XEROX CORP
Form 424B5
April 25, 2008

Filed Pursuant to Rule 424(b)(5)

Registration No. 333-142900

CALCULATION OF REGISTRATION FEE

Title of Each Class of Securities to be Registered	Amount to be Registered	Maximum Offering Price Per Unit	Maximum Aggregate Offering Price	Amount of Registration Fee (1)
5.65% Senior Notes due 2013	$ 400,000,000	100%	$ 400,000,000	$ 15,720
6.35% Senior Notes due 2018	$ 1,000,000,000	100%	$ 1,000,000,000	$ 39,300

(1) Calculated in accordance with Rule 457(r) under the Securities Act of 1933 (the Securities Act).

Table of Contents

Filed Pursuant to Rule 424(b)(3)
Registration No. 333-142900

Prospectus Supplement,

to Prospectus Dated May 14, 2007

$1,400,000,000

Xerox Corporation

$1,000,000,000 6.35% Senior Notes due 2018

$400,000,000 5.65% Senior Notes due 2013

We are offering $1,000,000,000 aggregate principal amount of our 6.35% senior notes due 2018 (the 2018 notes) and $400,000,000 aggregate principal amount of our 5.65% senior notes due 2013 (the 2013 notes). The 2018 notes and the 2013 notes are collectively referred to herein as the notes.

The 2018 notes will mature on May 15, 2018 and the 2013 notes will mature on May 15, 2013. We will pay interest on the notes on each May 15 and November 15, commencing on November 15, 2008.

We may redeem the notes at any time, and from time to time, by paying to the holders thereof 100% of the principal amount plus a make-whole redemption premium. If a change of control purchase event occurs, we will be required to offer to purchase all of the notes from the holders at a price equal to 101% of the principal amount thereof.

The notes will be unsecured and will rank senior to all our existing and future subordinated debt and will rank *pari passu* with our existing and future unsecured senior debt. The notes will not have the benefit of all of the covenants applicable to some of our existing unsecured senior debt. The notes will be effectively subordinated to any secured debt of Xerox. The notes will be structurally subordinated to the debt and all other obligations of our subsidiaries.

Investing in the notes involves a high degree of risk. See Risk Factors, beginning on page S-3 of this prospectus supplement.

Neither the Securities and Exchange Commission nor any state securities commission has approved or disapproved of these securities or determined if this prospectus supplement or the accompanying prospectus is truthful or complete. Any representation to the contrary is a criminal offense.

	Public Offering Price (1)	Underwriting Discount	Proceeds, before expenses, to us
Per 2018 note	99.856%	0.650%	99.206%
Total Per 2018 note	$ 998,560,000	$ 6,500,000	$ 992,060,000
Per 2013 note	99.996%	0.600%	99.396%
Total Per 2013 note	$ 399,984,000	$ 2,400,000	$ 397,584,000

(1) Plus accrued interest, if any, from April 28, 2008.

The notes will not be listed on any securities exchange. Currently, there is no public market for the notes.

We expect that delivery of the notes will be made to purchasers in book-entry form through The Depository Trust Company for the account of its participants, including Clearstream, Luxembourg and the Euroclear System, on or about April 28, 2008.

Joint Book-Running Managers

Barclays Capital **Citi** **JPMorgan**

Co-Managers

Banc of America Securities LLC **BNP PARIBAS** **Goldman, Sachs & Co.**

HSBC **Merrill Lynch & Co.** **UBS Investment Bank**

The date of this prospectus supplement is April 23, 2008

Table of Contents

TABLE OF CONTENTS

Prospectus Supplement

Prospectus

In making your investment decision, you should rely only on the information contained or incorporated by reference in this prospectus supplement, the accompanying prospectus and any free writing prospectus. We have not, and the underwriters have not, authorized anyone to provide you with different information. If anyone provides you with different or inconsistent information, you should not rely on it. You should assume that the information appearing in this prospectus supplement and the accompanying prospectus is accurate as of the dates on their respective covers. Our business, financial condition, results of operations and prospects may have changed since those dates. Neither the delivery of this prospectus supplement and the accompanying prospectus nor any sale made hereunder shall under any circumstance imply that the information in this prospectus supplement is correct as of any date subsequent to the date on the cover of this prospectus supplement or that the information contained in the accompanying prospectus is correct as of any date subsequent to the date on the cover of the accompanying prospectus.

Table of Contents

ABOUT THIS PROSPECTUS SUPPLEMENT

This document consists of two parts. The first part is this prospectus supplement, which describes the specific terms of this offering. The second part is the accompanying prospectus, which describes more general information, some of which may not apply to this offering. You should read both this prospectus supplement and the accompanying prospectus, together with the documents incorporated by reference and the additional information described below under the heading Where You Can Find More Information.

If the description of the offering varies between this prospectus supplement and the accompanying prospectus, you should rely on the information in this prospectus supplement.

Any statement made in this prospectus supplement or in a document incorporated or deemed to be incorporated by reference in this prospectus supplement will be deemed to be modified or superseded for purposes of this prospectus supplement to the extent that a statement contained in this prospectus supplement or in any other subsequently filed document that is also incorporated or deemed to be incorporated by reference in this prospectus supplement modifies or supersedes that statement. Any statement so modified or superseded will not be deemed, except as so modified or superseded, to constitute a part of this prospectus supplement. See Incorporation of Certain Documents By Reference in the accompanying prospectus.

WHERE YOU CAN FIND MORE INFORMATION

We are subject to the information reporting requirements of the Securities Exchange Act of 1934, as amended (the Exchange Act). In accordance with the Exchange Act, we file annual, quarterly and current reports, proxy statements and other information with the Securities and Exchange Commission (the SEC). Our SEC file number is 001-04471. You can read and copy this information at the following location of the SEC:

Public Reference Room

100 F Street, N.E.

Room 1850

Washington, D.C. 20549

You can also obtain copies of these materials from this public reference room, at prescribed rates. Please call the SEC at 1-800-SEC-0330 for further information on its public reference room. The SEC also maintains a web site that contains reports, proxy statements and other information about issuers, like us, who file electronically with the SEC. The address of that site is www.sec.gov.

This prospectus supplement and the accompanying prospectus, which forms a part of the registration statement, do not contain all the information that is included in the registration statement. You will find additional information about us in the registration statement. Any statements made in this prospectus supplement, the accompanying prospectus or any documents incorporated by reference concerning the provisions of legal documents are not necessarily complete and you should read the documents that are filed as exhibits to the registration statement or otherwise filed with the SEC for a more complete understanding of the document or matter.

DISCLOSURE REGARDING FORWARD-LOOKING STATEMENTS

This prospectus and any documents incorporated by reference into this prospectus may contain forward-looking statements as defined in the Private Securities Litigation Reform Act of 1995. The words anticipate, believe, estimate, expect, intend, will, should and similar expr 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. These factors include but are not limited to: the risk that we will not realize all of the anticipated benefits from our 2007 acquisition of Global Imaging Systems, Inc.; the risk that unexpected costs will be incurred; the outcome of litigation and regulatory proceedings to which we may be a party; actions of competitors; changes and developments affecting our industry; quarterly or cyclical variations in financial results; development of new products and services; interest rates and cost of borrowing; our ability to protect our intellectual property rights; our ability to maintain and improve cost efficiency of operations, including actions with respect to the anticipated $0.05 per share restructuring charge in the second quarter 2008; changes in foreign currency exchange rates; changes in economic conditions, political conditions, trade protection measures, licensing requirements and tax matters in the foreign countries in which we do business; reliance on third parties for manufacturing of products and provision of services; and other factors that are set forth in the Risk Factors section in this prospectus supplement, the Legal Proceedings section, the Management s Discussion and Analysis of Financial Condition and Results of Operations section and other sections of our 2007 Annual Report on Form 10-K filed with the Securities and Exchange Commission. The Company assumes no obligation to update any forward-looking statements as a result of new information or future events or developments, except as required by law.

MARKET AND INDUSTRY DATA

Certain market and industry data included or incorporated by reference in this prospectus supplement and in the accompanying prospectus has been obtained from third party sources that we believe to be reliable. Market estimates are calculated by leveraging third-party forecasts from firms such as International Data Corporation and Infosource in conjunction with our assumptions about our markets. We have not independently verified such third party information and cannot assure you of its accuracy or completeness. While we are not aware of any misstatements regarding any market, industry or similar data presented herein, such data involves risks and uncertainties and is subject to change based on various factors, including those discussed under the headings Disclosure Regarding Forward-Looking Statements and Risk Factors in this prospectus supplement and in the accompanying prospectus as well as those listed under Forward Looking Statements and Risk Factors in the documents enumerated under Incorporation of Certain Documents by Reference including, but not limited to, our Annual Report on Form 10-K for the year ended December 31, 2007, as filed with the SEC and under similarly captioned sections in future filings that we make with the SEC under the Exchange Act.

Table of Contents

OFFERING SUMMARY

This summary may not contain all the information that may be important to you. You should read this entire prospectus supplement, the accompanying prospectus and those documents incorporated by reference into the prospectus supplement and the accompanying prospectus, including the risk factors and the financial statements and related notes, before making an investment decision. In this prospectus supplement, except as otherwise indicated herein, references to Xerox , the Company , we , us , or our refer to Xerox Corporation and its subsidiaries and, in the context of the notes, Xerox , the Company , we , us and our shall only refer to Xerox Corporation, the issuer of the notes.

Issuer	Xerox Corporation.
Notes Offered	$1,000,000,000 aggregate principal amount of 6.35% senior notes due 2018.
	$400,000,000 aggregate principal amount of 5.65% senior notes due 2013.
Maturity	2018 notes: May 15, 2018. 2013 notes: May 15, 2013.
Interest Rate	The 2018 notes will bear interest from April 28, 2008 at the rate of 6.35% per annum, payable semiannually in arrears.
	The 2013 notes will bear interest from April 28, 2008 at a rate of 5.65% per annum, payable semiannually in arrears.
Interest Payment Dates	May 15 and November 15 of each year, beginning on November 15, 2008.
Ranking	The notes are unsecured and will rank equally in right of payment with all of our other existing and future senior unsecured indebtedness.
	The notes will be effectively subordinated to all of the secured indebtedness of Xerox Corporation (excluding its subsidiaries) which, as of March 31, 2008, was approximately $7 million. The notes will be structurally subordinated to all of the secured and unsecured indebtedness and other liabilities of our subsidiaries. As of March 31, 2008, our subsidiaries had approximately $4.2 billion of outstanding indebtedness and other liabilities, including trade payables but excluding intercompany liabilities.
Optional Redemption	We may redeem some or all of the notes offered hereby at any time at 100% of the principal amount plus a make-whole premium. See Description of the Notes Optional Redemption.
Change of Control Repurchase Event	

If we undergo a change of control and the ratings on the notes decline to non-investment grade ratings within a specified period of time after the occurrence of such change of control, we must give all holders of the notes the opportunity to sell to us their notes at 101% of their face amount, plus accrued and unpaid interest to date of repurchase.

We might not be able to pay to you the required price for notes that you present to us upon a change of control repurchase event, because:

- we might not have enough funds at that time; or

- the terms of our debt instruments may prevent us from paying.

S-1

Table of Contents

Certain Covenants	The indenture governing the notes will contain covenants limiting our ability and our subsidiaries ability to: • create certain liens; and • consolidate or merge with, or convey, transfer or lease substantially all our assets to, another person. These limitations will be subject to a number of important qualifications and exceptions. You should read Description of the Debt Securities and Convertible Debt Securities Provisions Applicable Only To Senior Debt Securities Covenants in the accompanying prospectus for a description of these covenants.
Use of Proceeds	We intend to use the net proceeds of this offering to repay a portion of outstanding borrowings under the 2007 Credit Facility and for general corporate purposes.
Risk Factors	See Risk Factors beginning on page S-3 of this prospectus supplement for important information regarding us and an investment in the notes.
Further Issuances	We may create and issue further notes ranking equally with the notes (other than the payment of interest accruing prior to the issue date of such further notes or except for the first payment of interest following the issue date of such further notes). Such notes may be consolidated and form a single series with the notes.

Table of Contents

RISK FACTORS

You should carefully consider the risks described below, the risks set forth in the accompanying prospectus and the other information set forth in this prospectus supplement, the accompanying prospectus and the documents incorporated by reference before making an investment decision. Additional risks and uncertainties not presently known to us, or that we currently deem immaterial, may also impair our business operations. The events discussed in the risk factors below, or the risk factors in the accompanying prospectus, may occur. If they do, our business, results of operations or financial condition could be materially adversely affected. In such an instance, the trading price of our securities, including the notes, could decline and you might lose all or part of your investment.

Risks related to the notes

Our significant debt could adversely affect our financial health and pose challenges for conducting our business.

We have, and after this offering and the application of the net proceeds therefrom will continue to have, a significant amount of debt and other obligations, primarily to support our customer financing activities. As of March 31, 2008, we had $7.7 billion of total debt ($189 million of which is secured by finance receivables) and a $642 million liability to a subsidiary trust issuing preferred securities. The total value of financing activities, shown on the balance sheet as Finance Receivables and On-Lease equipment, was $8.6 billion at March 31, 2008. The total cash and cash equivalents was $842 million at March 31, 2008. 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, the risks described above could increase.

The notes will be structurally subordinated to all liabilities of our subsidiaries.

The notes are not entitled to the benefit of any guarantees and are thus structurally subordinated to indebtedness and other liabilities of Xerox s subsidiaries. For the three months ended March 31, 2008, before intercompany eliminations, Xerox s subsidiaries contributed $2.7 billion to our total revenues and held $14.1 billion of our total assets. In the event of a bankruptcy, liquidation or reorganization of any of our subsidiaries, these subsidiaries would pay the holders of their debts, preferred equity interests and their trade creditors before they would be able to distribute any of their assets to us. In addition, the 2007 Credit Facility and the indentures governing our 9 $^{3}/4$% Senior Notes due 2009, 7 $^{1}/8$% Senior Notes due 2010, 7 $^{5}/8$% Senior Notes due 2013, 6 $^{7}/8$% Senior Notes due 2011 and 6.40% Senior Notes due 2016 (collectively, the Existing Senior Notes) contain contingent future guarantee provisions whereby certain of our subsidiaries may become guarantors of our

Table of Contents

obligations under the 2007 Credit Facility and the Existing Senior Notes and the related indentures. Our 5 1/2% Senior Notes due 2012 do not and the notes offered hereby will not have the benefit of the contingent future guarantee provisions in our 2007 Credit Facility and the indentures governing our Existing Senior Notes. As a result, if any such guarantee is executed, holders of the notes offered by this prospectus supplement would not receive the benefit of that guarantee and would be structurally subordinated to the lenders under our 2007 Credit Facility and the holders of our Existing Senior Notes, with respect to the assets of the subsidiaries providing a guarantee.

Our subsidiaries are separate and distinct legal entities and have no obligation, contingent or otherwise, to pay any amounts due pursuant to the notes, or to make any funds available therefor, whether by dividends, loans, distributions or other payments. Any right that Xerox has to receive any assets of any of the subsidiaries upon the liquidation or reorganization of those subsidiaries, and the consequent rights of holders of notes to realize proceeds from the sale of any of those subsidiaries assets, will be subordinated to the claims of those subsidiaries creditors, including trade creditors and holders of preferred equity interests of those subsidiaries.

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, securitizations, funding from third parties and borrowings secured by our finance receivables portfolios. As of March 31, 2008, total cash and cash equivalents was $842 million, and our borrowing capacity under our 2007 Credit Facility was $1.075 billion, reflecting $925 million of outstanding borrowings. We also have funding available through a secured borrowing arrangement with General Electric Capital Corporation (GECC). 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, secured borrowings, securitizations 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 2007 Credit Facility contains affirmative and negative covenants including 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 2007 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). The indentures governing certain of our outstanding Senior Notes contain affirmative and negative covenants including limitations on: issuance of secured debt and preferred stock; investments and acquisitions; mergers; certain transactions with affiliates; creation of liens; asset transfers; hedging transactions; payment of dividends and certain other payments and the indenture governing our 5 1/2% Senior Notes due 2012 includes limitations on mergers and creation of liens. They do not, however, contain any financial maintenance covenants. Certain of our outstanding senior notes contain a fixed charge coverage ratio applicable to certain types of payments. Many, though not all, of these covenants in certain of our outstanding senior notes are suspended while they are rated investment grade. Our U.S. Loan Agreement with GECC (effective through 2010) relating to our customer financing program (the Loan Agreement) provides for loans secured by eligible finance receivables up to $5 billion outstanding at any one time. As of March 31, 2008, $189 million was outstanding under the Loan Agreement. The Loan Agreement incorporates the financial maintenance covenants contained in the 2007 Credit Facility and contains other affirmative and negative covenants.

At March 31, 2008, we were in full compliance with the covenants and other provisions of the 2007 Credit Facility, the Existing Senior Notes and the Loan Agreement. Any failure to be in compliance with any material provision or covenant of the 2007 Credit Facility or the Existing Senior Notes could have a material adverse

Table of Contents

effect on our liquidity, results of operations and financial condition. Failure to be in compliance with the covenants in the Loan Agreement, including the financial maintenance covenants incorporated from the 2007 Credit Facility, would result in an event of termination under the Loan Agreement and in such case GECC would not be required to make further loans to us. If GECC were to make no further loans to us, and assuming a similar facility was not established and that we were unable to obtain replacement financing in the public debt markets, it could materially adversely affect our liquidity and our ability to fund our customers purchases of our equipment and this could materially adversely affect our results of operations.

Collectively, the indentures governing our outstanding senior notes and certain of our financing agreements, including the 2007 Credit Facility, contain various covenants that limit the discretion of our management in operating our business and could prevent us from engaging in some beneficial activities. The notes offered by this prospectus supplement will not have the benefit of all of these covenants.

Collectively, the indentures governing certain of our Existing Senior Notes limit, and our 2007 Credit Facility limits, our ability to, among other things, issue debt and preferred stock, retire debt early, make investments and acquisitions, merge, engage in certain transactions with affiliates, create or permit to exist liens, transfer assets, enter into hedging transactions, and/or pay dividends on our common stock. In addition, the indenture governing our 5 1/2% Senior Notes due 2012 also limits our ability to enter into certain mergers and create or permit to exist certain liens. Many, though not all, of these covenants are suspended while our outstanding senior notes are rated investment grade. The 2007 Credit Facility generally does not affect our ability to continue to monetize finance receivables under the agreements with GECC and others.

Although the terms of the indentures governing certain of our outstanding senior notes restrict our ability to incur additional debt to fund significant acquisitions and restricted payments, the indentures permit us and certain of our subsidiaries to incur debt in the ordinary course and in other circumstances. Although the notes offered hereby provide additional operational flexibility to us, we are required to comply with the covenants in all of our outstanding senior notes.

A failure to comply with the covenants contained in our 2007 Credit Facility or our other existing indebtedness could result in an event of default under the 2007 Credit Facility or the existing agreements, that, if not cured or waived, could have a material adverse effect on our business, financial condition and results of operations. In the event of any default under our 2007 Credit Facility or our other indebtedness, the lenders thereunder would not be required to lend any additional amounts to us and:

- could elect to declare all borrowings outstanding, together with accrued and unpaid interest and fees, to be due and payable;
- could require us to apply all of our available cash to repay these borrowings; or
- could prevent us from making debt service payments on the notes,

any of which could result in an event of default under the notes.

If the indebtedness under our 2007 Credit Facility or our other indebtedness, including the notes, were to be accelerated, there can be no assurance that our assets would be sufficient to repay such indebtedness in full. See Certain Other Indebtedness and Preferred Stock and Description of the Notes.

The notes are unsecured, do not have the benefit of certain covenants and other provisions applicable to certain of our previously issued senior notes and are effectively subordinated to our secured indebtedness.

If Xerox becomes insolvent or is liquidated, or if payment under any of our secured debt obligations is accelerated, the secured lenders would be entitled to exercise the remedies available to a secured lender under applicable law and will have a claim on those assets before the holders of our senior notes that are unsecured or

Table of Contents

the notes offered under this prospectus supplement. As a result, the notes are effectively subordinated to our secured indebtedness to the extent of the value of the assets securing that indebtedness or the amount of indebtedness secured by those assets. Therefore, the holders of the notes may recover ratably less than the lenders of our secured debt in the event of our bankruptcy or liquidation. At March 31, 2008, on an as adjusted basis after giving effect to the issuance of notes offered by this prospectus supplement and the application of the net proceeds therefrom, the Company and its subsidiaries would have had $8.7 billion of debt on a consolidated basis, of which $207 million would be secured debt. In addition, the indentures governing some of the Existing Senior Notes contain a number of restrictive covenants that impose operating and financial restrictions on us, including restrictions on our ability to, among other things:

- incur or guarantee additional debt;
- pay dividends and make other restricted payments;
- engage in sales of assets and subsidiary stock;
- make certain loans, acquisitions, capital expenditures or investments; and
- enter into transactions with affiliates.

Many, though not all of these covenants are suspended while our outstanding senior notes are rated investment grade. The notes will not have the benefit of all of the provisions in our other debt agreements. The breach of any of these provisions would give the holders of the previously issued notes the right to accelerate the maturity of their notes. The holders of the notes offered by this prospectus supplement would not have the right to accelerate the maturity of the notes due to the acceleration of our other debt.

Your right to receive payments on the notes could be adversely affected if any of our subsidiaries declares bankruptcy, liquidates or reorganizes.

In the event of a bankruptcy, liquidation or reorganization of any of our subsidiaries, holders of their indebtedness and their trade creditors will generally be entitled to payment of their claims from the assets of those subsidiaries before any assets are made available for distribution to us. At March 31, 2008, our subsidiaries had approximately $4.2 billion of outstanding indebtedness and other liabilities, including trade payables but excluding intercompany liabilities. Our subsidiaries may incur substantial additional indebtedness.

We may not be able to purchase your notes upon a change of control repurchase event.

Upon the occurrence of specified change of control repurchase events, we will be required to offer to purchase each holder s notes at a price equal to 101% of their principal amount plus accrued and unpaid interest. We may not have sufficient financial resources to purchase all of the notes that holders tender to us upon a change of control offer. The occurrence of a change of control could also constitute an event of default under any of our future debt agreements. See Description of the Notes Change of Control Repurchase Event in this prospectus supplement.

Our Existing Senior Notes, our 6.75% Senior Notes due 2017 and our Floating Rate Senior Notes due 2009 also contain change in control requirements, but they do not require that a change in control be accompanied by a debt ratings downgrade. Our 5 $^{1}/2$% Senior Notes due 2012 have an identical provision to that described for the notes offered hereby. Xerox may not have sufficient financial resources to purchase all of the notes that are tendered upon a change of control offer or to redeem such notes. The occurrence of a change of control would also constitute an event of default under our 2007 Credit Facility and could constitute an event of default under our other indebtedness. Our bank lenders may have the right to prohibit any such purchase or redemption, in which event we would seek to obtain waivers from the required lenders under our 2007 Credit Facility and our other indebtedness, but we may not be successful in obtaining such waivers. See Description of the Notes Change of Control Repurchase Event in this prospectus supplement.

Table of Contents

An active trading market may not develop for the notes.

The 2018 notes and the 2013 notes are each new securities for which there currently is no established market. We do not intend to apply for the notes to be listed on any securities exchange or to arrange for the notes to be quoted on any quotation system. Although the underwriters have informed us that they currently intend to make a market in the notes, they are not obligated to do so and any market may be discontinued at any time without notice. Accordingly, we cannot assure you as to the development or liquidity of any market for any of the notes. See Underwriting.

Risks related to our business

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 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 new products, services, and applications and periodically enhance our existing offerings. 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.

We need to develop and expand the use of color printing and copying.

Increasing the proportion of pages which 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 continuing success in 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.

If we fail to successfully develop new products and technologies and protect our intellectual property rights, we may be unable to retain current customers and gain new customers and our revenues would be reduced.

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

Table of Contents

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 applicable 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 technologies and products 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 profitability is dependent upon our ability to obtain adequate pricing for our products and to improve our cost structure.

Our success depends on our ability to obtain adequate pricing for our products and services which provides a reasonable return to our shareholders. Depending on competitive market factors, future prices we obtain for our products and services 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 products and services, it could materially adversely affect our results of operations and financial condition.

We are continually reviewing our operations with a view towards reducing our cost structure, including but not limited to downsizing our employee base, exiting certain businesses, improving process and system efficiencies and outsourcing some internal functions. 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 products and services, 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.

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.

Our business, results of operations and financial condition may be negatively impacted by economic conditions abroad, including fluctuating foreign currencies and shifting regulatory schemes.

Approximately half of our revenue is generated from operations outside the United States. In addition, we manufacture or acquire many of our products and/or their components from, and maintain significant operations, outside the United States. Our future revenues, costs and results of operations could be significantly affected by changes in foreign currency 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.

Our operating results may be negatively impacted by lower equipment placements and revenue 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, office and production 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 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.

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 are currently funding our customer financing activity through a combination of capital market offerings, cash generated from operations, cash on hand, other borrowings and, to a lesser degree, third-party funding arrangements. 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 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. 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 potential liability by analyzing our litigation and regulatory matters using available information. We develop our views on estimated losses in consultation with legal counsel

Table of Contents

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 our legal 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 proposed or are expected to adopt restrictions on the types and amounts of chemicals that may be present in electronic equipment or other items. The previously enacted European Union Directive known as the Restriction on the Use of Hazardous Substances (RoHS) is one example. 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 prevented 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 proposed, or are expected to propose, programs that make producers of electrical goods, including computers and printers, responsible for certain labeling, collection, recycling, treatment and disposal of these recovered products. The previously enacted European Union Directive on Waste Electrical and Electronic Equipment (WEEE) is one example. 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, various efforts to limit energy use in products, and other environmentally related product programs. For example, the European Union s Energy-Using Products Directive (EUP) 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 EUP implementing measures. Another example is the European Union REACH Regulation (Registration, Evaluation, Authorization and Restriction of Chemicals), a broad initiative that will require 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 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 affect on our operations and financial condition.

We need to successfully bring Global Imaging Systems, Inc. (GIS) into our operations in order to realize all of the anticipated benefits from the transaction.

Our ability to realize the anticipated benefits of the GIS acquisition is subject to certain risks including, but not limited to the risks that the future business operations of GIS will not be successful; customer retention and revenue expansion goals for the GIS transaction will not be met; and disruptions from the GIS transaction will harm relationships with customers, employees, agents, distributors and suppliers.

Table of Contents

USE OF PROCEEDS

The net proceeds of this offering after deducting the underwriting discounts and commissions and estimated offering expenses payable by us, are expected to be approximately $1,388,919,000 and will be used to repay a portion of the outstanding borrowings under the 2007 Credit Facility and for general corporate purposes.

RATIOS OF EARNINGS TO FIXED CHARGES AND EARNINGS TO

COMBINED FIXED CHARGES AND PREFERRED STOCK DIVIDENDS

The following table shows the ratios of earnings to fixed charges and earnings to combined fixed charges and preferred stock dividends of Xerox for the periods indicated.

	Three months ended March 31,		Year ended December 31,				
	2008	2007	2007	2006	2005	2004	2003
Ratio of earnings to fixed charges[1]	*	3.09	3.15	2.34	2.39	2.26	1.48
Ratio of earnings to combined fixed charges and preferred stock dividends[1]	*	3.09	3.15	2.18	2.08	1.99	1.35

* Earnings for the three months ended March 31, 2008 were inadequate to cover fixed charges by $519 million.

(1) Refer to Exhibit 12 of our Annual Report on Form 10-K for the year ended December 31, 2007 for the computation of these ratios.

DESCRIPTION OF THE NOTES

The following description of the particular terms of the notes offered by this prospectus supplement supplements, and to the extent inconsistent therewith, replaces the description of the general terms and provisions of the senior debt securities set forth under the caption Description of Debt Securities and Convertible Debt Securities in the accompanying prospectus. Terms used in this prospectus supplement that are otherwise not defined have the meanings given to them in the accompanying prospectus.

We will issue $1,000,000,000 aggregate principal amount of 6.35% senior notes due 2018 (the 2018 Notes) and $400,000,000 aggregate principal amount of 5.65% senior notes due 2013 (the 2013 Notes and, together with the 2018 Notes, the notes) pursuant to an indenture dated as of June 25, 2003, as supplemented to date (the Indenture), between Xerox and Wells Fargo Bank, National Association (as successor by merger with Wells Fargo Bank Minnesota, National Association), as Trustee (the Trustee). Although for convenience the 2018 Notes and 2013 Notes are referred to as the notes , each will be issued as a separate series and will not together have any class voting or other rights. The following is a summary of the material provisions of the Indenture. It does not include all of the provisions of the Indenture. We urge you to read the Indenture because it, not this description, defines your rights. The terms of the notes include those stated in the Indenture and those made part of the Indenture by reference to the Trust Indenture Act of 1939, as amended (the TIA). A copy of the Indenture may be obtained from the Company. You can find definitions of certain capitalized terms used in this description under Certain Definitions. For purposes of this section, references to the Company , we , us and our include only Xerox Corporation and not its subsidiaries.

The notes will be senior unsecured obligations of the Company, ranking *pari passu* in right of payment with all other senior unsecured obligations of the Company. The notes will be effectively subordinated to all secured debt of the Company, structurally subordinated to the debt of the Company s Subsidiaries and effectively subordinated to the other senior debt of the Company that has the benefit of certain provisions and covenants not applicable to the notes.

The Company will issue the notes in fully registered form in denominations of $2,000 and integral multiples of $1,000. The Trustee will initially act as Paying Agent and Registrar for the notes. The notes may be presented for registration of transfer and exchange at the offices of the Registrar. The Company may change the Paying Agent and Registrar without notice to holders of the notes (the Holders). It is expected that the Company will pay principal and interest (and premium, if any) on the notes at the Trustee s corporate office by wire transfer, if book-entry at DTC, or check mailed to the registered address of Holders.

Principal, Maturity and Interest

<u>2018 Notes</u>

The 2018 Notes will mature on May 15, 2018. $1,000,000,000 aggregate principal amount of the 2018 Notes will be issued in this offering. After the Issue Date, additional notes (Additional 2018 Notes) may be issued from time to time. The 2018 Notes and the Additional 2018 Notes of the same series that are actually issued will be treated as a single class for all purposes under the Indenture, including, without limitation, as to waivers, amendments, redemptions and offers to purchase. Unless the context otherwise requires, for all purposes of the Indenture, and this Description of the Notes, references to the 2018 Notes include any Additional 2018 Notes actually issued.

Interest on the 2018 Notes will accrue at the rate of 6.35% per annum and will be payable semiannually in cash on each May 15 and November 15, commencing on November 15, 2008, to the persons who are registered Holders at the close of business on the May 1 and November 1 immediately preceding the applicable interest payment date. Interest on the 2018 Notes will accrue from the most recent date to which interest has been paid or, if no interest has been paid, from and including the date of issuance to but excluding the actual interest payment date.

Table of Contents

Interest will be computed on the basis of a 360-day year comprised of twelve 30-day months.

2013 Notes

The 2013 Notes will mature on May 15, 2013. $400,000,000 in aggregate principal amount of the 2013 Notes will be issued in this offering. After the Issue Date, additional notes (Additional 2013 Notes) may be issued from time to time. The 2013 Notes and the Additional 2013 Notes of the same series that are actually issued will be treated as a single class for all purposes under the Indenture, including, without limitation, as to waivers, amendments, redemptions and offers to purchase. Unless the context otherwise requires, for all purposes of the Indenture and this Description of the Notes, references to the 2013 Notes include any Additional 2013 Notes actually issued.

Interest on the 2013 Notes will accrue at the rate of 5.65% per annum and will be payable semiannually in cash on each May 15 and November 15, commencing on November 15, 2008, to the persons who are registered Holders at the close of business on the May 1 and November 1 immediately preceding the applicable interest payment date. Interest on the 2013 Notes will accrue from the most recent date to which interest has been paid or, if no interest has been paid, from and including the date of issuance to but excluding the actual interest payment date.

Interest will be computed on the basis of a 360-day year comprised of twelve 30-day months.

Optional Redemption

The Company may at any time and from time to time, at its option, redeem the 2018 Notes or the 2013 Notes, as applicable, outstanding (in whole or in part) at a redemption price equal to 100% of the principal amount thereof plus accrued and unpaid interest, if any, on such Notes to the applicable redemption date, plus the applicable Make-Whole Premium (a Note Redemption). The Company shall give not less than 30 nor more than 60 days notice to such redemption.

In the event that the Company chooses to redeem less than all of the 2018 Notes or the 2013 Notes, as applicable, selection of such Notes for redemption will be made by the Trustee either:

(1) in compliance with the requirements of the principal national securities exchange, if any, on which such Notes are listed; or

(2) if such Notes are not so listed, on a *pro rata* basis or such other method which the Trustee deems appropriate.

Make-Whole Premium with respect to a note means an amount equal to the excess of (a) the present value of the remaining interest, premium and principal payments due on such Note to its final maturity date computed using a discount rate equal to the Treasury Rate on such date plus 0.40%, over (b) the outstanding principal amount of such Note.

Treasury Rate for any date, means the yield to maturity at the time of computation of United States Treasury securities with a constant maturity (as compiled and published in the most recent Federal Reserve Statistical Release H.15 (519) that has become publicly available at least two business days prior to the date the redemption is effected pursuant to a Specified Redemption (the Specified Redemption Date) (or, if such Statistical Release is no longer published, any publicly available source of similar market data) most nearly equal to the period from the Specified Redemption Date to May 15, 2018, in the case of the 2018 Notes and May 15, 2013, in the case of the 2013 Notes, *provided*, *however*, that if the period from the Specified Redemption Date to May 15, 2018, in the case of the 2018 Notes and May 15, 2013, in the case of the 2013 Notes, is not equal to the constant maturity of a United States Treasury security for which a weekly average yield is given, the Treasury Rate shall be obtained by linear interpolation (calculated to the nearest one-twelfth of a year) from the weekly average yields of United States Treasury securities for which such yields are given except that if the period from the Specified Redemption Date to May 15, 2018, in the case of the 2018 Notes a