

XEROX CORP
Form DEF 14A
April 10, 2007

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

SCHEDULE 14A

Proxy Statement Pursuant to Section 14(a) of
the Securities Exchange Act of 1934 (Amendment No.)

Filed by the Registrant x

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Check the appropriate box:

- o Preliminary Proxy Statement
- o **Confidential, for Use of the Commission Only (as permitted by Rule 14a-6(e)(2))**
- x Definitive Proxy Statement
- o Definitive Additional Materials
- o Soliciting Material Pursuant to §240.14a -12

Xerox Corporation

(Name of Registrant as Specified In Its Charter)

(Name of Person(s) Filing Proxy Statement, if other than the Registrant)

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Xerox Corporation
800 Long Ridge Road
P.O. Box 1600
Stamford, Connecticut 06904

April 10, 2007

Dear Shareholders:

You are cordially invited to attend the Annual Meeting of Shareholders of Xerox Corporation to be held on Thursday, May 24, 2007, at Xerox's Corporate Headquarters, 800 Long Ridge Road in Stamford, Connecticut. Your Board of Directors and management look forward to greeting in person those shareholders able to attend.

At the Annual Meeting you will be asked to vote upon the election of eleven directors, to ratify the selection of PricewaterhouseCoopers LLP as the Company's independent registered public accounting firm for 2007, and to approve an amendment to the Xerox 2004 Performance Incentive Plan. The Board of Directors unanimously recommends that you vote in favor of each of these proposals.

The Company has been advised that one shareholder proposal is intended to be submitted for shareholder vote. Your Board believes that this shareholder proposal is not in the best interest of the Company and its shareholders, and unanimously recommends a vote against this proposal.

After 15 years of dedicated service, Hilmar Kopper is retiring from the Board of Directors. We are deeply grateful for his contributions to the Company. Earlier this month, Ursula Burns was named President of Xerox and elected to the Board of Directors. Ursula brings her deep knowledge of Xerox to the President role, where she will work closely with me and our leadership team to drive the Company's growth strategy. Ursula and the rest of the Board of Directors are standing for reelection. The proposed slate includes nine independent directors and two employee directors.

It is important that your shares be represented and voted at the Annual Meeting, regardless of whether or not you plan to attend in person. Therefore, you are urged to vote your shares using one of the methods described in the following pages. Voting instructions are detailed in the accompanying voting instruction and proxy card.

For the Board of Directors,

Anne M. Mulcahy
Chairman and Chief Executive Officer

Notice of Annual Shareholders Meeting

Date and Time:	Thursday, May 24, 2007, at 10:00 a.m. Xerox Corporation Corporate Headquarters, 800 Long Ridge Road, Stamford, Connecticut
Location:	
Purpose:	(1) Election of 11 directors; (2) Ratification of the selection of PricewaterhouseCoopers LLP as the Company's independent registered public accounting

firm for 2007;
 (3) Vote on the amendment of the 2004 Performance Incentive Plan;
 (4) Vote on shareholder proposal relating to the adoption of a vendor code of conduct; and
 (5) Consider such other business as may properly come before the meeting.

March 26, 2007 You are eligible to vote if you were a shareholder of record on this date.

Record Date:
 Proxy Voting:

- (1) Telephone
- (2) Internet
- (3) Proxy Card

Please review the accompanying proxy card for voting instructions.

Importance of Vote:

Whether or not you plan to attend, please submit a proxy as soon as possible to ensure that your shares are represented.

By order of the Board of Directors,

Lawrence A. Zimmerman
 Executive Vice President and Chief Financial Officer

April 10, 2007

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PROXY STATEMENT

GENERAL

The Meeting

The Board of Directors of Xerox Corporation is requesting your proxy for the Annual Meeting of Shareholders on May 24, 2007, beginning at 10:00 a.m., and any adjournments that follow. The meeting will be held at the Xerox Corporation Corporate Headquarters, 800 Long Ridge Road in Stamford, Connecticut.

Shares Entitled to Vote

Holders of record of the Company's Common Stock, par value \$1 per share (Common Stock), as of the close of business on March 26, 2007, are entitled to vote. On that date there were 937,263,001 shares of Common Stock outstanding. At the meeting each share of Common Stock is entitled to one vote on each proposal.

Proxy Voting and Quorum

Shareholders of record may vote their proxies by telephone, Internet or mail. By using your proxy to vote in one of these ways, you authorize the three directors whose names are listed on the front of the proxy card accompanying this Proxy Statement to represent you and vote your shares. Holders of a majority of the shares entitled to vote at the meeting must be present in person or represented by proxy to constitute a quorum.

Of course, if you attend the meeting, you may vote by ballot. If you are not present, your shares can be voted only when represented by a properly submitted proxy.

You may revoke or change your proxy at any time before it is exercised, either in writing to the Secretary of the Company, through the Internet or by telephone voting.

Choices in Voting

You have several choices in completing your voting:

- You may vote on each proposal, in which case your shares will be voted in accordance with your choices.
- In voting on directors, you can either vote FOR all the directors or withhold your vote on all or certain of the directors.
- You may indicate a preference to abstain on any other proposal, in which case no vote will be recorded.
- You may submit a proxy without indicating your voting preferences, in which case the proxies will vote your shares:
 - for election of the directors nominated by the Board of Directors;
 - for ratification of the selection of PricewaterhouseCoopers LLP as the Company's independent registered public accounting firm for 2007;
 - for the amendment of the 2004 Performance Incentive Plan; and
 - against the adoption of a vendor code of conduct.

ESOP Voting Instruction

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

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Required Vote

A *plurality* of the votes cast is required for the election of directors. According to the law of the State of New York, the Company's state of incorporation, only votes cast "for" the election of directors will be counted in determining whether a nominee for director has been elected. However, in an uncontested election any nominee for director who receives a greater number of votes "withheld" for his or her election than votes "for" such election shall tender his or her resignation promptly after such election. The independent directors shall then evaluate and determine, based on the relevant facts and circumstances, whether to accept or reject the resignation. Any director who so tenders a resignation shall not participate in the decision of the Board of Directors. Within 90 days following certification of the results of the election, the Board of Directors will promptly disclose its decision and the basis for that decision in a filing with the Securities and Exchange Commission (SEC).

The affirmative vote of a *majority* of the votes cast is required to ratify the selection of PricewaterhouseCoopers LLP (PwC) as the Company's independent registered public accounting firm for 2007 and to approve the shareholder proposal. Under the law of New York, only votes cast "for" or "against" the selection of PwC and each shareholder proposal will be counted in determining whether the selection of PwC has been ratified or such shareholder proposal has been approved. Abstentions, broker non-votes and votes withheld are not treated as votes cast at the meeting for such purposes.

PROPOSAL 1 - ELECTION OF DIRECTORS

Shareholders annually elect directors to serve for one year and until their successors have been elected and shall have qualified. The eleven persons whose biographies appear on pages 11 through 14 have been proposed by the Board of Directors to serve as directors based on the recommendation by the Corporate Governance Committee.

All eleven nominees bring to us valuable experience from a variety of fields. The Board of Directors has determined that each of the nominees (other than Anne M. Mulcahy, Chairman and CEO of the Company and Ursula M. Burns, President of the Company) are independent under the New York Stock Exchange Corporate Governance Rules and the Company's more stringent independence standards.

If for any reason, which the Board of Directors does not expect, a nominee is unable to serve, the proxies may use their discretion to vote for a substitute proposed by the Board of Directors.

Corporate Governance

Xerox is committed to the highest standards of business integrity and corporate governance. All of our directors, executives and employees must act ethically. In addition, our directors must act in accordance with our Code of Business Conduct and Ethics for members of the Board of Directors; our principal executive officer, principal financial officer and principal accounting officer, among others, must act in accordance with our Finance Code of Conduct; and all of our executives and employees must act in accordance with our Employee Code of Conduct. Each of these codes of conduct, as well as our Corporate Governance Guidelines and the charters of our Corporate Governance, Audit, Compensation and Finance Committees can be found on our website at www.xerox.com/corporategovernance. They are also available to any shareholder who requests them in writing addressed to Xerox Corporation, 800 Long Ridge Road, Stamford, Connecticut 06904, Attention: Corporate Secretary.

The Board and each of the Committees of the Board periodically review and reassess the adequacy of our overall corporate governance, Corporate Governance Guidelines and committee charters.

Under our Corporate Governance Guidelines, each regularly scheduled Board meeting must include an executive session of all directors including the CEO and a separate executive session attended only by the independent directors. The Chairmen of the Corporate Governance Committee and the Compensation Committee rotate responsibility to preside over the non-management executive sessions and are responsible for providing appropriate feedback to the CEO.

Director Independence

A director is not considered independent unless the Board determines that he or she has no material relationship with the Company. The Board has adopted categorical standards to assist its determination and the Corporate Governance Committee's recommendation as to each director's independence. Under these categorical standards, a director will be presumed not to have a material relationship with the Company if:

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- (1) he or she satisfies the bright-line independence and other applicable requirements under the listing standards of the New York Stock Exchange (NYSE) and all other applicable laws, rules and regulations regarding director independence, in each case from time to time in effect;
 - (2) he or she is not a current employee (and none of his or her immediate family members, as defined in Item 404(a) of Regulation S-K of the SEC, is employed as an executive officer, as defined by the NYSE Corporate Governance Rules) of a company that has made payments to, or received payments from, the Company or any of its consolidated subsidiaries for property or services in an amount which, in any of the last three fiscal years, exceeds the greater of \$1 million or one percent of such other company's consolidated gross revenues; and
 - (3) in the event that he or she serves as an executive officer or director of a charitable organization, the Company and its consolidated subsidiaries donated less than five percent of that organization's charitable receipts (provided that if within the preceding three years the Company and its consolidated subsidiaries donated annual aggregate contributions in excess of \$1 million or two percent of the annual consolidated gross revenue of the charitable organization, such contributions must be disclosed in the Company's proxy statement).

Our Board has determined that all of the nominees for election as directors have satisfied the foregoing categorical standards and are independent under the NYSE Corporate Governance Rules, with the exception of Anne M. Mulcahy, our Chairman and Chief Executive Officer and Ursula M. Burns, our President.

In addition, the Corporate Governance Committee reviews relationships involving members of the Board, their immediate family members and affiliates and transactions in which members of the Board, their immediate family members and their affiliates have a direct or indirect interest in which the Company is a participant to determine whether such relationship or transaction is material and could impair a director's independence. In making independence determinations, the Board considers all relevant facts and circumstances from the point of view of both the director and the persons or organizations with which the director has relationships.

As a result of the aforementioned review, 82% of our nominees for election as directors are deemed to be independent.

Certain Relationships and Related Person Transactions

Related Person Transactions Policy

At its February 2007 meeting, the Board adopted a policy addressing the Company's procedures with respect to the review, approval and ratification of "related person transactions" that are required to be disclosed pursuant to Item 404(a) of Regulation S-K. The policy provides that any transaction, arrangement or relationship, or series of similar transactions, with a "related person" (as defined in Item 404(a) of Regulation S-K) in which the Company has or will have a direct or indirect material interest and which exceeds \$120,000 in the aggregate shall be subject to review, approval or ratification by the Corporate Governance Committee (each such transaction, a "Related Person Transaction"). In its review of Related Person Transactions, the Corporate Governance Committee shall review the material facts and circumstances of the transaction and shall take into account certain factors, where appropriate, based on the particular facts and circumstances, including (i) the nature of the "related person's" interest in the transaction; (ii) the significance of the transaction to the Company and to the "related person;" and (iii) whether the transaction is likely to impair the judgment of the "related person" to act in the best interest of the Company.

No member of the Corporate Governance Committee may participate in the review, approval or ratification of a transaction with respect to which he or she is a "related person" provided that such member can be counted for purposes of a quorum and shall provide such information with respect to the transaction as may be reasonably requested by other members of the committee or the Board.

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Certain Employment Arrangements

We actively recruit qualified candidates for our employment needs. Relatives of our executive officers and other employees are eligible for hire. We currently have two employees who receive more than \$120,000 in annual compensation and are related to our named executive officers. These individuals have entered into routine employment arrangements in the ordinary course of business and their compensation is commensurate with that of their peers. None of our named executive officers have a material interest in these employment arrangements. Thomas J. Dolan, Senior Vice President, who has been with the Company for 36 years, is a corporate officer and is a sibling of Anne M. Mulcahy, Chairman and Chief Executive Officer. The Compensation Committee of the Board makes compensation decisions involving Mr. Dolan. As determined by the Compensation Committee, Mr. Dolan was paid \$732,554 in base salary and bonus compensation for 2006 and was granted 61,500 performance shares during fiscal year 2006. The annual compensation for 2006 for the other family member was less than \$200,000.

Committee Functions, Membership and Meetings

Our Board of Directors has four standing committees: Audit, Corporate Governance, Compensation and Finance. Set forth below is a list of the committees of our Board, a summary of the responsibilities of each committee, the number of committee meetings held during 2006 and the members of each committee:

Audit Committee (12 meetings)

A copy of the charter of the Audit Committee is posted on the Company's website as described above.

Responsibilities:

- oversight of the integrity of the Company's financial statements;
- Company's compliance with legal and regulatory requirements;
- assessing independent auditors' qualifications and independence;
- assessing performance of the Company's independent auditors and the internal audit function; and
- reviewing and approving the Company's code of business conduct and ethics.

The Committee is also responsible for the preparation of the audit committee report to be included in the Company's annual proxy statement, which appears on page 43 of this proxy statement.

Members: Glenn A. Britt; Richard J. Harrington; William Curt Hunter; and Robert A. McDonald.

Chairman: Mr. Harrington

The Board of Directors has determined that all of the members of the Audit Committee are independent under the Company's Corporate Governance Guidelines and under the applicable SEC and NYSE Corporate Governance Rules. In addition, the Board of Directors has determined that the following members of the Audit Committee are audit committee financial experts, as defined in the applicable SEC rules, and are financially literate: Glenn A. Britt, Richard J. Harrington, William Curt Hunter, and Robert A. McDonald. The SEC has determined that the designation or identification of a person as an audit committee financial expert does not impose on such person any duties, obligations or liability that are greater than the duties, obligations and liability imposed on such person as a member of the Audit Committee and the Board of Directors in the absence of such identification.

Compensation Committee (6 meetings)

A copy of the charter of the Compensation Committee is posted on the Company's website as described above.

Responsibilities:

- overseeing development and administration of the Company's executive compensation plans;
- setting the compensation of the Chief Executive Officer and all other officers;
- reviewing and approving performance goals and objectives with respect to the compensation of the Chief Executive Officer and all other officers;
- overseeing the evaluation of the Chief Executive Officer and other members of management;

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- consulting with the Chief Executive Officer and advising the Board with respect to senior management succession planning; and
 - reviewing and approving employment, severance, change-in-control, termination and retirement arrangements for all officers.

The Compensation Committee is also responsible for reviewing the Compensation Discussion and Analysis (CD&A), beginning on page 16 hereof, and recommending its inclusion in the Company's annual proxy statement and in the Company's Annual Report on Form 10-K. The CD&A contains a discussion of the material aspects of the Company's compensation objectives, policies and practices. The Compensation Committee report appears on page 29 of this proxy statement.

The Compensation Committee has not delegated its authority with respect to officer compensation. The Compensation Committee has, however, delegated authority to the Chief Executive Officer to enable her to grant equity awards to employees below the officer level under the Company's equity programs.

Compensation decisions are made by the Compensation Committee on the advice and recommendation of the Chief Executive Officer after discussing the recommendations with the Chief Executive Officer and the Vice President of Human Resources. The Chief Financial Officer occasionally attends Compensation Committee meetings to discuss financial targets and results for the Annual Performance Incentive Plan and the Executive Long-Term Incentive Program as described in the CD&A. The Compensation Committee often meets in executive session to review compensation actions for the Chief Executive Officer.

Frederick W. Cook & Co. (Consultant) provides consulting services to the Compensation Committee. The Consultant reviews Compensation Committee materials prior to Compensation Committee meetings and provides a summary of the review along with recommendations to the committee Chair. The Consultant also attends Compensation Committee meetings when requested by the committee Chair.

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Members: Vernon E. Jordan, Jr.; Hilmar Kopper; Ralph S. Larsen; and N. J. Nicholas, Jr.

Chairman: Mr. Larsen

The Board of Directors has determined that all of the members of the Compensation Committee are independent under the Company's Corporate Governance Guidelines and the NYSE Corporate Governance Rules.

Corporate Governance Committee (4 meetings)

A copy of the charter of the Corporate Governance Committee is posted on the Company's website as described above.

Responsibilities:

- identify and recommend to the Board individuals to serve as directors of the Company and on Board committees;
- advise the Board regarding composition, procedures and committees;
- develop, recommend and annually review corporate governance principles applicable to the Company;
- administer the Company's Related Person Transactions Policy;
- evaluate and recommend director compensation to the Board; and
- oversee the annual Board and committee evaluation processes.

The Committee recommends to the Board of Directors nominees for election as directors of the Company and considers the performance of incumbent directors in determining whether to recommend their nomination.

Members: Glenn A. Britt; William Curt Hunter; Vernon E. Jordan, Jr.; Ralph S. Larsen; and Ann N. Reese.

Chairman: Mr. Jordan

The Board of Directors has determined that all of the members of the Corporate Governance Committee are independent under the Company's Corporate Governance Guidelines and the NYSE Corporate Governance Rules.

Finance Committee (5 meetings)

A copy of the charter of the Finance Committee is posted on the Company's website as described above.

Responsibilities:

- oversee the investment management of the Company's employee savings and retirement plans, and
- review the Company's asset mix, capital structure and strategies, financing strategies, insurance coverage and dividend policy.

Members: Hilmar Kopper; N. J. Nicholas, Jr.; Ann N. Reese; and Mary A. Wilderotter.

Chairman: Mr. Nicholas

The Board of Directors has determined that all of the members of the Finance Committee are independent under the Company's Corporate Governance Guidelines and the NYSE Corporate Governance Rules.

Attendance and Compensation of Directors

Attendance: Eight meetings of the Board of Directors and 27 meetings of the Board committees were held in 2006. All incumbent directors attended at least 75 percent of the total number of meetings of the Board and Board committees on which they served. The Company's policy generally is for all members of the Board of Directors to attend the Annual Meeting of Shareholders. All nominees who served as directors last year, except one, attended the 2006 Annual Meeting of Shareholders.

We believe that attendance at meetings is only one means by which directors may contribute to the effective management of the Company and that the contributions of all directors have been substantial and are highly valued.

Summary of Director Annual Compensation

Compensation for our directors during fiscal year 2006 was determined by the Corporate Governance Committee, consistent with a plan recommended to it by independent consultant Frederic W. Cook & Co., Inc., and approved by the Board of Directors. Directors receive a retainer payable semi-annually in advance for service on the Board of Directors, with additional retainers for serving on the Audit Committee or for serving as a committee chairman. All retainers are paid 50% in cash and 50% in the form of Deferred Stock Units (DSUs). For the cash portion of their compensation, directors have the option to either receive cash on a current basis, defer receipt under the existing Deferred Compensation Plan for Directors, or receive additional DSUs in lieu of cash. DSUs are a bookkeeping entry that represents the right to receive one share of the Company's common stock at a future date, currently at the earlier of one year after termination of Board service or the date of death. DSUs include the right to receive dividend equivalents, which are credited in the form of additional DSUs, at the same time and in the same amounts that an equivalent number of shares of common stock would be entitled to receive dividends. The DSUs are issued under the 2004 Equity Compensation Plan for Non-Employee Directors (2004 Director Plan), a plan that was approved by the Xerox shareholders at the 2004 Annual Meeting.

During fiscal year 2006, the annual retainer for all of our directors was \$130,000; Audit Committee members received an additional \$10,000; the chairman of the Audit Committee received an additional \$30,000; the chairman of the Compensation Committee received an additional \$20,000; and the chairmen of the Corporate Governance and the Finance Committees received an additional \$15,000. Directors who join the Board at a time other than at the annual meeting of shareholders receive pro-rated retainers in the form of both cash and DSUs, and directors who do not serve for a complete fiscal year receive a pro-rated portion of any retainer awarded in the form of DSUs and any cash retainers already awarded. Directors also receive reimbursement for out-of-pocket expenses incurred in connection with their service on the Board.

Each non-employee director is required to maintain a meaningful ownership requirement in the Company, equivalent to five times the annual cash fees that such director receives for service on the Board of Directors, other than committee related fees. Newly appointed directors have up to five years to reach this ownership threshold. Directors who are our employees receive no compensation for service as a director.

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Individually, the compensation for each director during fiscal year 2006 was as follows:

Name of Director(1)	Fees earned or paid in cash (\$)(2)	Stock Awards (\$)(3)	Option Awards (\$)(4)	Non-Equity Incentive Plan Compensation (\$)(4)	Change in Pension Value and Nonqualified		Total (\$)
					Deferred Compensation(\$)(4)	All Other Compensation(\$)(4)	
Glenn A. Britt	0	140,000	□			□	140,000

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Richard J. Harrington	80,000	80,000	□		□	160,000
William Curt Hunter	0	70,000	□	221	70,000	140,221
Vernon E. Jordan, Jr.	72,500	72,500	□	1,870	□	146,870
Hilmar Kopper	65,000	65,000	□		□	130,000
Ralph S. Larsen	0	150,000	□		□	150,000
Robert A. McDonald	70,000	70,000	□		□	140,000
N. J. Nicholas, Jr.	0	145,000	□		□	145,000
Ann N. Reese	0	130,000	□		□	130,000
Stephen Robert	0	54,200	□		□	54,200
Mary Agnes Wilderotter	54,200	54,200	□		□	108,400

- (1) Mr. Robert did not stand for reelection at the 2006 Annual Meeting. Mr. Kopper will not stand for reelection at the 2007 Annual Meeting.
- (2) Cash compensation deferred under the Deferred Compensation Plan for Directors is reflected in the □All Other Compensation□ column of this table. Cash compensation elected in the form of DSUs under the 2004 Director Plan is reflected in the □Stock Awards□ column of this table.
- (3) Compensation awarded in the form of DSUs or DSUs elected in lieu of cash compensation are reflected in this column. Each of Mr. Britt, Mr. Larsen, Mr. Nicholas, Ms. Reese and Mr. Robert, elected to take their 2006 cash compensation in the form of DSUs under the 2004 Director Plan. The data presented in this column reflect compensation expense recorded by the Company in 2006 based upon the grant date market price (average of the high and low stock price) of the DSUs, recorded over the requisite service period in accordance with Statement of Financial Accounting Standards No. 123(R), □Share-Based Payment.□
- The total number and value of all DSUs held by each director as of the end of 2006 (based on the year-end closing market price of our Common Stock of \$16.95) is as follows: Mr. Britt, 22,855 (\$387,392); Mr. Harrington, 15,828 (\$268,285); Mr. Hunter, 19,493 (\$330,406); Mr. Jordan, 15,297 (\$259,284); Mr. Kopper, 13,903 (\$235,656); Mr. Larsen, 26,090 (\$442,226); Mr. McDonald, 7,407 (\$125,549); Mr. Nicholas, 21,037 (\$356,577); Ms. Reese 22,611 (\$383,256); and Ms. Wilderotter, 3,996 (\$67,732).
- (4) Mr. Hunter deferred his cash compensation for 2006 (\$70,000) under the Deferred Compensation Plan for Directors. Amounts deferred under the Deferred Compensation Plan for Directors are credited with interest at either the investment return on the Xerox Stock Fund in the Xerox Corporation Savings Plan or at the Prime Rate. For 2006, the above market interest rate credited on balances in the Deferred Compensation Plan for Directors that receive the Prime Rate is 0.428%. The interest credits are based on the Prime Rate in effect on the first business day of the month as published in the Wall Street Journal in the □Money Rates□ table. This same rate will apply for the entire month. A small portion of the Prime Rate is considered above market due to the relationship of this rate with the statutory rate at the time the Prime Rate interest credit was established. Amounts deemed invested in the prime rate fixed income return investment fund would have accrued interest at rates ranging from 7.25% to 8.25% per annum in fiscal year 2006.

For information on compensation for directors who are officers, see the executive compensation tables beginning on page 30.

Terms Used in Biographies

To help you consider the nominees, we provide summary biographical information. Certain terms used in the biographies may be unfamiliar to you, so we are defining them here.

Xerox securities owned means the Company's common stock, including restricted shares of common stock issued under the Restricted Stock Plan For Directors, which plan was terminated upon shareholder approval of the 2004

Directors Plan at the 2004 Annual Meeting, DSUs issued under the 2004 Directors Plan and common stock owned through the individual's ESOP account. None of the nominees owns any of the Company's other securities.

Immediate family means the spouse, the minor children and any relatives sharing the same home as the nominee.

Biographies

Unless otherwise noted, all Xerox securities held are owned beneficially by the nominee. This means he or she has or shares voting power and/or investment power with respect to the securities, even though another name (that of a broker, for example) appears in the Company's records. All ownership figures are as of March 15, 2007.

Glenn A. Britt

Age: 58

Director since: 2004

Xerox securities owned: 1,000 common shares and 26,953 DSUs

Options/Rights: none

Occupation: President and Chief Executive Officer, Time Warner Cable, Inc.

Education: BA, Dartmouth College; MBA, Amos Tuck School of Business Administration

Other Directorships: Time Warner Cable, Inc.

Other Background: Joined Time Inc. in 1972. Elected Vice President of Time Inc. in 1986, Treasurer in 1986 and Vice President-Finance in 1988. Became Senior Vice President and Treasurer of Time Warner Inc. and then President and CEO of Time Warner Cable Ventures. Appointed President of Time Warner Cable in 1999, CEO in 2001 and President and CEO in 2006. Member of the Audit Committee and Corporate Governance Committee of Xerox.

Ursula M. Burns

Age: 48

Director since: 2007

Xerox securities owned: 129,104 common shares including ESOP account; an indirect interest in approximately 1,356 common shares through the Deferred Compensation Plan for Executives; immediate family owns 3,458 common shares

Options/Rights: 725,207

Occupation: President, Xerox Corporation

Education: BS, Polytechnic Institute of New York; MS, Columbia University

Other Directorships: American Express Corporation; Boston Scientific Corporation

Other Background: Joined Xerox in 1980 and subsequently advanced through several engineering and management positions. Named Vice President and General Manager, Departmental Business Unit in 1997; Vice President, Worldwide Manufacturing in 1999; Senior Vice President Corporate, Strategic Services in 2000; Senior Vice President, President, Document Systems and Solutions Group in 2001; Senior Vice President, President, Business Group Operations in 2002. Elected President in April 2007.

Richard J. Harrington

Age: 60

Director since: 2004

Xerox securities owned: 856 common shares and 18,170 DSUs

Options/Rights: none

Occupation: President and Chief Executive Officer, The Thomson Corporation

Education: BA, University of Rhode Island

Other Directorships: The Thomson Corporation

Other Background: Joined Thomson in 1982 and held a number of leadership positions including President and CEO of Thomson Newspapers; President and CEO of Thomson Professional Publishing; President and CEO of Mitchell International and President of Thomson & Thomson. Employed as an auditor for Arthur Young & Co for

six years prior to joining Thomson. Chairman of the Audit Committee of Xerox.

William Curt Hunter

Age: 59

Director since: 2004

Xerox securities owned: 21,542 DSUs and an indirect interest in approximately 6,013 common shares through the Deferred Compensation Plan for Directors

Options/Rights: none

Occupation: Dean, Tippie College of Business, University of Iowa Education: BA, Hampton University; MBA, Northwestern University; PhD, Northwestern University

Other Directorships: Trustee of Nuveen Investments

Other Background: From 2003 to 2005, held position of Dean and Distinguished Professor of Finance at the University of Connecticut. During a 15-year career with the Federal Reserve System, held various official positions including Senior Vice President and Director of Research at the Federal Reserve Bank of Chicago (1995-2003) where he was a member of the management committee and an Associate Economist on the Federal Open Market Committee, the Federal Reserve System's primary monetary policy group. Serves as U.S. Treasury advisor to the Bulgarian National Bank and consultant to central banks and official agencies throughout central and eastern Europe and Asia. Held faculty positions at the University of Georgia, Atlanta University, Emory University and Northwestern University. Member of the Audit Committee and the Corporate Governance Committee of Xerox.

Vernon E. Jordan, Jr.

Age: 71

Director since: 1974

Xerox securities owned: 40,019 common shares, 17,419 DSUs and an indirect interest in approximately 6,663 common shares through the Deferred Compensation Plan for Directors

Options/Rights: 35,000 common shares

Occupation: Senior Managing Director, Lazard Freres & Co. LLC; Senior Counsel, Akin, Gump, Strauss, Hauer & Feld, LLP

Education: BA, DePauw University; JD, Howard University Law School

Other Directorships: American Express Company; Asbury Automotive Group; J.C. Penney Company, Inc.; and Lazard, Ltd.

Other Background: Joined Lazard Freres & Co. LLC in January 2000. Became a partner in the law firm of Akin, Gump, Strauss, Hauer & Feld (Akin Gump) in 1982. Before joining Akin Gump, Mr. Jordan held the following positions: President and Chief Executive Officer of the National Urban League, Inc.; Executive Director of the United Negro College Fund, Inc.; Director of the Voter Education Project of the Southern Regional Council; Attorney-Consultant, U.S. Office of Economic Opportunity; Assistant to the Executive Director of the Southern Regional Council; Georgia Field Director of the National Association for the Advancement of Colored People; and attorney in private practice in Arkansas and Georgia. Chairman of the Corporate Governance Committee and member of the Compensation Committee of Xerox.

Ralph S. Larsen

Age: 68

Director since: 1990

Xerox securities owned: 33,689 common shares, 30,480 DSUs and an indirect interest in approximately 49,782 common shares through the Deferred Compensation Plan for Directors

Options/Rights: 35,000 common shares

Occupation: Former Chairman and Chief Executive Officer, Johnson & Johnson

Education: BBA, Hofstra University

Other Directorships: General Electric Company

Other Background: Joined Johnson & Johnson in 1962, named Vice President of Marketing, McNeil Consumer Products Company in 1980. President of Becton Dickinson's Consumer Products Division, 1981 to 1983. Returned to Johnson & Johnson as President of its Chicopee subsidiary in 1983. Named a company Group Chairman in 1986, later that year was named Vice Chairman of the Executive Committee and Chairman of the Consumer Sector. Mr. Larsen became Chairman of the Board and Chief Executive Officer in 1989. Retired in 2002. Mr. Larsen is the Presiding Director of General Electric. Chairman of the Compensation Committee and member of the Corporate Governance Committee of Xerox.

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Robert A. McDonald

Age: 53

Director since: 2005

Xerox securities owned: 9,456 DSUs

Options/Rights: None

Occupation: Vice Chairman, Global Operations, The Procter & Gamble Company

Education: U.S. Military Academy, BS, 1975; University of Utah, MBA., 1978

Other Directorships: None

Other Background: Joined Procter & Gamble in 1980. Named Vice President and General Manager - Philippines, Asia/Pacific-South, Procter & Gamble Far East in 1994; Regional Vice President - Japan, Procter & Gamble Asia in 1996; President, Northeast Asia in 1999; President, Global Fabric & Home Care in 2001; and Vice Chairman Global Operations in 2004. He is a non-voting member of the Board of Directors of The Procter & Gamble Company. Member of the Audit Committee of Xerox.

Anne M. Mulcahy

Age: 54

Director since: 2000

Xerox securities owned: 531,116 common shares including ESOP account; 135,900 common shares held indirectly in a GRAT; and an indirect interest in approximately 35,521 common shares through the Deferred Compensation Plan for Executives; immediate family owns 282 common shares in an ESOP account and an additional 3,770 common shares

Options/Rights: 4,955,290 common shares

Occupation: Chairman and Chief Executive Officer, Xerox Corporation

Education: BA, Marymount College

Other Directorships: Citigroup, Inc.; Target Corporation

Other Background: Joined Xerox in 1976 as a sales representative and held various sales and senior management positions. Named Vice President for Human Resources in 1992; Senior Vice President in 1998; and Executive Vice President in 1999. Elected President and Chief Operating Officer in May 2000, Chief Executive Officer in August 2001 and assumed the additional role of Chairman on January 1, 2002.

N. J. Nicholas, Jr.

Age: 67

Director since: 1987

Xerox securities owned: 106,700 common shares, 25,281 DSUs and an indirect interest in approximately 60,398 common shares through the Deferred Compensation Plan for Directors; immediate family owns 1,400 shares

Options/Rights: 35,000 common shares

Occupation: Investor

Education: BA, Princeton University; MBA, Harvard University Graduate School of Business Administration

Other Directorships: Boston Scientific Corporation; Time Warner Cable, Inc.

Other Background: President of Time, Inc. from 1986 to 1990 and President and Co-Chief Executive Officer, Time-Warner Inc. from 1990 to 1992. Former member of the President's Advisory Committee on Trade Policy and Negotiations and the President's Commission on Environmental Quality. Trustee Chairman of Environmental Defense. Chairman of the Finance Committee and member of the Compensation Committee of Xerox.

Ann N. Reese

Age: 54

Director since: 2003

Xerox securities owned: 6,654 common shares and 26,416 DSUs

Options/Rights: 5,000

Occupation: Executive Director, Center for Adoption Policy Studies

Education: BA, University of Pennsylvania; MBA, New York University Graduate School of Business

Other Directorships: Jones Apparel Group; Sears Holdings; Merrill Lynch & Co., Inc.

Other Background: Co-founded the Center for Adoption Policy Studies in 2001. Principal, Clayton, Dubilier & Rice, 1999 to 2000. Executive Vice President and Chief Financial Officer, ITT Corporation, 1995 to 1998; Treasurer, ITT Corporation, 1992 to 1995; Assistant Treasurer, ITT Corporation, 1987 to 1992. Member of the Finance Committee and Corporate Governance Committee of Xerox.

Mary Agnes Wilderotter

Age: 52

Director since: 2006

Xerox securities owned: 5,899 DSUs

Options/Rights: None

Occupation: Chairman and Chief Executive Officer, Citizens Communications

Education: BA, College of the Holy Cross

Other Directorships: The McClatchy Co., Citizens Communications

Other Background: Joined Citizens Communications in 2004 as President and Chief Executive Officer, named Chairman in 2006. Senior Vice President of Worldwide Public Sector, Microsoft, 2002-2004; President and Chief Executive Officer, Wink Communications Inc., 1996-2002; Executive Vice President, National Operations, AT&T Wireless Services, Inc. and Chief Executive Officer of AT&T's Aviation Communication Division 1995-1996; Senior Vice President, McCaw Cellular Communications Inc., 1990-1995. Member of the Finance Committee of Xerox.

Ownership of Company Securities

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We do not know of any person who, or group which, owns beneficially more than 5% of any class of the Company's equity securities as of December 31, 2006, except as set forth below(1).

Title of Class	Name and Address of Beneficial Owner	Amount and Nature of Beneficial Ownership	Percent of Class
Common Stock	Dodge & Cox 555 California Street, 40th Floor San Francisco, CA 94104	118,455,128(2)	12.3%
Common Stock	State Street Bank and Trust Company, as Trustee under other plans and accounts 225 Franklin Street Boston, MA 02110	64,611,638(3)	6.7%
Common Stock	FMR Corp. 82 Devonshire Street Boston, MA 02109	53,785,475(4)	5.6%
Common Stock	Neuberger Berman Inc. 605 Third Avenue New York, NY 10158	51,871,093(5)	5.4%
Common Stock	BlackRock, Inc.	49,865,764(6)	