
*10(e)(17)	Performance Elements for 2012 Executive Long-Term Incentive Program ("2012 ELTIP").
	Incorporated by reference to Exhibit 10(e)(21) to Registrant's Annual Report on Form 10-K for the fiscal year ended December 31, 2011. See SEC File Number 001-04471.
*10(e)(18)	Form of Executive Long-Term Incentive Award under 2012 ELTIP (Performance Shares).
	Incorporated by reference to Exhibit 10(e)(22) to Registrant's Annual Report on Form 10-K for the fiscal year ended December 31, 2011. See SEC File Number 001-04471.
*10(e)(19)	Form of Executive Long-Term Incentive Program Award Summary under 2012 ELTIP (Performance Shares).
	Incorporated by reference to Exhibit 10(e)(23) to Registrant's Annual Report on Form 10-K for the fiscal year ended December 31, 2011. See SEC File Number 001-04471.
*10(e)(20)	Form of Executive Long-Term Incentive Program Restricted Stock Unit Retention Award Summary under 2012 ELTIP.
	Incorporated by reference to Exhibit 10(e)(24) to Registrant's Annual Report on Form 10-K for the fiscal year ended December 31, 2011. See SEC File Number 001-04471.
*10(e)(21)	Form of Restricted Stock Unit Retention Award under 2012 ELTIP.
	Incorporated by reference to Exhibit 10(e)(25) to Registrant's Annual Report on Form 10-K for the fiscal year ended December 31, 2011. See SEC File Number 001-04471.

*10(e)(22)	Registrant's 2004 Performance Incentive Plan, as amended and restated as of May 24, 2012.
	Incorporated by reference to Exhibit 10(e)(26) to Registrant's Quarterly Report on Form 10-Q for the quarter ended June 30, 2012. See SEC File Number 001-04471.
*10(e)(23)	Annual Performance Incentive Plan for 2013.
*10(e)(24)	Performance Elements for 2013 Executive Long-Term Incentive Program ("2013 ELTIP").
*10(e)(25)	Form of Executive Long-Term Incentive Award under 2013 ELTIP (Performance Shares).
*10(e)(26)	Form of Executive Long-Term Incentive Program Award Summary under 2013 ELTIP (Performance Shares).
*10(e)(27)	Form of Executive Long-Term Incentive Program Restricted Stock Unit Retention Award Summary under 2013 ELTIP.
	Incorporated by reference to Exhibit 10(e)(24) to Registrant's Annual Report on Form 10-K for the fiscal year ended December 31, 2011. See SEC File Number 001-04471.
*10(e)(28)	Form of Restricted Stock Unit Retention Award under 2013 ELTIP.
	Incorporated by reference to Exhibit 10(e)(25) to Registrant's Annual Report on Form 10-K for the fiscal year ended December 31, 2011. See SEC File Number 001-04471.
*10(f)	[Reserved]
*10(g)(1)	2004 Restatement of Registrant's Unfunded Supplemental Executive Retirement Plan, as amended and restated December 4, 2007 (“2007 USERP”).
	Incorporated by reference to Exhibit 10(g)(1) to Registrant's Annual Report on Form 10-K for the fiscal year ended December 31, 2007. See SEC File Number 001-04471.
*10(g)(2)	Amendment dated December 4, 2007 to Registrant's 2007 USERP.
	Incorporated by reference to Exhibit 10(g)(2) to Registrant's Annual Report on Form 10-K for the fiscal year ended December 31, 2007. See SEC File Number 001-04471.
*10(g)(3)	Amendment No. 1 dated December 11, 2008 to Registrant's 2007 USERP.
	Incorporated by reference to Exhibit 10(g)(3) to Registrant's Annual Report on Form 10-K for the fiscal year ended December 31, 2008. See SEC File Number 001-04471.
*10(g)(4)	Amendment No. 2 dated April 28, 2011 to Registrant's 2007 USERP.
	Incorporated by reference to Exhibit 10(g)(4) to Registrant's Quarterly Report on Form 10-Q for the Quarter ended June 30, 2011. See SEC File Number 001-04471.
*10(g)(5)	Amendment No. 3 dated December 7, 2011 to Registrant's 2007 USERP.
	Incorporated by reference to Exhibit 10(g)(5) to Registrant's Current Report on Form 8-K dated December 7, 2011. See SEC File Number 001-04471.
10(h)	1996 Amendment and Restatement of Registrant's Restricted Stock Plan for Directors, as amended through February 4, 2002.
	Incorporated by reference to Exhibit 10(h) to Registrant's Annual Report on Form 10-K for the fiscal year ended December 31, 2004. See SEC File Number 001-04471.
10(i)	[Reserved]
*10(j)(1)	Registrant's Universal Life Plan effective July 1, 2003.
	Incorporated by reference to Exhibit 10(j) to Registrant's Annual Report on Form 10-K for the fiscal year ended December 31, 2004. See SEC File Number 001-04471.
*10(j)(2)	Amendment No. 3 to Registrant's Universal Life Plan.

	Incorporated by reference to Exhibit 10(j)(2) to Registrant's Quarterly Report on Form 10-Q for the Quarter ended September 30, 2006. See SEC File Number 001-04471.
*10(j)(3)	Amendment No. 4 dated September 28, 2009 to Registrant's Universal Life Plan.
	Incorporated by reference to Exhibit 10(j)(3) to Registrant's Quarterly Report on Form 10-Q for the Quarter ended September 30, 2009. See SEC File Number 001-04471.
*10(j)(4)	Amendment No. 5 dated May 6, 2011 to Registrant's Universal Life Plan.
	Incorporated by reference to Exhibit 10(j)(4) to Registrant's Quarterly Report on Form 10-Q for the Quarter ended June 30, 2011. See SEC File Number 001-04471.
10(k)(1)	Registrant's Deferred Compensation Plan for Directors, as amended and restated December 5, 2007 ("DCPD").
	Incorporated by reference to Exhibit 10(k)(1) to Registrant's Annual Report on Form 10-K for the fiscal year ended December 31, 2007. See SEC File Number 001-04471.
10(k)(2)	Amendment dated December 5, 2007 to DCPD.
	Incorporated by reference to Exhibit 10(k)(2) to Registrant's Annual Report on Form 10-K for the fiscal year ended December 31, 2007. See SEC File Number 001-04471.
10(k)(3)	Amendment No. 2 dated May 17, 2010 to DCPD.
	Incorporated by reference to Exhibit 10(k)(3) to Registrant's Quarterly Report on Form 10-Q for the quarter ended March 31, 2010. See SEC File Number 001-04471.
*10(l)	Registrant's Deferred Compensation Plan for Executives, 2004 Restatement, as amended through August 11, 2004.
	Incorporated by reference to Exhibit 10(l) to Registrant's Quarterly Report on Form 10-Q for the Quarter ended September 30, 2004. See SEC File Number 001-04471.
10(m)	Separation Agreement dated May 11, 2000 between Registrant and G. Richard Thoman, former President and Chief Executive Officer of Registrant.
	Incorporated by reference to Exhibit 10(n) to Registrant's Annual Report on Form 10-K for the fiscal year ended December 31, 2005. See SEC File Number 001-04471.
*10(n)	Uniform Rule dated December 17, 2008 for all Deferred Compensation Promised by Registrant.
	Incorporated by reference to Exhibit 10(r) to Registrant's Annual Report on Form 10-K for the fiscal year ended December 31, 2008. See SEC File Number 001-04471.
10(o)	2006 Technology Agreement, effective as of April 1, 2006, by and between Registrant and Fuji Xerox Co., Ltd.
	Incorporated by reference to Exhibit 99.1 to Registrant's Current Report on Form 8-K dated March 9, 2006. See SEC File Number 001-04471.**
*10(p)	Form of Severance Agreement entered into with various executive officers, effective October 2010.
	Incorporated by reference to Exhibit 10(t) to Registrant's Annual Report on Form 10-K for the fiscal year ended December 31, 2010. See SEC File Number 001-04471.
*10(q)	Senior Executive Agreement dated September 27, 2009 among ACS, Registrant and Lynn Blodgett.
	Incorporated by reference to Exhibit 10.2 to ACS's Current Report on Form 8-K dated September 27, 2009. See SEC File Number 001-12665.
*10(r)(1)	Affiliated Compter Services, Inc. ("ACS") 1997 Stock Incentive Plan ("ACS 1997 SIP")
	Incorporated by reference to Appendix D to ACS's Joint Proxy Statement on Schedule 14A, filed November 14, 1997. See SEC File Number 001-12665.
*10(r)(2)	Amendment No. 1 dated October 28, 2004 to ACS 1997 SIP.

	Incorporated by reference to Exhibit 4.6 to ACS's Registration Statement on Form S-8, filed December 6, 2005. See SEC File Number 001-12665.
*10(s)	ACS Amended and Restated 2007 Equity Incentive Plan.
	Incorporated by reference to Exhibit 10.1 to ACS's Current Report on Form 8-K filed August 21, 2009. See SEC File Number 001-12665.
*10(t)	ACS Senior Executive Annual Incentive Plan.
	Incorporated by reference to Exhibit A to ACS's Proxy Statement on Schedule 14A, filed April 14, 2009. See SEC File Number 001-12665.
*10(u)	ACS 401(k) Supplemental Plan, effective as of July 1, 2000, as amended.
	Incorporated by reference to Exhibit 10.15 to ACS's Annual Report on Form 10-K for the fiscal year ended June 30, 2004. See SEC File Number 001-12665.
*10(v)	ACS Executive Benefit Plan, effective as of January 1, 2002, as amended.
	Incorporated by reference to Exhibit 10.15 to ACS's Annual Report on Form 10-K for the fiscal year ended June 30, 2005. See SEC File Number 001-12665.
*10(w)	Letter Agreement dated December 20, 2010 between Registrant and Luca Maestri, Executive Vice President and Chief Financial Officer of Registrant.
	Incorporated by reference to Exhibit 10(cc) to Registrant's Current Report on Form 8-K dated January 25, 2011. See SEC File Number 001-04471.
*10(x)	Master Plan Amendment dated May 2, 2011 to Registrant-Sponsored Benefit Plans.
	Incorporated by reference to Exhibit 10(bb) to Registrant's Quarterly Report on Form 10-Q for the Quarter ended June 30, 2011. See SEC File Number 001-04471.
12	Computation of Ratio of Earnings to Fixed charges and the Ratio of Earnings to Combined Fixed Charges and Preferred Stock Dividends.
13	Registrant's 2012 Annual Report to Shareholders.
21	Subsidiaries of Registrant.
23	Consent of PricewaterhouseCoopers LLP.
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. §1350 as adopted pursuant to §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.

** *Pursuant to the Freedom of Information Act and/or a request for confidential treatment filed with the Securities and Exchange Commission under Rule 24b-2 of the Securities Exchange Act of 1934, as amended, the confidential portion of this material has been omitted and filed separately with the Securities and Exchange Commission.*

EXHIBIT 3(a)

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 1,750,000,000 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:

$$CR_1 = CR_0 \text{ x } \frac{OS_1}{OS_0}$$

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:

$$CR_1 = CR_0 \text{ x } \frac{OS_1}{OS_0}$$

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 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,

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 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,

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 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,

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 "Spin-Off Valuation Period"); 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 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:

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

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,

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 "Expiration Time");

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 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 Stock Price																	
Make-Whole Acquisition Effective Date	**$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.

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.

Signed on February 21, 2013.

/s/ Ursula M. Burns

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Ursula M. Burns
Chairman of the Board and Chief Executive Officer

/s/ Don H. Liu

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Don H. Liu
Senior Vice President, General Counsel and Secretary

EXHIBIT 10(e)(16)

Annual Performance Incentive Plan for 2012 (“2012 APIP”)

Under the 2012 APIP, executive officers of the Company are eligible to receive performance related cash payments. Payments are, in general, only made if performance objectives established by the Compensation Committee of the Board of Directors (the “Committee”) are met.

The Committee previously approved an incentive target opportunity for 2012, expressed as a percentage of base salary, for each participating officer. Certain additional goals were established for some officers based on business unit goals. The Committee also established overall threshold, target and maximum measures of performance for the 2012 APIP. Additionally, the Committee had established an opportunity for an individual performance component whereby the Committee has the authority to increase or decrease the award up to 20%, subject to the limitations of Section 162(m) of the Internal Revenue Code. The performance measures and weightings were adjusted earnings per share (weighted at 40%), operating cash flow (weighted at 40%) and revenue growth (adjusted to exclude the impact of changes in the translation of foreign currencies into U.S. dollars) (weighted at 20%).

The performance against the 2012 APIP goals was as follows: adjusted earnings per share and constant currency revenue growth were below threshold and operating cash flow exceeded maximum.

EXHIBIT 10(e)(23)

Annual Performance Incentive Plan for 2013 (“2013 APIP”)

Under the 2013 APIP, executive officers of the Company are eligible to receive performance related cash payments. Payments are, in general, only made if performance objectives established by the Compensation Committee of the Board of Directors (the “Committee”) are met.

The Committee approved incentive opportunities for 2013, expressed as a percentage of base salary for each participating officer. The Committee also established overall threshold, target and maximum measures of performance for the 2013 APIP. Additionally, the Committee established an opportunity for an individual performance component whereby the Committee has the authority to increase or decrease the award up to 20%, subject to the limitations of Section 162(m) of the Internal Revenue Code. T he performance measures and weightings are adjusted earnings per share (weighted at 40%), operating cash flow (weighted at 40%) and revenue growth (adjusted to exclude the impact of changes in the translation of foreign currencies into U.S. dollars) (weighted at 20%).

Individual awards will be subject to the review and approval of the Committee following the completion of the 2013 fiscal year, with payment to be made within the first four months of 2014.

EXHIBIT 10(e)(24)

2013 Executive Long-Term Incentive Program ("2013 E-LTIP")

Under the 2013 E-LTIP, executive officers of the Company are eligible to receive performance shares based on certain performance measures established by the Compensation Committee of the Board of Directors (the "Committee").

The performance elements and corresponding weightings for the 2013 E-LTIP are:

(i) (40%) Adjusted Earnings per Share (EPS): Diluted Earnings Per Share from Continuing Operations as reported in the Company's audited consolidated financial statements, as adjusted 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, annual basis per item and subject to monetary thresholds as noted): amortization of acquisition-related intangibles; restructuring and asset impairment charges (amounts in excess of $50 million); gains/(losses) resulting from acts of war, terrorism or natural disasters (if equal to or greater than $50 million pre-tax); items individually identified within Other Expenses, net, (except for interest, currency and asset dispositions) and in an amount equal to or greater than $25 million. 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; gains/(losses) from the settlement of tax audits or changes in enacted tax law (if equal to or greater than $30 million); our share of after-tax effects of the above items incurred by Fuji-Xerox (if our share is equal to or greater than $10 million).

(ii) (40%) Adjusted Operating Cash Flow: Net Cash provided by (used for) Operating Activities as reported in the _Company's audited consolidated financial statements, as adjusted for the following items: with the exception of cash payments for restructurings, cash flow impacts (inflows and outflows) resulting from the EPS adjustments as identified above whether or not the cash flow impact and the EPS impact are in the same fiscal year; cash payments for restructurings in excess of the amount reported as current restructuring reserves in the preceding year's Annual Report.

(iii) (20%) Revenue Growth: Revenue growth adjusted to (1) exclude the impact of changes in the translation of foreign currencies into U.S. dollars and (2) exclude the impacts of individual acquisitions/divestitures when such impacts are disclosed on an individual basis in either the Company's consolidated financial statements or MD&A.

Acquisitions and Divestitures: EPS, Operating Cash Flow and Revenue Growth will be adjusted for the impacts of any individual acquisition/divestiture in excess of $500 million purchase/sale price.

Any other items approved by the Committee for adjustment of the above metrics will be considered a modification of the award.

EXHIBIT 10(e)(25)

AGREEMENT PURSUANT TO
XEROX CORPORATION
2004 PERFORMANCE INCENTIVE PLAN AS AMENDED OR RESTATED TO DATE

AGREEMENT, by Xerox Corporation, a New York corporation (the "Company"), dated as of the date that appears in the award summary that provides the value (or number of Performance Shares) and vesting provisions of the award (the "Award Summary") in favor of the individual whose name appears on the Award Summary, who is an employee of the Company, one of the Company's subsidiaries or one of its affiliates (the "Employee").

In accordance with the provisions of the "2004 Performance Incentive Plan" and any amendments and/or restatements thereto (the "Plan"), the Compensation Committee of the Board of Directors of the Company (the "Committee") or the Chief Executive Officer of the Company (the "CEO") has authorized the execution and delivery of this Agreement.

Terms used herein that are defined in the Plan or in this Agreement shall have the meanings assigned to them in the Plan or this Agreement, respectively.

The Award Summary contains the details of the awards covered by this Agreement and is incorporated herein in its entirety.

NOW, THEREFORE, in consideration of the premises and for other good and valuable consideration the Company agrees as follows:

AWARDS

1. Award of Performance Shares. Subject to all terms and conditions of the Plan and this Agreement, the Company has awarded to the Employee on the date indicated on the Award Summary the number of Performance Shares (individually, the "PS") as shown on the Award Summary. Notwithstanding anything herein to the contrary, only active Employees and those Employees on Short Term Disability Leave, Social Service Leave, Family Medical Leave or Paid Uniform Services Leave (pursuant to the Company's Human Resources Policies) on the effective date of the award as shown on the Award Summary shall be eligible to receive the award.

TERMS OF THE PERFORMANCE SHARES

2. Entitlement to Shares. As soon as practicable on or after the Vesting Date indicated on the Award Summary (the "Vesting Date") in connection with the PSs, the Company shall, without transfer or issue tax to the person entitled to receive the shares, deliver to such person a certificate or certificates for a number of shares of Common Stock equal to the number of vested PSs (subject to reduction for withholding of Employee's taxes in relation to the award as described in Paragraph 10 below). No fractional shares shall be issued as a result of such tax withholding. Instead, the Company shall apply the equivalent of any fractional share amount to amounts withheld for taxes.

The Committee shall set performance goals and review performance against such goals in connection with determining the payout of PSs. The award of PSs covered hereby shall be earned based on achieving three-year cumulative performance goals (as shall be determined by the Committee) at one hundred percent (100%) of target. To the extent such performance measures are achieved at or between threshold and maximum levels on a three-year cumulative basis, PSs will be earned as set forth in the Award Summary. The Vesting Date for earned PS awards granted shall be set forth in the Award Summary.

Upon the occurrence of an event constituting a Change in Control, all PSs and dividend equivalents outstanding on such date shall be treated pursuant to the terms set forth in the Plan. Upon payment pursuant to the terms of the Plan, such awards shall be cancelled.

3. Dividend Equivalents. The Employee shall become entitled to receive from the Company on the Vesting Date a cash payment equaling the same amount(s) that the holder of record of a number of shares of Common Stock equal to the number of PSs covered by this Agreement (relating exclusively to PSs earned, based on achievement of three-year cumulative performance targets, not to exceed the target award amount shown on the Award Summary), that are held by the Employee on the close of business on the business day immediately preceding the Vesting Date, would have been entitled to receive as dividends on such Common Stock during the period commencing on the date hereof and ending on the Vesting Date as provided under Paragraph 2. Payments under this Paragraph shall be net of any required withholding taxes. Notwithstanding anything herein to the contrary, for any Employee who is no longer an employee on the payroll of any subsidiary or affiliate of the Company on the payment date of the dividend equivalents, and such subsidiary or affiliate has determined, with the approval of the Corporate Vice President, Human Resources of the Company, that it is not administratively feasible for such subsidiary or affiliate to pay such dividend equivalents, the Employee will not be entitled to receive such dividend equivalents.

OTHER TERMS

4. Ownership Guidelines. Guidelines pertaining to the Employee's required ownership of Common Stock shall be determined by the Committee or its authorized delegate, as applicable, in its sole discretion from time to time as communicated to Employee in writing.

5. Holding Requirements. The Employee must retain fifty percent (50%) of the net shares of Common Stock acquired in connection with the PSs until ownership guidelines are met under Paragraph 4 hereof, subject to any ownership and holding requirements policies established by the Committee from time to time. Such shares shall be held in the Employee's Morgan Stanley Smith Barney account or in another account acceptable to the Company. In addition, shares used to maintain the Employee's ownership level pursuant to this award should be held with Morgan Stanley Smith Barney or in another account acceptable to the Company .

If employment terminates due to the death of the Employee, such holding requirements shall cease at the date of death. If the Employee is a Corporate officer of the Company and terminates for any other reason, the holding requirement will be applicable for up to a one year period following termination.

6. Rights of a Shareholder. Employee shall have no rights as a shareholder with respect to any shares covered by this Agreement until the date of issuance of a stock certificate to him for such shares. Except as otherwise provided herein, no adjustment shall be made for dividends or other rights for which the record date is prior to the date such stock certificate is issued.

7. Non-Assignability. This Agreement shall not be assignable or transferable by Employee except by will or by the laws of descent and distribution.

8. Effect of Termination of Employment or Death.

(a) Effect on PSs. In the event the Employee

(i) voluntarily ceases to be an Employee of the Company or any subsidiary or affiliate (the Company, subsidiary or affiliate, together, the "Employer") for any reason other than retirement, and the PSs have not vested in accordance with Paragraph 2, the PSs shall be cancelled on the date of such voluntary termination of employment.

(ii) involuntarily ceases to be an Employee of the Employer for any reason (including Disability as provided pursuant to Paragraph 8(b) below or under a disability policy of any subsidiary or affiliate, as applicable), other than death or for Cause, or voluntarily ceases to be an Employee of the Employer due to a reduction in workforce, shares will vest on a pro rata basis, which may, at the discretion of the Company, be contingent upon Employee executing a general release, and which may include an agreement with respect to engagement in detrimental activity, in a form acceptable to the Company. Such shares will vest on a pro-rata basis for three-year cumulative performance if achieved in accordance with Paragraph 2, based on the Employee's actual months of service, and vesting will be calculated as follows: multiply the total three-year cumulative award earned by a fraction, the numerator of which will be the number of months of full service during the three years and the denominator of which will be 36. Payout shall occur as soon as practicable following the Vesting Date noted in the Award Summary.

(iii) ceases to be an Employee of the Employer by reason of death, 100% of the PSs pursuant to this grant shall vest on the date of death and the certificates for shares shall be delivered in accordance with Paragraph 7 to the personal representatives, heirs or legatees of the deceased Employee.

(iv) ceases to be an Employee of the Employer by reason of retirement (i.e., for purposes of this Agreement, "retirement" for U.S. employees shall mean termination of employment at or above age 55 with 10 years of service with the Employer), shares will vest on a pro rata basis, which may, at the discretion of the Company, be contingent upon Employee executing a general release, and which may include an agreement with respect to engagement in detrimental activity, in a form acceptable to the Company. Such shares will vest on a pro-rata basis for three-year cumulative performance, if achieved in accordance with Paragraph 2, based on the Employee's actual months of service, and vesting will be calculated as follows: multiply the total three-year cumulative award earned by a fraction, the numerator of which will be the number of months of full service during the three years and the denominator of which will be 36. Payout shall occur as soon as practicable following the Vesting Date noted in the Award Summary; and

(v) ceases to be an Employee of the Employer due to termination for Cause, the PSs shall, subject to any Plan provisions to the contrary, be cancelled on the date of such termination of employment.

(b) Disability. Cessation of active employment due to commencement of long-term disability under the Employer's long-term disability plan shall not be deemed to constitute a termination of employment for purposes of this Paragraph 8 and, during the continuance of such Employer-sponsored long-term disability plan benefits, the Employee shall be deemed to continue active employment with the Employer. If the Employee is terminated because the Employee has received the maximum coverage under an Employer-provided long-term disability plan, the vesting of PSs shall be provided pursuant to Paragraph 8(a)(ii) above.

(c) Cause. “Cause” means (i) a violation of any of the rules, policies, procedures or guidelines of the Employer, including but not limited to the Company’s Business Ethics Policy and the Proprietary Information and Conflict of Interest Agreement (ii) any conduct which qualifies for “immediate discharge” under the Employer’s Human Resource Policies as in effect from time to time (iii) rendering services to a firm which engages, or engaging directly or indirectly, in any business that is competitive with the Employer, or represents a conflict of interest with the interests of the Employer; (iv) conviction of, or entering a guilty plea with respect to, a crime whether or not connected with the Employer; or (v) any other conduct determined to be injurious, detrimental or prejudicial to any interest of the Employer.

9. General Restrictions. If at any time the Committee or its authorized delegate, as applicable, shall determine, in its discretion, that the listing, registration or qualification of any shares subject to this Agreement 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 awarding of the PSs or the issue or purchase of shares hereunder, the certificates for shares may not be issued in respect of PSs 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 or its authorized delegate, as applicable, and any delay caused thereby shall in no way affect the date of termination of the PSs.

10. Responsibility for Taxes. Employee acknowledges that the ultimate responsibility for Employee’s Federal, state and municipal individual income taxes, the Employee’s portion of social security and other payroll taxes, and any other taxes related to Employee’s participation in the Plan and legally applicable to Employee, is and remains his or her responsibility and may exceed the amount actually withheld by the Company or the Employer.

11. Nature of Award. In accepting the award, Employee acknowledges that:

(a) 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 Section 13 of the Plan regarding Plan amendment and termination.

(b) the award of the PSs is voluntary and occasional and does not create any contractual or other right to receive future grants of PSs, or benefits in lieu of PSs, even if PSs have been granted repeatedly in the past;

(c) all decisions with respect to future PS awards, if any, will be at the sole discretion of the Committee or its authorized delegate, as applicable;

(d) Employee’s participation in the Plan shall not create a right to further employment with the Employer and shall not interfere with the ability of the Employer to terminate Employee’s employment relationship at any time; further, the PS award and Employee’s participation in the Plan will not be interpreted to form an employment contract or relationship with the Employer;

(e) Employee is voluntarily participating in the Plan;

(f) the PSs and the shares of Common Stock subject to the PSs are an extraordinary item that does not constitute compensation of any kind for services of any kind rendered to the Employer, and which is outside the scope of Employee’s employment contract, if any;

(g) the PSs and the shares of Common Stock subject to the PSs are not intended to replace any pension rights or compensation;

(h) the PSs and the shares of Common Stock subject to the PSs are not part of normal or expected compensation or salary for any purposes, including, but not limited to, calculating any severance, resignation, termination, redundancy, dismissal, end of service payments, bonuses, long-service awards, pension or retirement or welfare benefits or similar payments and in no event should be considered as compensation for, or relating in any way to, past services for the Employer;

(i) the future value of the underlying shares of Common Stock is unknown and cannot be predicted with certainty;

(j) in consideration of the award of the PSs, no claim or entitlement to compensation or damages shall arise from forfeiture of the PSs, including, but not limited to, forfeiture resulting from termination of Employee’s employment with the Employer (for any reason whatsoever and whether or not in breach of local labor laws) and Employee irrevocably releases the Company and the Employer from any such claim that may arise; if, notwithstanding the foregoing, any such claim is found by a court of competent jurisdiction to have arisen, Employee shall be deemed irrevocably to have waived Employee’s entitlement to pursue such claim; and

(k) subject to the provisions in the Plan regarding Change in Control, PSs and the benefits under the Plan, if any, will not automatically transfer to another company in the case of a merger, take-over or transfer of liability.

12. No Advice Regarding Award. Neither the Company nor the Employer is providing any tax, legal or financial advice, nor is the Company or Employer making any recommendations regarding Employee's participation in the Plan, or his or her acquisition or sale of the underlying shares of Common Stock. Employee is hereby advised to consult with his or her own personal tax, legal and financial advisors regarding his or her participation in the Plan before taking any action related to the Plan.

13. Amendment of This Agreement. With the consent of the Employee, the Committee or its authorized delegate, as applicable, may amend this Agreement in a manner not inconsistent with the Plan.

14. Subsidiary. As used herein the term "subsidiary" shall mean any present or future corporation which would be a "subsidiary corporation" of the Company as the term is defined in Section 425 of the Internal Revenue Code of 1986 on the date of award.

15. Affiliate. As used herein the term "affiliate" shall mean any entity in which the Company has a significant equity interest, as determined by the Committee.

16. Recoupments.

(a) If an Employee or former Employee of the Employer, is reasonably deemed by the Committee or its authorized delegate, as applicable, to have engaged in detrimental activity against the Employer, any awards granted to such Employee or former Employee shall be cancelled and be of no further force or effect and any payment or delivery of an award within six months prior to such detrimental activity may be rescinded. In the event of any such rescission, the Employee 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 or its authorized delegate, as applicable. Detrimental activity may include:

(i) violating terms of a non-compete agreement with the Employer, if any;

(ii) disclosing confidential or proprietary business information of the Employer to any person or entity including but not limited to a competitor, vendor or customer without appropriate authorization from the Employer;

(iii) violating any rules, policies, procedures or guidelines of the Employer;

(iv) directly or indirectly soliciting any employee of the Employer to terminate employment with the Employer;

(v) directly or indirectly soliciting or accepting business from any customer or potential customer or encouraging any customer, potential customer or supplier of the Employer, to reduce the level of business it does with the Employer;

(vi) engaging in any other conduct or act that is determined to be injurious, detrimental or prejudicial to any interest of the Employer.

(b) If an accounting restatement by the Company is required in order to correct any material noncompliance with financial reporting requirements under relevant securities laws, the Company will have the authority to recover from executive officers or former executive officers, whether or not still employed by the Employer, any excess incentive-based compensation (in excess of what would have been paid under the accounting restatement), including entitlement to shares, provided under this Agreement to executive officers of the Employer, 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. Notwithstanding anything herein to the contrary, 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.

17. Cancellation and Rescission of Award. Without limiting the foregoing Paragraph regarding non-engagement in detrimental activity against the Employer, the Company may cancel any award provided hereunder if the Employee is not in compliance with all of the following conditions:

(a) An Employee shall not render services for any organization or engage directly or indirectly in any business which would cause the Employee to breach any of the post-employment prohibitions contained in any agreement between the Employer and the Employee.

(b) An Employee shall not, without prior written authorization from the Employer, disclose to anyone outside the Employer, or use in other than the Employer's business, any confidential information or material, as specified in any agreement between the Employer and the Employee which contains post-employment prohibitions, relating to the business of the Employer acquired by the Employee either during or after employment with the Employer.

(c) An Employee, pursuant to any agreement between the Employer and the Employee which contains post-employment prohibitions shall disclose promptly and assign to the Employer, all right, title and interest in any invention or idea, patentable or not, made or conceived by the Employee during employment with the Employer, relating in any manner to the actual or anticipated business, research or development work of the Employer, and shall do anything reasonably necessary to enable the Employer to secure a patent where appropriate in the United States and in foreign countries.

(d) Failure to comply with the provision of subparagraphs (a), (b) or (c) of this Paragraph 17 prior to, or during the six months after, any payment or delivery shall cause such payment or delivery to be rescinded. The Company shall notify the Employee in writing of any such rescission within two years after such payment or delivery. Within ten days after receiving such a notice from the Company, the Employee shall pay to the Company the amount of any payment received as a result of the rescinded payment or delivery pursuant to an award. Such payment to the Company by the Employee shall be made either in cash or by returning to the Company the number of shares of common stock that the Employee received in connection with the rescinded payment or delivery.

18. Notices. Notices hereunder shall be in writing and if to the Company shall be mailed to the Company at P.O. Box 4505, 45 Glover Avenue, 6th Floor, Norwalk, Connecticut 06856-4505, addressed to the attention of Stock Plan Administrator, and if to the Employee shall be delivered personally or mailed to the Employee at his address as the same appears on the records of the Company.

19. Language. If Employee has received this Agreement or any other document related to the Plan translated into a language other than English and if the meaning of the translated version is different than the English version, the English version will control.

20. Electronic Delivery and Acceptance. The Company may, in its sole discretion, decide to deliver any documents related to current or future participation in the Plan by electronic means. Employee hereby consents to receive such documents by electronic delivery, and agrees to participate in the Plan and be bound by the terms and conditions of this Agreement, through an on-line or electronic system established and maintained by the Company or a third party designated by the Company.

21. Interpretation of This Agreement. The Committee or it authorized delegate, as applicable, shall have the authority to interpret the Plan and this Agreement and to take whatever administrative actions, including correction of administrative errors in the awards subject to this Agreement and in this Agreement, as the Committee or its authorized delegate, as applicable, in its sole good faith judgment shall be determined to be advisable. All decisions, interpretations and administrative actions made by the Committee or its authorized delegate, as applicable, hereunder or under the Plan shall be binding and conclusive on the Company and the Employee. In the event there is inconsistency between the provisions of this Agreement and of the Plan, the provisions of the Plan shall govern.

22. Successors and Assigns. This Agreement shall be binding and inure to the benefit of the parties hereto and the successors and assigns of the Company and to the extent provided in Paragraph 7 to the personal representatives, legatees and heirs of the Employee.

23. Governing Law and Venue. The validity, construction and effect of the Agreement and any actions taken under or relating to this Agreement shall be determined in accordance with the laws of the state of New York and applicable Federal law.

This grant is made and/or administered in the United States. For purposes of litigating any dispute that arises under this grant or the Agreement the parties hereby submit to and consent to the jurisdiction of the state of New York, agree that such litigation 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.

24. Separability. In case any provision in the Agreement, or in any other instrument referred to herein, shall become invalid, illegal or unenforceable, the validity, legality and enforceability of the remaining provisions in the Agreement, or in any other instrument referred to herein, shall not in any way be affected or impaired thereby.

25. Integration of Terms. Except as otherwise provided in this Agreement, this Agreement contains the entire agreement between the parties relating to the subject matter hereof and supersedes any and all oral statements and prior writings with respect thereto.

26. Appendix for Non-U.S. Countries. Notwithstanding any provisions in this Agreement, the PS award shall be subject to any special terms and conditions set forth in any appendix to this Agreement for Employee's country (the "Appendix"). Moreover, if Employee relocates to one of the countries included in the Appendix, the special terms and conditions for such country will apply to Employee, to the extent the Company determines that the application of such terms and conditions is necessary or advisable in order to comply with local law or facilitate the administration of the Plan. The Appendix constitutes part of this Agreement.

27. Imposition of Other Requirements. The Committee or its authorized delegate, as applicable, reserves the right to impose other requirements on Employee's participation in the Plan, on the PSs and on any shares of Common Stock acquired under the Plan, to the extent the Committee or its authorized delegate, as applicable, determines it is necessary or advisable in order to comply with local law or facilitate the administration of the Plan, and to require Employee to sign any additional agreements or undertakings that may be necessary to accomplish the foregoing.

IN WITNESS WHEREOF, the Company has executed this Agreement as of the day and year set forth on the Award Summary.

XEROX CORPORATION

By: ____________________________________

Signature

EXHIBIT 10(e)(26)

Executive Long-Term Incentive Program
Performance Share Award Award Summary

«First Name» «Last Name»

Date of agreement and award: <<Grant Date>>

Approved Value: <<Approved Value>>

Performance Shares

Number of Performance Shares:	**<<# Performance Shares>>**
Vesting Date of All Performance Shares Earned:	**<<3 yrs. from grant date>>**
Performance Shares Earned if 3-Year Cumulative Performance is Achieved between Threshold and Maximum:	**25% – 150% based on 3-year performance results**

*Subject to the terms and conditions described in the Omnibus Agreement – 2013: PIP; ELTIP; PSs

* Performance measures which may include, but are not limited to, achievement of specific business objectives, and other measurements of individual, business unit or Company performance, are determined by the Committee in its sole discretion, consistent with the terms of the 2004 Performance Incentive Plan as Amended or Restated.

EXHIBIT 12

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 (loss) 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 consist of the amount of pre-tax earnings required to cover dividends paid on our Series A convertible preferred stock.

	Year Ended December 31,				
(in millions)	2012	2011	2010	2009	2008
Fixed Charges:					
Interest expense	$ 428	$ 478	$ 592	$ 527	$ 567
Capitalized interest	13	13	5	8	10
Portion of rental expense which represents interest factor	215	227	211	89	84
Total Fixed Charges	$ 656	$ 718	$ 808	$ 624	$ 661
Earnings Available for Fixed Charges:					
Pre-tax income	$ 1,348	$ 1,565	$ 815	$ 627	$ (79)
Distributed equity income of affiliated companies	62	63	41	16	60
Add: Fixed charges	656	718	808	624	661
Less: Capitalized interest	(13)	(13)	(5)	(8)	(10)
Less: Net income-noncontrolling interests	(28)	(33)	(31)	(31)	(35)
Total Earnings Available for Fixed Charges	$ 2,025	$ 2,300	$ 1,628	$ 1,228	$ 597
Ratio of Earnings to Fixed Charges	3.09	3.20	2.01	1.97	*
Computation of Ratio of Earnings to Combined Fixed Charges and Preferred Stock Dividends:					
Fixed Charges:					
Interest expense	$ 428	$ 478	$ 592	$ 527	$ 567
Capitalized interest	13	13	5	8	10
Portion of rental expense which represents interest factor	215	227	211	89	84
Total Fixed Charges before preferred stock dividends pre-tax income requirements	656	718	808	624	661
Preferred stock dividends pre-tax income requirements	39	39	35	—	—
Total Combined Fixed Charges and Preferred Stock Dividends	$ 695	$ 757	$ 843	$ 624	$ 661
Earnings Available for Fixed Charges:					
Pre-tax income	$ 1,348	$ 1,565	$ 815	$ 627	$ (79)
Distributed equity income of affiliated companies	62	63	41	16	60
Add: Fixed charges before preferred stock dividends	656	718	808	624	661
Less: Capitalized interest	(13)	(13)	(5)	(8)	(10)
Less: Net income-noncontrolling interests	(28)	(33)	(31)	(31)	(35)
Total Earnings Available for Fixed Charges and Preferred Stock Dividends	$ 2,025	$ 2,300	$ 1,628	$ 1,228	$ 597
Ratio of Earnings to Fixed Charges and Preferred Stock Dividends	2.91	3.04	1.93	1.97	*

* Earnings for year ended December 31, 2008 were inadequate to cover fixed charges by $64.

EXHIBIT 13

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 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.

Executive Overview

With sales approaching $23 billion, we are the world's leading global enterprise for business process and document management. Our services, technology and expertise enable customers - from small businesses to large global enterprises - to focus on their core business and operate more effectively. Headquartered in Norwalk, Connecticut, we offer business process outsourcing, document outsourcing and IT outsourcing services, including data processing, healthcare solutions, HR benefits management, finance support, transportation solutions and customer relationship management services for commercial and government organizations worldwide. We also provide extensive leading-edge document technology, services, software and genuine Xerox supplies for graphic communication and office printing environments of any size. Through our business process and IT outsourcing services as well as our document technology and managed print services, we operate in a market estimated at over $600 billion. The 147,600 people of Xerox serve customers in more than 160 countries. Approximately 34 percent of our revenue is generated outside the U.S.

We organize our business around two main segments: **Services** and **Document Technology**.

- Our **Services** segment is comprised of **business process outsourcing**, **information technology outsourcing and document outsourcing**. The diversity of our offerings gives us a differentiated solution and delivers greater value to our customers.

  A key priority in 2012 was continued growth in our services business. Revenue from services grew 6%, reflecting growth from all three lines of business, business process outsourcing ("BPO"), information technology outsourcing ("ITO") and document outsourcing services ("DO"). Growth in BPO benefited from recent modestly-sized acquisitions, consistent with our strategy to continue diversifying our services portfolio and to expand our business globally. In 2012, total business signings were nearly $11 billion and revenue from services represented 52 percent of our total 2012 revenue. Segment margin began to improve during 2012 and was up 0.9 points in the fourth quarter 2012 as compared to the prior year.

- Our **Document Technology** segment is comprised of our document technology and related supplies, technical service and equipment financing (excluding contracts related to document outsourcing). Our product groups within this segment include Entry, Mid-range and High-end products.

In 2012, as a result of economic uncertainties in several regions and secular shifts in the marketplace, we focused our efforts on productivity improvements and reductions in our cost base as well as steadily expanding distribution through indirect channels. As a result, we maintained market leadership in the fastest growing, most attractive segments of this market and segment margin remained comparable with 2011. During the first quarter of 2013, we will launch new and refreshed products that enhance our portfolio of mid-range and production color document systems. In addition, we are launching a new operating system and software for our line of multifunction printers ("MFPs") that add extensive cloud-based functionality and embedded security protection from McAfee. We expect that this operating system integrated with new products will help drive improved installs and sales of Xerox equipment throughout the year.

Approximately 84 percent of our 2012 total revenue was annuity-based revenue that includes contracted services, equipment maintenance, consumable supplies and financing, among other elements. Our annuity revenue significantly benefits from growth in Services. Some of the key indicators of annuity revenue growth include:

- New Services business signings growth, which reflects the year-over-year increase in estimated future revenues from contracts signed during the period.
- Services renewal rate, which is defined as the annual recurring revenue (“ARR”) on contracts that are renewed during the period, calculated as a percentage of ARR on all contracts that were up for renewal during the period.
- Services pipeline growth, which measures the year-over-year increase in new business opportunities.
- Installations of printers and multifunction printers as well as the number of page-producing machines in the field (“MIF”) and the page volume and mix of pages printed on color devices, where available.

Consistent with our strategy to expand our Services offerings through acquisitions, we acquired the following companies in 2012:

- **Wireless Data Services (“WDS”)**, a telecommunications technical support and consultancy firm headquartered in the United Kingdom.
- **Lateral Data**, a leading e-discovery technology provider based in the United States.
- **LaserNetworks Inc.**, a Canada-based provider of managed print services solutions that include print device tracking, centralized service and supply management and document routing.
- **XL World**, a multi-lingual customer care firm based in Italy that will further expand our BPO capabilities across Europe.

In addition, during 2012 we acquired companies that expand our distribution capacity for Xerox document technology to small and midsized businesses (“SMB”) and in under-penetrated markets. These acquisitions include **R.K. Dixon**, a leading provider of IT services, printers and managed print services, with locations in seven Iowa and Illinois cities. We also enhanced our distribution capabilities by acquiring office products distributors in Wisconsin, California and Illinois.

Financial Overview

During 2012 we focused on aligning our costs, investments, diverse portfolio and operations with our services-led strategy that is designed to accelerate growth in Services while maximizing the profitability of our Document Technology business.

Total revenue of $22.4 billion in 2012 declined 1% from the prior year, with a 1-percentage point negative impact from currency. Total revenue reflected 6% growth in our Services segment as a result of strong performance in BPO, ITO and DO services. Document Technology revenues in 2012 declined 8% from the prior year and included a 2-percentage point negative impact from currency. Document Technology revenues in 2012 continued to be impacted by the weak macro-economic environment as well as an increasing migration of customers to our managed print services.

Net income attributable to Xerox for 2012 was $1,195 million and included $316 million of after-tax costs and expenses related to the amortization of intangible assets and restructuring. Net income for 2012 reflects continued pressure on margins, as we scale our revenue in Services and ramp-up new contracts, partially offset by operational improvements and cost reductions from restructuring actions. We incurred additional pre-tax restructuring charges of $120 million in 2012 as compared to 2011 as we actively manage our cost structure to improve profitability and better align it with our services-focused business model. Net income attributable to Xerox for 2011 was $1,295 million and included $305 million of after-tax costs and expenses related to the amortization of intangible assets, restructuring, and the loss on the early extinguishment of a long-term liability, which were partially offset by an after-tax curtailment gain of $66 million.

Cash flow from operations was $2.6 billion in 2012 as compared to $2.0 billion in 2011. The increase in cash was primarily due to the sales of receivables as well as a higher net runoff of finance receivables as a result of lower equipment sales. This increase was partially offset by higher accounts receivables primarily due to the growth in Services revenue. Cash used in investing activities of $761 million primarily reflects capital expenditures of $513 million and acquisitions of $276 million. Cash used in financing activities was $1.5 billion, which primarily reflects $1.1 billion for the repurchase of common stock, $255 million for dividends and a $100 million reduction in Commercial Paper. We also issued approximately $1.1 billion in new Senior Notes to fund the May 2012 maturity of our $1.1 billion 5.59% Senior Notes.

We expect 2013 revenue in the range of flat to growing 2 percent, excluding the impact of currency. In our Services business, we expect continued revenue growth in the mid-to-high single digits. Services margins are expected to be in the 10 to 12 percent range as the Company places a heightened focus on operational efficiencies and applying innovation to automate more business processes. In our Document Technology business, we expect a mid-single digit revenue decline, an improvement from the prior year. The Company expects to benefit from product launches and the expansion of indirect channels plus the acceleration of color printing in key markets, all of which partially offset declines primarily related to black-and-white printing. Margins in Document Technology are expected to be flat on a year-over-year basis, continuing to support the strong profitability of this mature business and providing flexibility to accelerate growth in the digital color and SMB markets.

Europe

As of and for the year ended December 31, 2012, approximately $3.1 billion of our total revenues and $4.1 billion of our total assets are based in countries where the Euro is the functional currency. Approximately $1.8 billion of those assets are finance receivables and approximately 15% of those receivables are with governmental entities. Accordingly, we are impacted by the challenges facing the Euro zone economies and governments, and we expect those challenges to continue into 2013 .

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 “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. Revenues and expenses from our developing market countries (Latin America, Brazil, the Middle East, India, Eurasia and Central-Eastern Europe) are analyzed at actual exchange rates for all periods presented, since these countries generally have unpredictable currency and inflationary environments, and our operations in these countries have historically implemented pricing actions to recover the impact of inflation and devaluation. We do not hedge the translation effect of revenues or expenses denominated in currencies where the local currency is the functional currency.

Approximately 34% of our consolidated revenues are derived from operations outside of the United States where the U.S. Dollar is normally not the functional currency. When compared with the average of the major European currencies and Canadian Dollar on a revenue-weighted basis, the U.S. Dollar was 5% stronger in 2012 and 5% weaker in 2011, each compared to the prior year. As a result, the foreign currency translation impact on revenue was a 1% detriment in 2012 and a 2% benefit in 2011.

Application of Critical Accounting Policies

In preparing our Consolidated Financial Statements and accounting for the underlying transactions and balances, we apply various accounting policies. Senior management has discussed the development and selection of the critical accounting policies, estimates and related disclosures included herein with the Audit Committee of the Board of Directors. We consider the policies discussed below as critical to understanding our Consolidated Financial Statements, as their application places the most significant demands on management's judgment, since financial reporting results rely on estimates of the effects of matters that are inherently uncertain. In instances where different estimates could have reasonably been used, we disclosed the impact of these different estimates on our operations. In certain instances, like revenue recognition for leases, the accounting rules are prescriptive; therefore, it would not have been possible to reasonably use different estimates. Changes in assumptions and estimates are reflected in the period in which they occur. The impact of such changes could be material to our results of operations and financial condition in any quarterly or annual period.

Specific risks associated with these critical accounting policies are discussed throughout the MD&A, where such policies affect our reported and expected financial results. For a detailed discussion of the application of these and other accounting policies, refer to Note 1 - Summary of Significant Accounting Policies in the Consolidated Financial Statements.

Revenue Recognition

Application of the various accounting principles in GAAP related to the measurement and recognition of revenue requires us to make judgments and estimates. Complex arrangements with nonstandard terms and conditions may require significant contract interpretation to determine the appropriate accounting. Refer to Note 1 - Summary of Significant Accounting Policies - Revenue Recognition, in the Consolidated Financial Statements for additional information regarding our revenue recognition policies . Specifically, the revenue related to the following areas involve significant judgments and estimates:

- Bundled Lease Arrangements
- Sales to Distributors and Resellers
- Services - Percentage-of-completion.

Bundled Lease Arrangements - We sell our equipment under bundled lease arrangements, which typically include the equipment, service, supplies and a financing component for which the customer pays a single negotiated monthly fixed price for all elements over the contractual lease term. Approximately 35% of our equipment sales revenue is related to sales made under bundled lease arrangements. Recognizing revenues under these arrangements requires us to allocate the total consideration received to the lease and non-lease deliverables included in the bundled arrangement, based upon the estimated fair values of each element.

Sales to Distributors and Resellers - We utilize distributors and resellers to sell many of our Document Technology products to end-user customers. Sales to distributors and resellers are generally recognized as revenue when products are sold to such distributors and resellers. Distributors and resellers participate in various rebate, price-protection, cooperative marketing and other programs, and we record provisions and allowances for these programs as a reduction to revenue when the sales occur. Similarly, we also record estimates for sales returns and other discounts and allowances when the sales occur. We consider various factors, including a review of specific transactions and programs, historical experience and market and economic conditions when calculating these provisions and allowances. Approximately 10% of our revenues include sales to distributors and resellers and provisions and allowances recorded on these sales are approximately 20% of the associated gross revenues.

Revenue Recognition for Services - Percentage-of-Completion - A portion of our Services revenue is recognized using the percentage-of-completion ("POC") accounting method. This method requires the use of estimates and judgment. Approximately 3% of our Services revenue uses the POC accounting method. Although not significant to total Services revenue, the percentage-of-completion methodology is normally applied to certain of our larger and longer term outsourcing contracts involving system development and implementation services. The POC accounting methodology involves recognizing probable and reasonably estimable revenue using the percentage of services completed based on a current cumulative cost to estimated total cost basis and a reasonably consistent profit margin over the period. Due to the long-term nature of these arrangements, developing the estimates of cost often requires significant judgment. Factors that must be considered in estimating the progress of work completed and ultimate cost of the projects include, but are not limited to, the availability of labor and labor productivity, the nature and complexity of the work to be performed and the impact of delayed performance. If changes occur in delivery, productivity or other factors used in developing the estimates of costs or revenues, we revise our cost and revenue estimates, which may result in increases or decreases in revenues and costs. Such revisions are reflected in income in the period in which the facts that give rise to that revision become known. We perform ongoing profitability analysis of our POC services contracts in order to determine whether the latest estimates require updating. Key factors reviewed by the company to estimate the future costs to complete each contract are future labor costs, future product costs and expected productivity efficiencies. If at any time these estimates indicate the POC contract will be unprofitable, the entire estimated loss for the remainder of the contract is recorded immediately in cost of services.

Allowance for Doubtful Accounts and Credit Losses

We continuously monitor collections and payments from our customers and maintain a provision for estimated credit losses based upon our historical experience adjusted for current conditions. We recorded bad debt provisions of $120 million, $157 million and $188 million in SAG expenses in our Consolidated Statements of Income for the years ended December 31, 2012, 2011 and 2010, respectively.

Bad debt provisions decreased by $37 million in 2012. Reserves as a percentage of trade and finance receivables was 3.3% at December 31, 2012, which was consistent with the percentage at December 31, 2011 and 2010. The decrease in bad debt provisions was primarily related to improvements in Europe, reflecting a stabilization of credit issues noted in the prior year. We continue to assess our receivable portfolio in light of the current economic environment and its impact on our estimation of the adequacy of the allowance for doubtful accounts. In addition, although our bad debt provisions improved in Europe, this region continues to be a focus of our credit review and analysis.

As discussed above, we estimated our provision for doubtful accounts based on historical experience and customer-specific collection issues. This methodology was consistently applied for all periods presented. During the five year period ended December 31, 2012, our reserve for doubtful accounts ranged from 3.3% to 4.1% of gross receivables. Holding all assumptions constant, a 1-percentage point increase or decrease in the reserve from the December 31, 2012 rate of 3.3% would change the 2012 provision by approximately $85 million.

Refer to Note 4 - Accounts Receivables, Net and Note 5 - Finance Receivables, Net in the Consolidated Financial Statements for additional information regarding our allowance for doubtful accounts.

Pension Plan Assumptions

We sponsor defined benefit pension plans in various forms in several countries covering employees who meet eligibility requirements. Several statistical and other factors that attempt to anticipate future events are used in calculating the expense, liability and asset values related to our defined benefit pension plans. These factors include assumptions we make about the expected return on plan assets, discount rate, the rate of future compensation increases and mortality. Differences between these assumptions and actual experiences are reported as net actuarial gains and losses and are subject to amortization to net periodic benefit cost over future periods.

Cumulative net actuarial losses for our defined benefit pension plans of $3.4 billion as of December 31, 2012 increased by approximately $800 million from December 31, 2011. This increase reflects the increase in our benefit obligations as a result of a lower discount rate, which was only partially offset by positive returns on plan assets in 2012 as compared to expected returns. The total actuarial loss will be amortized over future periods, subject to offsetting gains or losses that will impact the future amortization amounts.

We used a consolidated weighted average expected rate of return on plan assets of 6.9% for 2012, 7.2% for 2011 and 7.3% for 2010, on a worldwide basis. During 2012, the actual return on plan assets was $792 million as compared to an expected return of $613 million. When estimating the 2013 expected rate of return, in addition to assessing recent performance, we considered the historical returns earned on plan assets, the rates of return expected in the future, particularly in light of current economic conditions, and our investment strategy and asset mix with respect to the plans' funds. The weighted average expected rate of return on plan assets we will use in 2013 is 6.7%. The reduction in the expected rate of return in 2013 as compared to 2012 primarily reflects an expected slight decrease in long term capital market returns.

Another significant assumption affecting our defined benefit pension obligations and the net periodic benefit cost is the rate that we use to discount our future anticipated benefit obligations. In the U.S. and the U.K., which comprise approximately 75% of our projected benefit obligation, we consider the Moody's Aa Corporate Bond Index and the International Index Company's iBoxx Sterling Corporate AA Cash Bond Index, respectively, in the determination of the appropriate discount rate assumptions. The consolidated weighted average discount rate we used to measure our pension obligations as of December 31, 2012 and to calculate our 2013 expense was 3.9%, which is lower than the 4.7% that was used to calculate our obligations as of December 31, 2011 and our 2012 expense. The weighted average discount rate we used to measure our retiree health obligation as of December 31, 2012 and to calculate our 2013 expense was 3.6%, which is lower than the 4.5% that was used to calculate our obligation at December 31, 2011 and our 2012 expense.

Holding all other assumptions constant, a 0.25% increase or decrease in the discount rate would change the 2013 projected net periodic pension cost by $31 million. Likewise, a 0.25% increase or decrease in the expected return on plan assets would change the 2013 projected net periodic pension cost by $19 million.

One of the most significant and volatile elements of our net periodic defined benefit pension plan expense is settlement losses. Our primary domestic plans allow participants the option of settling their vested benefits through either the receipt of a lump-sum payment or the purchase of a non-participating annuity contract with an insurance company. Annuity purchases represent benefits to be provided via contracts under which an insurance company is obligated to pay the benefits. Accordingly, under either option the participant's vested benefit is considered fully settled upon payment of the lump-sum or the purchase of the annuity. Approximately two-thirds of participants elect to receive a lump-sum payment.

We have elected to apply settlement accounting and, therefore, we recognize the losses associated with these settlements immediately upon the settlement of the vested benefits. Settlement accounting requires us to recognize a pro rata portion of the aggregate unamortized net actuarial losses upon settlement. As noted above, cumulative unamortized net actuarial losses were $3.4 billion at December 31, 2012, of which the U.S. primary domestic plans represented $1.1 billion. The pro rata factor is computed as the percentage reduction in the projected benefit obligation due to the settlement of a participant's vested benefit. Settlement accounting is only applied when the event of settlement occurs - i.e. the lump-sum payment is made or the annuity purchased. Since settlement is dependent on an employee decision and election, the level of settlements and the associated losses can fluctuate significantly period to period. In 2012, settlement losses associated with our primary domestic pension plans amounted to $82 million and were $16 million, $14 million, $24 million and $28 million for the first through fourth quarter of 2012, respectively. Currently, on average, approximately $100 million of plan settlements will result in settlement losses of approximately $24 million. During the three years ended December 31, 2012, U.S. plan settlements were $481 million, $598 million and $393 million, respectively.

Refer to Note 15 - Employee Benefit Plans in the Consolidated Financial Statements for additional information regarding our defined benefit pension plan assumptions.
The following is a summary of our benefit plan costs and funding for the three years ended December 31, 2012 as well as estimated amounts for 2013:

	Estimated	Actual		
Benefit Plan Costs:	2013	2012	2011	2010
Defined benefit pension plans[1]	$ 202	$ 300	$ 284	$ 304
Curtailment gain[2]	—	—	(107)	—
Defined contribution plans	113	63	66	51
Retiree health benefit plans	3	11	14	32
Total Benefit Plan Expense	$ 318	$ 374	$ 257	$ 387

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(1) Estimated 2013 assumes settlement losses are consistent with 2012.
(2) Refer to the "Plan Amendment" section in Note 15 - Employee Benefit Plans in the Consolidated Financial Statements for further information.

Our estimated 2013 defined benefit pension plan cost is expected to be approximately $100 million lower than 2012, primarily driven by the U.S. defined benefit plan freeze at December 31, 2012, which eliminated approximately $100 million of service costs and reduced the amortization of actuarial losses by $47 million. These impacts were partially offset by the worldwide 80 bps decrease in the discount rate. Offsetting the decrease in our defined benefit pension plan expense is an increase in expense associated with our defined contribution plans as employees from those defined benefit pension plans that have been amended to freeze future service accruals are transitioned to enhanced defined contribution plans.

Benefit plan costs are included in several income statement components based on the related underlying employee costs.

	Estimated	Actual		
Benefit Plan Funding:	2013	2012	2011	2010
Defined benefit pension plans:				
Cash	$ 195	$ 364	$ 426	$ 237
Stock	—	130	130	—
Total	195	494	556	237
Defined contribution plans	113	63	66	51
Retiree health benefit plans	80	84	73	92
Total Benefit Plan Funding	$ 388	$ 641	$ 695	$ 380

The decrease in required contributions to our worldwide defined benefit pension plans is largely in the U.S. and reflects the expected benefits from the pension funding legislation enacted in the U.S. during 2012. This decrease is partially offset by an expected increase in contributions to our defined contribution plans.

Refer to Note 15 - Employee Benefit Plans in the Consolidated Financial Statements for additional information regarding expense and funding.

Income Taxes

We record the estimated future tax effects of temporary differences between the tax bases of assets and liabilities and amounts reported in our Consolidated Balance Sheets, as well as operating loss and tax credit carryforwards. We follow very specific and detailed guidelines in each tax jurisdiction regarding the recoverability of any tax assets recorded in our Consolidated Balance Sheets and provide valuation allowances as required. We regularly review our deferred tax assets for recoverability considering historical profitability, projected future taxable income, the expected timing of the reversals of existing temporary differences and tax planning strategies. Adjustments to our valuation allowance, through (credits) charges to income tax expense, were $(9) million, $(5) million and $22 million for the years ended December 31, 2012, 2011 and 2010, respectively. There were other (decreases) increases to our valuation allowance, including the effects of currency, of $(14) million, $(53) million and $11 million for the years ended December 31, 2012, 2011 and 2010, respectively. These did not affect income tax expense in total as there was a corresponding adjustment to deferred tax assets or other comprehensive income. Gross deferred tax assets of $3.8 billion and $3.8 billion had valuation allowances of $654 million and $677 million at December 31, 2012 and 2011, respectively.

We are subject to ongoing tax examinations and assessments in various jurisdictions. Accordingly, we may incur additional tax expense based upon our assessment of the more-likely-than-not outcomes of such matters. In addition, when applicable, we adjust the previously recorded tax expense to reflect examination results. Our ongoing assessments of the more-likely-than-not outcomes of the examinations and related tax positions require judgment and can materially increase or decrease our effective tax rate, as well as impact our operating results. Unrecognized tax benefits were $201 million, $225 million and $186 million at December 31, 2012, 2011 and 2010, respectively.

Refer to Note 16 - Income and Other Taxes in the Consolidated Financial Statements for additional information regarding deferred income taxes and unrecognized tax benefits.

Business Combinations and Goodwill

The application of the purchase method of accounting for business combinations requires the use of significant estimates and assumptions in the determination of the fair value of assets acquired and liabilities assumed in order to properly allocate purchase price consideration between assets that are depreciated and amortized from goodwill. Our estimates of the fair values of assets and liabilities acquired are based upon assumptions believed to be reasonable, and when appropriate, include assistance from independent third-party appraisal firms. Refer to Note 3 - Acquisitions in the Consolidated Financial Statements for additional information regarding the allocation of the purchase price consideration for our acquisitions.

As a result of our acquisition of ACS, as well as other acquisitions including GIS, we have a significant amount of goodwill. Goodwill at December 31, 2012 was $9.1 billion. Goodwill is not amortized but rather is tested for impairment annually or more frequently if an event or circumstance indicates that an impairment may have been incurred.

Application of the annual goodwill impairment test requires judgment, including the identification of reporting units, assignment of assets and liabilities to reporting units, assignment of goodwill to reporting units and the assessment - qualitatively or quantitatively - of the fair value of each reporting unit against its carrying value. At December 31, 2012, $6.8 billion and $2.3 billion of goodwill was allocated to reporting units within our Services and Document Technology segments, respectively. Our Services segment is comprised of three reporting units while our Document Technology segment is comprised of one reporting unit for a total of four reporting units with goodwill balances.

Our annual impairment test of goodwill was performed in the fourth quarter of 2012. As a result of market and business conditions, we elected to utilize a quantitative assessment of the recoverability of our goodwill balances for each of our reporting units.

In our quantitative test, we estimate the fair value of each reporting unit using a discounted cash flow methodology. This valuation approach requires significant judgment and considers a number of factors that include, but are not limited to, expected future cash flows, growth rates and discount rates, and it requires us to make certain assumptions and estimates regarding the current economic environment, industry factors and the future profitability of our business.

When performing our discounted cash flow analysis for each reporting unit, we incorporate the use of projected financial information and discount rates that are developed using market participant-based assumptions. The cash-flow projections are based on five-year financial forecasts developed by management that include revenue and expense projections, capital spending trends, and investment in working capital to support anticipated revenue growth or other changes in the business. The selected discount rates consider the risk and nature of the respective reporting units' cash flows and an appropriate capital structure and rates of return that market participants would require to invest their capital in our reporting units.

In performing our 2012 impairment test, the following were the long-term assumptions for Document Technology and the three reporting units within our Services segment with respect to revenue, operating income and margins, which formed the basis for estimating future cash flows used in the discounted cash flow model:

- Document Technology - revenue decline: 2-3%, operating income: flat, operating margin: 10-12% - as we continue to manage costs as a result of an expected decline in revenues.
- Services - revenue growth: 4-6%, operating income growth: 7-10%, operating margin: 10-12% - as we benefit from recurring revenue and strong signings growth in recent years while maintaining costs and expenses.

We believe these assumptions are appropriate because they are consistent with historical results as well as our forecasted long-term business model and give appropriate consideration to the current economic environment and markets that we serve. The average discount rate applied to our projected cash flows was approximately 10% which we considered reasonable based on the estimated capital costs of applicable market participants. Although the sum of the fair values of our reporting units was in excess of our market capitalization, we believe the difference is reasonable when market-based control premiums and other factors are taken into consideration, including the evolution of our business to be predominantly services-based. We also compared our reporting unit and consolidated valuations against market multiples and likewise concluded that our valuations were reasonable.

The results of our testing indicated that each of our reporting units has a fair value in excess of its carrying value and no impairment charge was required. The excess of reporting unit fair values over carrying values for our Document Technology reporting unit and the BPO/ITO Government reporting unit within our Services segment (which has approximately $2.0 billion of goodwill) are significantly less than in prior years with excess of fair value over carrying value of approximately 20% and 10%, respectively.

We will to continue to monitor the impact of economic, market and industry factors impacting these reporting units in 2013. Subsequent to our fourth quarter impairment test, we did not identify any indicators of potential impairment that required an update to the annual impairment test.

Refer to Note 9 - Goodwill and Intangible Assets, Net in the Consolidated Financial Statements for additional information regarding goodwill by reportable segment.

Revenue Results Summary

Total Revenue

Revenue for the three years ended December 31, 2012 were as follows:

	Revenues			Change		Pro-forma[1]	Percent of Total Revenue		
(in millions)	2012	2011	2010	2012	2011	2011	2012	2011	2010
Equipment sales	$ 3,476	$ 3,856	3,857	(10)%	— %	— %	16%	17%	18%
Annuity revenue	18,914	18,770	17,776	1 %	6 %	2 %	84%	83%	82%
Total Revenue	$ 22,390	$ 22,626	21,633	(1)%	5 %	2 %	100%	100%	100%
Reconciliation to Condensed Consolidated Statements of Income:									
Sales	$ 6,578	$ 7,126	7,234						
Less: Supplies and other sales	(2,273)	(2,371)	(2,420)						
Less: Paper sales	(829)	(899)	(957)						
Equipment Sales	$ 3,476	$ 3,856	3,857	(10)%	— %	— %	16%	17%	18%
Outsourcing, service and rentals	$ 15,215	$ 14,868	13,739	2 %	8 %	4 %	68%	66%	64%
Add: Finance income	597	632	660	(6)%	(4)%	(4)%	2%	3%	3%
Add: Supplies and other sales	2,273	2,371	2,420	(4)%	(2)%	(3)%	10%	10%	11%
Add: Paper sales	829	899	957	(8)%	(6)%	(6)%	4%	4%	4%
Annuity Revenue	$ 18,914	$ 18,770	$ 17,776	1 %	6 %	2 %	84%	83%	82%

(1) 2011 Results are discussed primarily on a pro-forma basis and include ACS's estimated results from January 1 through February 5 in 2010. See the "Non-GAAP Financial Measures" section for an explanation of this non-GAAP financial measure.

Revenue 2012

Total revenues decreased 1% compared to the prior year and included a 1-percentage point negative impact from currency. Total revenues included the following:

- **Annuity revenue** increased 1% and included a 1-percentage point negative impact from currency. Annuity revenue is comprised of the following:
  - Outsourcing, service and rentals revenue include outsourcing revenue within our Services segment and technical service revenue (including bundled supplies) and rental revenue, both primarily within our Document Technology segment. Revenues of $15,215 million increased 2% and included a 2-percentage point negative impact from currency. The increase was primarily driven by growth in all three lines of business in our Services segment partially offset by a declines in technical service revenues. Total digital pages declined 2% despite a 3% increase in digital MIF.
  - Supplies and other sales include unbundled supplies and other sales, primarily within our Document Technology segment. Revenues of $2,273 million decreased 4% and included a 1-percentage negative impact from currency. The decrease was primarily due to moderately lower demand.
  - Paper sales, which are primarily included within our Other segment, of $829 million decreased 8% and included 2-percentage point negative impact from currency, driven primarily market pricing and lower activity.

- Finance income includes $44 million in gains from the sale of finance receivables from our Document Technology segment (see Note 5 - Finance Receivables, Net in the Consolidated Financial Statements for additional information).

- **Equipment sales revenue** is reported primarily within our Document Technology segment and the document outsourcing business within our Services segment. Equipment sales revenue decreased 10% and included a 2-percentage point negative impact from currency primarily driven by delayed customer decision-making and overall weak economic and market conditions. An increase in total product installs was offset by the impact of lower product mix and price declines. Price declines were in the range of 5% to 10%.

  Equipment sales within our Services segment continued to grow, driven by the migration of customers looking to reduce printing costs by moving to our document outsourcing offering.

- Color[2] revenue, decreased 6%, including a 2-percentage point negative impact from currency. An increase in color pages of 9% and color MIF of 14% were offset by a decline in color equipment sale revenue driven primarily by weakness in Europe and the impact of lower product mix. Color pages represented 30% of total pages in 2012.

Revenue 2011

Total revenues increased 5% compared to the prior year. Our consolidated 2011 results include a full year of revenues from ACS, which was acquired on February 5, 2010. On a pro-forma[1] basis, including ACS's estimated 2010 revenues for the period from January 1 through February 5 in our historical 2010 results, the total revenue for 2011 grew 2%. Total revenue growth included a 2-percentage point positive impact from currency. Total revenues included the following:

- Annuity revenue increased 6% or 2% on a pro-forma[1] basis, with a 1-percentage point positive impact from currency. Annuity revenue is comprised of the follows:
  - Outsourcing, service and rentals revenue of $14,868 million increased 8%, or 4% on a pro-forma[1] basis, and included a 2-percentage point positive impact from currency. The increase was primarily due to growth in BPO and DO revenue in our Services segment partially offset by a decline in pages. Total digital pages declined 3% despite a 2% increase in digital MIF.
  - Supplies and other sales of $2,371 million decreased 2% or 3% on a pro-forma[1] basis, with no impact from currency.
  - Paper sales of $899 million decreased 6% and included 2-percentage point negative impact from currency.

- Equipment sales revenue was flat and included a 1-percentage point positive impact from currency. Favorable product mix in high-end products was offset by price declines in the range of 5% to 10%.

- Color[2] revenue increased 5%, including a 2-percentage point negative impact from currency. This increase was due to an increase in color pages of 9% and an increase in color equipment sale revenue of 4%. Color[2] pages represented 27% of total pages in 2011 while color device MIF represented 35% of total MIF.

An analysis of the change in revenue for each business segment is included in the “Operations Review of Segment Revenue and Profit” section.

Costs, Expenses and Other Income

Summary of Key Financial Ratios

	Year Ended December 31,			Change				Pro-forma[1]			
	2012	2011	2010	2012		2011		2,011		2,010	
Total Gross Margin	31.4%	32.8%	34.4%	(1.4)	pts	(1.6)	pts	(1.1)	pts	(0.2)	pts
RD&E as a % of Revenue	2.9%	3.2%	3.6%	(0.3)	pts	(0.4)	pts	(0.3)	pts	(0.4)	pts
SAG as a % of Revenue	19.2%	19.9%	21.2%	(0.7)	pts	(1.3)	pts	(1.0)	pts	(0.9)	pts
Operating Margin[1]	9.3%	9.8%	9.6%	(0.5)	pts	0.2	pts	0.3	pts	1.0	pts
Pre-tax Income Margin	6.0%	6.9%	3.8%	(0.9)	pts	3.1	pts	3.4	pts	(2.2)	pts

(1) See the "Non-GAAP Financial Measures" section for an explanation of Pro-forma and Operating Margin non-GAAP financial measures.

Operating Margin

The operating margin[1] for the year ended December 31, 2012 of 9.3% decreased 0.5-percentage points as compared to 2011. The decline, which was primarily in our Services segment due to a decrease in gross margin, was partially offset by expense reductions.

The operating margin[1] for the year ended December 31, 2011 of 9.8% increased 0.2-percentage points, or 0.3-percentage points on a pro-forma[1] basis as compared to 2010. The increase was due primarily to disciplined cost and expense management.

Note: The acquisition of ACS increased the proportion of our revenue from services, which has a lower gross margin and SAG as a percent of revenue than we historically experienced when Xerox was primarily a technology company. As a result, in 2011 gross margins and SAG are also discussed below on a pro-forma basis where we adjust our historical 2010 results to include ACS's 2010 estimated results for the period from January 1 through February 5, 2010. Refer to the “Non-GAAP Financial Measures” section for a further explanation and discussion of this non-GAAP presentation.

Gross Margin

Gross margin for year ended December 31, 2012 of 31.4% decreased 1.4-percentage points as compared to 2011. The decrease was driven by the overall mix of services revenue, the ramping of new services contracts and pressure on government contracts, particularly in the third quarter 2012. These negative impacts were partially offset by productivity improvements and cost savings from restructuring.

Gross margin for year ended December 31, 2011 of 32.8% decreased 1.6-percentage points, or 1.1-percentage points on a pro-forma[1] basis, as compared to 2010. The decrease was driven by the ramping of new services contracts, the impact of lower contract renewals, transaction currency and the mix of higher services revenue.

Services gross margin for the year ended December 31, 2012 decreased 1.7-percentage points as compared to 2011. The decrease is primarily due to the ramping of new services contracts within BPO and ITO and pressure on government contracts, particularly in the third quarter 2012.

Services gross margin for the year ended December 31, 2011 decreased 1.7-percentage points, or 1.2 percentage points , on a pro-forma[1] basis, as compared to 2010. The decrease is primarily due to the ramping of new services contracts within BPO and ITO and the impact of lower contract renewals.

Document Technology gross margin for the year ended December 31, 2012 increased by 0.1-percentage points as compared to 2011. Productivity improvements, restructuring savings and gains recognized on the sales of finance receivables (see Note 5 - Finance Receivables, Net in the Consolidated Financial Statements for additional information) more than offset the impact of price declines, product mix and the unfavorable year-over-year impact of transaction currency.

Document Technology gross margin for the year ended December 31, 2011 decreased by 0.9-percentage points as compared to 2010 due to the impact of price declines and the negative year-over-year impact of transaction currency. The decline was partially offset by cost productivities and restructuring savings which reflect our continued focus on cost management.

Research, Development and Engineering Expenses (“RD&E”)

	Year Ended December 31,			Change	
(in millions)	2012	2011	2010	2012	2011
R&D	$ 545	$ 613	$ 653	$ (68)	$ (40)
Sustaining engineering	110	108	128	2	(20)
Total RD&E Expenses	$ 655	$ 721	$ 781	$ (66)	$ (60)
R&D Investment by Fuji Xerox (1)	$ 860	$ 880	$ 821	$ (20)	$ 59

(1) Fluctuation in Fuji Xerox R&D was primarily due to changes in foreign exchange rates.

RD&E as a percent of revenue for the year ended December 31, 2012 of 2.9% decreased 0.3-percentage points. In addition to lower spending, the decrease was also driven by the positive mix impact of the continued growth in Services revenue, which historically has a lower RD&E percent of revenue.

RD&E of $655 million for the year ended December 31, 2012, was $66 million lower reflecting the impact of restructuring and productivity improvements. Innovation is one of our core strengths and we continue to invest at levels that enhance this core strength, particularly in color, software and services. During 2012 we managed our investments in R&D to align with growth opportunities in areas like business services, color printing and customized communication. Xerox R&D is also strategically coordinated with Fuji Xerox.

RD&E as a percent of revenue for the year ended December 31, 2011 of 3.2% decreased 0.4-percentage points. In addition to lower spending, the decrease was also driven by the positive mix impact of the continued growth in Services revenue, which historically has a lower RD&E percent of revenue.

RD&E of $721 million for the year ended December 31, 2011, was $60 million lower reflecting the impact of restructuring and productivity improvements.

Selling, Administrative and General Expenses (“SAG”)

SAG as a percent of revenue of 19.2% decreased 0.7-percentage points for the year ended December 31, 2012. The decrease was driven by spending reductions reflecting benefits from restructuring and productivity improvements in addition to the positive mix impact from the continued growth in Services revenue, which historically has a lower SAG percent of revenue.

SAG expenses of $4,288 million for the year ended December 31, 2012 were $209 million lower than the prior year period including a $60 million favorable impact from currency. The decrease in SAG expense reflects the following:

- $240 million decrease in selling expenses reflecting the benefits from restructuring and productivity improvements as well as lower compensation-related expenses and advertising spending partially offset by the impact of acquisitions.

- $68 million increase in general and administrative expenses as restructuring savings and productivity improvements were more than offset by the impact of acquisitions and deferred compensation expense.
- $37 million decrease in bad debt expenses to $120 million, driven primarily by lower write-offs in Europe.

SAG as a percent of revenue of 19.9% decreased 1.3-percentage points, or 1.0-percentage points on a pro-forma [1] basis for the year ended December 31, 2011.

SAG expenses of $4,497 million for the year ended December 31, 2011 was $97 million lower the prior year period, or $156 million lower on a pro-forma[1] basis, both including a $68 million unfavorable impact from currency. The pro-forma SAG expense decrease reflects the following:

- $68 million decrease in selling expenses reflecting the benefits from restructuring, productivity improvements and decrease in brand advertising partially offset by the impact of acquisitions.
- $54 million decrease in general and administrative expenses primarily reflecting lower compensation as well as the benefits from restructuring and operational improvements.
- $31 million decrease in bad debt expense, to $157 million as improvements in write-off trends in North America were more than offset by higher write-offs in southern Europe.

Restructuring and Asset Impairment Charges

During the year ended December 31, 2012, we recorded net restructuring and asset impairment charges of $153 million ($97 million after-tax). Approximately 47% of the charges were related to our Services segment and 53% to our Document Technology segment and included the following:

- $160 million of severance costs related to headcount reductions of approximately 6,300 employees primarily in North America. The actions impacted several functional areas, and approximately 63% of the costs were focused on gross margin improvements, 31% in SAG and 6% on the optimization of RD&E investments.
- $5 million for lease termination costs primarily reflecting continued optimization of our worldwide operating locations.
- $2 million of asset impairment losses.

The above charges were partially offset by $14 million of net reversals for changes in estimated reserves from prior period initiatives.

We expect 2013 pre-tax savings of approximately $170 million from our 2012 restructuring actions.

During the year ended December 31, 2011, we recorded net restructuring and asset impairment charges of $33 million ($18 million after-tax) which included the following:

- $98 million of severance costs related to headcount reductions of approximately 3,900 employees primarily in North America. The actions impacted several functional areas, and approximately 55% of the costs were focused on gross margin improvements, 36% on SAG and 9% on the optimization of RD&E investments.
- $1 million for lease termination costs.
- $5 million of asset impairment losses from the disposition of two aircraft associated with the restructuring of our corporate aviation operations.

The above charges were partially offset by $71 million of net reversals for changes in estimated reserves from prior period initiatives.

Restructuring Summary

The restructuring reserve balance as of December 31, 2012 for all programs was $130 million, of which approximately $122 million is expected to be spent over the next twelve months. Refer to Note 10, Restructuring and Asset Impairment Charges, in the Consolidated Financial Statements for additional information regarding our restructuring programs.

Acquisition Related Costs

Costs of $77 million were incurred during 2010 in connection with our acquisition of ACS. These costs include $53 million of transaction costs, which represent external costs directly related to completing the acquisition of ACS. The remainder of the acquisition-related costs represents external incremental costs directly related to the integration of ACS and Xerox.

Amortization of Intangible Assets

During the year ended December 31, 2012, we recorded $328 million of expense related to the amortization of intangible assets, which is $70 million lower than the prior year. The prior year expense included $52 million related to the accelerated amortization of the ACS trade name intangible asset which was fully written off in 2011 as a result of the decision to discontinue its use and transition the services business to the "Xerox Business Services" trade name. The impact from the write off of the ACS trade name was partially offset by the amortization of intangible assets associated with current and prior-year acquisitions.

During the year ended December 31, 2011, we recorded $398 million of expense related to the amortization of intangible assets, which was $86 million higher than the prior year primarily as a result of the accelerated write-off of the ACS trade name.

Curtailment Gain

In December 2011, we amended all of our primary non-union U.S. defined benefit pension plans for salaried employees. Our primary qualified plans had previously been amended to freeze the final average pay formulas within the plans as of December 31, 2012, but the cash balance service credit was expected to continue post December 31, 2012. The 2011 amendments now fully freeze benefit and service accruals after December 31, 2012 for these plans, including the related non-qualified plans. As a result of these plan amendments, we recognized a pre-tax curtailment gain of $107 million ($66 million after-tax), which represents the recognition of deferred gains from other prior year amendments ("prior service credits") as a result of the discontinuation ("freeze") of any future benefit or service accrual period. The amendments did not materially impact 2012 pension expense.

Worldwide Employment

Worldwide employment of 147,600 at December 31, 2012 increased approximately 8,000 from December 31, 2011, primarily due to the impact of acquisitions partially offset by restructuring related actions. Worldwide employment was approximately 139,650 and 136,500 at December 2011 and 2010, respectively.

Other Expenses, Net

(in millions)	Year Ended December 31, 2012	2011	2010
Non-financing interest expense	$ 230	$ 247	$ 346
Interest income	(13)	(21)	(19)
Loss (gains) on sales of businesses and assets	2	(9)	(18)
Currency losses, net	3	12	11
ACS shareholders litigation settlement	—	—	36
Litigation matters	(1)	11	(4)
Loss on sales of accounts receivables	21	20	15
Loss on early extinguishment of liability	—	33	15
Deferred compensation investment gains	(10)	—	(12)
All other expenses, net	24	29	19
Total Other Expenses, Net	$ 256	$ 322	$ 389

Non-Financing Interest Expense: Non-financing interest expense for the year ended December 31, 2012 of $230 million was $17 million lower than prior year. The decrease in interest expense is primarily due to the benefit of lower borrowing costs achieved as a result of refinancing existing debt.

Non-financing interest expense for the year ended December 31, 2011 of $247 million was $99 million lower than the prior year. The decrease in interest expense reflects a lower average debt balance due to the repayments of Senior Notes, as well as the benefit of lower borrowing costs achieved as a result of refinancing existing debt and utilizing the commercial paper program.

Loss (Gains) on Sales of Businesses and Assets: The gains in 2011 and 2010 were primarily related to the sales of certain surplus facilities in Latin America.

Currency Losses, Net: Currency losses primarily result from the re-measurement of foreign currency-denominated assets and liabilities, the cost of hedging foreign currency-denominated assets and liabilities and the mark-to-market of foreign exchange contracts utilized to hedge those foreign currency-denominated assets and liabilities.

The 2011 net currency losses were primarily due to the significant movement in exchange rates during the third quarter of 2011 among the U.S. Dollar, Euro, Yen and several developing market currencies.

The 2010 net currency losses include a currency loss of $21 million for the re-measurement of our Venezuelan Bolivar denominated monetary net assets following a devaluation of the Bolivar in the first quarter of 2010. This loss was partially offset by a cumulative translation gain of $6 million that was recognized upon the repatriation of cash and liquidation of a foreign subsidiary.

ACS Shareholders' Litigation Settlement: The 2010 expense of $36 million relates to the settlement of claims by ACS shareholders arising from our acquisition of ACS in 2010. The total settlement for all defendants was approximately $69 million, with Xerox paying approximately $36 million net of insurance proceeds.

Litigation Matters: Litigation matters for 2012, 2011 and 2010 represent charges related to probable losses for various legal matters, none of which were individually material. Refer to Note 17 - Contingencies and Litigation, in the Consolidated Financial Statements for additional information regarding litigation against the Company.

Loss on Sales of Accounts Receivables: Represents the loss incurred on our sales of accounts receivables. Refer to "Sales of Accounts Receivables" below and Note 4 - Accounts Receivables, Net in the Condensed Consolidated Financial Statements for additional information regarding our sales of receivables.

Loss on Early Extinguishment of Liability: The 2011 loss of $33 million was related to the redemption by Xerox Capital Trust I, our wholly-owned subsidiary trust, of its $650 million 8% Preferred Securities due in 2027. The redemption resulted in a pre-tax loss of $33 million ($20 million after-tax), representing the call premium of approximately $10 million as well as the write-off of unamortized debt costs and other liability carrying value adjustments of $23 million.

The 2010 loss of $15 million represents the loss associated with the redemption of senior and medium-term notes in the fourth quarter 2010 and reflects a call premium and the write-off of unamortized debt costs.

Deferred Compensation Investment Gains: Represents gains on investments supporting certain of our deferred compensation arrangements. These gains or losses are offset by an increase or decrease, respectively, in compensation expense recorded in SAG in our Services segment as a result of the increase or decrease in the liability associated with these arrangements.

Income Taxes

The 2012 effective tax rate was 20.5% or 24.0% on an adjusted basis [1]. The adjusted tax rate for the year was lower than the U.S. statutory rate primarily due to foreign tax credits resulting from anticipated dividends and other foreign transactions as well as the geographical mix of profits. In addition, a net tax benefit from adjustments of certain unrecognized tax positions and deferred tax valuation allowances was offset by a tax law change.

The 2011 effective tax rate was 24.7% or 27.5% on an adjusted basis [1]. The adjusted tax rate for the year was lower than the U.S. statutory rate primarily due to the geographical mix of profits as well as a higher foreign tax credit benefit as a result of our decision to repatriate current year income from certain non-U.S. subsidiaries.

The 2010 effective tax rate was 31.4% or 31.2% on an adjusted basis [1]. The adjusted tax rate for the year was lower than the U.S. statutory rate primarily due to the geographical mix of income before taxes and the related tax rates in those jurisdictions as well as the U.S. tax impacts on certain foreign income and tax law changes.

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 for 2012 includes a benefit of approximately 12-percentage points from these non- U.S. operations. Refer to Note 16 - Income and Other Taxes, in the Consolidated Financial Statements for additional information regarding the geographic mix of income before taxes and the related impacts on our effective tax rate.

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 (e.g. audit settlements, tax law changes, changes in valuation allowances, etc.) that may not be predictable. We anticipate that our effective tax rate for 2013 will be approximately 28%, which excludes the effects of intangibles amortization and other discrete events. We also expect to record an estimated discrete benefit of approximately $19 million in the first quarter 2013 for the retroactive benefits of the American Taxpayer Relief Act of 2012 which was signed into law on January 2, 2013.

Equity in Net Income of Unconsolidated Affiliates

	Year Ended December 31,		
(in millions)	2012	2011	2010
Total equity in net income of unconsolidated affiliates	$ 152	$ 149	$ 78
Fuji Xerox after-tax restructuring costs	16	19	38

Equity in net income of unconsolidated affiliates primarily reflects our 25% share of Fuji Xerox.

The 2011 increase of $71 million was primarily due to an increase in Fuji Xerox's net income, which was primarily driven by higher revenue and cost improvements as well as the strengthening of the Yen and lower restructuring costs.

Refer to Note 8 - Investment in Affiliates, at Equity, in the Consolidated Financial Statements for additional information.

Net Income

Net income attributable to Xerox for the year ended December 31, 2012 was $1,195 million, or $0.88 per diluted share. On an adjusted basis[1], net income attributable to Xerox was $1,398 million, or $1.03 per diluted share, and included adjustments for the amortization of intangible assets.

Net income attributable to Xerox for the year ended December 31, 2011 was $1,295 million, or $0.90 per diluted share. On an adjusted basis[1], net income attributable to Xerox was $1,563 million, or $1.08 per diluted share, and included adjustments for the amortization of intangible assets and the loss on early extinguishment of liability.

Net income attributable to Xerox for the year ended December 31, 2010 was $606 million, or $0.43 per diluted share. On an adjusted basis [1], net income attributable to Xerox was $1,296 million, or $0.94 per diluted share, and included adjustments for the amortization of intangible assets, restructuring and asset impairment charges (including those incurred by Fuji Xerox), acquisition-related costs and other discrete costs and expenses.

Refer to the "Non-GAAP Financial Measures" section for the reconciliation of reported net income to adjusted net income.

Other Comprehensive Income

2012 Other comprehensive loss attributable to Xerox of $511 million decreased $217 million from 2011. The decreased loss was primarily due to gains from the translation of our foreign currency denominated net assets in 2012 as compared to translation losses in 2011. The translation gains are the result of a strengthening of our major foreign currencies against the U.S. Dollar in 2012 as compared to a weakening of those same currencies in 2011. A decrease in losses associated with our defined benefit plans was offset by an increase in unrealized losses from our cash flow hedges primarily due to a weakening of the Japanese Yen particularly in the fourth quarter 2012 (See Note 13 - Financial Instruments in the Consolidated Financial Statements for additional information regarding our cash flow hedges).

2011 Other comprehensive loss attributable to Xerox of $728 million increased $728 million from 2010. The increased loss was primarily due to losses associated with our defined benefit plans due to an increase in our benefit obligations as a result of a decrease in the discount rates used to measure our obligations (See discussion of Pension Plan Assumptions in the Application of Critical Accounting Policies section of the MD&A as well as Note 15 - Employee Benefit Plans in the Consolidated Financial Statements for additional information). In addition, losses from the translation of our foreign currency denominated net assets increased in 2011 as compared to 2010 as a result of the further weakening of our major foreign currencies against the U.S. Dollar in 2011.

Recent Accounting Pronouncements

Refer to Note 1 - Summary of Significant Accounting Policies in the Consolidated Financial Statements for a description of recent accounting pronouncements including the respective dates of adoption and the effects on results of operations and financial conditions.

Operations Review of Segment Revenue and Profit

Our reportable segments are consistent with how we manage the business and view the markets we serve. Our reportable segments are Services, Document Technology and Other. Revenues by segment for the three years ended December 31, 2012 were as follows:

(in millions)	Total Revenue	Segment Profit (Loss)	Segment Margin
2012			
Services	$ 11,528	$ 1,173	10.2 %
Document Technology	9,462	1,065	11.3 %
Other	1,400	(241)	(17.2)%
Total	$ 22,390	$ 1,997	8.9 %
2011			
Services	$ 10,837	1,207	11.1 %
Document Technology	10,259	1,140	11.1 %
Other	1,530	(255)	(16.7)%
Total	$ 22,626	$ 2,092	9.2 %
2010			
Services	$ 9,637	$ 1,132	11.7 %
Document Technology	10,349	1,085	10.5 %
Other	1,647	(342)	(20.8)%
Total	$ 21,633	$ 1,875	8.7 %
2010 Pro-forma[(1)]			
Services	$ 10,256	$ 1,166	11.4 %
Document Technology	10,349	1,085	10.5 %
Other	1,647	(353)	(21.4)%
Total	$ 22,252	$ 1,898	8.5 %

(1) Results are discussed primarily on a pro-forma basis and include ACS's estimated results from January 1 through February 5 in 2010. See the "Non-GAAP Financial Measures" section for an explanation of these non-GAAP financial measures.

Services Segment

Our Services segment is comprised of three service offerings: Business Process Outsourcing ("BPO"), Document Outsourcing ("DO") and Information Technology Outsourcing ("ITO"). The DO business included within the Services segment essentially represents Xerox's pre-ACS acquisition outsourcing business, as ACS's outsourcing business is reported as BPO and ITO revenue.

Services segment revenues for the three years ended December 31, 2012 were as follows:

	Revenue						Change		Pro-forma(1) Change
(in millions)		2012		2011		2010	2012	2011	2011
Business processing outsourcing	$	6,610	$	6,074	$	5,145	9%	18%	8 %
Document outsourcing		3,659		3,545		3,264	3%	9%	9 %
Information technology outsourcing		1,426		1,326		1,249	8%	6%	(4)%
Less: Intra-segment elimination		(167)		(108)		(21)	*	*	*
Total Services Revenue	$	11,528	$	10,837	$	9,637	6%	12%	6 %

* Percent not meaningful.

(1) See the "Non-GAAP Financial Measures" section for an explanation of Pro-forma and Operating Margin non-GAAP financial measures.

Note: In 2011, the Services segment is discussed on a pro-forma[1] basis. ACS was acquired on February 5, 2010, accordingly for comparison purposes, we adjusted our historical 2010 results to include ACS's 2010 estimated results for the period from January 1 through February 5, 2010. We believe these pro-forma comparisons provide a perspective on the impact of the ACS acquisition on our results and trends. Refer to the "Non-GAAP Financial Measures" section for a further explanation and discussion of this non-GAAP presentation.

Revenue 2012

Services revenue of $11,528 million increased 6% with 1-percentage point negative impact from currency.

- BPO revenue increased 9%, including a 1-percentage point negative impact from currency, and represented 57% of total Services revenue. BPO growth was driven by the government healthcare, healthcare payer, customer care, financial services, retail, travel and insurance businesses and other state government solutions, as well as the benefits from recent acquisitions.
- DO revenue increased 3%, including a 2-percentage point negative impact from currency, and represented 31% of total Services revenue. The increase in DO revenue was primarily driven by our new partner print services offerings as well as new signings.
- ITO revenue increased 8% and represented 12% of total Services revenue. ITO growth was driven by the revenue ramp resulting from strong growth in recent quarters and also includes 3-percentage points of growth related to revenue from intercompany services, which is eliminated in total Services segment revenue.

Segment Margin 2012

Services segment margin of 10.2% decreased 0.9-percentage points from the prior year primarily due to a decline in gross margin, which was driven by the ramping of new services contracts, pressure on government contracts, the impact of lower contract renewals and lower volumes in some areas of the business. The gross margin decline was partially offset by the benefits from restructuring and lower SAG, primarily in DO.

Metrics

Pipeline

Our total services sales pipeline at December 31, 2012, including synergy opportunities, grew 6% over the prior year. This sales pipeline includes the Total Contract Value ("TCV") of new business opportunities that potentially could be contracted within the next six months and excludes business opportunities with estimated annual recurring revenue in excess of $100 million.

Signings

Signings are defined as estimated future revenues from contracts signed during the period, including renewals of existing contracts.TCV represents the estimated future contract revenue for pipeline or signed contracts for signings, as applicable.

Signings were as follows:

	Year Ended December 31,		
(in billions)	2012	2011	2010
BPO	$ 6.0	$ 6.8	$ 10.0
DO	3.3	4.4	3.3
ITO	1.5	3.4	1.3
Total Signings	$ 10.8	$ 14.6	$ 14.6

Services signings were an estimated $10.8 billion in TCV for 2012 and decreased 25% compared to the prior year. This decline was driven by a decrease in large deals from the prior year as well as delays in customer decision making. While the total number of BPO/ITO contracts signed in 2012 increased from 2011, the decline in large deals drove a reduction in the average contract length of new business signings in 2012. The above DO signings amount represents Enterprise signings only and does not include signings from our partner print services offerings, which is driving the revenue growth in DO.

Services signings were an estimated at $14.6 billion in TCV for 2011 and were flat as compared to the prior year and were impacted by the cyclicality of large deals particularly the California Medicaid signing in 2010. Signings did trend positively in 2011, increasing sequentially for the last three quarters of the year with signings growth particularly in ITO.

Renewal rate (for BPO and ITO only)

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 on which a renewal decision was made during the period. Although our renewal rate was below our target range in the fourth quarter 2012, our full year 2012 renewal rate was 85%, which was within our target range of 85%-90% and 5 percentage points higher than full year 2011. Our 2011 renewal rate of 80% was 7-percentage points lower than the 2010 renewal rate of 87%.

Revenue 2011

Services revenue of $10,837 million increased 12% or 6% on a pro-forma [1] basis, with no impact from currency.

- BPO revenue had pro-forma [1] revenue growth of 8% and represented 55% of total Services revenue. The growth in BPO was primarily driven by acquisitions over the past two years consistent with our strategy to expand our service offerings through "tuck-in" acquisitions. BPO growth was also driven to a lesser extent by growth in the healthcare payer, human resources services, business process solutions and transportation solutions businesses.
- DO revenue increased 9%, including a 2-percentage point positive impact from currency, and represented 33% of total Services revenue. The increase in DO revenue reflects an improving growth trend from our partner print services offerings as well as new signings.
- ITO revenue on a pro-forma [1] basis decreased 4% and represented 12% of total Services revenue. The decrease in ITO revenue was driven by lower third-party equipment sales as well as the impact of lower contract renewals partially offset by growth in new commercial business.

Segment Margin 2011

Services segment margin of 11.1% decreased 0.6-percentage points, or 0.3-percentage points on a pro-forma [1] basis, from the prior year as the gross margin decline, which was driven by the ramping of new services contracts and the impact of lower contract renewals, more than offset the lower costs and expenses from restructuring and synergy savings.

Document Technology Segment

Our Document Technology segment includes the sale of products and supplies, as well as the associated technical service and financing of those products. The Document Technology segment represents our pre-ACS acquisition equipment-related business exclusive of our document outsourcing business, which was integrated into the Services segment together with the acquired ACS outsourcing businesses – business process outsourcing and information technology outsourcing.

Revenue

	Year Ended December 31,			Change	
(in millions)	2012	2011	2010	2012	2011
Equipment sales	$ 2,879	$ 3,277	$ 3,404	(12)%	(4)%
Annuity revenue	6,583	6,982	6,945	(6)%	1 %
Total Revenue	$ 9,462	$ 10,259	$ 10,349	(8)%	(1)%

Revenue 2012

Document Technology revenue of $9,462 million decreased 8%, including a 2-percentage points negative impact from currency. Total revenues include the following:

- 12% decrease in equipment sales revenue with a 1-percentage point negative impact from currency. This decline, primarily in mid-range and high-end equipment, was driven by delayed customer decision-making reflecting the continued weak macro-environment. In addition, the impact of lower product mix and price declines in the range of 5% to 10% more than offset growth in installs. Document Technology revenue excludes increasing revenues in our DO offerings. As noted previously, in 2013 we will be investing in our portfolio with significant product announcements in the mid-range and entry production color spaces.

- 6% decrease in annuity revenue, including a 2-percentage point negative impact from currency driven by lower supplies and a decline in total digital pages of 2% as well as the continued migration of customers to our partner print services offerings, which is included in our Services segment.
- Document Technology revenue mix is 22% entry, 57% mid-range and 21% high-end.

Segment Margin 2012

Document Technology segment margin of 11.3% increased 0.2-percentage points from prior year. Productivity improvements, restructuring savings and gains recognized on the sale of finance receivables (see Note 5 - Finance Receivables, Net in the Consolidated Financial Statements for additional information) more than offset the impact of price declines and overall lower revenues.

Installs 2012

Entry

- 39% increase in color multifunction devices driven by demand for the WorkCentre ® 6015, WorkCentre 6605 and ColorQube 8700/8900.
- 23% increase in entry black-and-white multifunction devices driven by demand for the WorkCentre ® 3045.
- 7% decrease in color printers driven by a decrease in sales to OEM partners.

Mid-Range

- 2% decrease in installs of mid-range color devices driven as a difficult compare in the U.S. from the fourth quarter 2012 was partially offset by demand for products such as the WorkCentre® 7535/7125/7530 and the WorkCentre® 7556, which enabled continued market share gains in the fastest growing and most profitable segment of the office color market.
- 10% decrease in installs of mid-range black-and-white devices.

High-End

- 34% increase in installs of high-end color systems driven by strong demand for the Xerox Color 770. This product has enabled large market share gains in the Entry Production Color market segment.
- 26% decrease in installs of high-end black-and-white systems, reflecting continued declines in the overall market.

Install activity percentages include installations for Document Outsourcing and the Xerox-branded product shipments to GIS. Descriptions of "Entry", "Mid-range" and "High-end" are defined in Note 2 - Segment Reporting, in the Consolidated Financial Statements.

Revenue 2011

Document Technology revenue of $10,259 million decreased 1%, including 2-percentage points positive impact from currency. Total revenues include the following:

- 4% decrease in equipment sales revenue with a 1-percentage point positive impact from currency primarily driven by a decline in Europe reflecting the economic conditions in the Euro Zone, particularly in the fourth quarter 2011. In addition, install declines of entry and mono products were only partially offset by install growth in mid-range and high-end color products. Consistent with prior years, price declines were in the range of 5% to 10%. Document Technology revenue excludes increasing revenues in our DO offerings.
- 1% increase in annuity revenue, including a 2-percentage point positive impact from currency. An increase in supplies revenue was offset by a decline in pages.
- Document Technology revenue mix is 22% entry, 57% mid-range and 21% high-end.

Segment Margin 2011

Document Technology segment margin of 11.1% increased 0.6-percentage points from prior year. Lower cost and expense from restructuring savings in addition to an increase in equity in net income from unconsolidated affiliates more than offset the gross margin decline.

Installs 2011

Entry

4% decrease in entry black-and-white and color multifunction devices and color printers reflecting:

- A decline in sales to OEM partners.
- A decline in developing markets due in part to a very strong 2010 in which installs increased significantly.

These declines were partially offset by growth in newly launched products such as the WorkCentre ® 3045 and WorkCentre® 6015.

Mid-Range

- 26% increase in installs of mid-range color devices driven primarily by demand for new products, such as the WorkCentre ® 7530/7535, WorkCentre® 7545/7556 and WorkCentre® 7120 and the Xerox Color 550/560. This growth has enabled market share gains in the fastest growing and most profitable segment of the office color market.
- 2% increase in installs of mid-range black-and-white devices driven by strong demand for the recently launched WorkCentre ® 5325/5330/5335 product partially offset by declines in Europe.

High-End

- 7% increase in installs of high-end color systems driven primarily by installs of our market-leading Xerox Color 800 and 1000 and iGen as well as strong demand for the recently launched Xerox Color 770 and the DocuColor ™ 8080. These products have improved our offerings in the entry production color product category.
- 8% decrease in installs of high-end black-and-white systems driven by declines across most product areas.

Other Segment

Revenue 2012

Other segment revenue of $1,400 million decreased 8%, including 1-percentage point negative impact from currency, due to a decline in paper sales, which is driven by lower market pricing and activity, as well as a decline in revenues from wide format systems and lower patent sales and licensing revenue. Paper comprised approximately 59% of the 2012 Other segment revenue.

Segment Loss 2012

Other segment loss of $241 million, improved $14 million from the prior year, primarily driven by a decrease in Other Expenses, Net partially offset by lower gross profit as a result of the decline in revenues.

Revenue 2011

Other segment revenue of $1,530 million decreased 7%, including 2-percentage points positive impact from currency, due to a decline in paper sales, wide format systems and other supplies partially offset by an increase in revenue from patent sales and licensing as noted below. Paper comprised approximately 59% of the 2011 Other segment revenue.

In 2011, we entered into an agreement with another company that included, among other items, the sale of certain patents and the cross-licensing of certain patents of each party, pursuant to which we received an up-front payment with the remaining amount payable in two equal annual installment payments. Consistent with our accounting policy for these transactions, revenue associated with this agreement will be recorded as earned and only to the extent of cash received. During 2011, the Other segment included revenue and pre-tax income/segment profit of approximately $32 million and $26 million ($16 million after-tax), respectively, which is net of certain expenses paid in connection with this agreement.

Segment Loss 2011

Other segment loss of $255 million, improved $87 million from the prior year, primarily driven by lower non-financing interest expense and SAG expense.

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(1) See the "Non-GAAP Financial Measures" section for an explanation of this non-GAAP financial measure.
(2) Color revenues and pages represent revenues and pages from color enabled devices and is a subset of total revenues and excludes Global Imaging Systems, Inc. ("GIS").

Capital Resources and Liquidity

Our ability to maintain positive liquidity going forward depends on our ability to continue to generate cash from operations and access the financial capital markets, both of which are subject to general economic, financial, competitive, legislative, regulatory and other market factors that are beyond our control.

- As of December 31, 2012 and 2011, total cash and cash equivalents were $1,246 million and $902 million, respectively, we had no borrowings under our Commercial Paper Programs as of December 31, 2012 and $100 million as of December 31, 2011. There were no outstanding borrowings or letters of credit under our $2 billion Credit Facility for either year end. The increase in our cash balance in 2012 was largely from the sales and run-off of finance receivables partially offset by an increase in share repurchases. We expect to use approximately $400 million of our total cash to pay down maturing Senior Notes in May 2013.
- Our Commercial Paper program was established in 2010 as a means to reduce our cost of capital and to provide us with an additional liquidity vehicle in the market. Aggregate Commercial Paper and Credit Facility borrowings may not exceed the borrowing capacity under our Credit Facility at any time.
- Over the past three years we have consistently delivered strong cash flow from operations driven by the strength of our annuity-based revenue model. Cash flows from operations were $2,580 million, $1,961 million and $2,726 million for the three years ended December 31, 2012, respectively.
- We expect cash flows from operations between $2.1 and $2.4 billion for 2013. We expect lower contributions from finance receivables of approximately $500 million, due to fewer collections as a result of the 2012 finance receivables sales and a lower natural run-off of the portfolio, given our expectations of better equipment activity. This impact is expected to be partially offset by lower pension funding requirements. We expect the rest of working capital to be essentially flat year over year.

Cash Flow Analysis

The following summarizes our cash flows for the three years ended December 31, 2012, as reported in our Consolidated Statements of Cash Flows in the accompanying Consolidated Financial Statements:

	Year Ended December 31,			Change	
(in millions)	2012	2011	2010	2012	2011
Net cash provided by operating activities	$ 2,580	$ 1,961	$ 2,726	$ 619	$ (765)
Net cash used in investing activities	(761)	(675)	(2,178)	(86)	1,503
Net cash used in financing activities	(1,472)	(1,586)	(3,116)	114	1,530
Effect of exchange rate changes on cash and cash equivalents	(3)	(9)	(20)	6	11
Increase (decrease) in cash and cash equivalents	344	(309)	(2,588)	653	2,279
Cash and cash equivalents at beginning of year	902	1,211	3,799	(309)	(2,588)
Cash and Cash Equivalents at End of Year	$ 1,246	$ 902	1,211	$ 344	$ (309)

Cash Flows from Operating Activities

Net cash provided by operating activities was $2,580 million for the year ended December 31, 2012. The $619 million increase in cash from 2011 was primarily due to the following:

- $879 million increase from finance receivables primarily due to sales of receivables as well as higher net run-off of finance receivables as a result of lower equipment sales (see Note 5 - Finance Receivables, Net in the Consolidated Financial Statements for additional information).
- $124 million increase due to lower inventory growth.
- $74 million increase due to lower restructuring payments.
- $62 million increase due to lower contributions to our defined benefit pension plans primarily in the U.S. as a result of the recently enacted pension funding legislation.
- $41 million increase as a result of less up-front costs and other customer related spending associated primarily with new services contracts.
- $390 million decrease due to a lower benefit from accounts receivable sales as well as growth in services revenue.
- $45 million decrease from higher net income tax payments primarily due to refunds in the prior year.

In March 2012, we elected to make a contribution of 15.4 million shares of our common stock, with an aggregate value of approximately $130 million, to our U.S. defined benefit pension plan for salaried employees in order to meet our planned level of funding.

Net cash provided by operating activities was $1,961 million for the year ended December 31, 2011. The $765 million decrease in cash from 2010 was primarily due to the following:

- $533 million decrease due to lower benefit from changes in accounts payable and accrued compensation primarily related to the timing of payments as well as lower spending.
- $189 million decrease due to higher contributions to our defined benefit pension plans.
- $101 million decrease as a result of up-front costs and other customer related spending associated primarily with new services contracts.
- $65 million decrease from higher net income tax payments primarily due to refunds in the prior year.
- $49 million decrease due to higher finance receivables of $39 million and equipment on operating leases of $10 million both reflective of increased equipment placements.
- $46 million decrease in derivatives primarily due to the absence of proceeds from the early termination of certain interest rate swaps.
- $16 million decrease due to a lower benefit from accounts receivable sales partially offset by improved collections.
- $290 million increase in pre-tax income before depreciation and amortization, litigation, restructuring, curtailment and the Venezuelan currency devaluation.
- $113 million increase due to the absence of cash outflows from acquisition-related expenditures.

In September 2011, we elected to make a contribution of 16.6 million shares of our common stock, with an aggregate value of approximately $130 million, to our U.S. defined benefit pension plan for salaried employees in order to meet our planned level of funding.

Cash Flows from Investing Activities

Net cash used in investing activities was $761 million for the year ended December 31, 2012. The $86 million increase in the use of cash from 2011 was primarily due to the following:

- $64 million increase in acquisitions. 2012 acquisitions include Wireless Data for $95 million, RK Dixon for $58 million as well as seven smaller acquisitions totaling $123 million. 2011 acquisitions include Unamic/HCN B.V. for $55 million, ESM for $43 million, Concept Group for $41 million, MBM for $42 million, Breakaway for $18 million and ten smaller acquisitions for an aggregate of $46 million as well as a net cash receipt of $35 million for Symcor.
- $19 million increase due to lower cash proceeds from asset sales.

Net cash used in investing activities was $675 million for the year ended December 31, 2011. The $1,503 million decrease in the use of cash from 2010 was primarily due to the following:

- $1,522 million decrease in acquisitions. 2011 acquisitions include Unamic/HCN B.V. for $55 million, ESM for $43 million, Concept Group for $41 million, MBM for $42 million, Breakaway for $18 million and ten smaller acquisitions for an aggregate of $46 million as well as a net cash receipt of $35 million for Symcor. 2010 acquisitions include ACS for $1,495 million, ExcellerateHRO, LLP for $125 million, TMS Health, LLC for $48 million, Irish Business Systems Limited for $29 million, Georgia Duplicating Products for $21 million and Spur Information Solutions for $12 million.
- $24 million increase due to lower cash proceeds from asset sales.

Cash Flows from Financing Activities

Net cash used in financing activities was $1,472 million for the year ended December 31, 2012. The $114 million decrease in the use of cash from 2011 was primarily due to the following:

- $670 million decrease reflecting the absence of payment of our liability to Xerox Capital Trust I in connection with their redemption of preferred securities.
- $351 million increase from higher share repurchases in 2012.
- $157 million increase from net debt activity. 2012 reflects net proceeds of $1.1 billion from Senior Notes issued in March offset by net payments on 2012 Senior Notes of $1.1 billion that matured in May and a decrease of $100 million in Commercial Paper. 2011 includes proceeds of $1.0 billion from the issuance of Senior Notes offset by the repayment of $750 million for Senior Notes due in 2011 and a decrease of $200 million in Commercial Paper.
- $47 million increase due to higher distributions to noncontrolling interests.

Net cash used in financing activities was $1,586 million for the year ended December 31, 2011. The $1,530 million decrease in the use of cash from 2010 was primarily due to the following:

- $3,105 million decrease from net debt activity. 2011 includes proceeds of $1.0 billion from the issuance of Senior Notes offset by the repayment of $750 million for Senior Notes due in 2011 and a decrease of $200 million in Commercial Paper. 2010 includes the repayments of $1,733 million of ACS's debt on the acquisition date, $950 million of Senior Notes, $550 million early redemption of the 2013 Senior Notes, net payments of $109 million for other debt and $14 million of debt issuance costs for the bridge loan facility commitment, which was terminated in 2009. These payments were offset by an increase of $300 million in Commercial Paper.
- $701 million increase resulting from the resumption of our share repurchase program.
- $670 million increase reflecting the payment of our liability to Xerox Capital Trust I in connection with their redemption of preferred securities.
- $139 million increase due to lower proceeds from the issuances of common stock under our stock option plans.
- $26 million increase reflecting a full year of dividend payments on shares issued in connection with the acquisition of ACS in 2010.
- $12 million increase due to higher share repurchases related to employee withholding taxes on stock-based compensation vesting.

Customer Financing Activities

We provide lease equipment financing to our customers, primarily in our Document Technology segment. Our lease contracts permit customers to pay for equipment over time rather than at the date of installation. Our investment in these contracts is reflected in Total finance assets, net. We primarily fund our customer financing activity through cash generated from operations, cash on hand, commercial paper borrowings, sales and securitizations of finance receivables and proceeds from capital markets offerings.

We have arrangements in certain international countries and domestically with our small and mid-sized customers, where third-party financial institutions independently provide lease financing, on a non-recourse basis to Xerox, directly to our customers. In these arrangements, we sell and transfer title of the equipment to these financial institutions. Generally, we have no continuing ownership rights in the equipment subsequent to its sale; therefore, the unrelated third-party finance receivable and debt are not included in our Consolidated Financial Statements.

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

	December 31,	
(in millions)	2012	2011
Total Finance receivables, net[(1)]	$ 5,313	$ 6,362
Equipment on operating leases, net	535	533
Total Finance Assets, Net	$ 5,848	$ 6,895

(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 Consolidated Balance Sheets.

The decrease of $1,047 million in Total finance assets, net reflects the sale of finance receivables (discussed further below) and the decrease in equipment sales over the past several years as well as equipment sales growth in regions or operations where we don't offer direct leasing. These impacts were partially offset by an increase of $83 million due to currency.

We maintain a certain level of debt, referred to as financing debt, to support our investment in these lease contracts or Total finance assets, net. We maintain this financing debt at an assumed 7:1 leverage ratio of debt to equity as compared to our Total finance assets, net for this financing aspect of our business. Based on this leverage, the following represents the breakdown of our total debt at December 31, 2012 and 2011 between financing debt and core debt:

	December 31,	
(in millions)	2012	2011
Financing debt[(1)]	$ 5,117	$ 6,033
Core debt	3,372	2,600
Total Debt	$ 8,489	$ 8,633

(1) Financing debt includes $4,649 million and $5,567 million as of December 31, 2012 and December 31, 2011, respectively, of debt associated with Total finance receivables, net and is the basis for our calculation of “Equipment financing interest” expense. The remainder of the financing debt is associated with Equipment on operating leases.

In 2013, we expect to continue the leveraging of our finance assets at an assumed 7:1 ratio of debt to equity. We also may sell or securitize certain finance receivables as another means to support our customer financing activities - see discussion further below of finance receivable sale activity in 2012. The following summarizes our total debt at December 31, 2012 and 2011:

	December 31,			
(in millions)		2012		2011
Principal debt balance[1]	$	8,410	$	8,450
Net unamortized discount		(63)		(7)
Fair value adjustments		142		190
Total Debt	$	8,489	$	8,633

(1) Includes Commercial Paper of $0 and $100 million as of December 31, 2012 and 2011, respectively.

Sales of Accounts Receivable

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 receivables without recourse to third-parties. The accounts receivables sold are generally short-term trade receivables with payment due dates of less than 60 days.

Accounts receivables sales were as follows:

	Year Ended December 31,					
(in millions)		2012		2011		2010
Accounts receivable sales	$	3,699	$	3,218	$	2,374
Deferred proceeds		639		386		307
Loss on sale of accounts receivable		21		20		15
Estimated (decrease) increase to operating cash flows[1]		(78)		133		106

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

Refer to Note 4 - Accounts Receivables, Net in the Consolidated Financial Statements for additional information.

Sales of Finance Receivables

In 2012, we sold our entire interest in two separate portfolios of U.S. finance receivables from our Document Technology segment with a combined net carrying value of $682 million to a third-party financial institution for cash proceeds of $630 million and beneficial interests from the purchaser of $101 million. These transactions enable us to lower the cost associated with our financing portfolio.
A pre-tax gain of $44 million was recognized on these sales and is net of additional fees and expenses of $5 million. The gain was reported in Finance income in Document Technology segment revenues. We will continue to service the sold receivables and expect to a record servicing fee income of approximately $12 million over the expected life of the associated receivables.

Refer to Note 5 - Finance Receivables, Net in the Consolidated Financial Statements for additional information.

The net impact on operating cash flows from the sales of accounts receivable and finance receivables is summarized below:

	Year Ended December 31,		
(in millions)	2012	2011	2010
Cash received from finance receivables sales	$ 625	$ —	$ —
Collections on sold finance receivables [(1)]	(45)	—	—
Net cash impact of finance receivable sales	580	—	—
Net cash impact of accounts receivable sales	(78)	133	106
Net Cash Impact On Cash Flows From Operating Activities	$ 502	$ 133	$ 106

(1) Represents cash that would have been collected if we had not sold finance receivables.

Capital Market Activity

Debt Exchange

In February 2012, we completed an exchange of our 5.71% Zero Coupon Notes due 2023 with an accreted book value at the date of the exchange of $303, for $362 of our 4.50% Senior Notes due 2021. Accordingly, this increased the principal amount for our 4.50% Senior Notes due 2021 from $700 to $1,062. The exchange was conducted to retire high-interest, long-dated debt in a favorable interest rate environment. The debt exchange was accounted for as a non-revolving debt modification and, therefore, it did not result in any gain or loss. The difference between the book value of our Zero Coupon Notes and the principal value of the Senior Notes issued in exchange will be accreted over the remaining term of the Senior Notes. Upfront fees paid to third parties in connection with the exchange were not material and were expensed as incurred.

Senior Notes

In March 2012, we issued $600 of Floating Rate Senior Notes due 2013 (the “2013 Floating Rate Notes”) and $500 of 2.95% Senior Notes due 2017 (the “2017 Senior Notes”). The 2013 Floating Rate Notes were issued at par and the 2017 Senior Notes were issued at 99.875% of par, resulting in aggregate net proceeds for both notes of approximately $1,093. The 2013 Floating Rate Notes accrue interest at a rate per annum, reset quarterly, equal to the three-month LIBOR plus 1.400% and are payable quarterly. The 2017 Senior Notes accrue interest at a rate of 2.95% per annum and are payable semi-annually. As a result of the discount, they have a weighted average effective interest rate of 2.977%. In connection with the issuance of these Senior Notes, debt issuance costs of $6 were deferred. This debt issuance partially funded the May 2012 maturity of our $1,100 of 5.59% Senior Notes.

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

Financial Instruments

Refer to Note 13 - Financial Instruments in the Consolidated Financial Statements for additional information regarding our derivative financial instruments.

Share Repurchase Programs - Treasury Stock

During 2012, we repurchased 146.3 million shares for an aggregate cost of $1.1 billion, including fees.Through February 20, 2013, we repurchased an additional 1.4 million shares at an aggregate cost of $10.1 million, including fees, for a cumulative program total of 429.7 million shares at a cost of $4.7 billion, including fees. We expect total share repurchases of at least $400 million in 2013.

In October 2012, the Board of Directors authorized an additional $1.0 billion in share repurchase, bringing the total remaining authorization for share repurchases to $1.3 billion as of February 20, 2013.

Refer to Note 19 - Shareholders' Equity – Treasury Stock in the Consolidated Financial Statements for additional information regarding our share repurchase programs.

Dividends

The Board of Directors declared aggregate dividends of $226 million, $241 million and $243 million on common stock in 2012, 2011 and 2010, respectively. The decrease in 2012 as compared to prior years is primarily due to a lower level of outstanding shares in 2012 as a result of the repurchase of shares under our share repurchase programs.

The Board of Directors declared aggregate dividends of $24 million, $24 million and $21 million on the Series A Convertible Preferred Stock in 2012, 2011 and 2010, respectively. The preferred shares were issued in connection with the acquisition of ACS.

In addition the company increased its dividend from 4.25 cents per share to 5.75 cents per share per quarter, beginning with the dividend payable on April 30, 2013. Accordingly, we expect approximately $300 million in dividend payments for the full year 2013.

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 ten years as follows (in millions):

Year	Amount
2013	$ 1,039
2014	1,093
2015	1,259
2016	954
2017	1,002
2018	1,001
2019	650
2020	—
2021	1,062
2022 and thereafter	350
Total	$ 8,410

Foreign Cash

At December 31, 2012, we had $1,246 million of cash and cash equivalents on a consolidated basis. Of that amount, approximately $400 million was held outside the U.S. by our foreign subsidiaries to fund future working capital, investment and financing needs of our foreign subsidiaries. Accordingly, we have asserted that such funds are indefinitely reinvested outside the U.S.

We believe we have sufficient levels of cash and cash flows to support our domestic requirements. However, if the cash held by our foreign subsidiaries was needed to fund our U.S. requirements, there would not be a significant tax liability associated with the repatriation, as any U.S. liability would be reduced by the foreign tax credits associated with the repatriated earnings.

However, our determination above is based on the assumption that only the cash held outside the U.S. would be repatriated as a result of an unanticipated or unique domestic need. It does not assume repatriation of the entire amount of indefinitely reinvested earnings of our foreign subsidiaries. As disclosed in Note 16- Income and Other Taxes in our Consolidated Financial Statements, we have not estimated the potential tax consequences associated with the repatriation of the entire amount of our foreign earnings indefinitely reinvested outside the U.S. We do not believe it is practical to calculate the potential tax impact, as there is a significant amount of uncertainty with respect to determining the amount of foreign tax credits as well as any additional local withholding tax and other indirect tax consequences that may arise from the distribution of these earnings. In addition, because such earnings have been indefinitely reinvested in our foreign operations, repatriation would require liquidation of those investments or a recapitalization of our foreign subsidiaries, the impacts and effects of which are not readily determinable.

Loan Covenants and Compliance

At December 31, 2012, we were in full compliance with the covenants and other provisions of our Credit Facility and Senior Notes. We have the right to terminate the Credit Facility without penalty. Failure to comply with material provisions or covenants of the Credit Facility and Senior Notes could have a material adverse effect on our liquidity and operations and our ability to continue to fund our customers' purchase of Xerox equipment.

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

Contractual Cash Obligations and Other Commercial Commitments and Contingencies

At December 31, 2012, we had the following contractual cash obligations and other commercial commitments and contingencies:

(in millions)	2013	2014	2015	2016	2017	Thereafter
Total debt, including capital lease obligations (1)	$ 1,039	$ 1,093	$ 1,259	$ 954	$ 1,002	$ 3,063
Interest on debt (1)	421	363	293	234	177	777
Minimum operating lease commitments (2)	636	425	265	157	74	83
Defined benefit pension plans	195	—	—	—	—	—
Retiree health payments	80	80	79	77	75	339
Estimated Purchase Commitments:						
Flextronics (3)	498	—	—	—	—	—
Fuji Xerox (4)	2,069	—	—	—	—	—
Other (5)	169	131	43	16	1	—
Total	$ 5,107	$ 2,092	$ 1,939	$ 1,438	$ 1,329	$ 4,262

(1) Refer to Note 12 - Debt in the Consolidated Financial Statements for additional information regarding debt.
(2) Refer to Note 7 - Land, Buildings, Equipment and Software, Net in the Consolidated Financial Statements for additional information related to minimum operating lease commitments.
(3) Flextronics: We outsource certain manufacturing activities to Flextronics. The amount included in the table reflects our estimate of purchases over the next year and is not a contractual commitment. In the past two years, actual purchases from Flextronics averaged approximately $600 million per year.
(4) Fuji Xerox: The amount included in the table reflects our estimate of purchases over the next year and is not a contractual commitment.
(5) Other purchase commitments: We enter into other purchase commitments with vendors in the ordinary course of business. Our policy with respect to all purchase commitments is to record losses, if any, when they are probable and reasonably estimable. We currently do not have, nor do we anticipate, material loss contracts.

Pension and Other Post-retirement Benefit Plans

We sponsor defined benefit pension plans and retiree health plans that require periodic cash contributions. Our 2012 cash contributions for these plans were $364 million for our defined benefit pension plans and $84 million for our retiree health plans. We also elected to make a contribution of 15.4 million shares of our common stock, with an aggregate value of approximately $130 million, to our U.S. defined benefit pension plan for salaried employees in order to meet our planned level of funding for 2012. Accordingly, total contributions to our defined benefit pension plans were $494 million in 2012.

In 2013, based on current actuarial calculations, we expect to make contributions of approximately $195 million to our worldwide defined benefit pension plans and approximately $80 million to our retiree health benefit plans. The decrease in required contributions to our worldwide defined benefit pension plans is largely in the U.S. and reflects the expected benefits from the pension funding legislation enacted in the U.S. during 2012. Contributions in subsequent years will depend on a number of factors, including the investment performance of plan assets and discount rates as well as potential legislative and plan changes. Although we currently expect contributions to our worldwide defined benefit pension plans to increase moderately in 2014, primarily in the U.S., contributions are still expected to be lower over the next several years as compared to 2011 and 2012 primarily as a result of the amendment of several of our defined benefit pension plans to freeze current benefits and eliminate benefit accruals for future service.

Our retiree health benefit plans are non-funded and are almost entirely related to domestic operations. Cash contributions are made each year to cover medical claims costs incurred during the year. The amounts reported in the above table as retiree health payments represent our estimate of future benefit payments.

Fuji Xerox

We purchased products, including parts and supplies, from Fuji Xerox totaling $2.1 billion, $2.2 billion and $2.1 billion in 2012, 2011 and 2010, respectively. Our purchase commitments with Fuji Xerox are entered into in the normal course of business and typically have a lead time of three months. Related party transactions with Fuji Xerox are discussed in Note 8 - Investments in Affiliates, at Equity in the Consolidated Financial Statements.

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 December 31, 2012, the total amounts related to the unreserved portion of the tax and labor contingencies, inclusive of related interest, amounted to approximately $1,010 million, with the decrease from December 31, 2011 balance of approximately $1,120 million, primarily related to currency and closed cases partially offset by interest. With respect to the unreserved balance of $1,010 million, 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 December 31, 2012 we had $211 million of escrow cash deposits for matters we are disputing, and there are liens on certain Brazilian assets with a net book value of $13 million and additional letters of credit of approximately $242 million, which include associated indexation. 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.

Other Contingencies and Commitments

As more fully discussed in Note 17 - Contingencies and Litigation in the Consolidated Financial Statements, we are involved in a variety of claims, lawsuits, investigations and proceedings concerning securities law, intellectual property law, environmental law, employment law and the Employee Retirement Income Security Act. In addition, guarantees, indemnifications and claims may arise during the ordinary course of business from relationships with suppliers, customers and non-consolidated affiliates. Nonperformance under a contract including a guarantee, indemnification or claim could trigger an obligation of the Company.

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. Should developments in any of these areas 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.

Unrecognized Tax Benefits

As of December 31, 2012, we had $201 million of unrecognized tax benefits. This represents the tax benefits associated with various tax positions taken, or expected to be taken, on domestic and foreign tax returns that have not been recognized in our financial statements due to uncertainty regarding their resolution. The resolution or settlement of these tax positions with the taxing authorities is at various stages and therefore we are unable to make a reliable estimate of the eventual cash flows by period that may be required to settle these matters. In addition, certain of these matters may not require cash settlement due to the existence of credit and net operating loss carryforwards, as well as other offsets, including the indirect benefit from other taxing jurisdictions that may be available.

Off-Balance Sheet Arrangements

Occassionally we may utilize off-balance sheet arrangements in our operations (as defined by the SEC Financial Reporting Release 67 (FRR-67), “Disclosure in Management’s Discussion and Analysis about Off-Balance Sheet Arrangements and Aggregate Contractual Obligations.”). We enter into the following arrangements that have off-balance sheet elements:

- Operating leases in the normal course of business. The nature of these lease arrangements is discussed in Note 7 - Land, Buildings, Equipment and Software, Net in the Consolidated Financial Statements.
- We have facilities primarily in the U.S., Canada and several countries in Europe that enable us to sell to third-parties certain accounts receivable without recourse. In most instances a portion of the sales proceeds are held back by the purchaser and payment is deferred until collection of the related sold receivables. Refer to Note 4 - Accounts Receivables, Net in the Consolidated Financial Statements for further information regarding these facilities.
- During 2012 we entered into arrangements to sell our entire interest in certain groups of finance receivables where we received cash and beneficial interests from the third-party purchaser. Refer to Note 5 - Finance Receivables, Net in the Consolidated Financial Statements for further information regarding these sales.

At December 31, 2012, we do not believe we have any off-balance sheet arrangements that have, or reasonably likely to have, a material current or future effect on financial condition, changes in financial condition, revenues or expenses, results of operations, liquidity, capital expenditures or capital resources.

In addition, see the table above for the Company's contractual cash obligations and other commercial commitments and Note 17 - Contingencies and Litigation in the Consolidated Financial Statements for additional information regarding contingencies, guarantees, indemnifications and warranty liabilities.

Financial Risk Management

We are exposed to market risk from foreign currency exchange rates and interest rates, which could affect operating results, financial position and cash flows. We manage our exposure to these market risks through our regular operating and financing activities and, when appropriate, through the use of derivative financial instruments. We utilized derivative financial instruments to hedge economic exposures, as well as reduce earnings and cash flow volatility resulting from shifts in market rates.

Recent market events have not caused us to materially modify or change our financial risk management strategies with respect to our exposures to interest rate and foreign currency risk. Refer to Note 13 - Financial Instruments in the Consolidated Financial Statements for additional discussion on our financial risk management.

Foreign Exchange Risk Management

Assuming a 10% appreciation or depreciation in foreign currency exchange rates from the quoted foreign currency exchange rates at December 31, 2012, the potential change in the fair value of foreign currency-denominated assets and liabilities in each entity would not be significant because all material currency asset and liability exposures were economically hedged as of December 31, 2012. A 10% appreciation or depreciation of the U.S. Dollar against all currencies from the quoted foreign currency exchange rates at December 31, 2012 would have an impact on our cumulative translation adjustment portion of equity of approximately $711 million. The net amount invested in foreign subsidiaries and affiliates, primarily Xerox Limited, Fuji Xerox, Xerox Canada Inc. and Xerox Brasil, and translated into U.S. Dollars using the year-end exchange rates, was approximately $7.1 billion at December 31, 2012.

Interest Rate Risk Management

The consolidated weighted-average interest rates related to our total debt for 2012, 2011 and 2010 approximated 4.7%, 5.2%, and 5.8%, respectively. Interest expense includes the impact of our interest rate derivatives.

Virtually all customer-financing assets earn fixed rates of interest. The interest rates on a significant portion of the Company's term debt are fixed.

As of December 31, 2012, $903 million of our total debt of $8,489 million carried variable interest rates, including the effect of pay variable interest rate swaps, if any, we may use to reduce the effective interest rate on our fixed coupon debt.

The fair market values of our fixed-rate financial instruments are sensitive to changes in interest rates. At December 31, 2012, a 10% change in market interest rates would change the fair values of such financial instruments by approximately $113 million.

Non-GAAP Financial Measures

We have reported our financial results in accordance with generally accepted accounting principles (“GAAP”). In addition, we have discussed our results using non-GAAP measures.

Management believes that these non-GAAP financial measures provide an additional means of analyzing the current periods’ results against the corresponding prior periods’ 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.

Adjusted Earnings Measures

To better understand the trends in our business and the impact of the ACS acquisition, we believe it is necessary to adjust the following amounts determined in accordance with GAAP to exclude the effects of the certain items as well as their related income tax effects. For our 2012 reporting year, adjustments were limited to the amortization of intangible assets.

- Net income and Earnings per share (“EPS”), and
- Effective tax rate.

The above have been adjusted for the following items:

- **Amortization of intangible assets (all periods):** 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. Accordingly, due to the incomparability of acquisition activity among companies and from period to period, we believe exclusion of the amortization associated with intangible assets acquired through our acquisitions allows investors to better compare and understand our results. 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 asset impairment charges (including those incurred by Fuji Xerox) (2010 only):** Restructuring and asset impairment charges consist of costs primarily related to severance and benefits for employees terminated pursuant to formal restructuring and workforce reduction plans. We exclude these charges because we believe that these historical costs do not reflect expected future operating expenses and do not contribute to a meaningful evaluation of our current or past operating performance. In addition, such charges are inconsistent in amount and frequency. Such charges are expected to yield future benefits and savings with respect to our operational performance.

- **Acquisition-related costs (2010 only):** We incurred significant expenses in connection with our acquisition of ACS which we generally would not have otherwise incurred in the periods presented as a part of our continuing operations. Acquisition-related costs include transaction and integration costs, which represent external incremental costs directly related to completing the acquisition and the integration of ACS and Xerox. We believe it is useful for investors to understand the effects of these costs on our total operating expenses.

- **Other discrete, unusual or infrequent costs and expenses:** In addition, we have also excluded the following additional items given the discrete, unusual or infrequent nature of the item on our results of operations for the period: 1) Loss on early extinguishment of liability (2011 and 2010), 2) Medicare subsidy tax law change (income tax effect only)(2010), 3) ACS shareholder's litigation settlement (2010) and 4) Venezuela devaluation (2010). We believe the exclusion of these items allows investors to better understand and analyze the results for the period as compared to prior periods as well as expected trends in our business.

We also calculate and utilize an Operating income and margin earnings measure by adjusting our pre-tax income and margin amounts to exclude certain items. In addition to the amortization of intangible assets and restructuring expenses (see above), operating income and margin also exclude Other expenses, net. 2011 operating income and margin also exclude a Curtailment gain recorded in the fourth quarter 2011 while 2010 operating income and margin exclude ACS acquisition related costs (see above). Other expenses, net is primarily comprised of non-financing interest expense and also includes certain other non-operating costs and expenses. The Curtailment gain resulted from the amendment of our primary non-union U.S. defined benefit pension plans for salaried employees to fully freeze future benefit and service accruals after December 31, 2012. 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.

Pro-forma Basis

To better understand the trends in our business, we discuss our 2011 operating results by comparing them against adjusted prior period results which include ACS historical results for the comparable period. We acquired ACS on February 5, 2010 and ACS's results subsequent to that date are included in our reported results. Accordingly, for the comparison of our reported 2011 results to 2010, we included ACS's 2010 estimated results for the period January 1 through February 5, 2010 in our reported 2010 results (pro-forma 2010). We refer to these comparisons against adjusted results as "pro-forma" basis comparisons. ACS's historical results for this period have been adjusted to reflect fair value adjustments related to property, equipment and computer software as well as customer contract costs. In addition, adjustments were made for deferred revenue, exited businesses and other material non-recurring costs associated with the acquisition. We believe comparisons on a pro-forma basis provide an enhanced assessment than the actual comparisons given the size and nature of the ACS acquisition. In addition, the acquisition of ACS increased the proportion of our revenue from services, which has a lower gross margin and SAG as a percent of revenue than we historically experienced when Xerox was primarily a Technology company. We believe the pro-forma basis comparisons provide investors with a better understanding and additional perspective of the expected trends in our business as well as the impact of the ACS acquisition on the Company's operations.

Net Income and EPS reconciliation:

	Year Ended December 31,					
	2012		2011		2010	
(in millions; except per share amounts)	Net Income	EPS	Net Income	EPS	Net Income	EPS
As Reported	$ 1,195	$ 0.88	$ 1,295	$ 0.90	$ 606	$ 0.43
Adjustments:						
Amortization of intangible assets	203	0.15	248	0.17	194	0.14
Loss on early extinguishment of liability			20	0.01	10	0.01
Xerox and Fuji Xerox restructuring charges					355	0.26
ACS acquisition-related costs					58	0.04
ACS shareholders' litigation settlement					36	0.03
Venezuela devaluation costs					21	0.02
Medicare subsidy tax law change					16	0.01
Adjusted	$ 1,398	$ 1.03	$ 1,563	$ 1.08	$ 1,296	$ 0.94
Weighted average shares for adjusted EPS(1)	1,356		1,444		1,378	
Fully diluted shares at December 31, 2012(2)	1,271					

(1) Average shares for the calculation of adjusted EPS and include 27 million of shares associated with the Series A convertible preferred stock and therefore the related annual dividend was excluded.

(2) Represents common shares outstanding at December 31, 2012 as well as shares associated with our Series A convertible preferred stock plus dilutive potential common shares as used for the calculation of diluted earnings per share in the fourth quarter 2012.

Effective Tax reconciliation:

(in millions)	Year Ended December 31, 2012 Pre-Tax Income	Year Ended December 31, 2012 Income Tax Expense	Effective Tax Rate	Year Ended December 31, 2011 Pre-Tax Income	Year Ended December 31, 2011 Income Tax Expense	Effective Tax Rate	Year Ended December 31, 2010 Pre-Tax Income	Year Ended December 31, 2010 Income Tax Expense	Effective Tax Rate
As Reported	$ 1,348	$ 277	20.5%	$ 1,565	$ 386	24.7%	815	256	31.4%
Adjustments:									
Amortization of intangible assets	328	125		398	150		312	118	
Loss on early extinguishment of liability				33	13		15	5	
Xerox restructuring charge							483	166	
ACS acquisition-related costs							77	19	
ACS shareholders' litigation settlement							36	—	
Venezuela devaluation costs							21	—	
Medicare subsidy tax law change							—	(16)	
Adjusted	$ 1,676	$ 402	24.0%	$ 1,996	$ 549	27.5%	1,759	548	31.2%

Operating Income / Margin reconciliation:

(in millions)	As Reported 2012	As Reported 2011	As Reported 2010	Pro-forma(1) 2010
Total Revenue	$ 22,390	$ 22,626	$ 21,633	$ 22,252
Pre-tax Income	1,348	1,565	815	777
Adjustments:				
Amortization of intangible assets	328	398	312	339
Xerox restructuring charge	153	33	483	483
Curtailment gain	—	(107)	—	—
ACS Acquisition-related costs	—	—	77	77
Other expenses, net	256	322	389	444
Adjusted Operating Income	$ 2,085	$ 2,211	$ 2,076	$ 2,120
Pre-tax Income Margin	6.0%	6.9%	3.8%	3.5%
Adjusted Operating Margin	9.3%	9.8%	9.6%	9.5%

(1) Pro-forma 2010 includes ACS's 2010 estimated results from January 1 through February 5 in our reported 2010 results.

Forward-Looking Statements

This Annual Report contains 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. Information concerning these factors is included in our 2012 Annual Report on Form 10-K filed with the Securities and Exchange Commission (“SEC”). We do not intend to update these forward-looking statements, except as required by law.

XEROX CORPORATION
CONSOLIDATED STATEMENTS OF INCOME

	Year Ended December 31,		
(in millions, except per-share data)	2012	2011	2010
Revenues			
Sales	$ 6,578	$ 7,126	$ 7,234
Outsourcing, service and rentals	15,215	14,868	13,739
Finance income	597	632	660
Total Revenues	22,390	22,626	21,633
Costs and Expenses			
Cost of sales	4,362	4,697	4,741
Cost of outsourcing, service and rentals	10,802	10,269	9,195
Equipment financing interest	198	231	246
Research, development and engineering expenses	655	721	781
Selling, administrative and general expenses	4,288	4,497	4,594
Restructuring and asset impairment charges	153	33	483
Acquisition-related costs	—	—	77
Amortization of intangible assets	328	398	312
Curtailment gain	—	(107)	—
Other expenses, net	256	322	389
Total Costs and Expenses	21,042	21,061	20,818
Income Before Income Taxes and Equity Income	1,348	1,565	815
Income tax expense	277	386	256
Equity in net income of unconsolidated affiliates	152	149	78
Net Income	1,223	1,328	637
Less: Net income attributable to noncontrolling interests	28	33	31
Net Income Attributable to Xerox	$ 1,195	$ 1,295	$ 606
Basic Earnings per Share	$ 0.90	$ 0.92	$ 0.44
Diluted Earnings per Share	$ 0.88	$ 0.90	$ 0.43

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

XEROX CORPORATION
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

	Year Ended December 31,		
(in millions)	2012	2011	2010
Net Income	$ 1,223	$ 1,328	$ 637
Less: Net income attributable to noncontrolling interests	28	33	31
Net Income Attributable to Xerox	$ 1,195	$ 1,295	$ 606
Other Comprehensive Income (Loss), Net [(1)]:			
Translation adjustments, net	$ 113	$ (105)	$ (35)
Unrealized (losses) gains, net	(63)	12	12
Changes in defined benefit plans, net	(561)	(636)	23
Other Comprehensive Loss, Net	(511)	(729)	—
Less: Other comprehensive loss, net attributable to noncontrolling interests	—	(1)	—
Other Comprehensive Loss, Net Attributable to Xerox	$ (511)	$ (728)	$ —
Comprehensive Income, Net	$ 712	$ 599	$ 637
Less: Comprehensive income, net attributable to noncontrolling interests	28	32	31
Comprehensive Income, Net Attributable to Xerox	$ 684	$ 567	$ 606

(1) Refer to Note 20 - Other Comprehensive Income for gross components of other comprehensive income, reclassification adjustments out of accumulated other comprehensive income and related tax effects.

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

XEROX CORPORATION
CONSOLIDATED BALANCE SHEETS

(in millions, except share data in thousands)	December 31, 2012	December 31, 2011
Assets		
Cash and cash equivalents	$ 1,246	$ 902
Accounts receivable, net	2,866	2,600
Billed portion of finance receivables, net	152	166
Finance receivables, net	1,836	2,165
Inventories	1,011	1,021
Other current assets	1,162	1,058
Total current assets	8,273	7,912
Finance receivables due after one year, net	3,325	4,031
Equipment on operating leases, net	535	533
Land, buildings and equipment, net	1,556	1,612
Investments in affiliates, at equity	1,381	1,395
Intangible assets, net	2,783	3,042
Goodwill	9,062	8,803
Deferred tax assets, long-term	763	672
Other long-term assets	2,337	2,116
Total Assets	$ 30,015	$ 30,116
Liabilities and Equity		
Short-term debt and current portion of long-term debt	$ 1,042	$ 1,545
Accounts payable	1,913	2,016
Accrued compensation and benefits costs	741	757
Unearned income	438	432
Other current liabilities	1,776	1,631
Total current liabilities	5,910	6,381
Long-term debt	7,447	7,088
Pension and other benefit liabilities	2,958	2,487
Post-retirement medical benefits	909	925
Other long-term liabilities	778	861
Total Liabilities	18,002	17,742
Series A Convertible Preferred Stock	349	349
Common stock	1,239	1,353
Additional paid-in capital	5,622	6,317
Treasury stock, at cost	(104)	(124)
Retained earnings	7,991	7,046
Accumulated other comprehensive loss	(3,227)	(2,716)
Xerox shareholders' equity	11,521	11,876
Noncontrolling interests	143	149
Total Equity	11,664	12,025
Total Liabilities and Equity	$ 30,015	$ 30,116
Shares of common stock issued	1,238,696	1,352,849
Treasury stock	(14,924)	(15,508)
Shares of common stock outstanding	1,223,772	1,337,341

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

XEROX CORPORATION
CONSOLIDATED STATEMENTS OF CASH FLOWS

(in millions)	Year Ended December 31, 2012	2011	2010
Cash Flows from Operating Activities:			
Net income	$ 1,223	$ 1,328	$ 637
Adjustments required to reconcile net income to cash flows from operating activities:			
Depreciation and amortization	1,301	1,251	1,097
Provision for receivables	127	154	180
Provision for inventory	30	39	31
Deferred tax expense (benefit)	96	203	(2)
Undistributed equity in net income of unconsolidated affiliates	(90)	(86)	(37)
Stock-based compensation	125	123	123
Restructuring and asset impairment charges	153	33	483
Payments for restructurings	(144)	(218)	(213)
Contributions to defined benefit pension plans	(364)	(426)	(237)
Increase in accounts receivable and billed portion of finance receivables	(776)	(296)	(118)
Collections of deferred proceeds from sales of receivables	470	380	218
Increase in inventories	—	(124)	(151)
Increase in equipment on operating leases	(276)	(298)	(288)
Decrease in finance receivables	947	90	129
Increase in other current and long-term assets	(265)	(249)	(98)
Increase in accounts payable and accrued compensation	120	82	615
Decrease in other current and long-term liabilities	(71)	(22)	(9)
Net change in income tax assets and liabilities	42	89	229
Net change in derivative assets and liabilities	11	39	85
Other operating, net	(79)	(131)	52
Net cash provided by operating activities	2,580	1,961	2,726
Cash Flows from Investing Activities:			
Cost of additions to land, buildings and equipment	(388)	(338)	(355)
Proceeds from sales of land, buildings and equipment	9	28	52
Cost of additions to internal use software	(125)	(163)	(164)
Acquisitions, net of cash acquired	(276)	(212)	(1,734)
Other investing, net	19	10	23
Net cash used in investing activities	(761)	(675)	(2,178)
Cash Flows from Financing Activities:			
Net (payments) proceeds on debt	(108)	49	(3,056)
Payment of liability to subsidiary trust issuing preferred securities	—	(670)	—
Common stock dividends	(231)	(241)	(215)
Preferred stock dividends	(24)	(24)	(15)
Proceeds from issuances of common stock	44	44	183
Excess tax benefits from stock-based compensation	10	6	24
Payments to acquire treasury stock, including fees	(1,052)	(701)	—
Repurchases related to stock-based compensation	(42)	(27)	(15)
Distributions to noncontrolling interests	(69)	(22)	(22)
Net cash used in financing activities	(1,472)	(1,586)	(3,116)
Effect of exchange rate changes on cash and cash equivalents	(3)	(9)	(20)
Increase (decrease) in cash and cash equivalents	344	(309)	(2,588)
Cash and cash equivalents at beginning of year	902	1,211	3,799
Cash and Cash Equivalents at End of Year	$ 1,246	$ 902	$ 1,211

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

XEROX CORPORATION
CONSOLIDATED STATEMENTS OF SHAREHOLDERS' EQUITY

(in millions)	Common Stock	Additional Paid-in Capital	Treasury Stock	Retained Earnings	AOCL(3)	Xerox Shareholders' Equity	Non-controlling Interests	Total Equity
Balance at December 31, 2009	$ 871	$ 2,493	$ —	$ 5,674	$ (1,988)	$ 7,050	$ 141	$ 7,191
Comprehensive income	—	—	—	606	—	606	31	637
ACS acquisition	490	3,825	—	—	—	4,315	—	4,315
Cash dividends declared-common stock (1)	—	—	—	(243)	—	(243)	—	(243)
Cash dividends declared-preferred stock (2)	—	—	—	(21)	—	(21)	—	(21)
Stock option and incentive plans, net	37	262	—	—	—	299	—	299
Distributions to noncontrolling interests	—	—	—	—	—	—	(19)	(19)
Balance at December 31, 2010	$ 1,398	$ 6,580	$ —	$ 6,016	$ (1,988)	$ 12,006	$ 153	$ 12,159
Comprehensive income	—	—	—	1,295	(728)	567	32	599
Cash dividends declared-common stock (1)	—	—	—	(241)	—	(241)	—	(241)
Cash dividends declared-preferred stock (2)	—	—	—	(24)	—	(24)	—	(24)
Contribution of common stock to U.S. pension plan	17	113	—	—	—	130	—	130
Stock option and incentive plans, net	11	128	—	—	—	139	—	139
Payments to acquire treasury stock, including fees	—	—	(701)	—	—	(701)	—	(701)
Cancellation of treasury stock	(73)	(504)	577	—	—	—	—	—
Distributions to noncontrolling interests	—	—	—	—	—	—	(36)	(36)
Balance at December 31, 2011	$ 1,353	$ 6,317	$ (124)	$ 7,046	$ (2,716)	$ 11,876	$ 149	$ 12,025
Comprehensive income	—	—	—	1,195	(511)	684	28	712
Cash dividends declared-common stock (1)	—	—	—	(226)	—	(226)	—	(226)
Cash dividends declared-preferred stock (2)	—	—	—	(24)	—	(24)	—	(24)
Contribution of common stock to U.S. pension plan	15	115	—	—	—	130	—	130
Stock option and incentive plans, net	18	115	—	—	—	133	—	133
Payments to acquire treasury stock, including fees	—	—	(1,052)	—	—	(1,052)	—	(1,052)
Cancellation of treasury stock	(147)	(925)	1,072	—	—	—	—	—
Distributions to noncontrolling interests	—	—	—	—	—	—	(34)	(34)
Balance at December 31, 2012	$ 1,239	$ 5,622	$ (104)	$ 7,991	$ (3,227)	$ 11,521	$ 143	$ 11,664

(1) Cash dividends declared on common stock of $0.0425 in each of the four quarters in 2012, 2011 and 2010.
(2) Cash dividends declared on preferred stock of $12.22 per share in the first quarter of 2010 and $20 per share in each quarter thereafter in 2010, 2011 and 2012.
(3) AOCL - Accumulated other comprehensive loss.

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

Note 1 – Summary of Significant Accounting Policies

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

Description of Business and Basis of Presentation

We are a $22.4 billion global enterprise for business process and document management. We offer business process outsourcing and IT outsourcing services, including data processing, healthcare solutions, human resource benefits management, finance support, transportation solutions and customer relationship management services for commercial and government organizations worldwide. The company also provides extensive leading-edge document technology, services, software and genuine Xerox supplies for graphic communication and office printing environments of any size.

Basis of Consolidation

The Consolidated Financial Statements include the accounts of Xerox Corporation and all of our controlled subsidiary companies. All significant intercompany accounts and transactions have been eliminated. Investments in business entities in which we do not have control, but we have the ability to exercise significant influence over operating and financial policies (generally 20% to 50% ownership) are accounted for using the equity method of accounting. Operating results of acquired businesses are included in the Consolidated Statements of Income from the date of acquisition.

We consolidate variable interest entities if we are deemed to be the primary beneficiary of the entity. Operating results for variable interest entities in which we are determined to be the primary beneficiary are included in the Consolidated Statements of Income from the date such determination is made.

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

Use of Estimates

The preparation of our Consolidated Financial Statements requires that we make estimates and assumptions that affect the reported amounts of assets and liabilities, as well as the disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting period. Future events and their effects cannot be predicted with certainty; accordingly, our accounting estimates require the exercise of judgment. The accounting estimates used in the preparation of our Consolidated Financial Statements will change as new events occur, as more experience is acquired, as additional information is obtained and as our operating environment changes. Actual results could differ from those estimates.

The following table summarizes certain significant costs and expenses that require management estimates for the three years ended December 31, 2012:

Expense/(Income)	Year Ended December 31, 2012	2011	2010
Provision for restructuring and asset impairments	$ 153	$ 33	$ 483
Provision for receivables	127	154	180
Provisions for litigation and regulatory matters	(1)	11	(4)
Provisions for obsolete and excess inventory	30	39	31
Provision for product warranty liability	29	30	33
Depreciation and obsolescence of equipment on operating leases	279	294	313
Depreciation of buildings and equipment	452	405	379
Amortization of internal use software	116	91	70
Amortization of product software	19	11	7
Amortization of acquired intangible assets	328	401	316
Amortization of customer contract costs	107	49	12
Defined pension benefits - net periodic benefit cost [(1)]	300	177	304
Retiree health benefits - net periodic benefit cost	11	14	32
Income tax expense	277	386	256

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(1) 2011 includes $107 pre-tax curtailment gain - refer to Note 15 - Employee Benefit Plans for additional information.

Changes in Estimates

In the ordinary course of accounting for the items discussed above, we make changes in estimates as appropriate and as we become aware of circumstances surrounding those estimates. Such changes and refinements in estimation methodologies are reflected in reported results of operations in the period in which the changes are made and, if material, their effects are disclosed in the Notes to the Consolidated Financial Statements and in Management's Discussion and Analysis of Financial Condition and Results of Operation.

New Accounting Standards and Accounting Changes

Except for the Accounting Standard Updates ("ASU's") discussed below, the new ASU's issued by the FASB during the last two years did not have any significant impact on the Company.

Goodwill:

In September 2011, the FASB issued **ASU No. 2011-08**, Intangibles - Goodwill and Other (Topic 350) - Testing Goodwill for Impairment, which allows an entity to use a qualitative approach to test goodwill for impairment. ASU 2011-08 permits an entity to first perform a qualitative assessment to determine whether it is more likely than not that the fair value of a reporting unit is less than its carrying value. If it is concluded that a potential exposure exists, it is necessary to perform the currently prescribed two-step goodwill impairment test. Otherwise, the two-step goodwill impairment test is not required. We adopted ASU 2011-08 in 2011. The adoption of this update did not have a material effect on our financial condition or results of operations. See "Goodwill and Other Intangible Assets" below for additional information.

Presentation of Comprehensive Income:

In June 2011, the FASB issued **ASU 2011-05**, Comprehensive Income (Topic 220) - Presentation of Comprehensive Income, which requires an entity to present the total of comprehensive income, the components of net income, and the components of other comprehensive income either in a single continuous statement of comprehensive income or in two separate but consecutive statements. ASU 2011-05 eliminates the option to present the components of other comprehensive income as part of the Statement of Shareholders' Equity. The items that must be reported in other comprehensive income or when an item of other comprehensive income must be reclassified to net income were not changed. Additionally, no changes were made to the calculation and presentation of earnings per share.

We adopted ASU 2011-05 effective for our fiscal year ending December 31, 2011 and have retrospectively applied the new presentation of comprehensive income to 2010. We elected to present comprehensive income in two separate but consecutive statements. Note 20 - Other Comprehensive Income provides details regarding the gross components of other comprehensive income, reclassification adjustments out of accumulated other comprehensive income and the related tax effects. Other than the change in presentation and disclosure, the update did not have an impact on our financial condition or results of operations.

In February 2013, the FASB issued **ASU No. 2013-02**, Comprehensive Income (Topic 220) - Reporting of Amounts Reclassified Out of Accumulated Other Comprehensive Income, which requires an entity to provide additional information about the amounts reclassified out of Accumulated Other Comprehensive Income by component. This update is effective for us beginning January 1, 2013.

Fair Value Accounting:

In May 2011, the FASB issued **ASU 2011-04,** which amended Fair Value Measurements and Disclosures - Overall (ASC Topic 820-10) to provide a consistent definition of fair value and ensure that the fair value measurement and disclosure requirements are similar between U.S. GAAP and International Financial Reporting Standards. This update changed certain fair value measurement principles and enhanced the disclosure requirements, particularly for level 3 fair value measurements. We adopted this update prospectively effective for our fiscal year beginning January 1, 2012. This update did not have a material effect on financial condition or results of operations.

Balance Sheet Offsetting:

In December 2011, the FASB issued **ASU 2011-11**, Balance Sheet (Topic 210), Disclosures about Offsetting Assets and Liabilities. ASU 2011-11 requires entities to disclose both gross information and net information about both instruments and transactions eligible for offset in the Balance Sheet and instruments and transactions subject to an agreement similar to a master netting arrangement to enable users of its financial statements to understand the effects of offsetting and related arrangements on its financial position. This update is effective for our fiscal year beginning January 1, 2013 and must be applied retrospectively. In January 2013, the FASB issued ASU 2013-01 which limited the scope of this guidance to derivatives, repurchase type agreements and securities borrowing and lending transactions. The principal impact from this update will be to expand disclosures regarding our financial instruments. We currently report our derivative assets and liabilities on a gross basis in the Balance Sheet even in those instances where offsetting may be allowed under a master netting agreement.

Summary of Accounting Policies

Revenue Recognition

We generate revenue through services, the sale and rental of equipment, supplies and income associated with the financing of our equipment sales. Revenue is recognized when it is realized or realizable and earned. We consider revenue realized or realizable and earned when we have persuasive evidence of an arrangement, delivery has occurred, the sales price is fixed or determinable and collectibility is reasonably assured. Delivery does not occur until equipment has been shipped or services have been provided to the customer, risk of loss has transferred to the customer, and either customer acceptance has been obtained, customer acceptance provisions have lapsed, or the company has objective evidence that the criteria specified in the customer acceptance provisions have been satisfied. The sales price is not considered to be fixed or determinable until all contingencies related to the sale have been resolved. More specifically, revenue related to services and sales of our products is recognized as follows:

Equipment-Related Revenues

Equipment: Revenues from the sale of equipment, including those from sales-type leases, are recognized at the time of sale or at the inception of the lease, as appropriate. For equipment sales that require us to install the product at the customer location, revenue is recognized when the equipment has been delivered and installed at the customer location. Sales of customer installable products are recognized upon shipment or receipt by the customer according to the customer's shipping terms. Revenues from equipment under other leases and similar arrangements are accounted for by the operating lease method and are recognized as earned over the lease term, which is generally on a straight-line basis.

Technical Services: Technical service revenues are derived primarily from maintenance contracts on the equipment sold to our customers and are recognized over the term of the contracts. A substantial portion of our products are sold with full service maintenance agreements for which the customer typically pays a base service fee plus a variable amount based on usage. As a consequence, other than the product warranty obligations associated with certain of our low end products, we do not have any significant product warranty obligations, including any obligations under customer satisfaction programs.

Bundled Lease Arrangements: We sell our products and services under bundled lease arrangements, which typically include equipment, service, supplies and financing components for which the customer pays a single negotiated fixed minimum monthly payment for all elements over the contractual lease term.These arrangements also typically include an incremental, variable component for page volumes in excess of contractual page volume minimums, which are often expressed in terms of price-per-page. The fixed minimum monthly payments are multiplied by the number of months in the contract term to arrive at the total fixed minimum payments that the customer is obligated to make (“fixed payments”) over the lease term. The payments associated with page volumes in excess of the minimums are contingent on whether or not such minimums are exceeded (“contingent payments”). In applying our lease accounting methodology, we only consider the fixed payments for purposes of allocating to the relative fair value elements of the contract. Contingent payments, if any, are recognized as revenue in the period when the customer exceeds the minimum copy volumes specified in the contract. Revenues under bundled arrangements are allocated considering the relative selling prices of the lease and non-lease deliverables included in the bundled arrangement. Lease deliverables include the equipment, financing, maintenance and other executory costs, while non-lease deliverables generally consist of the supplies and non-maintenance services. The allocation for the lease deliverables begins by allocating revenues to the maintenance and other executory costs plus a profit thereon. These elements are generally recognized over the term of the lease as service revenue. The remaining amounts are allocated to the equipment and financing elements which are subjected to the accounting estimates noted below under “Leases.”

Our pricing interest rates, which are used in determining customer payments in a bundled lease arrangement, are developed based upon a variety of factors including local prevailing rates in the marketplace and the customer’s credit history, industry and credit class. We reassess our pricing interest rates quarterly based on changes in the local prevailing rates in the marketplace. These interest rates have generally been adjusted if the rates vary by 25 basis points or more, cumulatively, from the last rate in effect. The pricing interest rates generally equal the implicit rates within the leases, as corroborated by our comparisons of cash to lease selling prices.

Sales to distributors and resellers: We utilize distributors and resellers to sell many of our technology products to end-user customers. We refer to our distributor and reseller network as our two-tier distribution model. Sales to distributors and resellers are generally recognized as revenue when products are sold to such distributors and resellers. However, revenue is only recognized when the distributor or reseller has economic substance apart from the company, the sales price is not contingent upon resale or payment by the end user customer and we have no further obligations related to bringing about the resale, delivery or installation of the product.

Distributors and resellers participate in various rebate, price-protection, cooperative marketing and other programs, and we record provisions for these programs as a reduction to revenue when the sales occur. Similarly, we account for our estimates of sales returns and other allowances when the sales occur based on our historical experience.

In certain instances, we may provide lease financing to end-user customers who purchased equipment we sold to distributors or resellers. We compete with other third party leasing companies with respect to the lease financing provided to these end-user customers.

Supplies: Supplies revenue generally is recognized upon shipment or utilization by customers in accordance with the sales contract terms.

Software: Most of our equipment has both software and non-software components that function together to deliver the equipment's essential functionality and therefore they are accounted for together as part of equipment sales revenues. Software accessories sold in connection with our equipment sales, as well as free-standing software sales are accounted for as separate deliverables or elements. In most cases, these software products are sold as part of multiple element arrangements and include software maintenance agreements for the delivery of technical service, as well as unspecified upgrades or enhancements on a when-and-if-available basis. In those software accessory and free-standing software arrangements that include more than one element, we allocate the revenue among the elements based on vendor-specific objective evidence ("VSOE") of fair value. Revenue allocated to software is normally recognized upon delivery while revenue allocated to the software maintenance element is recognized ratably over the term of the arrangement.

Leases: As noted above, equipment may be placed with customers under bundled lease arrangements. The two primary accounting provisions which we use to classify transactions as sales-type or operating leases are: 1) a review of the lease term to determine if it is equal to or greater than 75% of the economic life of the equipment and 2) a review of the present value of the minimum lease payments to determine if they are equal to or greater than 90% of the fair market value of the equipment at the inception of the lease.

We consider the economic life of most of our products to be five years, since this represents the most frequent contractual lease term for our principal products and only a small percentage of our leases are for original terms longer than five years. There is no significant after-market for our used equipment. We believe five years is representative of the period during which the equipment is expected to be economically usable, with normal service, for the purpose for which it is intended. Residual values are not significant.

With respect to fair value, we perform an analysis of equipment fair value based on cash selling prices during the applicable period. The cash selling prices are compared to the range of values determined for our leases. The range of cash selling prices must be reasonably consistent with the lease selling prices in order for us to determine that such lease prices are indicative of fair value.

Financing: Finance income attributable to sales-type leases, direct financing leases and installment loans is recognized on the accrual basis using the effective interest method.

Services-Related Revenue

Outsourcing: Revenues associated with outsourcing services are generally recognized as services are rendered, which is generally on the basis of the number of accounts or transactions processed. Information technology processing revenues are recognized as services are provided to the customer, generally at the contractual selling prices of resources consumed or capacity utilized by our customers. In those service arrangements where final acceptance of a system or solution by the customer is required, revenue is deferred until all acceptance criteria have been met. Revenues on cost reimbursable contracts are recognized by applying an estimated factor to costs as incurred, determined by the contract provisions and prior experience. Revenues on unit-price contracts are recognized at the contractual selling prices as work is completed and accepted by the customer. Revenues on time and material contracts are recognized at the contractual rates as the labor hours and direct expenses are incurred.

Revenues on certain fixed price contracts where we provide system development and implementation services are recognized over the contract term based on the percentage of development and implementation services that are provided during the period compared with the total estimated development and implementation services to be provided over the entire contract using the percentage-of-completion accounting methodology. These services require that we perform significant, extensive and complex design, development, modification or implementation of our customers' systems. Performance will often extend over long periods, and our right to receive future payment depends on our future performance in accordance with the agreement.

The percentage-of-completion methodology involves recognizing probable and reasonably estimable revenue using the percentage of services completed, on a current cumulative cost to estimated total cost basis, using a reasonably consistent profit margin over the period.

Revenues earned in excess of related billings are accrued, whereas billings in excess of revenues earned are deferred until the related services are provided. We recognize revenues for non-refundable, upfront implementation fees on a straight-line basis over the period between the initiation of the ongoing services through the end of the contract term.

In connection with our services arrangements, we incur and capitalize costs to originate these long-term contracts and to perform the migration, transition and setup activities necessary to enable us to perform under the terms of the arrangement. Certain initial direct costs of an arrangement are capitalized and amortized over the contractual service period of the arrangement to cost of services.

From time to time, we also provide inducements to customers in various forms, including contractual credits, which are capitalized and amortized as a reduction of revenue over the term of the contract. Customer-related deferred set-up/transition and inducement costs were $356 and $294 at December 31, 2012 and 2011, respectively, and the balance at December 31, 2012 is expected to be amortized over a weighted average period of approximately seven years. Amortization expense associated with customer-related contract costs at December 31, 2012 is expected to be approximately $103 in 2013.

Long-lived assets used in the fulfillment of the arrangements are capitalized and depreciated over the shorter of their useful life or the term of the contract if an asset is contract specific.

Our outsourcing services contracts may also include the sale of equipment and software. In these instances we follow the policies noted above under Equipment-related Revenue.

Other Revenue Recognition Policies

Multiple Element Arrangements: As described above, we enter into the following revenue arrangements that may consist of multiple deliverables:

- Bundled lease arrangements, which typically include both lease deliverables and non-lease deliverables as described above.
- Contracts for multiple types of outsourcing services, as well as professional and value-added services. For instance, we may contract for an implementation or development project and also provide services to operate the system over a period of time; or we may contract to scan, manage and store customer documents.

In substantially all of our multiple element arrangements, we are able to separate the deliverables since we normally will meet both of the following criteria:

- The delivered item(s) has value to the customer on a stand-alone basis; and
- If the arrangement includes a general right of return relative to the delivered item(s), delivery or performance of the undelivered item(s) is considered probable and substantially in our control.

Consideration in a multiple-element arrangement is allocated at the inception of the arrangement to all deliverables on the basis of the relative selling price. When applying the relative selling price method, the selling price for each deliverable is primarily determined based on VSOE or third-party evidence ("TPE") of the selling price. The above noted revenue policies are then applied to each separated deliverable, as applicable.

Revenue-based taxes: We report revenue net of any revenue-based taxes assessed by governmental authorities that are imposed on and concurrent with specific revenue-producing transactions. The primary revenue-based taxes are sales tax and value-added tax ("VAT").

Other Significant Accounting Policies

Shipping and Handling

Costs related to shipping and handling are recognized as incurred and included in Cost of sales in the Consolidated Statements of Income.

Research, Development and Engineering (“RD&E”)

Research, development and engineering costs are expensed as incurred. Sustaining engineering costs are incurred with respect to on-going product improvements or environmental compliance after initial product launch. Sustaining engineering costs were $110, $108 and $128 in 2012, 2011 and 2010, respectively. Refer to Management's Discussion and Analysis, RD&E section for additional information regarding RD&E expense.

Cash and Cash Equivalents

Cash and cash equivalents consist of cash on hand, including money market funds, and investments with original maturities of three months or less.

Receivable Sales

We regularly sell certain portions of our receivable portfolios. Gains or losses on the sale of receivables depend, in part, on both (a) the cash proceeds and (b) the net non-cash proceeds received or paid. When we sell receivables we normally receive beneficial interests in the transferred receivables from the purchasers as part of the proceeds. We refer to these beneficial interests as a deferred purchase price. The beneficial interests obtained are initially measured at their fair value. We generally estimate fair value based on the present value of expected future cash flows, which are calculated using management's best estimates of the key assumptions including credit losses, prepayment rate and discount rates commensurate with the risks involved. Refer to Note 4 - Accounts Receivable, Net and Note 5 - Finance Receivables, Net for more details on our receivable sales.

Inventories

Inventories are carried at the lower of average cost or market. Inventories also include equipment that is returned at the end of the lease term. Returned equipment is recorded at the lower of remaining net book value or salvage value, which normally are not significant. We regularly review inventory quantities and record a provision for excess and/or obsolete inventory based primarily on our estimated forecast of product demand, production requirements and servicing commitments. Several factors may influence the realizability of our inventories, including our decision to exit a product line, technological changes and new product development. The provision for excess and/or obsolete raw materials and equipment inventories is based primarily on near term forecasts of product demand and include consideration of new product introductions, as well as changes in remanufacturing strategies. The provision for excess and/or obsolete service parts inventory is based primarily on projected servicing requirements over the life of the related equipment populations.

Land, Buildings and Equipment and Equipment on Operating Leases
Land, buildings and equipment are recorded at cost. Buildings and equipment are depreciated over their estimated useful lives. Leasehold improvements are depreciated over the shorter of the lease term or the estimated useful life. Equipment on operating leases is depreciated to estimated salvage value over the lease term. Depreciation is computed using the straight-line method. Significant improvements are capitalized and maintenance and repairs are expensed. Refer to Note 6 - Inventories and Equipment on Operating Leases, Net and Note 7 - Land, Buildings, Equipment and Software, Net for further discussion.

Software - Internal Use and Product
We capitalize direct costs associated with developing, purchasing or otherwise acquiring software for internal use and amortize these costs on a straight-line basis over the expected useful life of the software, beginning when the software is implemented (“Internal Use Software”). Costs incurred for upgrades and enhancements that will not result in additional functionality are expensed as incurred. Amounts expended for Internal Use Software are included in Cash Flows from Investing.

We also capitalize certain costs related to the development of software solutions to be sold to our customers upon reaching technological feasibility (“Product Software”). These costs are amortized based on estimated future revenues over the estimated economic life of the software. Amounts expended for Product Software are included in Cash Flows from Operations. We perform periodic reviews to ensure that unamortized Product Software costs remain recoverable from estimated future operating profits (net realizable value or NRV). Costs to support or service licensed software are charged to Costs of services as incurred.

Refer to Note 7 - Land,Buildings, Equipment and Software, Net for further information.

Goodwill and Other Intangible Assets
Goodwill represents the excess of the purchase price over the fair value of acquired net assets in a business combination, including the amount assigned to identifiable intangible assets. The primary drivers that generate goodwill are the value of synergies between the acquired entities and the company and the acquired assembled workforce, neither of which qualifies as an identifiable intangible asset. Goodwill is not amortized but rather is tested for impairment annually or more frequently if an event or circumstance indicates that an impairment loss may have been incurred.

Impairment testing for goodwill is done at the reporting unit level. A reporting unit is an operating segment or one level below an operating segment (a "component") if the component constitutes a business for which discrete financial information is available, and segment management regularly reviews the operating results of that component.

When testing goodwill for impairment, we may assess qualitative factors for some or all of our reporting units to determine whether it is more likely than not (that is, a likelihood of more than 50 percent) that the fair value of a reporting unit is less than its carrying amount, including goodwill. Alternatively, we may bypass this qualitative assessment for some or all of our reporting units and perform a detailed quantitative test of impairment (step 1). If we perform the detailed quantitative impairment test and the carrying amount of the reporting unit exceeds its fair value, we would perform an analysis (step 2) to measure such impairment. In 2012, we elected to proceed to the quantitative assessment of the recoverability of our goodwill balances for each of our reporting units in performing our annual impairment test. Based on our quantitative assessments, we concluded that the fair values of each of our reporting units exceeded their carrying values and no impairments were identified.

Other intangible assets primarily consist of assets obtained in connection with business acquisitions, including installed customer base and distribution network relationships, patents on existing technology and trademarks. We apply an impairment evaluation whenever events or changes in business circumstances indicate that the carrying value of our intangible assets may not be recoverable. Other intangible assets are amortized on a straight-line basis over their estimated economic lives. We believe that the straight-line method of amortization reflects an appropriate allocation of the cost of the intangible assets to earnings in proportion to the amount of economic benefits obtained annually by the Company.

Refer to Note 9 - Goodwill and Intangible Assets, Net for further information.

Impairment of Long-Lived Assets

We review the recoverability of our long-lived assets, including buildings, equipment, internal use software and other intangible assets, when events or changes in circumstances occur that indicate that the carrying value of the asset may not be recoverable. The assessment of possible impairment is based on our ability to recover the carrying value of the asset from the expected future pre-tax cash flows (undiscounted and without interest charges) of the related operations. If these cash flows are less than the carrying value of such asset, an impairment loss is recognized for the difference between estimated fair value and carrying value. Our primary measure of fair value is based on discounted cash flows.

Pension and Post-Retirement Benefit Obligations

We sponsor defined benefit pension plans in various forms in several countries covering employees who meet eligibility requirements. Retiree health benefit plans cover U.S. and Canadian employees for retiree medical costs. We employ a delayed recognition feature in measuring the costs of pension and post-retirement benefit plans. This requires changes in the benefit obligations and changes in the value of assets set aside to meet those obligations to be recognized not as they occur, but systematically and gradually over subsequent periods. All changes are ultimately recognized as components of net periodic benefit cost, except to the extent they may be offset by subsequent changes. At any point, changes that have been identified and quantified but not recognized as components of net periodic benefit cost, are recognized in Accumulated Other Comprehensive Loss, net of tax.

Several statistical and other factors that attempt to anticipate future events are used in calculating the expense, liability and asset values related to our pension and retiree health benefit plans. These factors include assumptions we make about the discount rate, expected return on plan assets, rate of increase in healthcare costs, the rate of future compensation increases and mortality. Actual returns on plan assets are not immediately recognized in our income statement, due to the delayed recognition requirement. In calculating the expected return on the plan asset component of our net periodic pension cost, we apply our estimate of the long-term rate of return on the plan assets that support our pension obligations, after deducting assets that are specifically allocated to Transitional Retirement Accounts (which are accounted for based on specific plan terms).

For purposes of determining the expected return on plan assets, we utilize a market-related value approach in determining the value of the pension plan assets, rather than a fair market value approach. The primary difference between the two methods relates to systematic recognition of changes in fair value over time (generally two years) versus immediate recognition of changes in fair value. Our expected rate of return on plan assets is applied to the market-related asset value to determine the amount of the expected return on plan assets to be used in the determination of the net periodic pension cost. The market-related value approach reduces the volatility in net periodic pension cost that would result from using the fair market value approach.

The discount rate is used to present value our future anticipated benefit obligations. The discount rate reflects the current rate at which benefit liabilities could be effectively settled considering the timing of expected payments for plan participants. In estimating our discount rate, we consider rates of return on high-quality fixed-income investments adjusted to eliminate the effects of call provisions, as well as the expected timing of pension and other benefit payments.

Each year, the difference between the actual return on plan assets and the expected return on plan assets as well as increases or decreases in the benefit obligation as a result of changes in the discount rate and other actuarial assumptions, are added to or subtracted from any cumulative actuarial gain or loss from prior years. This amount is the net actuarial gain or loss recognized in Accumulated other comprehensive loss. We amortize net actuarial gains and losses as a component of net pension cost for a year if, as of the beginning of the year, that net gain or loss (excluding asset gains or losses that have not been recognized in market-related value) exceeds 10 percent of the greater of the projected benefit obligation or the market-related value of plan assets (the "corridor" method). This determination is made on a plan-by-plan basis. If amortization is required for a particular plan, we amortize the applicable net gain or loss in excess of the 10 percent threshold on a straight-line basis in net periodic pension cost over the remaining service period of the employees participating in that pension plan. In plans where substantially all participants are inactive, the amortization period for the excess is the average remaining life expectancy of the plan participants.

Our primary domestic plans allow participants the option of settling their vested benefits through either the receipt of a lump-sum payment or the purchase of a non-participating annuity contract with an insurance company. Under either option the participant 's vested benefit is considered fully settled upon payment of the lump-sum or the purchase of the annuity. We have elected to apply settlement accounting and therefore we recognize the losses associated with settlements in this plan immediately upon the settlement of the vested benefits. Settlement accounting requires us to recognize a pro rata portion of the aggregate unamortized net actuarial losses upon settlement. The pro rata factor is computed as the percentage reduction in the projected benefit obligation due to the settlement of the participant 's vested benefit.

Refer to Note 15 - Employee Benefit Plans for further information regarding our Pension and Post-Retirement Benefit Obligations .

Foreign Currency Translation and Re-measurement

The functional currency for most foreign operations is the local currency. Net assets are translated at current rates of exchange and income, expense and cash flow items are translated at average exchange rates for the applicable period. The translation adjustments are recorded in Accumulated other comprehensive loss.

The U.S. Dollar is used as the functional currency for certain foreign subsidiaries that conduct their business in U.S. Dollars. A combination of current and historical exchange rates is used in re-measuring the local currency transactions of these subsidiaries and the resulting exchange adjustments are recorded in Currency (gains) and losses within Other expenses, net together with other foreign currency remeasurments.

Note 2 – Segment Reporting

Our reportable segments are aligned with how we manage the business and view the markets we serve. We report our financial performance based on the following two primary reportable segments – **Services and Document Technology**. Our Services segment operations involve delivery of a broad range of services including business process, document and IT outsourcing. Our Document Technology segment includes the sale and support of a broad range of document systems from entry level to high-end.

The **Services** segment is comprised of three outsourcing service offerings:

- Business Process Outsourcing ("BPO")
- Document Outsourcing (which includes Managed Print Services) ("DO")
- Information Technology Outsourcing ("ITO")

Business process outsourcing services include service arrangements where we manage a customer's business activity or process. Document outsourcing services include service arrangements that allow customers to streamline, simplify and digitize their document-intensive business processes through automation and deployment of software applications and tools and the management of their printing needs. Document outsourcing also includes revenues from our partner print services offerings. Information technology outsourcing services include service arrangements where we manage a customer's IT-related activities, such as application management and application development, data center operations or testing and quality assurance.

Our **Document Technology** segment is centered on strategic product groups, which share common technology, manufacturing and product platforms. This segment includes the sale of document systems and supplies, technical services and product financing. Our products range from:

- **"Entry,"** which includes A4 devices and desktop printers; to
- **"Mid-range,"** which includes A3 devices that generally serve workgroup environments in mid to large enterprises and includes products that fall into the following market categories: Color 41+ ppm priced at less than $100K and Light Production 91+ ppm priced at less than $100K; to
- **"High-end,"** which includes production printing and publishing systems that generally serve the graphic communications marketplace and large enterprises.

The segment classified as **Other** includes several units, none of which meet the thresholds for separate segment reporting. This group primarily includes Global Paper and Supplies Distribution Group (predominantly paper sales), licensing revenues, GIS network integration solutions and electronic presentation systems and non-allocated Corporate items including non-financing interest, as well as other items included in Other expenses, net.

Selected financial information for our Operating segments was as follows:

	Years Ended December 31,			
	Services	Document Technology	Other	Total
2012 [(1)]				
Revenue	$ 11,453	$ 8,951	$ 1,389	$ 21,793
Finance income	75	511	11	597
Total Segment Revenue	$ 11,528	$ 9,462	$ 1,400	$ 22,390
Interest expense	22	172	234	428
Segment profit (loss)[(2)]	1,173	1,065	(241)	1,997
Equity in net income of unconsolidated affiliates	30	122	—	152
2011 [(1)]				
Revenue	$ 10,754	$ 9,722	$ 1,518	$ 21,994
Finance income	83	537	12	632
Total Segment Revenue	$ 10,837	$ 10,259	$ 1,530	$ 22,626
Interest expense	$ 25	$ 202	$ 251	$ 478
Segment profit (loss)[(2)]	1,207	1,140	(255)	2,092
Equity in net income of unconsolidated affiliates	31	118	—	149
2010 [(1)]				
Revenue	$ 9,548	$ 9,790	$ 1,635	$ 20,973
Finance income	89	559	12	660
Total Segment Revenue	$ 9,637	$ 10,349	$ 1,647	$ 21,633
Interest expense	$ 28	$ 212	$ 352	$ 592
Segment profit (loss)[(2)]	1,132	1,085	(342)	1,875
Equity in net income of unconsolidated affiliates	16	62	—	78

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(1) Asset information on a segment basis is not disclosed as this information is not separately identified and internally reported to our chief executive officer.
(2) Depreciation and amortization expense, which is recorded in Cost of Sales, Services, RD&E and SAG are included in segment profit above. This information is neither identified nor internally reported to our chief executive officer. The separate identification of this information for purposes of segment disclosure is impracticable, as it is not readily available and the cost to develop it would be excessive.

The following is a reconciliation of segment profit to pre-tax income:

Segment Profit Reconciliation to Pre-tax Income	Years Ended December 31, 2012	2011	2010
Total Segment Profit	$ 1,997	$ 2,092	$ 1,875
Reconciling items:			
Restructuring and asset impairment charges	(153)	(33)	(483)
Restructuring charges of Fuji Xerox	(16)	(19)	(38)
Acquisition-related costs	—	—	(77)
Amortization of intangible assets	(328)	(398)	(312)
Venezuelan devaluation costs	—	—	(21)
ACS shareholders' litigation settlement	—	—	(36)
Loss on early extinguishment of liability and debt	—	(33)	(15)
Equity in net income of unconsolidated affiliates	(152)	(149)	(78)
Curtailment gain	—	107	—
Other	—	(2)	—
Pre-tax Income	$ 1,348	$ 1,565	$ 815

Geographic area data is based upon the location of the subsidiary reporting the revenue or long-lived assets and is as follows for the three years ended December 31, 2012:

	Revenues 2012	2011	2010	Long-Lived Assets (1) 2012	2011	2010
United States	$ 14,701	$ 14,493	$ 13,801	$ 1,966	$ 1,894	$ 1,764
Europe	5,111	5,557	5,332	784	776	741
Other areas	2,578	2,576	2,500	262	276	309
Total Revenues and Long-Lived Assets	$ 22,390	$ 22,626	$ 21,633	$ 3,012	$ 2,946	$ 2,814

(1) Long-lived assets are comprised of (i) land, buildings and equipment, net, (ii) equipment on operating leases, net, (iii) internal use software, net and (iv) product software, net.

Note 3 – Acquisitions

2012 Acquisitions

In July 2012, we acquired **Wireless Data Services, Ltd. ("WDS")**, a provider of technical support, knowledge management and related consulting to the world's largest wireless telecommunication brands for approximately $95 (£60 million) in cash. Based in the U.K., WDS's expertise in the telecommunications industry strengthens our broad portfolio of customer care solutions.

In February 2012, we acquired **R.K. Dixon**, a leading provider of IT services, copiers, printers and managed print services for approximately $58 in cash. The acquisition furthers our coverage of central Illinois and eastern Iowa, building on our strategy to create a nationwide network of locally-based companies focused on customers' needs to improve performance through efficiencies.

Our Document Technology segment also acquired three additional businesses in 2012 for a total of $62 in cash as part of our strategy of increasing our U.S. distribution network primarily for small and mid-size businesses. Our Services segment acquired four additional businesses in 2012 for a total of $61 in cash, primarily related to customer care and software to support our BPO service offerings.

2012 Summary

All of our 2012 acquisitions reflected 100% ownership of the acquired companies. The operating results of the acquisitions described above are not material to our financial statements and are included within our results from the respective acquisition dates. WDS is included within our Services segment while the acquisition of R.K. Dixon is included within our Document Technology segment. Our 2012 acquisitions contributed aggregate revenues of approximately $162 to our 2012 total revenues from their respective acquisition dates. The purchase prices for all acquisitions were primarily allocated to intangible assets and goodwill based on third-party valuations and management's estimates. The primary elements that generated the goodwill are the value of synergies and the acquired assembled workforce. Approximately 50% of the goodwill recorded in 2012 is expected to be deductible for tax purposes. Refer to Note 9 - Goodwill and Intangible Assets, Net for additional information.

The following table summarizes the purchase price allocations for our 2012 acquisitions as of the acquisition dates:

	Weighted-Average Life (Years)	Total 2012 Acquisitions
Accounts/finance receivables		$ 51
Intangible assets:		
Customer relationships	8	40
Trademarks	19	22
Non-compete agreements	4	5
Software	5	10
Goodwill		184
Other assets		29
Total Assets Acquired		341
Liabilities assumed		(65)
Total Purchase Price		$ 276

2011 and 2010 Acquisitions

In December 2011, we acquired the Merizon Group Inc. which operates **MBM** formerly known as Modern Business Machines, a Wisconsin-based office products distributor for approximately $42 net of cash acquired. The acquisition furthers our strategy of creating a nationwide network of locally-based companies focused on improving document workflow and office efficiency.

In November 2011, we acquired **The Breakaway Group** ("Breakaway"), a cloud-based service provider that helps healthcare professionals accelerate their adoption of an electronic medical records ("EMR") system, for approximately $18 net of cash acquired. We are also obligated to pay the sellers up to an additional $25 if certain future performance targets are achieved, of which $18 was recorded as of the acquisition date representing the estimated fair value of this obligation for a total acquisition fair value of $36. The Denver-based firm's technology allows caregivers to practice using an EMR system without jeopardizing actual patient data. This acquisition adds to our offering of services that help healthcare professionals use the EMR system for clinical benefit.

In September 2011, we acquired the net assets related to the **U.S. operations of Symcor Inc.** ("Symcor"). In connection with the acquisition, we assumed and took over the operational responsibility for the customer contracts related to this operation. We agreed to pay $17 for the acquired net assets and the seller agreed to pay us $52, which represented the fair value of the liabilities assumed for a net cash receipt of $35.The assumed liabilities primarily include customer contract liabilities representing the estimated fair value of the obligations associated with the assumed customer contracts. We are recognizing these liabilities over a weighted-average period of approximately two years consistent with the cash outflows from the contracts. Symcor specializes in outsourcing services for U.S. financial institutions and its offerings range from cash management services to statement and check processing.

In July 2011, we acquired **Education Sales and Marketing, LLC** ("ESM"), a leading provider of outsourced enrollment management and student loan default solutions, for approximately $43 net of cash acquired. The acquisition of ESM enables us to offer a broader range of services to assist post-secondary schools in attracting and retaining the most qualified students while reducing accreditation risk.

In April 2011, we acquired **Unamic/HCN B.V.**, the largest privately-owned customer care provider in the Benelux region in Western Europe, for approximately $55 net of cash acquired. Unamic/HCN's focus on the Dutch-speaking market expands our customer care capabilities in the Netherlands, Belgium, Turkey and Suriname.

In February 2011, we acquired **Concept Group, Ltd.** for $41 net of cash acquired. This acquisition expands our reach into the small and mid-size business market in the U.K. Concept Group has nine locations throughout the U.K. and provides document imaging solutions and technical services to more than 3,000 customers.

In October 2010, we acquired **TMS Health, LLC** ("TMS"), a U.S. based teleservices company that provides customer care services to the pharmaceutical, biotech and healthcare industries, for approximately $48 in cash. TMS enables us to improve communications among pharmaceutical companies, physicians, consumers and pharmacists. By providing customer education, product sales and marketing and clinical trial solutions, we augment the IT and BPO services we deliver to the healthcare and pharmaceutical industries.

In July 2010, we acquired **ExcellerateHRO, LLP** ("EHRO"), a global benefits administration and relocation services provider for $125 net of cash acquired. EHRO established us as one of the world's largest pension plan administrators and as a leading provider of outsourced health and welfare and relocation services.

Our Document Technology segment also acquired seven additional business in 2011 and two additional business in 2010 for $21 and $50, respectively, in cash as part of our strategy of increasing our distribution network for small and mid-size businesses. Our Services segment acquired three additional businesses in 2011 and one additional business in 2010 for $25 and $12, respectively, in cash primarily related to software to support our BPO service offerings.

Summary - 2011 and 2010 Acquisitions

All of our 2011 and 2010 acquisitions reflected 100% ownership of the acquired companies. The operating results of the 2011 and 2010 acquisitions described above were not material to our financial statements and were included within our results from the respective acquisition dates. Breakaway, Symcor, ESM, Unamic/HCN, TMS and EHRO were included within our Services segment while the acquisitions of MBM and Concept Group were primarily included within our Document Technology segment. The purchase price for all acquisitions, except Symcor, were primarily allocated to intangible assets and goodwill based on third-party valuations and management's estimates. Refer to Note 9 - Goodwill and Intangible Assets, Net for additional information. Our 2011 acquisitions contributed aggregate revenues from their respective acquisition dates of approximately $397 and $177 to our 2012 and 2011 total revenues, respectively. Excluding ACS, our 2010 acquisitions contributed aggregate revenues from their respective acquisition dates of approximately $323, $318 and $140 to our 2012, 2011 and 2010 total revenues, respectively.

Contingent Consideration

In connection with certain acquisitions, we are obligated to make contingent payments if specified contractual performance targets are achieved. Contingent consideration obligations are recorded at their respective fair value. As of December 31, 2012, the maximum aggregate amount of outstanding contingent obligations to former owners of acquired entities was approximately $55, of which $32 was accrued representing the estimated fair value of this obligation.

Affiliated Computer Services, Inc. ("ACS")

In February 2010, we acquired **ACS** in a cash-and-stock transaction valued at approximately $6.5 billion. Each outstanding share of ACS common stock was converted into a combination of 4.935 shares of Xerox common stock and $18.60 in cash. We also issued convertible preferred stock with a fair value of $349 and stock options valued at $222. Refer to Note 18 - Preferred Stock and Note 19 - Shareholders' Equity for additional information regarding the issuance of preferred stock and stock options, respectively. In addition, we repaid $1.7 billion of ACS's debt and assumed an additional $0.6 billion of debt. The total aggregate purchase price was $8.8 billion.

The transaction was accounted for using the acquisition method of accounting which requires, among other things, that most assets acquired and liabilities assumed are recognized at their fair values as of the acquisition date. The acquisition of ACS resulted in recognized Goodwill of $5.1 billion and Intangible assets of $3.0 billion. The operating results of ACS are included in our Services segment from February 6, 2010. Had we acquired ACS on January 1, 2010, full year 2010 revenues, net income and diluted EPS would have been $22,252, $592 and $0.41, respectively.

Note 4 – Accounts Receivable, Net

Accounts receivable, net were as follows:

	December 31,	
	2012	2011
Amounts billed or billable	$ 2,639	$ 2,307
Unbilled amounts	335	395
Allowance for doubtful accounts	(108)	(102)
Accounts Receivable, Net	$ 2,866	$ 2,600

Unbilled amounts include amounts associated with percentage-of-completion accounting and other earned revenues not currently billable due to contractual provisions. Amounts to be invoiced in the subsequent month for current services provided are included in amounts billable, and at December 31, 2012 and 2011 were approximately $1,049 and $963, respectively.

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 receivables 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 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 the caption "Other current assets" in the accompanying Consolidated Balance Sheets and were $116 and $97 at December 31, 2012 and 2011, respectively.

Under most of the agreements, 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 receivables sold and derecognized from our balance sheet, $766 and $815 remained uncollected as of December 31, 2012 and 2011, respectively. Accounts receivable sales were as follows:

	Year Ended December 31,		
	2012	2011	2010
Accounts receivable sales	$ 3,699	$ 3,218	$ 2,374
Deferred proceeds	639	386	307
Loss on sale of accounts receivables	21	20	15
Estimated (decrease) increase to operating cash flows (1)	(78)	133	106

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

Note 5 – Finance Receivables, Net

Finance receivables include sales-type leases, direct financing leases and installment loans arising from the marketing of our equipment. These receivables are typically collateralized by a security interest in the underlying assets. Finance receivables, net were as follows:

	December 31,	
	2012	2011
Gross receivables	$ 6,290	$ 7,583
Unearned income	(809)	(1,027)
Subtotal	5,481	6,556
Residual values	2	7
Allowance for doubtful accounts	(170)	(201)
Finance Receivables, Net	5,313	6,362
Less: Billed portion of finance receivables, net	152	166
Less: Current portion of finance receivables not billed, net	1,836	2,165
Finance Receivables Due After One Year, Net	$ 3,325	$ 4,031

Contractual maturities of our gross finance receivables as of December 31, 2012 were as follows (including those already billed of $152):

2013	2014	2015	2016	2017	Thereafter	Total
$ 2,353	$ 1,753	$ 1,234	$ 680	$ 242	$ 28	$ 6,290

Sale of Finance Receivables

In 2012, we sold our entire interest in two separate portfolios of U.S. finance receivables from our Document Technology segment with a combined net carrying value of $682 (net of an allowance of $18) to a third-party financial institution for cash proceeds of $630 and beneficial interests from the purchaser of $101. The lease contracts, including associated service and supply elements, were initially sold to wholly-owned consolidated bankruptcy-remote limited purpose subsidiaries which in turn sold the principal and interest portions of such contracts to the third-party financial institution (the "ultimate purchaser"). As of December 31, 2012, the net carrying value of the receivables sold and derecognized from our balance sheet was $647.

A pre-tax gain of $44 was recognized on these sales and is net of fees and expenses of approximately $5. The gain was reported in Finance income in Document Technology segment revenues. We continue to service the sold receivables for which we receive a 1% servicing fee. We have concluded that the 1% servicing fee (approximately $12 over the expected life of the associated receivables) is adequate compensation and, accordingly, no servicing asset or liability was recorded.

The beneficial interests represent our right to receive future cash flows from the sold receivables which exceed the ultimate purchaser 's initial investment and associated return on that investment as well as the servicing fee. The beneficial interests were initially recognized at an estimate of fair value based on the present value of the expected future cash flows. The present value of the expected future cash flows was calculated using management's best estimate of key assumptions including credit losses, prepayment rates and an appropriate risk adjusted discount rate (all unobservable Level 3 inputs) for which we utilized annualized rates of approximately 2.1%, 9.3% and 10.0%, respectively. These assumptions are supported by both our historical experience and anticipated trends relative to the particular portfolios of receivables sold. However, to assess the sensitivity on the fair value of the beneficial interests, we adjusted the credit loss rate, prepayment rate and discount rate assumptions individually by 10% and 20% while holding the other assumptions constant. Although the effect of multiple assumption changes was not considered in this analysis, a 10% or 20% adverse variation in any one of these three individual assumptions would each decrease the recorded beneficial interests by approximately $4 or less.

The ultimate purchaser has no recourse to our other assets for the failure of customers to pay principal and interest when due beyond our beneficial interests of which $35 and $68 is included in "Other current assets" and "Other long-term assets", respectively, in the accompanying Consolidated Balance Sheets at December 31, 2012. The beneficial interests are held by the bankruptcy-remote subsidiaries and therefore are not available to satisfy any of our creditor obligations. We will report collections on the beneficial interests as operating cash flows in the Consolidated Statements of Cash Flows because such beneficial interests are the result of an operating activity and the associated interest rate risk is de minimis considering their weighted average lives of less than 2 years.

Allowance for Credit Losses and Credit Quality

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

The allowance for doubtful accounts and provision for credit losses represents an estimate of the losses expected to be incurred from the Company's finance receivable portfolio. The level of the allowance is determined on a collective basis by applying projected loss rates to our different portfolios by country, which represent our portfolio segments. This is the level at which we develop and document our methodology to determine the allowance for credit losses. This loss rate is primarily based upon historical loss experience adjusted for judgments about the probable effects of relevant observable data including current economic conditions as well as delinquency trends, resolution rates, the aging of receivables, credit quality indicators and the financial health of specific customer classes or groups. The allowance for doubtful finance receivables is inherently more difficult to estimate than the allowance for trade accounts receivable because the underlying lease portfolio has an average maturity, at any time, of approximately two to three years and contains past due billed amounts, as well as unbilled amounts. We consider all available information in our quarterly assessments of the adequacy of the allowance for doubtful accounts. The identification of account-specific exposure is not a significant factor in establishing the allowance for doubtful finance receivables. Our policy and methodology used to establish our allowance for doubtful accounts has been consistently applied over all periods presented.

Since our allowance for doubtful finance receivables is determined by country, the risk characteristics in our finance receivable portfolio segments will generally be consistent with the risk factors associated with the economies of those countries/regions. Loss rates declined in both the U.S. and Canada reflecting the effects of improved collections in those countries during 2011 and 2012 . Since Europe is comprised of various countries and regional economies, the risk profile within our European portfolio segment is somewhat more diversified due to the varying economic conditions among the countries. Charge-offs in Europe were flat in 2012 as compared to the prior years reflecting a stabilization of the credit issues noted in 2011. Loss rates peaked in 2011 as a result of the European economic challenges particularly for those countries in the southern region.

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

	United States	Canada	Europe	Other[3]	Total
Allowance for Credit Losses:					
Balance at December 31, 2010	$ 91	$ 37	$ 81	$ 3	$ 212
Provision	15	11	74	—	100
Charge-offs	(31)	(17)	(59)	(1)	(108)
Recoveries and other[1]	—	2	(5)	—	(3)
Balance at December 31, 2011	75	33	91	2	201
Provision	11	9	52	3	75
Charge-offs	(21)	(15)	(59)	(2)	(97)
Recoveries and other[1]	3	4	1	1	9
Sale of finance receivables	(18)	—	—	—	(18)
Balance at December 31, 2012	$ 50	$ 31	$ 85	$ 4	$ 170
Finance Receivables Collectively Evaluated for Impairment:					
December 31, 2011[2]	$ 2,993	$ 825	$ 2,630	$ 108	$ 6,556
December 31, 2012[2]	$ 2,012	$ 801	$ 2,474	$ 194	$ 5,481

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(1) Includes the impacts of foreign currency translation and adjustments to reserves necessary to reflect events of non-payment such as customer accommodations and contract terminations.
(2) Total Finance receivables exclude residual values of $2 and $7 and the allowance for credit losses of $170 and $201 at December 31, 2012 and 2011, respectively.
(3) Includes developing market countries and smaller units.

In the U.S. and Canada, customers are further evaluated or segregated by class based on industry sector. The primary customer classes are Finance & Other Services, Government & Education; Graphic Arts; Industrial; Healthcare and Other. In Europe, customers are further grouped by class based on the country or region of the customer. The primary customer classes include the U.K./Ireland, France and the following European regions - Central, Nordic and Southern. These groupings or classes are used to understand the nature and extent of our exposure to credit risk arising from finance receivables.

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 the 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 & Poors ("S&P") rating of BBB- or better. Loss rates in this category are normally minimal at 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 around 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:

	December 31, 2012			
	Investment Grade	Non-investment Grade	Substandard	Total Finance Receivables
Finance and other services	$ 252	$ 147	$ 59	$ 458
Government and Education	750	15	4	769
Graphic arts	92	90	137	319
Industrial	115	31	17	163
Healthcare	109	37	14	160
Other	70	39	34	143
Total United States	1,388	359	265	2,012
Finance and other services	151	116	40	307
Government and education	117	10	2	129
Graphic arts	37	34	30	101
Industrial	66	40	29	135
Other	75	43	11	129
Total Canada	446	243	112	801
France	274	294	134	702
U.K./Ireland	215	155	50	420
Central(1)	315	445	56	816
Southern(2)	139	230	73	442
Nordics(3)	49	36	9	94
Total Europe	992	1,160	322	2,474
Other	148	39	7	194
Total	$ 2,974	$ 1,801	$ 706	$ 5,481

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(1) Switzerland, Germany, Austria, Belgium and Holland.
(2) Italy, Greece, Spain and Portugal.
(3) Sweden, Norway, Denmark and Finland.

	December 31, 2011			
	Investment Grade	Non-investment Grade	Substandard	Total Finance Receivables
Finance and other services	$ 349	$ 380	$ 160	$ 889
Government and education	821	20	4	845
Graphic arts	126	200	172	498
Industrial	180	83	32	295
Healthcare	130	42	28	200
Other	97	93	76	266
Total United States	1,703	818	472	2,993
Finance and other services	153	118	51	322
Government and education	121	9	4	134
Graphic arts	36	39	35	110
Industrial	56	41	34	131
Other	74	42	12	128
Total Canada	440	249	136	825
France	246	354	92	692
U.K./Ireland	201	162	54	417
Central(1)	330	494	57	881
Southern(2)	219	256	63	538
Nordics(3)	60	39	3	102
Total Europe	1,056	1,305	269	2,630
Other	75	26	7	108
Total	$ 3,274	$ 2,398	$ 884	$ 6,556

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(1) Switzerland, Germany, Austria, Belgium and Holland.
(2) Italy, Greece, Spain and Portugal.
Sweden, Norway, Denmark and Finland.

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

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

	December 31, 2012						
	Current	31-90 Days Past Due	>90 Days Past Due	Total Billed Finance Receivables	Unbilled Finance Receivables	Total Finance Receivables	Finance Receivables >90 Days and Accruing
Finance and other services	$ 12	$ 3	$ 2	$ 17	$ 441	$ 458	$ 18
Government and education	21	5	3	29	740	769	42
Graphic arts	16	1	1	18	301	319	12
Industrial	5	2	1	8	155	163	6
Healthcare	6	2	1	9	151	160	9
Other	5	1	1	7	136	143	6
Total United States	65	14	9	88	1,924	2,012	93
Canada	2	3	2	7	794	801	30
France	—	5	1	6	696	702	22
U.K./Ireland	2	—	2	4	416	420	2
Central(1)	3	2	4	9	807	816	30
Southern(2)	20	8	14	42	400	442	72
Nordics(3)	1	—	—	1	93	94	—
Total Europe	26	15	21	62	2,412	2,474	126
Other	2	1	—	3	191	194	—
Total	$ 95	$ 33	$ 32	$ 160	$ 5,321	$ 5,481	$ 249

	December 31, 2011						
	Current	31-90 Days Past Due	>90 Days Past Due	Total Billed Finance Receivables	Unbilled Finance Receivables	Total Finance Receivables	Finance Receivables >90 Days and Accruing
Finance and other services	$ 18	$ 4	$ 1	$ 23	$ 866	$ 889	$ 15
Government and education	21	5	2	28	817	845	29
Graphic arts	16	2	1	19	479	498	7
Industrial	7	2	1	10	285	295	6
Healthcare	5	2	—	7	193	200	5
Other	8	1	—	9	257	266	4
Total United States	75	16	5	96	2,897	2,993	66
Canada	3	2	1	6	819	825	27
France	1	1	1	3	689	692	16
U.K./Ireland	3	2	3	8	409	417	4
Central(1)	7	2	3	12	869	881	46
Southern(2)	31	4	13	48	490	538	82
Nordics(3)	1	—	—	1	101	102	—
Total Europe	43	9	20	72	2,558	2,630	148
Other	2	1	—	3	105	108	—
Total	$ 123	$ 28	$ 26	$ 177	$ 6,379	$ 6,556	$ 241

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(1) Switzerland, Germany, Austria, Belgium and Holland.
(2) Italy, Greece, Spain and Portugal.
(3) Sweden, Norway, Denmark and Finland.

Note 6 – Inventories and Equipment on Operating Leases, Net

The following is a summary of Inventories by major category:

	December 31,	
	2012	2011
Finished goods	$ 844	$ 866
Work-in-process	61	58
Raw materials	106	97
Total Inventories	$ 1,011	$ 1,021

The transfer of equipment from our inventories to equipment subject to an operating lease is presented in our Consolidated Statements of Cash Flows in the operating activities section. Equipment on operating leases and similar arrangements consists of our equipment rented to customers and depreciated to estimated salvage value at the end of the lease term. We recorded $30, $39 and $31 in inventory write-down charges for the years ended December 31, 2012, 2011 and 2010, respectively.

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

	December 31,	
	2012	2011
Equipment on operating leases	$ 1,533	$ 1,556
Accumulated depreciation	(998)	(1,023)
Equipment on Operating Leases, Net	$ 535	$ 533

Depreciable lives generally vary from three to four years consistent with our planned and historical usage of the equipment subject to operating leases. Depreciation and obsolescence expense for equipment on operating leases was $279, $294 and $313 for the years ended December 31, 2012, 2011 and 2010, respectively. Our equipment operating lease terms vary, generally from one to three years. Scheduled minimum future rental revenues on operating leases with original terms of one year or longer are:

2013	2014	2015	2016	2017	Thereafter
$ 397	$ 285	$ 177	$ 103	$ 46	$ 15

Total contingent rentals on operating leases, consisting principally of usage charges in excess of minimum contracted amounts, for the years ended December 31, 2012, 2011 and 2010 amounted to $158, $154 and $133, respectively.

Note 7 - Land, Buildings, Equipment and Software, Net

Land, buildings and equipment, net were as follows:

	Estimated Useful Lives (Years)	December 31, 2012	December 31, 2011
Land		$ 61	$ 60
Buildings and building equipment	25 to 50	1,135	1,121
Leasehold improvements	Varies	506	461
Plant machinery	5 to 12	1,571	1,557
Office furniture and equipment	3 to 15	1,681	1,470
Other	4 to 20	83	99
Construction in progress		74	93
Subtotal		5,111	4,861
Accumulated depreciation		(3,555)	(3,249)
Land, Buildings and Equipment, Net		$ 1,556	$ 1,612

Depreciation expense and operating lease rent expense were as follows:

	Year Ended December 31, 2012	2011	2010
Depreciation expense	$ 452	$ 405	$ 379
Operating lease rent expense (1)	646	681	632

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(1) We lease certain land, buildings and equipment, substantially all of which are accounted for as operating leases. Capital leased assets were less than $80 at December 31, 2012 and 2011, respectively.

Future minimum operating lease commitments that have initial or remaining non-cancelable lease terms in excess of one year at December 31, 2012 were as follows:

2013	2014	2015	2016	2017	Thereafter
$ 636	$ 425	$ 265	$ 157	$ 74	$ 83

Internal Use and Product Software

Additions to:	Year Ended December 31, 2012	2011	2010
Internal use software	$ 125	$ 163	$ 164
Product software	107	108	70

Capitalized costs, net:	December 31, 2012	2011
Internal use software	$ 577	$ 545
Product software	344	256

Useful lives of our internal use and product software generally vary from three to ten years. Included within product software is approximately $200 of capitalized costs associated with a software system developed for use in certain of our government services businesses.

Our 2012 impairment review indicated these costs will be recoverable from estimated future operating profits.
However, since the review indicated that the excess of estimated future operating profits over capitalized costs was less than 5%; in 2013 we will continue to closely monitor any significant changes in the estimated future revenues or margins from current or potential customers. Beginning in 2013, the costs associated with this software system will be amortized over seven years.

Note 8 – Investment in Affiliates, at Equity

Investments in corporate joint ventures and other companies in which we generally have a 20% to 50% ownership interest were as follows:

	December 31,	
	2012	2011
Fuji Xerox	$ 1,317	$ 1,334
All other equity investments	64	61
Investments in Affiliates, at Equity	$ 1,381	$ 1,395

Our equity in net income of our unconsolidated affiliates was as follows:

	Year Ended December 31,		
	2012	2011	2010
Fuji Xerox	$ 139	$ 137	$ 63
Other investments	13	12	15
Total Equity in Net Income of Unconsolidated Affiliates	$ 152	$ 149	$ 78

Fuji Xerox

Fuji Xerox is headquartered in Tokyo and operates in Japan, China, Australia, New Zealand and other areas of the Pacific Rim. Our investment in Fuji Xerox of $1,317 at December 31, 2012, differs from our implied 25% interest in the underlying net assets, or $1,430, due primarily to our deferral of gains resulting from sales of assets by us to Fuji Xerox.

Equity in net income of Fuji Xerox is affected by certain adjustments 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.

Condensed financial data of Fuji Xerox was as follows:

	Year Ended December 31,		
	2012	2011	2010
Summary of Operations			
Revenues	$ 12,633	$ 12,367	$ 11,276
Costs and expenses	11,783	11,464	10,659
Income before income taxes	850	903	617
Income tax expense	279	312	291
Net Income	571	591	326
Less: Net income - noncontrolling interests	6	5	5
Net Income - Fuji Xerox	$ 565	$ 586	$ 321
Balance Sheet			
Assets:			
Current assets	$ 5,154	$ 5,056	$ 4,884
Long-term assets	6,158	6,064	5,978
Total Assets	$ 11,312	$ 11,120	$ 10,862
Liabilities and Equity:			
Current liabilities	$ 3,465	$ 3,772	$ 3,534
Long-term debt	1,185	817	1,260
Other long-term liabilities	917	700	707
Noncontrolling interests	27	25	22
Fuji Xerox shareholders' equity	5,718	5,806	5,339
Total Liabilities and Equity	$ 11,312	$ 11,120	$ 10,862

Yen/U.S. Dollar exchange rates used to translate are as follows:

Financial Statement	Exchange Basis	2012	2011	2010
Summary of Operations	Weighted average rate	79.89	79.61	87.64
Balance Sheet	Year-end rate	86.01	77.62	81.66

Transactions with Fuji Xerox

We receive dividends from Fuji Xerox, which are reflected as a reduction in our investment. Additionally, we have a Technology Agreement with Fuji Xerox whereby we receive royalty payments for their use of our Xerox brand trademark, as well as rights to access our patent portfolio in exchange for access to their patent portfolio. These payments are included in Outsourcing, service and rental revenues in the Consolidated Statements of Income. We also have arrangements with Fuji Xerox whereby we purchase inventory from and sell inventory to Fuji Xerox. Pricing of the transactions under these arrangements is based upon terms the Company believes to be negotiated at arm's length. Our purchase commitments with Fuji Xerox are in the normal course of business and typically have a lead time of three months. In addition, we pay Fuji Xerox and they pay us for unique research and development costs.
Transactions with Fuji Xerox were as follows:

	Year Ended December 31,		
	2012	2011	2010
Dividends received from Fuji Xerox	$ 52	$ 58	$ 36
Royalty revenue earned	132	128	116
Inventory purchases from Fuji Xerox	2,069	2,180	2,098
Inventory sales to Fuji Xerox	147	151	147
R&D payments received from Fuji Xerox	2	2	1
R&D payments paid to Fuji Xerox	15	21	30

As of December 31, 2012 and 2011, net amounts due to Fuji Xerox were $110 and $105, respectively.

Note 9 - Goodwill and Intangible Assets, Net

Goodwill

The following table presents the changes in the carrying amount of goodwill, by reportable segment:

	Year Ended December 31,		
	Services	Document Technology	Total
Balance at December 31, 2009 [1]	$ 1,295	$ 2,127	$ 3,422
Foreign currency translation	(22)	(25)	(47)
Acquisitions:			
ACS	5,127	—	5,127
EHRO	77	—	77
TMS	35	—	35
IBS	—	14	14
Other	10	11	21
Balance at December 31, 2010	$ 6,522	$ 2,127	$ 8,649
Foreign currency translation	(28)	(6)	(34)
Acquisitions:			
Unamic/HCN	43	—	43
Breakaway	33	—	33
ESM	28	—	28
Concept Group	—	26	26
MBM	—	20	20
Other	21	17	38
Balance at December 31, 2011	$ 6,619	$ 2,184	$ 8,803
Foreign currency translation	41	34	75
Acquisitions:			
WDS	69	—	69
R.K. Dixon	—	30	30
Other	51	34	85
Balance at December 31, 2012	$ 6,780	$ 2,282	$ 9,062

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(1) Includes the reallocation of approximately $300 of goodwill related to our Managed Print Services business from Document Technology to Services to reflect the current composition of our Segments.

Intangible Assets, Net

Net intangible assets were $2.8 billion at December 31, 2012 and approximately $2.4 billion relate to the Services segment and $0.4 billion relate to the Document Technology segment. Intangible assets were comprised of the following:

		December 31, 2012			December 31, 2011		
	Weighted Average Amortization	Gross Carrying Amount	Accumulated Amortization	Net Amount	Gross Carrying Amount	Accumulated Amortization	Net Amount
Customer relationships	12 years	$ 3,562	$ 1,052	$ 2,510	$ 3,522	$ 751	$ 2,771
Distribution network	25 years	123	64	59	123	59	64
Trademarks[1]	20 years	257	59	198	238	47	191
Technology, patents and non-compete[1]	4 years	23	7	16	29	13	16
Total Intangible Assets		$ 3,965	$ 1,182	$ 2,783	$ 3,912	$ 870	$ 3,042

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(1) Includes $10 and $5 of indefinite-lived assets within trademarks and technology, respectively, related to the 2010 acquisition of ACS.

Amortization expense related to intangible assets was $328, $401, and $316 for the years ended December 31, 2012, 2011 and 2010, respectively. Amortization expense for 2011 includes $52 for the accelerated write-off of the ACS trade name as a result of the fourth quarter 2011 decision to discontinue its use and transition our services business to the “Xerox Business Services” trade name.

Excluding the impact of additional acquisitions, amortization expense is expected to approximate $333 in 2013 and 2014, and $328 in years 2015 through 2017.

Note 10 – Restructuring and Asset Impairment Charges

Over the past several years, we have engaged in a series of restructuring programs related to downsizing our employee base, exiting certain activities, outsourcing certain internal functions and engaging in other actions designed to reduce our cost structure and improve productivity. These initiatives primarily consist of severance actions and impact all major geographies and segments. Management continues to evaluate our business, therefore, in future years, there may be additional provisions for new plan initiatives as well as changes in previously recorded estimates, as payments are made or actions are completed. Asset impairment charges were also incurred in connection with these restructuring actions for those assets sold, abandoned or made obsolete as a result of these programs.

Costs associated with restructuring, including employee severance and lease termination costs are generally recognized when it has been determined that a liability has been incurred, which is generally upon communication to the affected employees or exit from the leased facility, respectively. In those geographies where we have either a formal severance plan or a history of consistently providing severance benefits representing a substantive plan, we recognize employee severance costs when they are both probable and reasonably estimable.

A summary of our restructuring program activity during the three years ended December 31, 2012 is as follows:

	Severance and Related Costs	Lease Cancellation and Other Costs	Asset Impairments[1]	Total
Balance at December 31, 2009	$ 54	$ 20	$ —	$ 74
Restructuring provision	470	28	26	524
Reversals of prior accruals	(32)	(9)	—	(41)
Net current period charges[2]	438	19	26	483
Charges against reserve and currency	(194)	(14)	(26)	(234)
Balance at December 31, 2010	298	25	—	323
Restructuring provision	98	1	5	104
Reversals of prior accruals	(65)	(6)	—	(71)
Net current period charges[2]	33	(5)	5	33
Charges against reserve and currency	(215)	(13)	(5)	(233)
Balance at December 31, 2011	116	7	—	123
Restructuring provision	160	5	2	167
Reversals of prior accruals	(13)	—	(1)	(14)
Net current period charges[2]	147	5	1	153
Charges against reserve and currency	(140)	(5)	(1)	(146)
Balance at December 31, 2012	$ 123	$ 7	$ —	$ 130

(1) 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.
(2) Represents amount recognized within the Consolidated Statements of Income for the years shown.

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

	Year Ended December 31,		
	2012	2011	2010
Charges against reserve	$ (146)	$ (233)	$ (234)
Asset impairment	1	5	26
Effects of foreign currency and other non-cash items	1	10	(5)
Restructuring Cash Payments	$ (144)	$ (218)	$ (213)

The following table summarizes the total amount of costs incurred in connection with these restructuring programs by segment:

	Year Ended December 31,		
	2012	2011	2010
Services	$ 71	$ 12	$ 104
Document Technology	82	23	325
Other	—	(2)	54
Total Net Restructuring Charges	$ 153	$ 33	$ 483

Refer to the "Restructuring and Asset Impairment Charges" section of our MD&A for additional discussion of net restructuring charges for the three years ended December 31, 2012.

Note 11 - Supplementary Financial Information

The components of other current and long-term assets and liabilities were as follows:

	December 31,	
	2012	2011
Other Current Assets		
Deferred taxes and income taxes receivable	$ 296	$ 261
Royalties, license fees and software maintenance	165	143
Restricted cash	151	97
Prepaid expenses	143	147
Derivative instruments	11	58
Deferred purchase price from sales of accounts receivables	116	97
Beneficial interests - sales of finance receivables	35	—
Advances and deposits	29	28
Other	216	227
Total Other Current Assets	$ 1,162	$ 1,058
Other Current Liabilities		
Deferred taxes and income taxes payable	$ 105	$ 83
Other taxes payable	170	150
Interest payable	83	84
Restructuring reserves	122	116
Derivative instruments	82	31
Product warranties	13	15
Dividends payable	69	74
Distributor and reseller rebates/commissions	117	112
Servicer liabilities	146	88
Other	869	878
Total Other Current Liabilities	$ 1,776	$ 1,631
Other Long-term Assets		
Prepaid pension costs	$ 35	$ 76
Net investment in discontinued operations	190	204
Internal use software, net	577	545
Product software, net	344	256
Restricted cash	214	246
Debt issuance costs, net	37	38
Customer contract costs, net	356	294
Beneficial interests - sales of finance receivables	68	—
Deferred compensation plan investments	100	92
Other	416	365
Total Other Long-term Assets	$ 2,337	$ 2,116
Other Long-term Liabilities		
Deferred and other tax liabilities	$ 262	$ 290
Environmental reserves	14	16
Unearned income	134	82
Restructuring reserves	8	7
Other	360	466
Total Other Long-term Liabilities	$ 778	$ 861

Restricted Cash and Investments

As more fully discussed in Note 17 - Contingencies and Litigation, various litigation matters in Brazil require us to make cash deposits to escrow as a condition of continuing the litigation. In addition, as more fully discussed in Note 4 - Accounts Receivable, Net and Note 5 - Finance Receivables, Net, we continue to service the receivables sold under most of our receivable sale agreements. As servicer, we may collect cash related to sold receivables prior to month-end that will be remitted to the purchaser the following month. Since we are acting on behalf of the purchaser in our capacity as servicer, such cash collected is reported as restricted cash. Restricted cash amounts are classified in our Consolidated Balance Sheets based on when the cash will be contractually or judicially released.

Restricted cash amounts were as follows:

	December 31,	
	2012	2011
Tax and labor litigation deposits in Brazil	$ 211	$ 240
Escrow and cash collections related to receivable sales	146	88
Other restricted cash	8	15
Total Restricted Cash and Investments	$ 365	$ 343

Net Investment in Discontinued Operations

At December 31, 2012, our net investment in discontinued operations primarily consisted of a $208 performance-based instrument relating to the 1997 sale of The Resolution Group ("TRG") net of remaining net liabilities associated with our discontinued operations of $18. The recovery of the performance-based instrument is dependent on the sufficiency of TRG's available cash flows, as guaranteed by TRG's ultimate parent, which are expected to be recovered in annual cash distributions through 2017. The performance-based instrument is pledged as security for our future funding obligations to our U.K. Pension Plan for salaried employees.

Note 12 – Debt

Short-term borrowings were as follows:

	December 31,	
	2012	2011
Commercial paper	$ —	$ 100
Current maturities of long-term debt	1,042	1,445
Total Short-term Debt	$ 1,042	$ 1,545

We classify our debt based on the contractual maturity dates of the underlying debt instruments or as of the earliest put date available to the debt holders. We defer costs associated with debt issuance over the applicable term, or to the first put date in the case of convertible debt or debt with a put feature. These costs are amortized as interest expense in our Consolidated Statements of Income.

Long-term debt was as follows:

	December 31,		
	Weighted Average Interest Rates at December 31, 2012[(2)]	2012	2011
Xerox Corporation			
Senior Notes due 2012	—%	—	1,100
Senior Notes due 2013	5.65%	400	400
Floating Rate Notes due 2013	1.71%	600	—
Convertible Notes due 2014	9.00%	19	19
Senior Notes due 2014	8.25%	750	750
Floating Rate Notes due 2014	1.13%	300	300
Senior Notes due 2015	4.29%	1,000	1,000
Notes due 2016	7.20%	250	250
Senior Notes due 2016	6.48%	700	700
Senior Notes due 2017	6.83%	500	500
Senior Notes due 2017	2.98%	500	—
Notes due 2018	0.57%	1	1
Senior Notes due 2018	6.37%	1,000	1,000
Senior Notes due 2019	5.66%	650	650
Senior Notes due 2021	5.39%	1,062	700
Zero Coupon Notes due 2023	—%	—	301
Senior Notes due 2039	6.78%	350	350
Subtotal - Xerox Corporation		$ 8,082	$ 8,021
Subsidiary Companies			
Senior Notes due 2015	4.25%	250	250
Borrowings secured by other assets	4.31%	77	76
Other	1.23%	1	3
Subtotal-Subsidiary Companies		$ 328	$ 329
Principal Debt Balance		8,410	8,350
Unamortized discount		(63)	(7)
Fair value adjustments[(1)]		142	190
Less: current maturities		(1,042)	(1,445)
Total Long-term Debt		$ 7,447	$ 7,088

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(1) Fair value adjustments represent changes in the fair value of hedged debt obligations attributable to movements in benchmark interest rates. Hedge accounting requires hedged debt instruments to be reported at an amount equal to the sum of their carrying value (principal value plus/minus premiums/discounts) and any fair value adjustment.

(2) Represents weighted average effective interest rate which includes the effect of discounts and premiums on issued debt.

Scheduled principal payments due on our long-term debt for the next five years and thereafter are as follows:

2013[(1)]		2014		2015		2016		2017		Thereafter		Total
1,039	$	1,093	$	1,259	$	954	$	1,002	$	3,063	$	8,410

(1) Quarterly total debt maturities for 2013 are $12, $410, $609 and $8 for the first, second, third and fourth quarters, respectively.

Commercial Paper

We have a private placement commercial paper ("CP") program in the U.S. under which we may issue CP up to a maximum amount of $2.0 billion outstanding at any time. Aggregate CP and Credit Facility borrowings may not exceed $2.0 billion outstanding at any time. The maturities of the CP Notes will vary, but may not exceed 390 days from the date of issue. The CP Notes are sold at a discount from par or, alternatively, sold at par and bear interest at market rates. At December 31, 2012, we did not have any CP Notes outstanding.

Credit Facility

We have a $2.0 billion unsecured revolving Credit Facility with a group of lenders which matures in 2016. The Credit Facility contains a $300 letter of credit sub-facility, and also includes an accordion feature that would allow us to increase (from time to time, with willing lenders) the overall size of the facility up to an aggregate amount not to exceed $2.75 billion. We entered into the facility in December 2011 and we have the right to request a one year extension on each of the first and second anniversary dates of this facility. No extension was requested at the first anniversary date in 2012.

The Credit Facility provides a backstop to our $2.0 billion CP program. Proceeds from any borrowings under the Credit Facility can be used to provide working capital for the Company and its subsidiaries and for general corporate purposes.

At December 31, 2012 we had no outstanding borrowings or letters of credit under the Credit Facility.

The Credit Facility is available, without sublimit, to certain of our qualifying subsidiaries. Our obligations under the Credit Facility are unsecured and are not currently guaranteed by any of our subsidiaries. Any domestic subsidiary that guarantees more than $100 of Xerox Corporation debt must also guaranty our obligations under the Credit Facility. In the event that any of our subsidiaries borrows under the Credit Facility, its borrowings thereunder would be guaranteed by us.

Borrowings under the Credit Facility bear interest at our choice, at either (a) a Base Rate as defined in our Credit Facility agreement, plus a spread that varies between 0.00% and 0.45% depending on our credit rating at the time of borrowing, or (b) LIBOR plus an all-in spread that varies between 0.90% and 1.45% depending on our credit rating at the time of borrowing. Based on our credit rating as of December 31, 2012, the applicable all-in spreads for the Base Rate and LIBOR borrowing were 0.175% and 1.175%, respectively.

An annual facility fee is payable to each participator in the Credit Facility at a rate that varies between 0.10% and 0.30% depending on our credit rating. Based on our credit rating as of December 31, 2012, the applicable rate is 0.20%.

The Credit Facility contains various conditions to borrowing and affirmative, negative and financial maintenance covenants. Certain of the more significant covenants are summarized below:

(a) Maximum leverage ratio (a quarterly test that is calculated as principal debt divided by consolidated EBITDA, as defined) of 3.75x.
(b) Minimum interest coverage ratio (a quarterly test that is calculated as consolidated EBITDA divided by consolidated interest expense) may not be less than 3.00x.
(c) Limitations on (i) liens of Xerox and certain of our subsidiaries securing debt, (ii) certain fundamental changes to corporate structure, (iii) changes in nature of business and (iv) limitations on debt incurred by certain subsidiaries.

The Credit Facility also contains various events of default, the occurrence of which could result in termination of the lenders' commitments to lend and the acceleration of all our obligations under the Credit Facility. These events of default include, without limitation: (i) payment defaults, (ii) breaches of covenants under the Credit Facility (certain of which breaches do not have any grace period), (iii) cross-defaults and acceleration to certain of our other obligations and (iv) a change of control of Xerox.

Capital Market Activity

Refer to the "Capital Market Activity" section in our Capital Resources and Liquidity section of the MDA for a discussion of 2012 Capital Market activity.

Interest

Interest paid on our short-term and long-term debt amounted to $462, $538 and $586 for the years ended December 31, 2012, 2011 and 2010, respectively.

Interest expense and interest income was as follows:

	Year Ended December 31,		
	2012	2011	2010
Interest expense(1)	$ 428	$ 478	$ 592
Interest income(2)	610	653	679

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(1) Includes Equipment financing interest expense, as well as non-financing interest expense included in Other expenses, net in the Consolidated Statements of Income.
(2) Includes Finance income, as well as other interest income that is included in Other expenses, net in the Consolidated Statements of Income.

Equipment financing interest is determined based on an estimated cost of funds, applied against the estimated level of debt required to support our net finance receivables. The estimated cost of funds is based on our overall corporate cost of borrowing adjusted to reflect a rate that would be paid by a typical BBB rated leasing company. The estimated level of debt is based on an assumed 7 to 1 leverage ratio of debt/equity as compared to our average finance receivable balance during the applicable period.

Net (Payments) Proceeds on Debt

Net (payments) proceeds on debt as shown on the Consolidated Statements of Cash Flows was as follows:

	Year Ended December 31,		
	2012	2011	2010
Net (payments) proceeds on short-term debt	$ (108)	$ (200)	$ 300
Proceeds from issuance of long-term debt	1,116	1,000	—
Payments on long-term debt	(1,116)	(751)	(3,357)
Net (Payments) Proceeds on Other Debt	$ (108)	$ 49	$ (3,057)

Note 13 – Financial Instruments

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 Japanese Yen, Euro and U.K. Pound Sterling. The fair market values of all our derivative contracts change with fluctuations in interest rates and/or currency exchange rates and are designed so that any changes in their values are offset by changes in the values of the underlying exposures. Derivative financial instruments are held solely as risk management tools and not for trading or speculative purposes. The related cash flow impacts of all of our derivative activities are reflected as cash flows from operating activities.

We do not believe there is significant risk of loss in the event of non-performance by the counterparties associated with our derivative 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.

Interest Rate Risk Management

We may 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. We did not have any interest rate swap agreements outstanding at December 31, 2012 or 2011.

Terminated Swaps: During the period from 2004 to 2011, we early terminated several interest rate swaps that were designated as fair value hedges of certain debt instruments. The associated net fair value adjustments to the debt instruments are being amortized to interest expense over the remaining term of the related notes. In 2012, 2011 and 2010, the amortization of these fair value adjustments reduced interest expense by $49, $53 and $28, respectively, and we expect to record a net decrease in interest expense of $142 in future years through 2018.

Foreign Exchange Risk Management

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

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

Summary of Foreign Exchange Hedging Positions: At December 31, 2012, we had outstanding forward exchange and purchased option contracts with gross notional values of $3,505, which is typical of the amounts that are normally outstanding at any point during the year. These contracts generally mature in 12 months or less.

The following is a summary of the primary hedging positions and corresponding fair values as of December 31, 2012:

Currencies Hedged (Buy/Sell)	Gross Notional Value	Fair Value Asset (Liability)[1]
Japanese Yen/U.S. Dollar	$ 640	$ (37)
U.S. Dollar/Euro	559	(6)
U.K. Pound Sterling/Euro	516	(4)
Euro/U.K. Pound Sterling	502	5
Japanese Yen/Euro	463	(33)
Euro/U.S. Dollar	188	1
U.S. Dollar/Japanese Yen	87	—
Indian Rupee/U.S. Dollar	65	1
Mexican Peso/U.S. Dollar	65	1
Euro/Japanese Yen	61	—
Philippine Peso/U.S. Dollar	52	1
Euro/Swiss Franc	37	—
Swiss Franc/Euro	29	—
U.S. Dollar/Canadian Dollar	25	—
All Other	216	—
Total Foreign Exchange Hedging	$ 3,505	$ (71)

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(1) Represents the net receivable (payable) amount included in the Consolidated Balance Sheet at December 31, 2012.

Foreign Currency Cash Flow Hedges: We designate a portion of our foreign currency derivative contracts as cash flow hedges of our foreign currency-denominated inventory purchases, sales and expenses. No amount of ineffectiveness was recorded in the Consolidated Statements of Income for these designated cash flow hedges and all components of each derivative's gain or loss was included in the assessment of hedge effectiveness. The net (liability) asset fair value of these contracts was $(48) and $26 as of December 31, 2012 and December 31, 2011, 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	December 31, 2012	December 31, 2011
Derivatives Designated as Hedging Instruments			
Foreign exchange contracts – forwards	Other current assets	$ 3	$ 37
	Other current liabilities	(51)	(11)
	Net Designated (Liability) Asset	$ (48)	$ 26
Derivatives NOT Designated as Hedging Instruments			
Foreign exchange contracts – forwards	Other current assets	$ 8	$ 21
	Other current liabilities	(31)	(20)
	Net Undesignated (Liability) Asset	$ (23)	$ 1
Summary of Derivatives	Total Derivative Assets	$ 11	$ 58
	Total Derivative Liabilities	(82)	(31)
	Net Derivative (Liability) Asset	$ (71)	$ 27

Summary of Derivative Instruments Gains (Losses)

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

Designated Derivative Instruments Gains (Losses): The following tables provide a summary of gains (losses) on derivative instruments:

Derivatives in Fair Value Relationships	Location of Gain (Loss) Recognized in Income	Year Ended December 31, Derivative Gain (Loss) Recognized in Income 2012	2011	2010	Hedged Item Gain (Loss) Recognized in Income 2012	2011	2010
Interest rate contracts	Interest expense	$ —	$ 15	$ 99	$ —	$ (15)	$ (99)

Derivatives in Cash Flow Hedging Relationships	Year Ended December 31, Derivative Gain (Loss) Recognized in OCI (Effective Portion) 2012	2011	2010	Location of Derivative Gain (Loss) Reclassified from AOCI into Income (Effective Portion)	Gain (Loss) Reclassified from AOCI to Income (Effective Portion) 2012	2011	2010
Foreign exchange contracts – forwards	$ (50)	$ 30	$ 46	Cost of sales	$ 37	$ 14	$ 28

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

At December 31, 2012, net after-tax losses of of $37 were recorded in accumulated other comprehensive loss associated with our cash flow hedging activity. The entire balance is expected to be reclassified into net income within the next 12 months, providing an offsetting economic impact against the underlying anticipated transactions.

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

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

		Year Ended December 31,		
Derivatives NOT Designated as Hedging Instruments	Location of Derivative (Loss) Gain	2012	2011	2010
Foreign exchange contracts – forwards	Other expense – Currency (losses) gains, net	$ (38)	$ 33	$ 113

During the three years ended December 31, 2012, we recorded Currency losses, net of $3, $12 and $11, respectively. Currency losses, net includes 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.

Note 14 – Fair Value of Financial Assets and Liabilities

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

	As of December 31,	
	2012	2011
Assets:		
Foreign exchange contracts-forwards	$ 11	$ 58
Deferred compensation investments in cash surrender life insurance	77	69
Deferred compensation investments in mutual funds	23	23
Total	$ 111	$ 150
Liabilities:		
Foreign exchange contracts-forwards	$ 82	$ 31
Deferred compensation plan liabilities	110	97
Total	$ 192	$ 128

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 Company-owned life insurance is reflected at cash surrender value. Fair value for our deferred compensation plan investments in mutual funds is based on quoted market prices for actively traded investments similar to those held by the plan. Fair value for deferred compensation plan liabilities is based on the fair value of investments corresponding to employees' investment selections, based on quoted prices for similar assets in actively traded markets.

Summary of Other Financial Assets and Liabilities Fair Value Measured on a Nonrecurring Basis

The estimated fair values of our other financial assets and liabilities fair value measured on a nonrecurring basis were as follows:

	December 31, 2012		December 31, 2011	
	Carrying Amount	Fair Value	Carrying Amount	Fair Value
Cash and cash equivalents	$ 1,246	$ 1,246	$ 902	$ 902
Accounts receivable, net	2,866	2,866	2,600	2,600
Short-term debt	1,042	1,051	1,545	1,622
Long-term debt	7,447	8,040	7,088	7,496

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 quoted market prices for publicly traded securities (Level 1) or on the current rates offered to us for debt of similar maturities (Level 2). The difference between the fair value and the carrying value represents the theoretical net premium or discount we would pay or receive to retire all debt at such date.

Note 15 – Employee Benefit Plans

We sponsor numerous defined benefit and defined contribution pension and other post-retirement benefit plans, primarily retiree health care, in our domestic and international operations. December 31 is the measurement date for all of our post-retirement benefit plans.

	Pension Benefits				Retiree Health	
	U.S. Plans		Non-U.S. Plans			
	2012	2011	2012	2011	2012	2011
Change in Benefit Obligation:						
Benefit obligation, January 1	$ 4,670	$ 4,456	$ 5,835	$ 5,275	$ 1,007	$ 1,006
Service cost	112	108	83	78	9	8
Interest cost	282	328	270	284	42	47
Plan participants' contributions	—	—	9	10	19	33
Actuarial loss	480	403	537	513	18	26
Currency exchange rate changes	—	—	232	(85)	4	(3)
Curtailments	—	—	(1)	—	—	—
Benefits paid/settlements	(509)	(623)	(256)	(247)	(103)	(106)
Other	(2)	(2)	(1)	7	(7)	(4)
Benefit Obligation, December 31	$ 5,033	$ 4,670	$ 6,708	$ 5,835	$ 989	$ 1,007
Change in Plan Assets:						
Fair value of plan assets, January 1	$ 3,393	$ 3,202	$ 4,884	$ 4,738	$ —	$ —
Actual return on plan assets	358	406	434	288	—	—
Employer contribution	331	408	163	148	84	73
Plan participants' contributions	—	—	9	10	19	33
Currency exchange rate changes	—	—	197	(57)	—	—
Benefits paid/settlements	(509)	(623)	(256)	(247)	(103)	(106)
Other	—	—	—	4	—	—
Fair Value of Plan Assets, December 31	$ 3,573	$ 3,393	$ 5,431	$ 4,884	$ —	$ —
Net Funded Status at December 31 (1)	$ (1,460)	$ (1,277)	$ (1,277)	$ (951)	$ (989)	$ (1,007)
Amounts Recognized in the Consolidated Balance Sheets:						
Other long-term assets	$ —	$ —	$ 35	$ 76	$ —	$ —
Accrued compensation and benefit costs	(23)	(22)	(25)	(23)	(80)	(82)
Pension and other benefit liabilities	(1,437)	(1,255)	(1,287)	(1,004)	—	—
Post-retirement medical benefits	—	—	—	—	(909)	(925)
Net Amounts Recognized	$ (1,460)	$ (1,277)	$ (1,277)	$ (951)	$ (989)	$ (1,007)

(1) Includes under-funded and non-funded plans.

Benefit plans pre-tax amounts recognized in AOCL at December 31:

	Pension Benefits					
	U.S. Plans		Non-U.S. Plans		Retiree Health	
	2012	2011	2012	2011	2012	2011
Net actuarial loss	$ 1,255	$ 963	$ 2,013	$ 1,589	$ 97	$ 70
Prior service (credit) cost	(17)	(38)	—	1	(128)	(163)
Total Pre-tax Loss (Gain)	$ 1,238	$ 925	$ 2,013	$ 1,590	$ (31)	$ (93)
Accumulated Benefit Obligation	$ 5,027	$ 4,617	$ 6,359	$ 5,517		

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

	December 31, 2012						
	Underfunded Plans		Unfunded Plans		Total		
	U.S.	Non-U.S.	U.S.	Non-U.S.	U.S.	Non-U.S.	Total
Projected benefit obligation	$ 4,679	$ 5,997	$ 355	$ 527	$ 5,034	$ 6,524	$ 11,558
Accumulated benefit obligation	4,672	5,686	355	520	5,027	6,206	11,233
Fair value of plan assets	3,574	5,213	—	—	3,574	5,213	8,787

	December 31, 2011						
	Underfunded Plans		Unfunded Plans		Total		
	U.S.	Non-U.S.	U.S.	Non-U.S.	U.S.	Non-U.S.	Total
Projected benefit obligation	$ 4,342	$ 4,391	$ 327	$ 445	$ 4,669	$ 4,836	$ 9,505
Accumulated benefit obligation	4,291	4,127	326	434	4,617	4,561	9,178
Fair value of plan assets	3,393	3,811	—	—	3,393	3,811	7,204

Our pension plan assets and benefit obligations at December 31, 2012 were as follows:

(in billions)	Fair Value of Pension Plan Assets	Pension Benefit Obligations	Net Funded Status
U.S. funded	$ 3.6	$ 4.6	$ (1.0)
U.S. unfunded	—	0.4	(0.4)
Total U.S.	$ 3.6	$ 5.0	$ (1.4)
U.K.	3.4	3.7	(0.3)
Canada	0.7	1.0	(0.3)
Other funded	1.3	1.5	(0.2)
Other unfunded	—	0.5	(0.5)
Total	$ 9.0	$ 11.7	$ (2.7)

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

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

	Pension Benefits					
	Year Ended December 31,					
	U.S. Plans			Non-U.S. Plans		
	2012	2011	2010	2012	2011	2010
Components of Net Periodic Benefit Costs:						
Service cost	$ 112	$ 108	$ 109	$ 83	$ 78	$ 69
Interest cost[1]	282	328	310	270	284	265
Expected return on plan assets[2]	(306)	(337)	(296)	(307)	(310)	(274)
Recognized net actuarial loss	53	33	40	53	39	31
Amortization of prior service credit	(23)	(23)	(23)	—	—	1
Recognized settlement loss	82	80	72	1	4	—
Recognized curtailment gain	—	(107)	—	—	—	—
Defined Benefit Plans	200	82	212	100	95	92
Defined contribution plans	28	31	25	35	35	26
Net Periodic Benefit Cost	228	113	237	135	130	118
Other changes in plan assets and benefit obligations recognized in Other Comprehensive Income:						
Net actuarial loss	427	334	8	416	518	190
Prior service credit	(2)	(2)	(17)	(1)	—	(2)
Amortization of net actuarial loss	(135)	(113)	(112)	(54)	(40)	(31)
Amortization of net prior service credit	23	23	23	—	—	(1)
Curtailment gain - recognition of net prior service credit	—	107	—	—	—	—
Total Recognized in Other Comprehensive Income	313	349	(98)	361	478	156
Total Recognized in Net Periodic Benefit Cost and Other Comprehensive Income	$ 541	$ 462	$ 139	$ 496	$ 608	$ 274

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(1) Interest cost includes interest expense on non-TRA obligations of $382, $388 and $381 and interest expense directly allocated to TRA participant accounts of $170, $224 and $194 for the years ended December 31, 2012, 2011 and 2010, respectively.

(2) Expected return on plan assets includes expected investment income on non-TRA assets of $443, $423 and $376 and actual investment income on TRA assets of $170, $224 and $194 for the years ended December 31, 2012, 2011 and 2010, respectively.

	Retiree Health		
	Year Ended December 31,		
	2012	2011	2010
Components of Net Periodic Benefit Costs:			
Service cost	$ 9	$ 8	$ 8
Interest cost	42	47	54
Recognized net actuarial loss	1	—	—
Amortization of prior service credit	(41)	(41)	(30)
Net periodic benefit cost	11	14	32
Other changes in plan assets and benefit obligations recognized in Other Comprehensive Income:			
Net actuarial loss	18	25	13
Prior service credit	(6)	(3)	(86)
Amortization of net actuarial loss	(1)	—	—
Amortization of net prior service credit	41	41	30
Total recognized in Other Comprehensive Income	52	63	(43)
Total recognized in Net Periodic Benefit Cost and Other Comprehensive Income	$ 63	$ 77	$ (11)

The net actuarial loss and prior service credit for the defined benefit pension plans that will be amortized from Accumulated other comprehensive loss into net periodic benefit cost over the next fiscal year are $106 and $(2), respectively, excluding amounts that may be recognized through settlement losses. The net actuarial loss and prior service credit for the retiree health benefit plans that will be amortized from Accumulated other comprehensive loss into net periodic benefit cost over the next fiscal year are $2 and $(43), respectively.

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

Plan Amendments

Pension Plan Freezes

Over the past several years, we have amended several of our defined benefit pension plans to freeze current benefits and eliminate benefits accruals for future service. In certain plans we are required to continue to consider salary increases in determining the benefit obligation related to prior service. The following is a discussion of these amendments and their impact on our primary defined benefit pension plans.

In 2011, we amended all our primary U.S. defined benefit plans for salaried employees. Our primary qualified plans had previously been amended to freeze the final pay formulas within the plans as of December 31, 2012, but a cash balance service credit was expected to continue post December 31, 2012. The 2011 amendments fully freeze any further benefit and service accrual after December 31, 2012 for all of these plans, including the non-qualified plans. As a result of these plan amendments, in 2011 we recognized a pre-tax curtailment gain of $107 ($66 after-tax). The gain represents the recognition of deferred gains from other prior year amendments ("Prior service credits") as a result of the discontinuation of any future benefit or service accrual period. This amendment will also result in a change in amortization period as of January 1, 2013 for actuarial gains and losses from the average remaining service period of participants (approximately ten years) to the average remaining life expectancy of all participants (approximately thirty-three years) as a result of all participants being considered inactive as of the effective date of the freeze.

As of December 31, 2012, the aggregate accumulated actuarial losses for our primary U.S. Defined Benefit Plans for salaried employees amounted to $1.1 billion. This change is expected to reduce our 2013 pension expense by approximately $47. This reduction is expected to be partially offset by an increased contribution to the U.S. defined contribution plan as all employees have been transferred to that plan following the freeze.

In 2011, the Canadian Salary Pension Plan was amended to close the plan to future service accrual effective January 1, 2014. Benefits earned up to January 1, 2014 will not be affected and participants will continue receive the benefit of future salary increases to the extent applicable; therefore, the amendment did not result in a material change to the projected benefit obligation at the re-measurement date of December 31, 2011.

In 2009, the U.K. Final Salary Pension Plan was amended to close the plan to future service accrual effective January 1, 2014. Benefits earned up to January 1, 2014 will not be affected and participants will continue receive the benefit of future salary and inflation increases to the extent applicable; therefore, the amendment does not result in a material change to the projected benefit obligation at the re-measurement date of December 31, 2009.

Retiree Health Plan Amendments

In 2010, we amended our domestic retiree health benefit plan to eliminate the use of the Retiree Drug Subsidy that the Company receives from Medicare as an offset to retiree contributions. This amendment was effective January 1, 2011. The Company instead decided to use this subsidy to reduce its retiree healthcare costs. The amendment resulted in a net decrease of $55 to the retiree medical benefit obligation and a corresponding $34 after tax increase to equity. This amendment reduced both the 2012 and 2011 retiree-health expenses by approximately $13.

Plan Assets

Current Allocation

As of the 2012 and 2011 measurement dates, the global pension plan assets were $9.0 billion and $8.3 billion, respectively. These assets were invested among several asset classes. Our common stock represents approximately $99 or 1.0% of total plan assets at December 31, 2012.

The following tables presents the defined benefit plans assets measured at fair value and the basis for that measurement:

	December 31, 2012				
	U.S. Defined Benefit Plans Assets				
Asset Class	Level 1	Level 2	Level 3	Total	% of Total
Cash and cash equivalents	$ 48	$ —	$ —	$ 48	1%
Equity Securities:					
U.S. large cap	411	10	—	421	12%
Xerox common stock	99	—	—	99	3%
U.S. mid cap	79	—	—	79	2%
U.S. small cap	67	28	—	95	3%
International developed	133	205	—	338	9%
Emerging markets	282	67	—	349	10%
Global equity	2	6	—	8	—%
Total Equity Securities	1,073	316	—	1,389	39%
Debt Securities:					
U.S. treasury securities	—	367	—	367	10%
Debt security issued by government agency	—	153	—	153	4%
Corporate Bonds	—	1,080	—	1,080	31%
Asset backed securities	—	11	—	11	—%
Total Debt Securities	—	1,611	—	1,611	45%
Derivatives:					
Interest rate contracts	—	15	—	15	—%
Foreign exchange contracts	(2)	—	—	(2)	—%
Equity contracts	5	—	—	5	—%
Credit contracts	—	(1)	—	(1)	—%
Total Derivatives	3	14	—	17	—%
Real estate	59	46	58	163	5%
Private equity/Venture capital	—	—	300	300	8%
Other(1)	12	33	—	45	2%
Total Defined Benefit Plans Assets	$ 1,195	$ 2,020	$ 358	$ 3,573	100%

(1) Other Level 1 assets include net non-financial assets of $13 such as due to/from broker, interest receivables and accrued expenses.

	December 31, 2012				
	Non-U.S. Defined Benefit Plans Assets				
Asset Class	Level 1	Level 2	Level 3	Total	% of Total
Cash and cash equivalents	$ 500	$ —	$ —	$ 500	9%
Equity Securities:					
U.S. large cap	204	50	—	254	5%
U.S. mid cap	14	—	—	14	—%
U.S. small cap	30	1	—	31	1%
International developed	1,107	174	—	1,281	24%
Emerging markets	322	76	—	398	7%
Global equity	5	12	—	17	—%
Total Equity Securities	1,682	313	—	1,995	37%
Debt Securities:					
U.S. treasury securities	1	19	—	20	—%
Debt security issued by government agency	35	1,253	—	1,288	24%
Corporate bonds	150	753	—	903	17%
Asset backed securities	3	31	—	34	1%
Total Debt Securities	189	2,056	—	2,245	42%
Common/Collective trust	2	—	—	2	—%
Derivatives:					
Interest rate contracts	—	74	—	74	1%
Foreign exchange contracts	9	8	—	17	—%
Other contracts	69	—	—	69	1%
Total Derivatives	78	82	—	160	2%
Hedge funds	—	—	3	3	—%
Real estate	19	35	332	386	7%
Guaranteed insurance contracts	—	—	131	131	3%
Other[(1)]	13	(4)	—	9	—%
Total Defined Benefit Plans Assets	$ 2,483	$ 2,482	$ 466	$ 5,431	100%

(1) Other Level 1 assets include net non-financial assets of $5 such as due to/from broker, interest receivables and accrued expenses.

Asset Class	December 31, 2011 U.S. Defined Benefit Plans Assets Level 1	Level 2	Level 3	Total	% of Total
Cash and cash equivalents	$ 198	$ —	$ —	$ 198	6 %
Equity Securities:					
U.S. large cap	366	7	—	373	11 %
Xerox common stock	50	—	—	50	2 %
U.S. mid cap	69	—	—	69	2 %
U.S. small cap	56	89	—	145	4 %
International developed	162	327	—	489	15 %
Emerging markets	117	—	—	117	3 %
Total Equity Securities	820	423	—	1,243	37 %
Debt Securities:					
U.S. treasury securities	4	393	—	397	12 %
Debt security issued by government agency	—	180	—	180	5 %
Corporate bonds	6	875	—	881	26 %
Asset backed securities	—	10	—	10	— %
Total Debt Securities	10	1,458	—	1,468	43 %
Derivatives:					
Interest rate contracts	18	13	—	31	1 %
Foreign exchange contracts	8	—	—	8	— %
Equity contracts	23	—	—	23	1 %
Total Derivatives	49	13	—	62	2 %
Real estate	45	35	72	152	5 %
Private equity/Venture capital	—	—	318	318	9 %
Other[(1)]	(62)	14	—	(48)	(2)%
Total Defined Benefit Plans Assets	$ 1,060	$ 1,943	$ 390	$ 3,393	100 %

(1) Other Level 1 assets include net non-financial liabilities of $62 such as due to/from broker, interest receivables and accrued expenses.

Asset Class	December 31, 2011				
	Non-U.S. Defined Benefit Plans Assets				
	Level 1	Level 2	Level 3	Total	% of Total
Cash and cash equivalents	$ 380	$ —	$ —	$ 380	8%
Equity Securities:					
U.S. large cap	145	43	—	188	4%
U.S. mid cap	21	—	—	21	—%
U.S. small cap	27	—	—	27	1%
International developed	1,047	154	—	1,201	25%
Emerging markets	180	54	—	234	5%
Global equity	7	17	—	24	—%
Total Equity Securities	1,427	268	—	1,695	35%
Debt Securities:					
U.S. treasury securities	5	23	—	28	1%
Debt security issued by government agency	64	1,227	—	1,291	26%
Corporate bonds	144	595	—	739	15%
Asset backed securities	2	51	—	53	1%
Total Debt Securities	215	1,896	—	2,111	43%
Common/Collective trust	3	—	—	3	—%
Derivatives:					
Interest rate contracts	—	90	—	90	2%
Foreign exchange contracts	6	(1)	—	5	—%
Other contracts	64	—	—	64	1%
Total Derivatives	70	89	—	159	3%
Hedge funds	—	—	3	3	—%
Real estate	22	97	280	399	8%
Guaranteed insurance contracts	—	—	116	116	3%
Other[1]	14	4	—	18	—%
Total Defined Benefit Plans Assets	$ 2,131	$ 2,354	$ 399	$ 4,884	100%

(1) Other Level 1 assets include net non-financial assets of $8 such as due to/from broker, interest receivables and accrued expenses.

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

	U.S. Defined Benefit Plans Assets		
	Fair Value Measurement Using Significant Unobservable Inputs (Level 3)		
	Real Estate	Private Equity/Venture Capital	Total
Balance at December 31, 2010	$ 69	$ 307	$ 376
Purchases	2	30	32
Sales	(6)	(61)	(67)
Realized gains (losses)	—	46	46
Unrealized gains (losses)	6	(4)	2
Other	1	—	1
Balance at December 31, 2011	72	318	390
Purchases	1	20	21
Sales	(11)	(48)	(59)
Realized gains (losses)	1	36	37
Unrealized gains (losses)	(5)	(26)	(31)
Balance at December 31, 2012	$ 58	$ 300	$ 358

	Non-U.S. Defined Benefit Plans Assets			
	Fair Value Measurement Using Significant Unobservable Inputs (Level 3)			
	Real Estate	Guaranteed Insurance Contracts	Hedge Funds	Total
Balance at December 31, 2010	$ 206	$ 97	$ 3	$ 306
Purchases	67	3	—	70
Sales	—	(3)	(1)	(4)
Net transfers in from Level 1	2	12	—	14
Net transfers in from Level 2	—	9	—	9
Realized gains (losses)	—	(1)	—	(1)
Unrealized gains (losses)	12	(4)	—	8
Currency translation	(4)	(3)	—	(7)
Other	(3)	6	1	4
Balance at December 31, 2011	280	116	3	399
Purchases	13	15	—	28
Sales	(21)	(7)	—	(28)
Net transfers in from Level 2	69	—	—	69
Realized gains (losses)	1	4	—	5
Unrealized gains (losses)	(25)	(1)	—	(26)
Currency translation	15	4	—	19
Balance at December 31, 2012	$ 332	$ 131	$ 3	$ 466

Valuation Method

Our primary Level 3 assets are Real Estate and Private Equity/Venture Capital investments. The fair value of our real estate investment funds are based on the Net Asset Value ("NAV") of our ownership interest in the funds. NAV information is received from the investment advisers and is primarily derived from third party real estate appraisals for the properties owned. The fair value for our private equity/venture capital partnership investments are based on our share of the estimated fair values of the underlying investments held by these partnerships as reported in their audited financial statements. The valuation techniques and inputs for our Level 3 assets have been consistently applied for all periods presented.

Investment Strategy

The target asset allocations for our worldwide defined benefit pension plans were:

	2012		2011	
	U.S.	Non-U.S.	U.S.	Non-U.S.
Equity investments	41%	40%	41%	41%
Fixed income investments	43%	47%	43%	46%
Real estate	5%	9%	5%	9%
Private equity	9%	—%	9%	—%
Other	2%	4%	2%	4%
Total Investment Strategy	100%	100%	100%	100%

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

Expected Long-term Rate of Return

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

Contributions

In 2012, we made cash contributions of $364 ($201 U.S. and $163 Non-U.S.) and $84 to our defined benefit pension plans and retiree health benefit plans, respectively. We also elected to make a contribution of 15.4 million shares of our common stock, with an aggregate value of approximately $130, to our U.S. defined benefit pension plan for salaried employees in order to meet our planned level of funding for 2012. Accordingly, total contributions to our defined benefit pension plans were $494 ($331 U.S. and $163 Non-U.S.) in 2012.

In 2013 we expect, based on current actuarial calculations, to make contributions of approximately $195 ($26 U.S. and $169 non-U.S.) to our defined benefit pension plans and $80 to our retiree health benefit plans. The decrease in required contributions to our U.S. defined benefit pension plans reflect the expected benefits from the pension funding legislation enacted in the U.S. during 2012.

Estimated Future Benefit Payments

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

	Pension Benefits			
	U.S.	Non-U.S.	Total	Retiree Health
2013	$ 483	$ 248	$ 731	$ 80
2014	445	251	696	80
2015	402	261	663	79
2016	370	274	644	77
2017	348	280	628	75
Years 2018-2022	1,425	1,550	2,975	339

Assumptions

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

	Pension Benefits					
	2012		2011		2010	
	U.S.	Non-U.S.	U.S.	Non-U.S.	U.S.	Non-U.S.
Discount rate	3.7%	4.0%	4.8%	4.6%	5.1%	5.3%
Rate of compensation increase	0.2%	2.6%	3.5%	2.7%	3.5%	2.7%

	Retiree Health		
	2012	2011	2010
Discount rate	3.6%	4.5%	4.9%

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

	Pension Benefits							
	2013		2012		2011		2010	
	U.S.	Non-U.S.	U.S.	Non-U.S.	U.S.	Non-U.S.	U.S.	Non-U.S.
Discount rate	3.7%	4.0%	4.8%	4.6%	5.1%	5.3%	5.7%	5.7%
Expected return on plan assets	7.8%	6.1%	7.8%	6.2%	8.3%	6.6%	8.3%	6.6%
Rate of compensation increase	0.2%	2.6%	3.5%	2.7%	3.5%	2.7%	3.5%	3.6%

	Retiree Health			
	2013	2012	2011	2010
Discount rate	3.6%	4.5%	4.9%	5.4%

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

Assumed health care cost trend rates were as follows:

	December 31,	
	2012	2011
Health care cost trend rate assumed for next year	7.5%	8.5%
Rate to which the cost trend rate is assumed to decline (the ultimate trend rate)	4.9%	4.9%
Year that the rate reaches the ultimate trend rate	2017	2017

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

	1% increase	1% decrease
Effect on total service and interest cost components	$ 3	$ (3)
Effect on post-retirement benefit obligation	62	54

Defined Contribution Plans

We have savings and investment plans in several countries, including the U.S., Finland and Canada. In many instances, employees from those defined benefit pension plans that have been amended to freeze future service accruals will be transitioned to an enhanced defined contribution plan. For the U.S. plans, employees may contribute a portion of their salaries and bonuses to the plans, and we match a portion of the employee contributions. We recorded charges related to our defined contribution plans of $63 in 2012, $66 in 2011 and $51 in 2010.

Note 16 - Income and Other Taxes

Income before income taxes ("pre-tax income") was as follows:

	Year Ended December 31,		
	2012	2011	2010
Domestic income	$ 878	$ 917	$ 433
Foreign income	470	648	382
Income Before Income Taxes	$ 1,348	$ 1,565	$ 815

Provisions (benefits) for income taxes were as follows:

	Year Ended December 31,		
	2012	2011	2010
Federal Income Taxes			
Current	$ 24	$ 52	$ 153
Deferred	84	134	(17)
Foreign Income Taxes			
Current	123	103	59
Deferred	—	38	8
State Income Taxes			
Current	34	28	46
Deferred	12	31	7
Total Provision (Benefit)	$ 277	$ 386	$ 256

A reconciliation of the U.S. federal statutory income tax rate to the consolidated effective income tax rate was as follows:

	Year Ended December 31,		
	2012	2011	2010
U.S. federal statutory income tax rate	35.0 %	35.0 %	35.0 %
Nondeductible expenses	2.6 %	2.0 %	6.3 %
Effect of tax law changes	0.7 %	0.2 %	(0.2)%
Change in valuation allowance for deferred tax assets	(0.7)%	(0.3)%	2.6 %
State taxes, net of federal benefit	2.1 %	2.4 %	2.0 %
Audit and other tax return adjustments	(4.7)%	(1.0)%	(3.6)%
Tax-exempt income, credits and incentives	(2.6)%	(3.1)%	(3.9)%
Foreign rate differential adjusted for U.S. taxation of foreign profits [1]	(11.8)%	(10.4)%	(6.7)%
Other	(0.1)%	(0.1)%	(0.1)%
Effective Income Tax Rate	20.5 %	24.7 %	31.4 %

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(1) The "U.S. taxation of foreign profits" represents the U.S. tax, net of foreign tax credits, associated with actual and deemed repatriations of earnings from our non-U.S. subsidiaries.

On a consolidated basis, we paid a total of $137, $94 and $49 in income taxes to federal, foreign and state jurisdictions during the three years ended December 31, 2012, respectively.

Total income tax expense (benefit) was allocated as follows:

	Year Ended December 31,		
	2012	2011	2010
Pre-tax income	$ 277	$ 386	$ 256
Common shareholders' equity:			
Changes in defined benefit plans	(233)	(277)	12
Stock option and incentive plans, net	(5)	1	(6)
Cash flow hedges	(24)	3	5
Translation adjustments	(9)	2	6
Total Income Tax Expense (Benefit)	$ 6	$ 115	$ 273

Unrecognized Tax Benefits and Audit Resolutions

Due to the extensive geographical scope of our operations, we are subject to ongoing tax examinations in numerous jurisdictions. Accordingly, we may record incremental tax expense based upon the more-likely-than-not outcomes of any uncertain tax positions. In addition, when applicable, we adjust the previously recorded tax expense to reflect examination results when the position is effectively settled. Our ongoing assessments of the more-likely-than-not outcomes of the examinations and related tax positions require judgment and can increase or decrease our effective tax rate, as well as impact our operating results. The specific timing of when the resolution of each tax position will be reached is uncertain. As of December 31, 2012, we do not believe that there are any positions for which it is reasonably possible that the total amount of unrecognized tax benefits will significantly increase or decrease within the next 12 months.

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

	2012	2011	2010
Balance at January 1	$ 225	$ 186	$ 148
Additions from acquisitions	—	—	46
Additions related to current year	28	43	38
Additions related to prior years positions	5	38	24
Reductions related to prior years positions	(36)	(17)	(16)
Settlements with taxing authorities [(1)]	(13)	(14)	(19)
Reductions related to lapse of statute of limitations	(8)	(8)	(35)
Currency	—	(3)	—
Balance at December 31	$ 201	$ 225	$ 186

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

Included in the balances at December 31, 2012, 2011 and 2010 are $16, $36 and $39, respectively, of tax positions that are highly certain of realizability but for which there is uncertainty about the timing or that they may be reduced through an indirect benefit from other taxing jurisdictions. Because of the impact of deferred tax accounting, other than for the possible incurrence of interest and penalties, the disallowance of these positions would not affect the annual effective tax rate.

We recognized interest and penalties accrued on unrecognized tax benefits, as well as interest received from favorable settlements within income tax expense. We had $20, $28 and $31 accrued for the payment of interest and penalties associated with unrecognized tax benefits at December 31, 2012, 2011 and 2010, respectively.

In the U.S., with the exception of ACS, we are no longer subject to U.S. federal income tax examinations for years before 2007. ACS is no longer subject to such examinations for years before 2005. With respect to our major foreign jurisdictions, we are no longer subject to tax examinations by tax authorities for years before 2000.

Deferred Income Taxes

We had undistributed earnings of foreign subsidiaries and other foreign investments carried at equity at December 31, 2012 of approximately $8.8 billion. We have provided deferred taxes on approximately $500 of those earnings due to their anticipated repatriation to the U.S. The remaining $8.3 billion of undistributed earnings have been indefinitely reinvested and we currently do not plan to initiate any action that would precipitate a deferred tax impact. We do not believe it is practical to calculate the potential deferred tax impact, as there is a significant amount of uncertainty with respect to determining the amount of foreign tax credits as well as any additional local withholding tax and other indirect tax consequences that may arise from the distribution of these earnings. In addition, because such earnings have been indefinitely reinvested in our foreign operations, repatriation would require liquidation of those investments or a recapitalization of our foreign subsidiaries, the impacts and effects of which are not readily determinable.

The tax effects of temporary differences that give rise to significant portions of the deferred taxes were as follows:

	December 31,	
	2012	2011
Deferred Tax Assets		
Research and development	$ 793	$ 876
Post-retirement medical benefits	359	368
Anticipated foreign repatriations	264	41
Depreciation and amortization	52	71
Net operating losses	630	637
Other operating reserves	300	285
Tax credit carryforwards	177	379
Deferred compensation	312	306
Allowance for doubtful accounts	73	93
Restructuring reserves	30	29
Pension	696	547
Other	143	132
Subtotal	3,829	3,764
Valuation allowance	(654)	(677)
Total	$ 3,175	$ 3,087
Deferred Tax Liabilities		
Unearned income and installment sales	$ 947	$ 996
Intangibles and goodwill	1,252	1,261
Other	48	41
Total	$ 2,247	$ 2,298
Total Deferred Taxes, Net	$ 928	$ 789

The above amounts are classified as current or long-term in the Consolidated Balance Sheets in accordance with the asset or liability to which they relate or, when applicable, based on the expected timing of the reversal. Current deferred tax assets at December 31, 2012 and 2011 amounted to $273 and $229, respectively.

The deferred tax assets for the respective periods were assessed for recoverability and, where applicable, a valuation allowance was recorded to reduce the total deferred tax asset to an amount that will, more-likely-than-not, be realized in the future. The net change in the total valuation allowance for the years ended December 31, 2012 and 2011 was a decrease of $23 and $58, respectively. The valuation allowance relates primarily to certain net operating loss carryforwards, tax credit carryforwards and deductible temporary differences for which we have concluded it is more-likely-than-not that these items will not be realized in the ordinary course of operations.

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

At December 31, 2012, we had tax credit carryforwards of $177 available to offset future income taxes, of which $79 are available to carryforward indefinitely while the remaining $98 will expire 2013 through 2032 if not utilized. We also had net operating loss carryforwards for income tax purposes of $1.3 billion that will expire 2013 through 2032, if not utilized, and $2.4 billion available to offset future taxable income indefinitely.

Note 17 – Contingencies and Litigation

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

Additionally, guarantees, indemnifications and claims arise during the ordinary course of business from relationships with suppliers, customers and nonconsolidated affiliates when the Company undertakes an obligation to guarantee the performance of others if specified triggering events occur. Nonperformance under a contract could trigger an obligation of the Company. These potential claims include actions based upon alleged exposures to products, real estate, intellectual property such as patents, environmental matters, and other indemnifications. The ultimate effect on future financial results is not subject to reasonable estimation because considerable uncertainty exists as to the final outcome of these claims. However, while the ultimate liabilities resulting from such claims may be significant to results of operations in the period recognized, management does not anticipate they will have a material adverse effect on the Company's consolidated financial position or liquidity. As of December 31, 2012, we have accrued our estimate of liability incurred under our indemnification arrangements and guarantees.

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 December 31, 2012, the total amounts related to the unreserved portion of the tax and labor contingencies, inclusive of related interest, amounted to approximately $1,010 with the decrease from December 31, 2011 balance of approximately $1,120, primarily related to currency and closed cases partially offset by interest. With respect to the unreserved balance of $1,010, 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 December 31, 2012 we had $211 of escrow cash deposits for matters we are disputing, and there are liens on certain Brazilian assets with a net book value of $13 and additional letters of credit of approximately $242, which include associated indexation. 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

In re Xerox Corporation Securities Litigation: A consolidated securities law action (consisting of 17 cases) is pending in the United States District Court for the District of Connecticut. Defendants are the Company, Barry Romeril, Paul Allaire and G. Richard Thoman. The consolidated action is a class action on behalf of all persons and entities who purchased Xerox Corporation common stock during the period October 22, 1998 through October 7, 1999 inclusive ("Class Period") and who suffered a loss as a result of misrepresentations or omissions by Defendants as alleged by Plaintiffs (the "Class"). The Class alleges that in violation of Section 10(b) and/or 20(a) of the Securities Exchange Act of 1934, as amended ("1934 Act"), and SEC Rule 10b-5 thereunder, each of the defendants is liable as a participant in a fraudulent scheme and course of business that operated as a fraud or deceit on purchasers of the Company's common stock during the Class Period by disseminating materially false and misleading statements and/or concealing material facts relating to the defendants' alleged failure to disclose the material negative impact that the April 1998 restructuring had on the Company's operations and revenues. The complaint further alleges that the alleged scheme: (i) deceived the investing public regarding the economic capabilities, sales proficiencies, growth, operations and the intrinsic value of the Company's common stock; (ii) allowed several corporate insiders, such as the named individual defendants, to sell shares of privately held common stock of the Company while in possession of materially adverse, non-public information; and (iii) caused the individual plaintiffs and the other members of the purported class to purchase common stock of the Company at inflated prices. The complaint seeks unspecified compensatory damages in favor of the plaintiffs and the other members of the purported class against all defendants, jointly and severally, for all damages sustained as a result of defendants' alleged wrongdoing, including interest thereon, together with reasonable costs and expenses incurred in the action, including counsel fees and expert fees. In 2001, the Court denied the defendants' motion for dismissal of the complaint. The plaintiffs' motion for class certification was denied by the Court in 2006, without prejudice to refiling. In February 2007, the Court granted the motion of the International Brotherhood of Electrical Workers Welfare Fund of Local Union No. 164, Robert W. Roten, Robert Agius ("Agius") and Georgia Stanley to appoint them as additional lead plaintiffs.

In July 2007, the Court denied plaintiffs' renewed motion for class certification, without prejudice to renewal after the Court holds a pre-filing conference to identify factual disputes the Court will be required to resolve in ruling on the motion. After that conference and Agius's withdrawal as lead plaintiff and proposed class representative, in February 2008 plaintiffs filed a second renewed motion for class certification. In April 2008, defendants filed their response and motion to disqualify Milberg LLP as a lead counsel. On September 30, 2008, the Court entered an order certifying the class and denying the appointment of Milberg LLP as class counsel. Subsequently, on April 9, 2009, the Court denied defendants' motion to disqualify Milberg LLP. On November 6, 2008, the defendants filed a motion for summary judgment. Briefing with respect to the motion is complete. The Court has not yet rendered a decision. The parties also filed motions to exclude the testimony of certain expert witnesses. On April 22, 2009, the Court denied plaintiffs' motions to exclude the testimony of two of defendants' expert witnesses. On September 30, 2010, the Court denied plaintiffs' motion to exclude the testimony of another of defendants' expert witnesses. The Court also granted defendants' motion to exclude the testimony of one of plaintiffs' expert witnesses, and granted in part and denied in part defendants' motion to exclude the testimony of plaintiffs' two remaining expert witnesses. The individual defendants and we deny any wrongdoing and are vigorously defending the action. At this time, we do not believe it is reasonably possible that we will incur additional material losses in excess of the amount we have already accrued for this matter. In the course of litigation, we periodically engage in discussions with plaintiffs' counsel for possible resolution of this matter. Should developments cause a change in our determination as to an unfavorable outcome, or result in a final adverse judgment or a settlement for a significant amount, there could be a material adverse effect on our results of operations, cash flows and financial position in the period in which such change in determination, judgment or settlement occurs.

Guarantees, Indemnifications and Warranty Liabilities

Indemnifications Provided as Part of Contracts and Agreements

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

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

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

Patent Indemnifications

In most sales transactions to resellers of our products, we indemnify against possible claims of patent infringement caused by our products or solutions. In addition, we indemnify certain software providers against claims that may arise as a result of our use or our subsidiaries', customers' or resellers' use of their software in our products and solutions. These indemnities usually do not include limits on the claims, provided the claim is made pursuant to the procedures required in the sales contract.

Indemnification of Officers and Directors

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

Product Warranty Liabilities

In connection with our normal sales of equipment, including those under sales-type leases, we generally do not issue product warranties. Our arrangements typically involve a separate full service maintenance agreement with the customer. The agreements generally extend over a period equivalent to the lease term or the expected useful life of the equipment under a cash sale. The service agreements involve the payment of fees in return for our performance of repairs and maintenance. As a consequence, we do not have any significant product warranty obligations, including any obligations under customer satisfaction programs. In a few circumstances, particularly in certain cash sales, we may issue a limited product warranty if negotiated by the customer. We also issue warranties for certain of our entry level products, where full service maintenance agreements are not available. In these instances, we record warranty obligations at the time of the sale. Aggregate product warranty liability expenses for the three years ended December 31, 2012 were $29, $30 and $33, respectively. Total product warranty liabilities as of December 31, 2012 and 2011 were $14 and $16, respectively.

Other Contingencies

We have issued or provided the following guarantees as of December 31, 2012:

- $454 for letters of credit issued to i) guarantee our performance under certain services contracts; ii) support certain insurance programs; and iii) support our obligations related to the Brazil tax and labor contingencies.
- $736 for outstanding surety bonds. Certain contracts, primarily those involving public sector customers, 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 of default in our performance of 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.

We have service arrangements where we service third party student loans in the Federal Family Education Loan program (“FFEL”) on behalf of various financial institutions. We service these loans for investors under outsourcing arrangements and do not acquire any servicing rights that are transferable by us to a third party. At December 31, 2012, we serviced a FFEL portfolio of approximately 3.7 million loans with an outstanding principal balance of approximately $53.0 billion. Some servicing agreements contain provisions that, under certain circumstances, require us to purchase the loans from the investor if the loan guaranty has been permanently terminated as a result of a loan default caused by our servicing error. If defaults caused by us are cured during an initial period, any obligation we may have to purchase these loans expires. Loans that we purchase may be subsequently cured, the guaranty reinstated and the loans repackaged for sale to third parties. We evaluate our exposure under our purchase obligations on defaulted loans and establish a reserve for potential losses, or default liability reserve, through a charge to the provision for loss on defaulted loans purchased. The reserve is evaluated periodically and adjusted based upon management’s analysis of the historical performance of the defaulted loans. As of December 31, 2012, other current liabilities include reserves which we believe to be adequate. At December 31, 2012, other current liabilities include reserves of approximately $3.6 for losses on defaulted loans purchased.

Note 18 - Preferred Stock

Series A Convertible Preferred Stock

In 2010, in connection with our acquisition of ACS, we issued 300,000 shares of Series A convertible perpetual preferred stock with an aggregate liquidation preference of $300 and an initial fair value of $349. The convertible preferred stock pays quarterly cash dividends at a rate of 8% per year ($24 per year). Each share of convertible preferred stock is convertible at any time, at the option of the holder, into 89.8876 shares of common stock for a total of 26,966 thousand shares (reflecting an initial conversion price of approximately $11.125 per share of common stock), subject to customary anti-dilution adjustments.

On or after February 5, 2015, if the closing price of our common stock exceeds 130% of the then applicable conversion price (currently $11.125 per share of common stock) for 20 out of 30 trading days, we have the right to cause any or all of the convertible preferred stock to be converted into shares of common stock at the then applicable conversion rate. The convertible preferred stock is also convertible, at the option of the holder, upon a change in control, at the applicable conversion rate plus an additional number of shares determined by reference to the price paid for our common stock upon such change in control. In addition, upon the occurrence of certain fundamental change events, including a change in control or the delisting of Xerox's common stock, the holder of convertible preferred stock has the right to require us to redeem any or all of the convertible preferred stock in cash at a redemption price per share equal to the liquidation preference and any accrued and unpaid dividends to, but not including the redemption date. The convertible preferred stock is classified as temporary equity (i.e., apart from permanent equity) as a result of the contingent redemption feature.

Note 19 – Shareholders' Equity

Preferred Stock

As of December 31, 2012, we had one class of preferred stock outstanding. See Note 18 - Preferred Stock for further information. We are authorized to issue approximately 22 million shares of cumulative preferred stock, $1.00 par value per share.

Common Stock

We have 1.75 billion authorized shares of common stock, $1.00 par value per share. At December 31, 2012, 155 million shares were reserved for issuance under our incentive compensation plans, 48 million shares were reserved for debt to equity exchanges, 27 million shares were reserved for conversion of the Series A convertible preferred stock and 2 million shares were reserved for the conversion of convertible debt.

Treasury Stock

We account for the repurchased common stock under the cost method and include such treasury stock as a component of our common shareholder's equity. Retirement of treasury stock is recorded as a reduction of Common stock and Additional paid-in capital at the time such retirement is approved by our Board of Directors.

The following provides cumulative information relating to our share repurchase programs from their inception in October 2005 through December 31, 2012 (shares in thousands):

Authorized share repurchase programs	$	6,000
Share repurchase cost	$	4,691
Share repurchase fees	$	8
Number of shares repurchased		428,314

In 2012, the Board of Directors authorized an additional $1.5 billion in share repurchase bringing the total authorization to $6 billion.

The following table reflects the changes in Common and Treasury stock shares (shares in thousand):

	Common Stock Shares	Treasury Stock Shares
Balance at December 31, 2009	869,381	—
Stock based compensation plans, net	37,018	—
ACS acquisition(1)	489,802	—
Other	1,377	—
Balance at December 31, 2010	1,397,578	—
Stock based compensation plans, net	11,027	—
Contributions to U.S. pension plan (2)	16,645	—
Acquisition of Treasury stock	—	87,943
Cancellation of Treasury stock	(72,435)	(72,435)
Other	34	—
Balance at December 31, 2011	1,352,849	15,508
Stock based compensation plans, net	17,343	—
Contributions to U.S. pension plan (2)	15,366	—
Acquisition of Treasury stock	—	146,278
Cancellation of Treasury stock	(146,862)	(146,862)
Other	—	—
Balance at December 31, 2012	1,238,696	14,924

(1) Refer to Note 3 - Acquisitions for additional information.
(2) Refer to Note 15 - Employee Benefits Plans for additional information.

Stock-Based Compensation

We have a long-term incentive plan whereby eligible employees may be granted restricted stock units ("RSUs"), performance shares ("PSs") and non-qualified stock options. We grant stock-based awards in order to continue to attract and retain employees and to better align employees' interests with those of our shareholders. Each of these awards is subject to settlement with newly issued shares of our common stock. At December 31, 2012 and 2011, 50 million and 31 million shares, respectively, were available for grant of awards.

Stock-based compensation expense was as follows:

	Year Ended December 31,		
	2012	2011	2010
Stock-based compensation expense, pre-tax	$ 125	$ 123	$ 123
Income tax benefit recognized in earnings	48	47	47

Restricted Stock Units: Compensation expense is based upon the grant date market price for most awards. The primary grant in 2009 had a market based condition and therefore the grant date price was based on a Monte Carlo simulation. Compensation expense is recorded over the vesting period, which is normally three years from the date of grant, based on management's estimate of the number of shares expected to vest.

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

The fair value of PSs is based upon the market price of our stock on the date of the grant. Compensation expense is recognized over the vesting period, which is normally three years from the date of grant, based on management's estimate of the number of shares expected to vest. If the stated targets are not met, any recognized compensation cost would be reversed.

In connection with the ACS acquisition, selected ACS executives received a special one-time grant of PSs that vest over a three-year period ending February 2013 contingent upon ACS meeting pre-determined annual earnings targets. These shares entitle the holder to one share of common stock, payable after the three-year period and the attainment of the targets. The aggregate number of shares that may be delivered based on achievement of the targets was determined on the date of grant and ranges in value as follows: 50% of base salary (threshold); 100% of base salary (target); and 200% of base salary plus 50% of the value of the August 2009 options (maximum).

Employee Stock Options: With the exception of the conversion of ACS options in connection with the ACS acquisition (see below), we have not issued any new stock options associated with our employee long-term incentive plan since 2004. Substantially all stock options previously issued under our employee long-term incentive plan are fully exercised, cancelled or expired as of December 31, 2012.

Summary of Stock-based Compensation Activity

	2012		2011		2010	
(Shares in thousands; amounts per share)	Shares	Weighted Average Grant Date Fair Value	Shares	Weighted Average Grant Date Fair Value	Shares	Weighted Average Grant Date Fair Value
Restricted Stock Units						
Outstanding at January 1	33,784	$ 8.70	32,431	$ 8.68	25,127	$ 10.18
Granted	13,033	7.82	8,035	10.66	11,845	8.56
Vested	(14,848)	6.89	(5,225)	11.64	(3,671)	18.22
Cancelled	(1,555)	8.97	(1,457)	8.57	(870)	10.36
Outstanding at December 31	30,414	9.19	33,784	8.70	32,431	8.68
Performance Shares						
Outstanding at January 1	9,763	$ 9.21	7,771	$ 9.78	4,874	$ 15.49
Granted	5,193	7.87	4,852	10.42	5,364	8.10
Vested	—	—	(1,587)	12.84	(1,566)	18.48
Cancelled	(420)	8.96	(1,273)	12.79	(901)	15.51
Outstanding at December 31	14,536	8.74	9,763	9.21	7,771	9.78
Stock Options						
Outstanding at January 1	50,070	$ 6.98	71,038	$ 8.00	28,363	$ 10.13
Granted	—	—	—	—	96,662	6.79
Cancelled/expired	(8,617)	8.58	(14,889)	8.38	(2,735)	7.33
Exercised	(7,721)	5.69	(6,079)	8.21	(51,252)	6.92
Outstanding at December 31	33,732	6.86	50,070	6.98	71,038	8.00
Exercisable at December 31	28,676	6.95	39,987	7.14	57,985	8.38

The total unrecognized compensation cost related to non-vested stock-based awards at December 31, 2012 was as follows:

Awards	Unrecognized Compensation		Remaining Weighted-Average Vesting Period (Years)
Restricted Stock Units	$	125	1.5
Performance Shares		58	1.5
Stock Options		12	1.6
Total	$	195	

The aggregate intrinsic value of outstanding RSUs and PSs awards was as follows:

Awards	December 31, 2012	
Restricted Stock Units	$	207
Performance Shares		99

Information related to stock options outstanding and exercisable at December 31, 2012 was as follows:

	Options			
	Outstanding		Exercisable	
Aggregate intrinsic value	$	7	$	5
Weighted-average remaining contractual life (years)		4.3		3.9

The total intrinsic value and actual tax benefit realized for vested and exercised stock-based awards was as follows:

	December 31, 2012						December 31, 2011						December 31, 2010					
Awards	Total Intrinsic Value		Cash Received		Tax Benefit		Total Intrinsic Value		Cash Received		Tax Benefit		Total Intrinsic Value		Cash Received		Tax Benefit	
Restricted Stock Units	$	117	$	—	$	33	$	56	$	—	$	22	$	31	$	—	$	10
Performance Shares		—		—		—		17		—		6		12		—		5
Stock Options		12		44		4		18		44		7		155		183		56

No Performance Shares vested in 2012 since the 2009 primary award grant that normally would have vested in 2012 was replaced with a grant of Restricted Stock Units with a market based condition and therefore were accounted and reported for as part of Restricted Stock Units.

ACS Acquisition

In connection with the acquisition of ACS (see Note 3 - Acquisitions for additional information), outstanding ACS options were converted into 96,662 thousand Xerox options. The Xerox options have a weighted average exercise price of $6.79 per option. The estimated fair value associated with the options issued was approximately $222 based on a Black-Scholes valuation model utilizing the assumptions stated below. Approximately $168 of the estimated fair value is associated with ACS options issued prior to August 2009, which became fully vested and exercisable upon the acquisition in accordance with preexisting change-in-control provisions, and was recorded as part of the acquisition fair value. The remaining $54 is associated with ACS options issued in August 2009 which did not fully vest and become exercisable upon the acquisition, but continue to vest according to specified vesting schedules, and, therefore, is being expensed as compensation cost over the remaining vesting period. The options generally expire 10 years from date of grant. 33,693 thousand Xerox options issued upon this conversion remain outstanding at December 31, 2012.

Assumptions	Pre-August 2009 Options	August 2009 Options
Strike price	$ 6.89	$ 6.33
Expected volatility	37.90%	38.05%
Risk-free interest rate	0.23%	1.96%
Dividend yield	1.97%	1.97%
Expected term	0.75 years	4.2 years

Note 20 – Other Comprehensive Income

Other Comprehensive Income is composed of the following:

	Year Ended December 31,					
	2012		2011		2010	
	Pre-tax	Net of Tax	Pre-tax	Net of Tax	Pre-tax	Net of Tax
Translation Adjustments Gains (Losses)	$ 104	$ 113	$ (103)	$ (105)	$ (29)	$ (35)
Unrealized (Losses) Gains:						
Changes in fair value of cash flow hedges - (losses) gains	(50)	(35)	30	22	46	31
Changes in cash flow hedges reclassed to earnings(1)	(37)	(28)	(14)	(9)	(28)	(18)
Other	—	—	(1)	(1)	(1)	(1)
Net unrealized (losses) gains	$ (87)	$ (63)	$ 15	$ 12	$ 17	$ 12
Defined Benefit Plans (Losses) Gains:						
Actuarial / Prior service losses	(852)	(578)	(872)	(607)	(106)	(191)
Amortization(2)	126	85	89	60	91	164
Curtailment gain - recognition of prior service credit	—	—	(107)	(66)	—	—
Fuji Xerox changes in defined benefit plans, net(3)	(13)	(13)	(31)	(31)	28	28
Other(4)	(55)	(55)	8	8	22	22
Changes in defined benefit plans (losses) gains	$ (794)	$ (561)	$ (913)	$ (636)	$ 35	$ 23
Other Comprehensive (Loss) Income	(777)	(511)	(1,001)	(729)	23	—
Less: Other comprehensive loss attributable to noncontrolling interests	—	—	(1)	(1)	—	—
Other Comprehensive (Loss) Income Attributable to Xerox	$ (777)	$ (511)	$ (1,000)	$ (728)	$ 23	$ —

(1) Reclassified to Cost of sales - refer to Note 13 - Financial Instruments for additional information regarding our cash flow hedges.
(2) Reclassified to Total Net Periodic Benefit Cost - refer to Note 15 - Employee Benefit Plans for additional information.
(3) 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 included in AOCL.

Accumulated Other Comprehensive Loss ("AOCL")

AOCL is composed of the following:

	December 31,		
	2012	2011	2010
Cumulative translation adjustments	$ (826)	$ (939)	$ (835)
Benefit plans net actuarial losses and prior service credits (1)	(2,364)	(1,803)	(1,167)
Other unrealized (losses) gains, net	(37)	26	14
Total Accumulated Other Comprehensive Loss	$ (3,227)	$ (2,716)	$ (1,988)

(1) Includes our share of Fuji Xerox.

Note 21 – Earnings per Share

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

	Year Ended December 31,		
	2012	2011	2010
Basic Earnings per Share:			
Net income attributable to Xerox	$ 1,195	$ 1,295	$ 606
Accrued dividends on preferred stock	(24)	(24)	(21)
Adjusted Net Income Available to Common Shareholders	$ 1,171	$ 1,271	$ 585
Weighted-average common shares outstanding	1,302,053	1,388,096	1,323,431
Basic Earnings per Share	$ 0.90	$ 0.92	$ 0.44
Diluted Earnings per Share:			
Net income attributable to Xerox	$ 1,195	$ 1,295	$ 606
Accrued dividends on preferred stock	(24)	—	(21)
Interest on convertible securities, net	1	1	—
Adjusted Net Income Available to Common Shareholders	$ 1,172	$ 1,296	$ 585
Weighted-average common shares outstanding	1,302,053	1,388,096	1,323,431
Common shares issuable with respect to:			
Stock options	4,335	9,727	13,497
Restricted stock and performance shares	20,804	16,993	13,800
Convertible preferred stock	—	26,966	—
Convertible securities	1,992	1,992	—
Adjusted Weighted Average Common Shares Outstanding	1,329,184	1,443,774	1,350,728
Diluted Earnings per Share	$ 0.88	$ 0.90	$ 0.43
The following securities were not included in the computation of diluted earnings per share because to do so would have been anti-dilutive:			
Stock options	29,397	40,343	57,541
Restricted stock and performance shares	23,430	26,018	25,983
Convertible preferred stock	26,966	—	26,966
Convertible securities	—	—	1,992
	79,793	66,361	112,482
Dividends per common share	$ 0.17	$ 0.17	$ 0.17

REPORTS OF MANAGEMENT

Management's Responsibility for Financial Statements

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

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

Management's Report on Internal Control Over Financial Reporting

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

Based on the above evaluation, management has concluded that our internal control over financial reporting was effective as of December 31, 2012.

/s/ Ursula M. Burns	/s/ Luca Maestri	/s/ Gary R. Kabureck
Chief Executive Officer	**Chief Financial Officer**	**Chief Accounting Officer**

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the Board of Directors and Shareholders of Xerox Corporation:

In our opinion, the accompanying consolidated balance sheets and the related consolidated statements of income, comprehensive income, cash flows and shareholders' equity present fairly, in all material respects, the financial position of Xerox Corporation and its subsidiaries at December 31, 2012 and 2011, and the results of their operations and their cash flows for each of the three years in the period ended December 31, 2012 in conformity with accounting principles generally accepted in the United States of America. Also in our opinion, the Company maintained, in all material respects, effective internal control over financial reporting as of December 31, 2012, based on criteria established in *Internal Control - Integrated Framework* issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO). The Company's management is responsible for these financial statements, for maintaining effective internal control over financial reporting and for its assessment of the effectiveness of internal control over financial reporting, included in the accompanying Management's Report on Internal Control over Financial Reporting. Our responsibility is to express opinions on these financial statements and on the Company's internal control over financial reporting based on our integrated audits. We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free of material misstatement and whether effective internal control over financial reporting was maintained in all material respects. Our audits of the financial statements included examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. Our audit of internal control over financial reporting included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, and testing and evaluating the design and operating effectiveness of internal control based on the assessed risk. Our audits also included performing such other procedures as we considered necessary in the circumstances. We believe that our audits provide a reasonable basis for our opinions.

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

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

/s/ PricewaterhouseCoopers LLP
PricewaterhouseCoopers LLP
Stamford, Connecticut
February 21, 2013

QUARTERLY RESULTS OF OPERATIONS (Unaudited)

(in millions, except per-share data)

	First Quarter	Second Quarter	Third Quarter	Fourth Quarter	Full Year
2012					
Revenues	$ 5,503	$ 5,541	$ 5,423	$ 5,923	$ 22,390
Costs and Expenses	5,190	5,190	5,106	5,556	21,042
Income before Income Taxes and Equity Income	313	351	317	367	1,348
Income tax expenses	77	66	63	71	277
Equity in net income of unconsolidated affiliates	40	31	34	47	152
Net Income	276	316	288	343	1,223
Less: Net income - noncontrolling interests	7	7	6	8	28
Net Income Attributable to Xerox	$ 269	$ 309	$ 282	$ 335	$ 1,195
Basic Earnings per Share [(1)]	$ 0.20	$ 0.23	$ 0.21	$ 0.26	$ 0.90
Diluted Earnings per Share [(1)]	0.19	0.22	0.21	0.26	0.88
2011					
Revenues	$ 5,465	$ 5,614	$ 5,583	$ 5,964	$ 22,626
Costs and Expenses	5,115	5,213	5,216	5,517	21,061
Income before Income Taxes and Equity Income	350	401	367	447	1,565
Income tax expenses	95	108	81	102	386
Equity in net income of unconsolidated affiliates	34	34	43	38	149
Net Income	289	327	329	383	1,328
Less: Net income - noncontrolling interests	8	8	9	8	33
Net Income Attributable to Xerox	$ 281	$ 319	$ 320	$ 375	$ 1,295
Basic Earnings per Share [(1)]	$ 0.20	$ 0.22	$ 0.23	$ 0.27	$ 0.92
Diluted Earnings per Share [(1)]	0.19	0.22	0.22	0.26	0.90

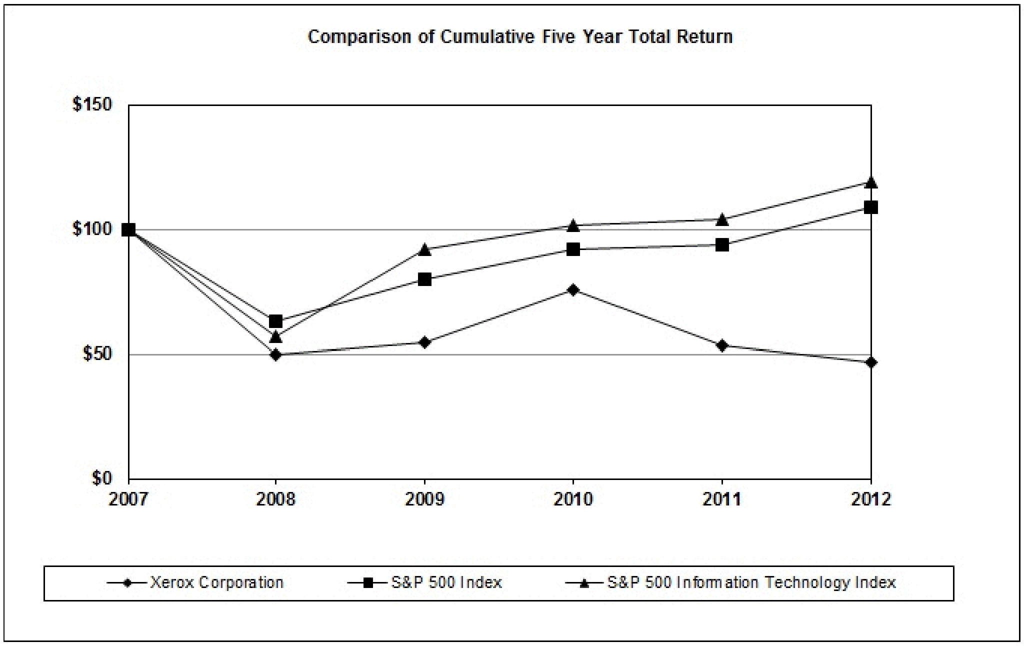
(1) The sum of quarterly earnings per share may differ from the full-year amounts due to rounding, or in the case of diluted earnings per share, because securities that are anti-dilutive in certain quarters may not be anti-dilutive on a full-year basis.

FIVE YEARS IN REVIEW
(in millions, except per-share data)

	2012	2011	2010(1)	2009	2008
Per-Share Data					
Income from continuing operations					
Basic	$ 0.90	$ 0.92	$ 0.44	$ 0.56	$ 0.26
Diluted	0.88	0.90	0.43	0.55	0.26
Earnings					
Basic	0.90	0.92	0.44	0.56	0.26
Diluted	0.88	0.90	0.43	0.55	0.26
Common stock dividends declared	0.17	0.17	0.17	0.17	0.17
Operations					
Revenues	$ 22,390	$ 22,626	$ 21,633	$ 15,179	$ 17,608
Sales	6,578	7,126	7,234	6,646	8,325
Outsourcing, service and rentals	15,215	14,868	13,739	7,820	8,485
Finance income	597	632	660	713	798
Income from continuing operations	1,223	1,328	637	516	265
Income from continuing operations - Xerox	1,195	1,295	606	485	230
Net income	1,223	1,328	637	516	265
Net income - Xerox	1,195	1,295	606	485	230
Financial Position					
Working capital	$ 2,363	$ 1,531	$ 2,222	$ 5,270	$ 2,700
Total Assets	30,015	30,116	30,600	24,032	22,447
Consolidated Capitalization					
Short-term debt and current portion of long-term debt	1,042	1,545	1,370	988	1,610
Long-term debt	7,447	7,088	7,237	8,276	6,774
Total Debt	8,489	8,633	8,607	9,264	8,384
Liability to subsidiary trust issuing preferred securities	—	—	650	649	648
Series A convertible preferred stock	349	349	349	—	—
Xerox shareholders' equity	11,521	11,876	12,006	7,050	6,238
Noncontrolling interests	143	149	153	141	120
Total Consolidated Capitalization	$ 20,502	$ 21,007	$ 21,765	$ 17,104	$ 15,390
Selected Data and Ratios					
Common shareholders of record at year-end	39,397	41,982	43,383	44,792	46,541
Book value per common share	$ 9.41	$ 8.88	$ 8.59	$ 8.11	$ 7.21
Year-end common stock market price	$ 6.82	$ 7.96	$ 11.52	$ 8.46	$ 7.97
Employees at year-end	147,600	139,700	136,500	53,600	57,100
Gross margin	31.4%	32.8%	34.4%	39.7%	38.9%
Sales gross margin	33.7%	34.1%	34.5%	33.9%	33.7%
Outsourcing, service and rentals gross margin	29.0%	30.9%	33.1%	42.6%	41.9%
Finance gross margin	66.8%	63.4%	62.7%	62.0%	61.8%

(1) 2010 results include the acquisition of ACS

PERFORMANCE GRAPH



Total Return To Shareholders

(Includes reinvestment of dividends)	Year Ended December 31, 2007	2008	2009	2010	2011	2012
Xerox Corporation	$ 100.00	$ 49.97	$ 54.46	$ 75.46	$ 53.16	$ 46.59
S&P 500 Index	$ 100.00	63.00	79.67	91.68	93.61	108.59
S&P 500 Information Technology Index	$ 100.00	56.86	91.96	101.32	103.77	119.15

Source: Standard & Poor's Investment Services

Notes: Graph assumes $100 invested on December 31, 2007 in Xerox Corp., the S&P 500 Index and the S&P 500 Information Technology Index, respectively, and assumes dividends are reinvested.

CORPORATE INFORMATION

Stock Exchange Information

Xerox common stock (XRX) is listed on the New York Stock Exchange and the Chicago Stock Exchange.

Xerox Common Stock Prices and Dividends

New York Stock Exchange composite prices *	First Quarter	Second Quarter	Third Quarter	Fourth Quarter
2012				
High	$ 8.76	$ 8.15	$ 7.94	$ 7.39
Low	7.73	6.94	6.38	6.23
Dividends Paid per Share	0.0425	0.0425	0.0425	0.0425
2011				
High	$ 11.71	$ 10.88	$ 10.71	$ 8.57
Low	9.87	9.40	6.97	6.72
Dividends Paid per Share	0.0425	0.0425	0.0425	0.0425

* Price as of close of business

EXHIBIT 21

SUBSIDIARIES of XEROX CORPORATION

The following companies are subsidiaries of Xerox Corporation as of December 31, 2012. Unless otherwise noted, a subsidiary is a company in which Xerox Corporation or a subsidiary of Xerox Corporation holds 50% or more of the voting stock. The names of other subsidiaries have been omitted as they would not, if considered in the aggregate as a single subsidiary, constitute a significant subsidiary:

Name of Subsidiary/Affiliate	Jurisdiction of Incorporation
ACS@Xerox LLC	Delaware
ACS Holdings (UK) LLP	United Kingdom (48)
Global Imaging Systems, Inc.	Delaware
American Photocopy Equipment Company of Pittsburgh, LLC	Delaware
Arizona Office Technologies, Inc.	Arizona
Berney Office Solutions, LLC	Alabama
N&L Enterprises, LLC	Alabama
Capitol Office Solutions, LLC	Delaware
Carolina Office Systems, Inc.	South Carolina
Carr Business Systems, Inc.	New York
Chicago Office Technology Group, Inc.	Illinois
ComDoc, Inc.	Ohio
Connecticut Business Systems, LLC	Delaware
Conway Office Products, LLC	New Hampshire
Business Equipment Unlimited	Maine
Cameron Office Products, LLC	Massachusetts
Eastern Managed Print Network, LLC	New York
Northeast Copier Systems, LLC	Massachusetts
CopyCo Office Solutions, Inc.	Indiana
CTX Business Solutions, Inc.	Oregon
Dahill Office Technology Corporation	Texas (34)
Denitech Corporation	Texas
Electronic Systems, Inc.	Virginia
TML Enterprises, Inc.	Virginia
GDP Finance, Inc.	Georgia
Georgia Duplicating Products, Inc.	Georgia
Global Iowa, Inc.	Iowa
Global Iowa Finance, Inc.	Iowa
Midwest Business Solutions, Inc.	Iowa
Premier Office Equipment, Inc.	Iowa
ImageQuest, Inc.	Kansas
Image Technology Specialists, Inc.	Massachusetts
Inland Business Machines, Inc.	California
Precision Copier Service, Inc. d/b/a Sierra Office Solutions	Nevada
Lucas Business Systems, Inc.	Delaware
Lewan & Associates, Inc.	Colorado
Imaging Concepts of New Mexico, Inc.	New Mexico
Merizon Group Incorporated	Wisconsin

Michigan Office Solutions, Inc.	Michigan
Minnesota Office Technology Group, Inc.	Minnesota
Mr. Copy, Inc.	California
MRC Smart Technology Solutions, Inc.	California
MWB Copy Products, Inc.	California
SoCal Office Technologies, Inc.	California
Martin Whalen Office Solutions, Inc.	Illinois
MW Leasing Company	Illinois
Quality Business Systems, Inc.	Washington
Boise Office Equipment, Inc.	Idaho
R. K. Dixon Company	Iowa
Saxon Business Systems, Inc.	Florida
Stewart Business Systems, LLC	New Jersey
Xerox Audio Visual Solutions, Inc.	Georgia
Daniel Communications, Inc.	Alabama
Zoom Imaging Solutions, Inc.	California
GroupFire, Inc.	California
Gyricon, LLC	Delaware
Institute for Research on Learning	Delaware
LaserNetworks Inc.	Delaware
Lateral Data, L.P.	Texas
NewField Information Technology LLC	Pennsylvania
NewPARC LLC	Delaware
Pacific Services and Development Corporation	Delaware
Palo Alto Research Center Incorporated	Delaware
Proyectos Inverdoco, C.A.	Venezuela
SCC Burton Corporation	Delaware
The Xerox Foundation	Delaware
Xerox Argentina Industrial y Comercial S.A.	Argentina (1)
Xerox Business Services, LLC	Delaware
ACS Application Management Services, LLC	California
Agilera, LLC	Delaware
Agilera Messaging, LLC	Delaware
ACS BRC Holdings, LLC	Delaware
ACS Enterprise Solutions, LLC	Delaware
ACS BPO Services, Inc.	Delaware
Government Records Services, Inc.	Delaware
Title Records Corporation	Delaware
ACS Government Systems, Inc.	Delaware
ACS TMC, Inc.	Delaware
Digital Information Systems Company, L.L.C.	Georgia
Xerox Audit & Compliance Solutions, LLC	Delaware
Xerox Heritage, LLC	Virginia
Xerox State Healthcare, LLC	Delaware
ACS EDI Gateway, Inc.	Delaware
Consultec IPA, Inc.	New York

Xerox Federal Solutions LLC	Delaware
ACS Health Care, Inc.	Oregon
CredenceHealth, Inc.	Tennessee
MidasPlus, Inc.	Arizona
Statit Software, Inc.	Oregon
ACS CompIQ Corporation	Nevada
ACS Consultant Holdings Corporation	Delaware
Xerox Consultant Company, Inc.	Michigan
Superior Venture Partner, Inc.	Pennsylvania
ACS e-Services, LLC	Delaware
e-Services Group (St. Lucia) Ltd.	St. Lucia
e-Services Group International (Jamaica) Limited	Jamaica (47)
ACS Health Administration, Inc.	Delaware
ACS Healthcare Analytics, Inc.	Delaware
ACS Human Resources Solutions, LLC	Delaware
Buck Consultants, LLC	Delaware
Buck Consultants Limited/Conseilliers Buck Limitee	Ontario
Buck Consultants Insurance Agency Limited	Ontario
Buck Consultants	Belgium (44)
Buck Kwasha Securities LLC	Delaware
LiveWire, LLC	Missouri
Xerox HR Solutions, LLC	Pennsylvania
Xerox HR Solutions, LLP	Delaware (67)
ACS HR Solutions UK Limited	United Kingdom
ACS HR Solutions World Services, LLC	Delaware
Xerox Relocation & Assignment Services, LLC	Delaware
ACS Image Solutions, Inc.	Louisiana
ACS IT Solutions, LP	Delaware (45)
ACS Lending, Inc.	Delaware (41)
ACS Business Services, LLC	Delaware
ACS/ECG Holdings, LLC	Delaware
ACS Defense, LLC	Delaware
ACS Outsourcing Solutions, Inc.	Michigan
ACS Print and Mail Services, Inc.	Michigan
ACS Properties, LLC	Delaware
ACS Marketing, L.P.	Delaware (42)
ACS Protection Services, Inc.	Texas
ACS Puerto Rico, LLC	Puerto Rico
ACS REBGM, Inc.	Illinois
ACS Recovery Services, Inc.	Delaware
ACS Solutions Poland Sp. z.o.o.	Poland
ACS TradeOne Marketing, Inc.	Delaware
ACS Securities Services, Inc.	Texas
etravelexperts, LLC	Delaware
ACS Transport Solutions, Inc.	Georgia
ACB Airport Solutions, LLC	Georgia (46)

ACS Solutions de Mexico S.A. de C.V.	Mexico (68)
ACS Trust I	Delaware
ACS Trust II	Delaware
ACS Welfare Benefit Trust	Texas
Breakaway Healthcare and Life Sciences, LLC	Colorado
Health Technology Acquisition Company	Indiana
Outsourced Administrative Systems, Inc.	Indiana
Intellinex LLC	Delaware
LiveBridge, Inc.	Oregon
Newspaper Services Holding, Inc.	Oregon
ACS Contact Solutions of Canada, ULC	Nova Scotia
Restaurant Technology Services, LLC	Delaware
RTS Information Consulting (Chengdu) Co. Ltd	China
Restaurant Technology Services UK Limited	United Kingdom
Specialty I, LLC	Delaware
The National Abandoned Property Processing Corporation	Delaware
Wagers & Associates, Inc.	Colorado
Wireless Data Services North America, Inc.	Washington
Wireless Data Services (Operations), Inc.	Idaho
WDS Global-Texas, Inc.	Texas
Xerox Care and Quality Solutions, Inc.	Wisconsin
Xerox Commercial Solutions, LLC	Nevada
ACS Global, Inc.	Delaware
Affiliated Computer Services (Australia) Pty Ltd.	Australia
ML Colombia S.A.	Colombia (51)
Market Line Peru S.A.C.	Peru (52)
Market Line S.A.	Argentina (49)
Market Line Chile S.A.	Chile (50)
CDR Associates, L.L.C.	Delaware
Education Sales and Marketing, LLC	Colorado
ESM Chaperone, LLC	Colorado
TMS Health, LLC	Delaware
Truckload Management Services, Inc.	Colorado
Xerox Education Services, Inc.	Delaware
ACS Asset Management Group, Inc.	Oregon
Education Services Company	Delaware
ACS Education Loan Services LLC	Delaware
Xerox Education Solutions, LLC	Delaware
Xerox State & Local Solutions, Inc.	New York
ACS Human Services, LLC	Indiana
ACS Middle East, Inc.	Delaware
ACS China Solutions Hong Kong Limited	Hong Kong
ACS Road Technology Services (Beijing) Co. Ltd.	China
ParkIndy LLC	Delaware
Transaction Processing Specialists, Inc.	Texas
Xerox Capital LLC	Turks & Caicos Islands (9)

Xerox de Chile S.A.	Chile (40)
Xerox Developing Markets Limited	Bermuda
Sidh Securities Limited	Mauritius
Xerox DNHC LLC	Delaware
Xerox del Ecuador, S.A.	Ecuador (32)
Xerox Engineering Systems NV	Belgium
Xerox Export, LLC	Delaware
Xerox Europe Finance Limited Partnership	Scotland (20)
Xerox European Funding LLC	Delaware
Affiliated Computer Services Holdings (Luxembourg) S.A.R.L.	Luxembourg
Xerox Finance, Inc.	Delaware
Xerox Investments Holding (Bermuda) Limited	Bermuda
Xerox Financial Services LLC	Delaware
Xerox Foreign Sales Corporation	Barbados
Xerox d'Haiti, S.A.	Haiti
Xerox Holdings, Inc.	Delaware
Talegen Holdings, Inc.	Delaware
Xerox International Joint Marketing, Inc.	Delaware
Xerox International Partners	California (10)
Xerox Investments Europe B.V.	Netherlands
XC Global Trading B.V.	Netherlands
XC Trading Singapore Pte Ltd.	Singapore
XC Trading Hong Kong Limited	Hong Kong
XC Trading Japan G.K.	Japan
XC Trading Korea YH	Korea
XC Trading Malaysia	Malaysia
XC Trading Shenzhen Co., Ltd.	China
Xerox Holdings (Ireland) Limited	Ireland
Xerox (Europe) Limited	Ireland
Monocolour Limited	Ireland
NewField Information Technology Limited	United Kingdom
Xerox XF Holdings (Ireland) Limited	Ireland
Xerox Finance (Ireland) Limited	United Kingdom
Xerox Israel Ltd.	Israel
Xerox Middle East Investments (Bermuda) Limited	Bermuda
Bessemer Insurance Limited	Bermuda
Reprographics Egypt Limited	Egypt
Xerox Egypt S.A.E.	Egypt (5)
Xerox Finance Leasing S.A.E.	Egypt (3)
Xerox Equipment Limited	Bermuda
Xerox Maroc S.A.	Morocco (2)
Xerox Products Limited	Bermuda (16)
Xerox UK Holdings Limited	United Kingdom
Triton Business Finance Limited	United Kingdom
Xerox Trading Enterprises Limited	United Kingdom
Xerox Overseas Holdings Limited	United Kingdom

Xerox Business Equipment Limited	United Kingdom
Xerox Computer Services Limited	United Kingdom
Xerox Mailing Systems Limited	United Kingdom
Xerox Limited	United Kingdom
Affiliated Computer Services International B.V.	Netherlands
ACS-BPS (Ghana) Limited	Ghana
ACS BPS de Guatemala S.A.	Guatemala (70)
ACS Business Process Solutions Limited	United Kingdom
ACS Malta Limited	Malta (66)
ACS Worldwide Lending Limited	United Kingdom
Buck Consultants Limited	United Kingdom
Bevis Trustees Limited	United Kingdom
Buckingham Trustees Limited	United Kingdom
Buck Consultants (Healthcare) Limited	United Kingdom
Buck Consultants (Administration & Investment) Limited	United Kingdom
Talking People Limited	United Kingdom
Spur Information Solutions Limited	United Kingdom
Syan Holdings Limited	United Kingdom
ACS Information Technologies UK Limited	United Kingdom
Anix Group Limited	United Kingdom
Anix Business Systems Limited	United Kingdom
Anix Computers Limited	United Kingdom
PR Systems Limited	United Kingdom
Syan Technology Limited	United Kingdom
VBHG Limited	United Kingdom
Anix Holdings Limited	United Kingdom
Blue River Systems Limited	United Kingdom
Posetiv Limited	United Kingdom
Red Squared Limited	United Kingdom
Wireless Data Services Limited	United Kingdom
Hugh Symons Wireless Data Services Pty. Limited	Australia
Wireless Data Services (Asia Pacific) PTE Ltd.	Singapore
Wireless Data Services (Proprietary) Limited	South Africa
ACS (Cyprus) Holdings Limited	Cyprus
Affiliated Computer Services of India Private Limited	India (58)
ACS Czech Republic s.r.o.	Czech Republic
ACS HR Solutions Nederland B.V.	Netherlands
ACS HR Solutions Share Plan Services (Guernsey) Limited	Guernsey
ACS of the Philippines, Inc.	Philippines (62)
ACS Solutions Chile SA	Chile (57)
ACS Solutions Hong Kong Limited	Hong Kong
ACS Solutions of Puerto Rico, Inc.	Puerto Rico
ACS Solutions Schweiz AG	Switzerland
Affiliated Computer Services Austria GmbH	Austria
Affiliated Computer Services do Brasil Ltda.	Brazil (55)
ACS HR Solucoes Servicos de Recursos Humanos do Brasil Ltda.	Brazil (72)

Affiliated Computer Services (Fiji) Limited	Fiji (59)
Affiliated Computer Services GmbH	Switzerland
Affiliated Computer Services International (Barbados) Limited	Barbados
ACS Business Process Solutions (Dominican Republic), S.A.	Dominican Republic (54)
ACS Business Process Solutions (Jamaica) Limited	Jamaica (53)
Affiliated Computer Services Ireland Limited	Ireland
Affiliated Computer Services Malaysia Sdn. Bhd.	Malaysia (61)
Affiliated Computer Services (Netherlands) B.V.	Netherlands
Affiliated Computer Services of Poland Sp. z.o.o.	Poland (63)
Affiliated Computer Services South Africa (Proprietary) Limited	South Africa
Affiliated Computer Services (Tianjin) Co., Ltd.	China
Veenman B.V.	Netherlands
Veenman Financial Services B.V.	Netherlands
Wilhaave Groep B.V.	Netherlands
Unamic Holding B.V.	Netherlands
Unamic/HCN B.V.	Netherlands
Telenamic N.V.	Suriname (73)
Unamic/HCN BVBA	Belgium (74)
Unamic HCN Musterfi Hizmetleri Limited Sirketi	Turkey (75)
Xerox Holding (Nederland) B.V.	Netherlands
Xerox Manufacturing (Nederland) B.V.	Netherlands
Xerox Office Printing Distribution B.V.	Netherlands
Xerox (Nederland) BV	Netherlands
"Veco" Beheer Onroerend Goed BV	Netherlands
Xerox Document Supplies BV	Netherlands
Xerox Financial Services B.V.	Netherlands
Xerox Services BV	Netherlands
Continua Limited	United Kingdom
Continua Sanctum Limited	United Kingdom
Limited Liability Company Xerox (C.I.S.)	Russia
The Xerox (UK) Trust	United Kingdom
Xerox AS	Norway
Xerox Austria GmbH	Austria
Xerox Global Services GmbH	Austria
Xerox Leasing GmbH	Austria
Xerox Office Supplies GmbH	Austria
Xerox Bulgaria EOOD	Bulgaria
Xerox Buro Araclari Ticaret ve Servis A.S.	Turkey
Xerox Canada Inc.	Ontario
Xerox (Barbados) SRL	Barbados (14)
Xerox Finance (Luxembourg) Sarl	Luxembourg
Xerox Canada Finance Inc.	Ontario
ACS Public Sector Solutions Inc.	Canada
ACS Business Process Solutions de Mexico S.A. de C.V.	Mexico (56)
ACS Government Solutions Canada Inc.	Ontario
ACS HR Solutions Canada Co.	Nova Scotia

Xerox Canada Ltd.	Canada (4)
LaserNetworks Inc.	Ontario
6999816 Canada Inc.	Canada
Green Imaging Supplies Inc.	Canada
Xerox Financial Services Canada Ltd.	Ontario
Xerox Capital (Europe) Limited	United Kingdom
Concept Group Limited	Scotland
Concept Group (Sales) Limited	Scotland
Imaging Business Systems (N.I.) Limited	Northern Ireland
Irish Business Systems Limited (Republic of Ireland)	Republic of Ireland
Xerox AG	Switzerland
Xerox A/S	Denmark
Xerox Financial Services Danmark A/S	Denmark
Xerox Finance AG	Switzerland
Xerox Sverige AB	Sweden
Xerox (UK) Limited	United Kingdom
Bessemer Trust Limited	United Kingdom
Xerox Finance Limited	United Kingdom
Xerox Channels Limited	United Kingdom
XEROX CZECH REPUBLIC s r.o.	Czech Republic
Xerox Espana, S.A.U.	Spain
Affiliated Computer Services of Spain, S.L., Sociedad Unipersonal	Spain
Affiliated Computer Services Solutions Spain, S.L.	Spain
Buck Consultants, S.L.	Spain
Xerox Fabricacion S.A.U.	Spain
Xerox Renting S.A.U.	Spain
Xerox Office Supplies S.A.U.	Spain
Xerox Exports Limited	United Kingdom
Xerox Financial Services Belux NV	Belgium
Xerox Financial Services Norway AS	Norway
Xerox Financial Services Sverige AB	Sweden
Xerox Hellas AEE	Greece
Xerox Holdings Deutschland GmbH	Germany
Affiliated Computer Services of Germany GmbH	Germany
ACS Holdings (Germany) GmbH	Germany
ACS HR Solutions Deutschland GmbH	Germany
Xerox IT Services GmbH	Germany
Xerox GmbH	Germany
Xerox Dienstleistungsgesellschaft GmbH	Germany
Xerox Leasing Deutschland GmbH	Germany
Xerox Reprographische Services GmbH	Germany
Xerox Hungary Trading Limited	Hungary
Xerox (Ireland) Limited	Ireland
Xerox India Limited	India (8)
Xerox Kazakhstan Limited Liability Partnership	Kazakhstan
Xerox Management Services N.V.	Belgium

Xerox N.V.	Belgium
Xerox Luxembourg SA	Luxembourg (27)
Xerox Oy	Finland
Xerox Financial Services Finland Oy	Finland
Xerox Pensions Limited	United Kingdom
Xerox Polska Sp.zo.o	Poland
Xerox Portugal Equipamentos de Escritorio, Limitada	Portugal (21)
CREDITEX - Aluguer de Equipamentos S.A.	Portugal
Xerox Professional Services Limited	United Kingdom
Xerox Property Services Limited	United Kingdom
Xerox (Romania) Echipmante Si Servici S.A.	Romania
Xerox Serviços e Participações Ltda	Brazil
Xerox Comercio e Industria Ltda	Brazil
Xerox Slovenia d.o.o.	Slovenia
Xerox S.p.A.	Italy
ACS Solutions Italia, S.p.A.	Italy
Nuova Karel Soluzioni S.r.l. unipersonale	Italy
Xerox Financial Services Italia S.p.A.	Italy
Xerox Italia Rental Services Srl	Italy
Xerox Italia Services S.p.A.	Italy
XLW S.r.l.	Italy
Eagle Connect Sh.p.k.	Albania
Voice Star Sh.p.k.	Albania
XLW Star S.r.l.	Romania
Xerox Telebusiness GmbH	Germany
Xerox (Ukraine) Ltd LLC	Ukraine (17)
Xerox S.A.S.	France (22)
Affiliated Computer Services Holdings (France) S.A.S.	France
Affiliated Computer Services Business Process Solutions S.A.S.	France (64)
Affiliated Computer Services Strategic Support (France) E.U.R.L.	France
Affiliated Computer Services Solutions France S.A.S.	France
ACS Solutions Peru S.A.	Peru (65)
Xerobail SAS	France
Xerox Financial Services SAS	France (23)
Xerox Document Supplies SNC	France (24)
Xerox General Services SAS	France
Xerox XHB Limited	Bermuda
Xerox XIB Limited	Bermuda
XRO Limited	United Kingdom
Nemo (AKS) Limited	United Kingdom
XRI Limited	United Kingdom
RRXH Limited	United Kingdom
RRXO Limited	United Kingdom
RRXIL Limited	United Kingdom
Xerox Latinamerican Holdings, Inc.	Delaware
Xerox Lease Receivables I, LLC	Delaware

Xerox Lease Receivables 2012-2 LLC	Delaware
Xerox Mexicana, S.A. de C.V.	Mexico (28)
Xerox Mortgage Services, Inc.	Delaware
Xerox Overseas, Inc.	Delaware
XC Asia LLC	Delaware
Xerox del Peru, S.A.	Peru (30)
Xerox Realty Corporation	Delaware
Xerox Trade Receivables II LLC	Delaware
Xerox Trinidad Limited	Trinidad
XESystems Foreign Sales Corporation	Barbados
XMPie Inc.	Delaware
Nuvisio Corporation	Delaware
Nuvisio, Ltd.	Israel
XMPie, Ltd.	Israel

(1) Xerox Corporation owns 90% of the shares of Xerox Argentina; the remaining 10% is owned by Pacific Services and Development Corporation, a wholly-owned subsidiary of Xerox Corporation.
(2) Owned 99.9% by XMEIBL and .1% by several individuals.
(3) Owned 96% by Xerox Egypt S.A.E., 3% by Xerox Middle East Investments (Bermuda) Limited and 1% by Egyptian Finance Company S.A.E.
(4) Owned 80.24% by Xerox Canada Inc. and 19.76% by Xerox Canada Finance Inc.
(5) Owned 75% by Xerox Middle East Investments (Bermuda) Limited and 25% by Egyptian Finance Company S.A.E
(6) [RESERVED]
(7) [RESERVED]
(8) Xerox Corporation indirectly owns 89.3% and 10.7% is privately held.
(9) Owned 99.9% by Xerox Corporation and .1% by Pacific Services and Development Corporation, a wholly-owned subsidiary of Xerox Corporation
(10) Xerox International Partners is a California general partnership between FX Global, Inc. (49%) and Xerox International Joint Marketing, Inc. (51%).
(11) [RESERVED]
(12) [RESERVED]
(13) [RESERVED]
(14) Owned 88.27% by Xerox Canada Inc. and 11.73% by Xerox Corporation
(15) [RESERVED]
(16) Owned 51% by Xerox Middle East Investments (Bermuda) Limited; the remaining 49% is owned by a third party - the Estate of the late Hareb Al Otaiba
(17) Owned 99% by Xerox Limited; the remaining 1% is owned by Xerox Property Services Limited, another subsidiary of Xerox Limited
(18) Owned 75% by Xerox Corporation; the remaining 25% is owned by an outside third party in Trinidad
(19) Owned 95% by Fuji Xerox Co., Ltd. and 5% by Biznet Corporation
(20) Xerox Europe Finance Limited Partnership is owned 99.9% by Xerox Export LLC and .1% by Xerox Corporation.
(21) Owned 74% by Xerox Limited and 26% by Xerox Property Services Limited
(22) Remaining shares transferred in Xerox SAS to Xerox Overseas Holdings Limited after share capital reduction exercise.
(23) Owned 87.5% by Xerobail SAS and 12.5% by Xerox SAS
(24) Owned 99.99% by XEROX S.A.S. and .01% by Xerobail SAS
(25) [RESERVED]
(26) [RESERVED]
(27) Owned 99% by NV Xerox SA and 1% by Xerox Financial Services Belux NV
(28) Owned 99.99% by Xerox Corporation and .01% by Pacific Services and Development Corporation
(29) [RESERVED]
(30) Owned 95.73% by Xerox Corporation and 4.27% by Pacific Services and Development Corporation.
(31) [RESERVED]
(32) Owned 99.99% by Xerox Corporation and .01% by Pacific Services and Development Corporation (PSDC owns only 1 share)
(33) [RESERVED]
(34) Owned 99% by Conway Office Products, LLC (limited partner) and 1% by Global Imaging Systems, Inc. (general partner)
(35) [RESERVED]
(36) [RESERVED]
(37) [RESERVED]
(38) [RESERVED]
(39) [RESERVED]
(40) Owned 99.99% by Xerox Corporation and .01% by Pacific Services and Development Corporation
(41) Owned 19% by Xerox Business Services, LLC; 37% by Xerox State & Local Solutions, Inc.; 23% by Buck Consultants, LLC; 15% by Xerox State Healthcare, LLC; 6% by ACS HR Solutions, LLC

(42) Owned 99.9% by ACS Properties, LLC and 0.1% by Xerox Business Services, LLC
(43) [RESERVED]
(44) Owned 79.884% by Buck Consultants, LLC and 20.116% by ACS Holdings (Germany) GmbH
(45) Owned 99.9% by Xerox Business Services, LLC and 0.1% by ACS Business Services, LLC
(46) Owned 66% by ACS Transport Solutions, Inc.; 17% by Carter Brothers, LLC; and 17% by D&D Electric, Inc.
(47) Owned 99.9998% by eServices Group (St. Lucia) Ltd.; 0.0002% by ACS Global Inc.
(48) Owned 93.59% by Xerox Corporation, 6.35% by Xerox Commercial Solutions, LLC and .06% by Xerox State and Local Solutions, Inc.
(49) Owned 90% by ACS Global Inc; 10% by Xerox Commercial Solutions, LLC
(50) Owned 93.3750% by Market Line S.A. in Argentina; 6.6250% by ACS Global, Inc.
(51) Owned 94.9% by ACS Global, Inc.; 2.1% Xerox Commercial Solutions, LLC; 1% LiveBridge, Inc.; 1% Market Line S.A. in Argentina; 1% ACS Middle East, Inc.
(52) Owned 90% by ACS Global, Inc.; 10% Xerox Commercial Solutions, LLC
(53) Owned 99.9090% by Affiliated Computer Services International (Barbados) Limited; .0910% by Xerox Commercial Solutions, LLC
(54) Owned 99.9966 by Affiliated Computer Services International (Barbados) Limited; 0.0006% by ACS Business Services, LLC; .0006% by ACS Lending, Inc.; 0.0006% by ACS Outsourcing Solutions, Inc.; 0.0006% by Xerox State & Local Solutions, Inc.; 0.0006% by Xerox State Healthcare, LLC; 0.0006% by Xerox Business Services, LLC
(55) Owned 99.9997 by Affiliated Computer Services International B.V.; .0003% by Xerox Business Services, LLC
(56) Owned 99% by ACS Public Sector Solutions Inc; 1% by Xerox State and Local Solutions, Inc.
(57) Owned 99.5% by Affiliated Computer Services International B.V.; .5% by Xerox State and Local Solutions, Inc.
(58) Owned 99.0% by ACS (Cyprus) Holdings Limited; 1.0% by Xerox Commercial Solutions, LLC
(59) Owned 99.9999% by Affiliated Computer Services International B.V.; .0001% by Xerox State and Local Solutions, Inc.
(60) [RESERVED]
(61) Owned 99% by Affiliated Computer Services International B.V.; 1% by Xerox Commercial Solutions, LLC
(62) Owned 99.9822 by Affiliated Computer Services International B.V.; .0178% by a minority
(63) Owned 99.9290% by Affiliated Computer Services International B.V.; .0710% by Xerox Commercial Solutions, LLC
(64) Owned 99.9383% by Affiliated Computer Services Holdings (France) S.A.S.; 0.0616% by Affiliated Computer Services International B.V.; 0.0001 by Xerox Commercial Solutions, LLC
(65) Owned 99% by Affiliated Computer Services Solutions France S.A.S.; 1% by Xerox State & Local Solutions, Inc.
(66) Owned 99.8% by ACS Business Process Solutions Limited; 0.2% by Xerox Commercial Solutions, LLC
(67) Owned 99% by Xerox HR Solutions, LLC; 1% by ACS Human Resource Solutions, LLC
(68) Owned 99% by ASC Transport Solutions, Inc.; 1% by Xerox State & Local Solutions, Inc.
(69) [RESERVED]
(70) Owned 98% by Affiliated Computer International B.V.; 2% by Xerox State & Local Solutions, Inc.
(71) [RESERVED]
(72) Owned 99% by Affiliated Computer Services do Brasil Ltda.; 1% by ACS HR Solutions World Services, LLC
(73) Owned 50% by Unamic/HCN B.V.; 50% by Telesur, a non-ACS/Xerox entity
(74) Owned 99.9% by Unamic/HCN B.V.; .1% by Unamic Holding B.V.
(75) Owned 98.99% by Unamic/HCN B.V.; 1.01% by Unamic Holding B.V.

EXHIBIT 23

CONSENT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

We hereby consent to the incorporation by reference in the Registration Statements on Form S-3 (no. 333-166431) and Form S-8 (Nos. 333-162639, 333-164766, 333-160264, 333-125250, 333-09821, and 333-167922) of Xerox Corporation of our report dated February 21, 2013 relating to the financial statements and the effectiveness of internal control over financial reporting, which appears in the Annual Report to Shareholders, which is incorporated in this Annual Report on Form 10-K. We also consent to the incorporation by reference of our report dated February 21, 2013 relating to the financial statement schedule, which appears in this Form10-K.

/s/ PRICEWATERHOUSECOOPERS LLP

PricewaterhouseCoopers LLP
Stamford, Connecticut
February 21, 2013

EXHIBIT 31(a)

CEO CERTIFICATIONS

I, Ursula M. Burns, certify that:

1. I have reviewed this Annual Report on Form 10-K of Xerox Corporation;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

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

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

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

   (d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

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

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

February 21, 2013

/S/ URSULA M. BURNS

Ursula M. Burns
Principal Executive Officer

EXHIBIT 31(b)

CFO CERTIFICATIONS

I, Luca Maestri, certify that:

1. I have reviewed this Annual Report on Form 10-K of Xerox Corporation;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

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

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

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

   (d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

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

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

February 21, 2013

/S/ LUCA MAESTRI

Luca Maestri
Principal Financial Officer

EXHIBIT 32

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

In connection with the Form 10-K of Xerox Corporation, a New York corporation (the “Company”), for the year ended December 31, 2012, as filed with the Securities and Exchange Commission on the date hereof (the “Report”), Ursula M. Burns, Chairman of the Board and Chief Executive Officer of the Company, and Luca Maestri, Executive Vice President and Chief Financial Officer of the Company, each hereby certifies, pursuant to 18 U.S.C. § 1350, as adopted pursuant to § 906 of the Sarbanes-Oxley Act of 2002, to the best of his/her knowledge, that:

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

/S/ URSULA M. BURNS

Ursula M. Burns
Chief Executive Officer

February 21, 2013

/S/ LUCA MAESTRI

Luca Maestri
Chief Financial Officer

February 21, 2013

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.

Attachment 4 – Case Studies

This section includes the following documents:

- Attachment 4a: IPS Group LA Case Study
- Attachment 4b: Xerox ParkIndy Case Study
- Attachment 4c: Xerox Managed Receivables Case Study

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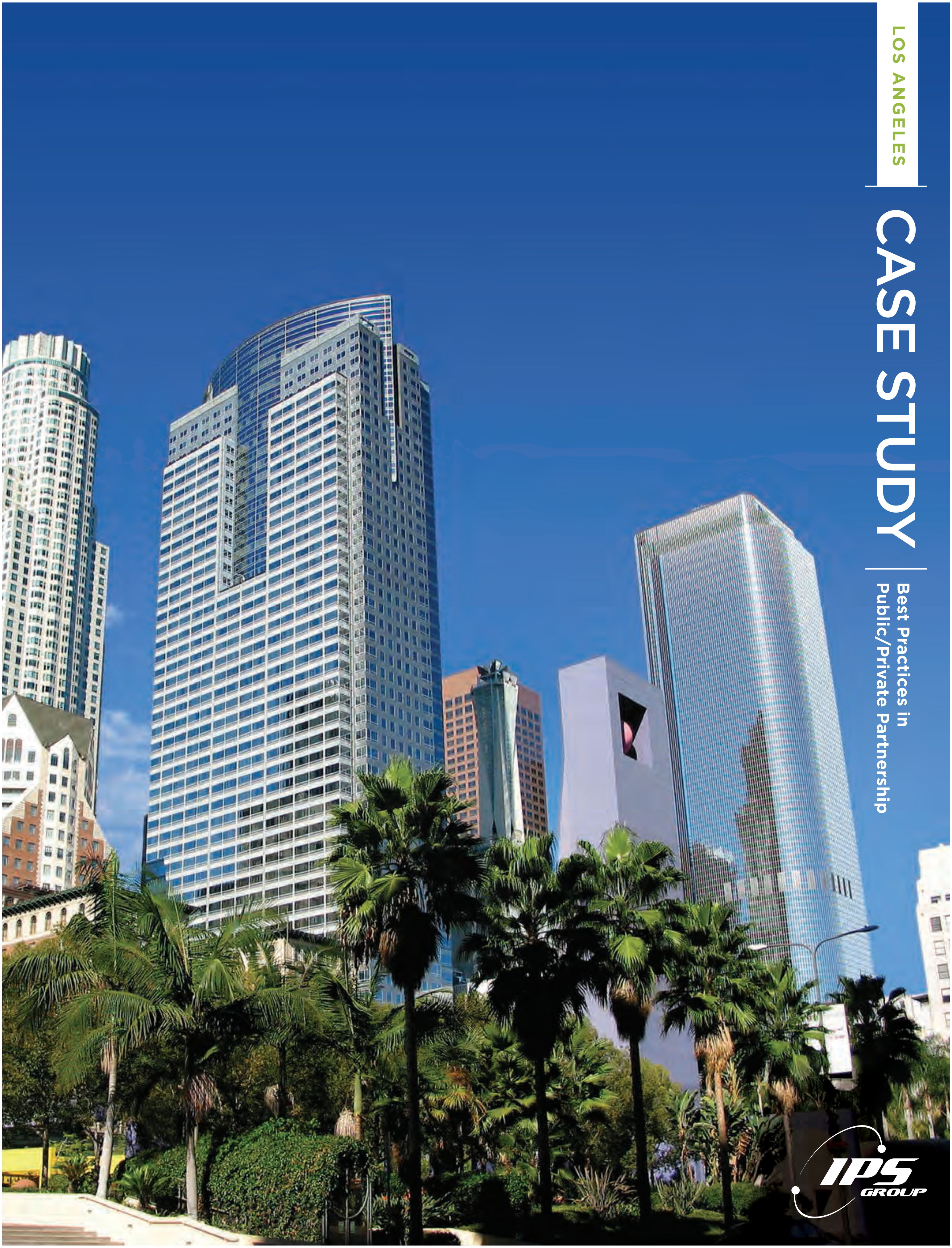
LOS ANGELES

CASE STUDY

Best Practices in Public/Private Partnership



IPS GROUP

Making the Latest On-Street Parking Technology Financially Feasible

People aren't so sure about numbers these days. Suspicious math and faulty logic may seem to be the trend in the world of business and finance, but the truth is, integrity and innovation still work hand in hand to create high return.

In Los Angeles, where the car is king, there is a lot of money to be made – or lost – in on-street parking. With a population of 3.8 million and a car culture second to none, Los Angeles city officials faced a serious challenge. In early 2010, it was clear that broken and outdated meters were inconvenient and unreliable, costing the city serious revenue. No only that, most of the city's meters only accepted coins, and just coming off a recent rate increase, officials knew credit card payment must be added to the equation.

Financing proved to be the largest obstacle to improvement. With minimal funds for an upgrade, Los Angeles had to find a way to replace its single-space parking meters with on-street technology that would guarantee efficiency, increased revenue, and public support—all without major upfront capital expenses. And it had to be done quickly.

The solution came in the form of a three-year lease-to-own contract with IPS Group. The city, already considering public-private partnership, would lease new card/coin single space meters from IPS and use the increased revenue generated after installation to pay for the technology.

The city estimated a pilot installation of 10,000 meters would bring a yearly net increase of $1 to $1.5 million.

The Smarter Public-Private Partnership

The Public-Private Partnership (PPP), specifically the partnership between a city government and the parking industry, does not have to be configured the same way every time. Performance, profitability and sustainability will always be the goal, but the means to that end can be a custom fit for the particular city and its partner. The parking service provider must deliver the best technology and service. And the city leadership must consider the needs of its population, its overall financial status, and the true worth of its parking infrastructure.

Los Angeles chose to install IPS coin and card technology into its existing single-space meter housings. The anticipated increase in profitability would pay the lease and eventually the city would own the meter technology and simply pay IPS for service and any future improvements.

The partnership would allow the city to make the changes quickly, realize a profit and pay for the upgrade without creating additional debt. In May 2010, the installation began. The process took 12 weeks for 10,000 meters and was done without any up-front costs for Los Angeles.

With the varied options of parking management systems on the market today, Dan Mitchell, Senior Transportation Engineer at the Los Angeles Department of Transportation (LADOT) explains, “IPS was the only company who could bring about quick implementation on the streets.”

Why Use IPS Coin and Card Single-Space Meters?

Los Angeles city officials had considered all of their options. Leaving the outdated meters with coin-only mechanisms in place was inadvisable. Credit card capability was a must. Pay-by-space, pay-and-display, and multiple-space meters were all considered, but the city saw the savings to be had in using its existing single-space poles and housings. IPS’s universal meter mechanism fits into any single-space meter housing and accepts coins, credit/debit cards, smart cards and tokens.

Convenience – With higher rates, users need the option to pay with credit cards. Even if they have enough coins, many users find it easier to pay with plastic. For cities, the option to use existing poles and bases speeds installation and saves hundreds of thousands in demolition, equipment and installation costs.

Reliability – The new meters are wirelessly connected to the Los Angeles Department of Transportation, giving staff immediate information about needed repairs and allowing them to respond proactively. With outdated meters, problems are discovered only if they are physically monitored by a city employee or reported by hotline by a member of the public.

Sustainability – Every step taken to help the environment is a step in the right direction. Choosing IPS single-space meters allowed Los Angeles to keep its existing poles and housings in place. The new meter mechanisms are solar-powered, which maximizes battery life and is environmentally friendly.

Profitability – Giving users more payment options translates to more payment in total. When given the option to pay with a credit card, parkers are more likely to pay for the maximum amount of time needed since they are not limited to the amount of coins they have in their pockets. Reducing coin use also reduces the occurrence of non-functioning, jammed meters and full coin vaults, increasing uptime and profitability. And when jams

do occur, patrons are still able to pay for parking by card. This capability allowed LADOT to implement a new policy requiring meter payment regardless of jams, which essentially eliminated rampant vandalism.

The Real Numbers

In October 2010, City of Los Angeles Mayor Antonio R. Villaraigosa announced that the new meter technology had generated an additional $230,000 in one month - nearly doubling the city’s original net revenue estimate.

The initial 10,000 IPS meters installed in Los Angeles also:

- operated at greater than 99 percent uptime
- reduced citywide complaints to the hotline by 55%
- increased parking meter citations 15%
- decreased contested citations by 75%
- accepted credit card payments for more than a third of revenue

City leaders were so impressed with the IPS meters they ordered 10,000 additional meters and made another order shortly thereafter. Today, there are a total of 27,000 IPS single-space meters operating in Los Angeles. The solar powered meters keep approximately 60,000 AA batteries out of the dump each year.

"By reusing our existing poles and using clean solar power, these new coin and card meters are a win-win for customers, the city and the environment," Mayor Villaraigosa said. "Since we installed the first of these new meters in May, they immediately began earning their keep in the City of Los Angeles. These meters are helping contribute to the city finances while providing more reliable and convenient service to drivers."

Lessons Learned

City government and independent contractors can work together to improve conditions for the public, apply innovative technology, and improve revenue. Los Angeles and IPS created a partnership that immediately addressed the city's metered parking needs and designed that partnership to pay for itself. The partnership met the needs of the city by providing new meter technology that was environmentally friendly, more reliable, more profitable and could be installed quickly. No bonds were required nor any borrowing of funds from the city's other departments, proving it is possible to improve infrastructure without wreaking financial havoc.

Los Angeles's new meters now bring in more than twice the net revenue that was initially estimated, and while it has the full support of IPS, the city still has control of its parking technology and the potential for increased and sustained revenue generation.

About IPS

San Diego-based IPS Group, Inc. is a design, engineering and manufacturing company focused on low-power wireless telecommunications and parking technologies. IPS manufactures locally and has been delivering world-class solutions to the telecommunications and parking industries for over 15 years.

IPS Group is the only proven and patented provider of solar-powered, credit card enabled, single-space parking meters in the world. The end result is greater convenience for motorists, real time parking data for the city, and a battery life that can exceed three years.

With over 80 clients in trials or contracts in over 50 North American cities from coast-to-coast, IPS Group is experiencing rapid growth. The Public/Private Partnership Award given by the United States Conference of Mayors is an example of current marketplace success. To find out more information go to **www.ipsgroupinc.com.**

The City of Los Angeles and IPS Group were awarded by the US Conference of Mayors for excellence in Public/Private Partnership for card/coin parking meter technology upgrades in 2012

IPS GROUP
Parking & Telecommunications

Call for an on-site demo: **858.404.0607** | Online: **ipsgroupinc.com**

Attachment 4b: ParkIndy Case Study

ParkIndy implemented the latest in sustainable parking technology in Indianapolis, providing motorists with a variety of convenient payment options.

The Challenge

With 3,600 parking spaces, low parking turnover, broken meters, and flat rates for the past 30 years, the city of Indianapolis was in need of new meters and next-generation technology to meet the needs and parking demands of the City.

The Solution

A public-private partnership with the City of Indianapolis was formed to create a modernized and more convenient parking system for motorists and businesses of this vibrant city.

We provided an up-front investment of $20 million to Indianapolis for infrastructure improvements. We modernized parking technology to bring conveniences and efficiencies never before offered in Indianapolis. Technology upgrades improve the user experience and simplify overall parking operations while increasing turnover for local merchants.

The Indianapolis modernization will generate an ongoing revenue stream estimated at $600 million and shift costly financial risks to our operating company, ParkIndy, LLC. ParkIndy, not the City, bears all expenses and financial risk going forward, saving Indianapolis approximately $3 million annually in operating costs. By providing an ongoing, annual revenue stream, the revenue-share structure aligns objectives for citizen service, efficiency, and revenue return over the term of the agreement.

To further demonstrate our commitment to Indianapolis, ACS has committed to and has created 200 new jobs in the community—in areas unrelated to parking. These jobs will contribute an estimated $18 to $24 million in economic benefit to the City in the first 7 years alone.

The City maintains flexibility and control in key areas of economic development, public policy, and rate structures. The agreement with ParkIndy can be terminated for convenience every 10 years if the City believes the contract is no longer in the best interest of the community.

The Results

The meter modernization was implemented in a phased approach to minimize disruption to the City and account for an adjustment period for motorists and businesses. All 3,600 metered parking spaces were modernized in 2011 with mix of single space credit card-accepting parking meters and pay boxes. The pay boxes /allow motorists to pay by space. About 50% of the meter poles were removed, and the rest are used to designate space numbers and as bike racks. The City's new rates and hours of operation were rolled out on January 2, 2012. The days and hours of operation were extended, as were the time limits during evening hours.

SuperBowl visitors will be treated to the most modernized parking system in the United States. In September 2011 ParkIndy released an application that allows users to feed any parking meter by phone. Further, ParkIndy has installed hundreds of sensors and offers a free application so that motorists can save time and find empty parking spaces. More than 2000 sensors will be installed by early 2012.

A website, www.parkindy.net, communicates growing developments around the City and provide the public with the most up-to-date information. In addition, ParkIndy holds technology demonstrations and visits with dozens of neighborhood and commercial groups. Residents can follow us via our newsletter or on Facebook and Twitter.

On August 19, 2011, the Indianapolis Business Journal declared, "Indianapolis' decision to lease its parking meters to a private company so far appears to be a financial boost for the city." Under private operation, total meter revenue grew to $1.7 million in the second quarter of 2011, compared to $1.3 million during the same period under public operation. Under private operation, total municipal revenue grew 360% to $498,273, up from $108,625 during the same period under public operation.

082_STLOU

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Attachment 4c: Xerox Managed Receivables

The substantive improvements identified in Case Studies A and B are where the model has processed forward flow accounts as well as backlog. Case Study C has initially been limited to aged backlog volumes until the forward flow program began in December of 2012.

The first two case studies (Exhibits A4c–1 and A4c–2) demonstrate the ability of our Managed Receivables model to produce increases in revenue that are twice the increase in citation issuance, thus producing substantial revenue increases not solely attributable to increased issuance.

The third case study (Exhibit A4c–3), when compared to the first two, indicates the relative benefit of placing as much of the account backlog into the program. That is why we recommend that all delinquent accounts be assigned to collections status for immediate pursuit.

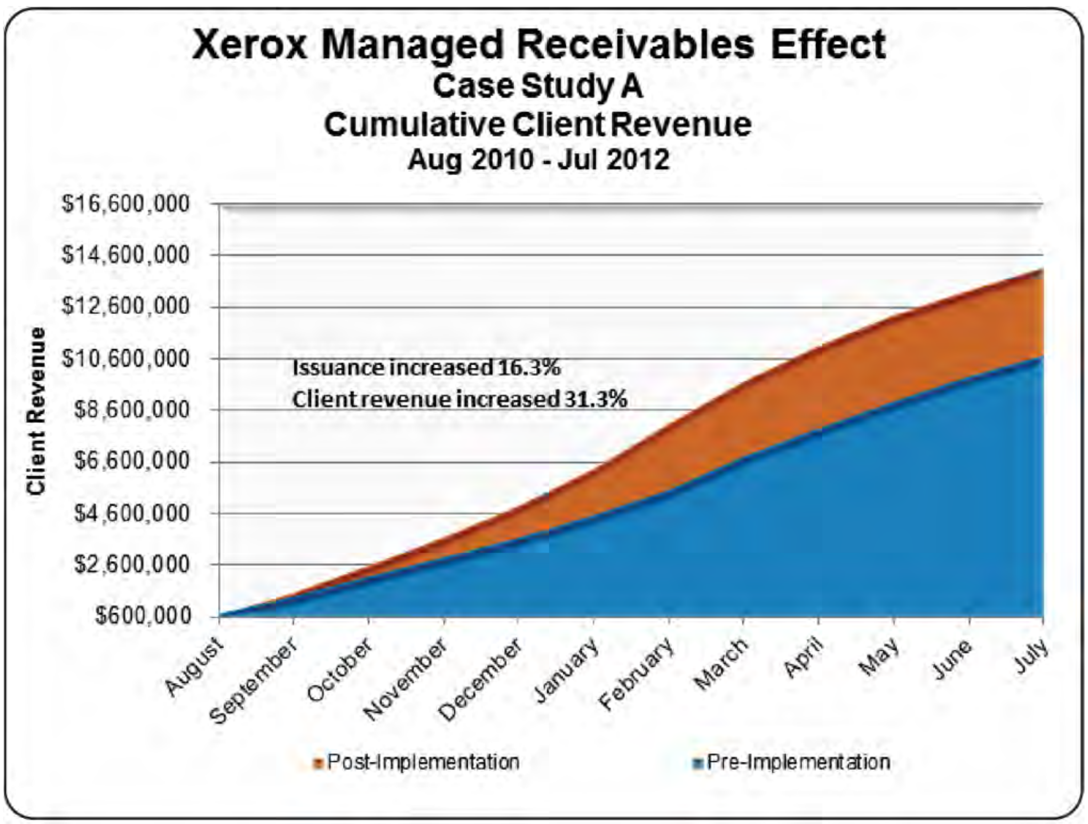

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Exhibit A4c–1. Xerox Managed Receivables Effect - Case Study A

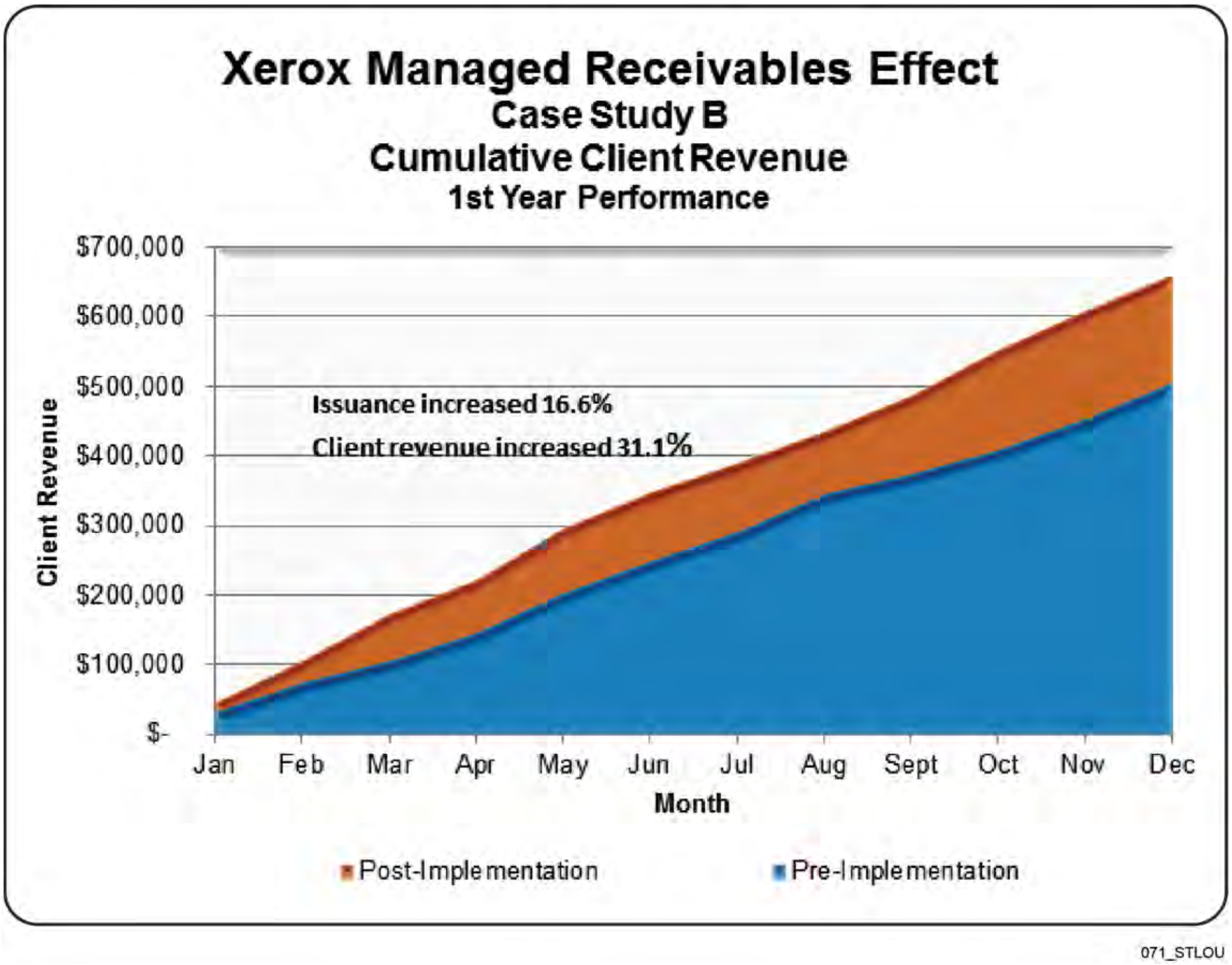

Exhibit A4c–2. Xerox Managed Receivables Effect - Case Study B

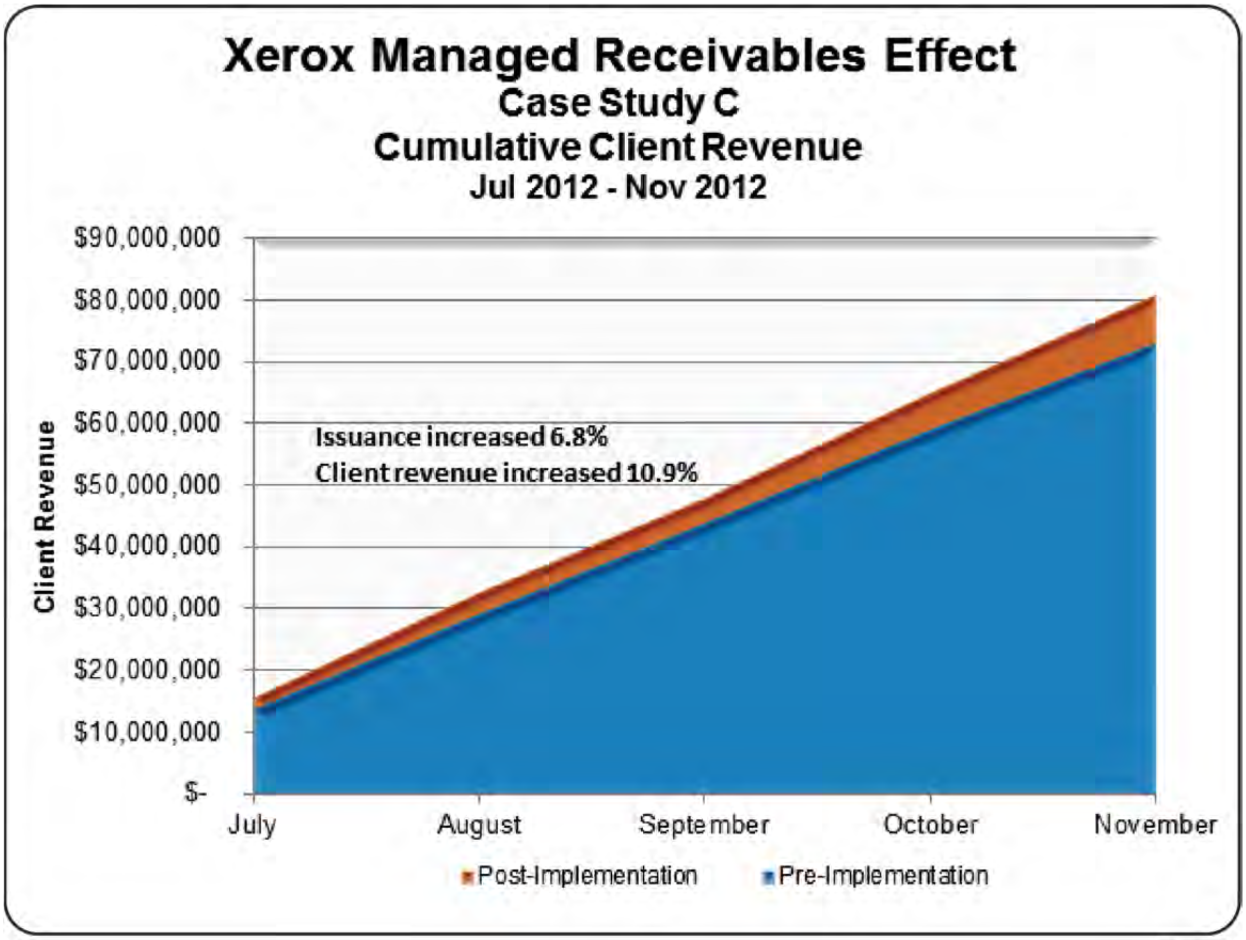

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Exhibit A4c–3. Xerox Managed Receivables Effect – Case Study C

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