

XEROX CORP  
Form DEF 14A  
April 10, 2006  
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

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Check the appropriate box:

- Preliminary Proxy Statement  
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 Definitive Proxy Statement  
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### Xerox Corporation

(Name of Registrant as Specified In Its Charter)

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

April 10, 2006

Dear Shareholders:

You are cordially invited to attend the Annual Meeting of Shareholders of Xerox Corporation to be held on Wednesday, May 24, 2006, at the Xerox Corporation Corporate Headquarters, 800 Long Ridge Road, 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 and to ratify the selection of PricewaterhouseCoopers LLP, as the Company's independent registered public accounting firm for 2006. The Board of Directors unanimously recommends that you vote in favor of each of these proposals.

The Company has been advised that two shareholder proposals are intended to be submitted for shareholder vote. Your Board believes that these shareholder proposals are not in the best interest of the Company and its shareholders, and unanimously recommends a vote against these proposals.

You will note that Mary Agnes Wilderotter, Chairman and Chief Executive Officer, Citizens Communications, has been added to the slate of directors proposed for election at the Annual Meeting. She will bring the benefit of a strong operational background and 25 years of business experience to our Board. In addition, Stephen Robert has chosen not to stand for reelection due to an increase in time required for his other responsibilities. We are grateful for his contributions to the Company. Considering these changes, the proposed slate of directors includes 10 independent directors and one employee director.

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

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*Notice of Annual Shareholders Meeting*

**Date and Time:** Wednesday, May 24, 2006, at 10:00 a.m.  
**Location:** Xerox Corporation Corporate Headquarters, 800 Long Ridge Road, Stamford, Connecticut  
**Purpose:** (1) Election of 11 directors  
(2) Ratification of the selection of PricewaterhouseCoopers LLP as the Company's independent registered public accounting firm for 2006  
(3) Vote on shareholder proposal relating to director election by majority vote  
(4) Vote on shareholder proposal relating to senior executive bonuses  
(5) Consider such other business as may properly come before the meeting

**Record Date:** March 24, 2006 You are eligible to vote if you were a shareholder of record on this date.  
**Proxy Voting:** (1) Telephone  
(2) Internet  
(3) Proxy Card

**Importance of Vote:** Please review the accompanying proxy card for voting instructions.  
Whether or not you plan to attend, please submit a proxy as soon as possible to insure that your shares are represented.

By order of the Board of Directors,

J. Michael Farren

Secretary

April 10, 2006

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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, 2006, beginning at 10:00 a.m., and any adjournments thereof. The meeting will be held at the Xerox Corporation Corporate Headquarters, 800 Long Ridge Road, 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 24, 2006, are entitled to vote. On that date there were 918,430,232 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 (PwC) as the Company's independent registered public accounting firm for 2006,
  - against the shareholder proposal relating to director election by majority vote and
  - against the shareholder proposal relating to senior executive bonuses.

#### ***ESOP Voting Instruction***

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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.

### ***Required Vote***

A *plurality* of the votes cast is required for the election of directors. Pursuant 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 February, the Board of Directors adopted a policy that provides that in an uncontested election any nominee for director who receives a greater number of votes

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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.

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 2006 and to approve the shareholder proposals. 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 10 through 13 have been proposed by the Board of Directors based on a 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) to be independent under the New York Stock Exchange Corporate Governance Rules and under 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 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 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 <http://www.xerox.com/investor> and then clicking on Corporate Governance. They are also available to any shareholder who requests them by writing to Xerox Corporation, 800 Long Ridge Road, Stamford, Connecticut 06904, Attention: Corporate Secretary. Copies of our Corporate Governance Guidelines and the charters of our Audit, Compensation, and Corporate Governance Committees are also attached to this Proxy Statement as Exhibits I, II, III and IV.

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

- (1) he or she meets all 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 by the NYSE Corporate Governance Rules, 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. As a result, 91% of the proposed members of our Board are independent.

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

Set forth below is a list of the Committees of our Board, the number of meetings held and a summary of the responsibilities of each Committee and its membership.

#### ***Committee Functions, Membership and Meetings***

Our Board of Directors has four standing committees: Audit, Corporate Governance, Compensation and Finance. Here is a description of each committee, the number of meetings held during 2005 and its membership:

#### ***Audit Committee*** (12 meetings)

Reference is made to a complete copy of the charter of the revised Audit Committee which is attached to this Proxy Statement as Exhibit II and posted on the Company's website as described above.

Responsibility:

- oversight of the integrity of the Company's financial statements,
- Company's compliance with legal and regulatory requirements,
- independent auditors' qualifications and independence,
- performance of the Company's independent auditors and the internal audit function, and
- 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. The Audit Committee's report appears on page 30 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,

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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.

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*Compensation Committee* (5 meetings)

Reference is made to a complete copy of the charter of the Compensation Committee which is attached to this Proxy Statement as Exhibit III and posted on the Company's website as described above.

Responsibility:

- recommend to the Board of Directors the remuneration arrangements for senior management of the Company including the adoption of compensation plans in which senior management is eligible to participate and the granting of benefits under any such plans,
- consult with the Chief Executive Officer and advise the Board with respect to senior management succession planning,
- review and approve performance goals and objectives with respect to the compensation of the Chief Executive Officer and all other officers consistent with approved compensation plans, and
- oversee the performance evaluation of the Chief Executive Officer and all other officers against approved goals and objectives.

The Committee is also responsible for the preparation of an annual report on executive compensation to be included in the Company's annual proxy statement. The Compensation Committee report appears on pages 15-19 of this Proxy Statement.

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)

Reference is made to a complete copy of the charter of the Corporate Governance Committee which is attached to this Proxy Statement as Exhibit IV and posted on the Company's website as described above.

Responsibility:

- identify and recommend to the Board individuals to serve as directors of the Company and on committees of the Board,
- advise the Board regarding composition, procedures and committees,
- develop and recommend to the Board and annually review a set of corporate governance principles applicable to the Company,
- evaluate and recommend director compensation to the Board, and
- oversee the annual Board and Committee evaluation processes.

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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* (4 meetings)

Reference is made to a complete copy of the charter of the Finance Committee which is posted on the Company's website as described above.

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Responsibility:

- 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 Stephen Robert, all non-employee directors.**

**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:** 6 meetings of the Board of Directors and 25 meetings of the Board committees were held in 2005. All incumbent directors attended at least 75 percent of the total number of meetings of the Board of Directors 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 for director, except one, attended the 2005 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 2005 was determined by the Corporate Governance Committee, as 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 2005, 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 2005 was as follows:

| Name of Director(1)   | Total (\$) | Fees earned or paid in cash \$(2) | Stock Awards \$(3) | Option Awards (\$) | Non-Stock Incentive Plan Compensation (\$) | All Other Compensation \$(4) |
|-----------------------|------------|-----------------------------------|--------------------|--------------------|--|------------------------------|
| Glenn A. Britt        | 135,000    | 0                                 | 135,000            |                    |  |                              |
| Richard J. Harrington | 150,000    | 75,000                            | 75,000             |                    |  |                              |
| William Curt Hunter   | 140,000    | 0                                 | 140,000            |                    |  |                              |
| Vernon E. Jordan, Jr. | 145,000    | 72,500                            | 72,500             |                    |  |                              |
| Hilmar Kopper         | 130,000    | 65,000                            | 65,000             |                    |  |                              |
| Ralph S. Larsen       | 150,000    | 0                                 | 150,000            |                    |  |                              |
| Robert A. McDonald    | 70,000     | 35,000                            | 35,000             |                    |  |                              |
| N. J. Nicholas, Jr.   | 155,000    | 0                                 | 77,500             |                    |  | 77,500                       |
| John E. Pepper        | 73,333     | 40,000                            | 33,333             |                    |  |                              |
| Ann N. Reese          | 130,000    | 0                                 | 130,000            |                    |  |                              |
| Stephen Robert        | 130,000    | 0                                 | 130,000            |                    |  |                              |

(1) *Directors:* Mr. McDonald was elected at the 2005 Annual Meeting. Mr. Pepper did not stand for reelection at the 2005 Annual Meeting.

(2) *Cash:* 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) *DSUs:* 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. Hunter, Mr. Larsen, Ms. Reese and Mr. Robert, elected to take their 2005 cash compensation in the form of DSUs under the 2004 Director Plan.

The total number and value of all DSUs held by each director as of the end of 2005 (based on the year-end closing market price of our Common Stock of \$14.65) is as follows: Mr. Britt, 13,139 (\$192,486); Mr. Harrington, 10,276 (\$150,543); Mr. Hunter, 14,634 (\$214,388); Mr. Jordan, 10,265 (\$150,382); Mr. Kopper, 9,392 (\$137,593); Mr. Larsen, 15,680 (\$229,712); Mr. McDonald, 2,548 (\$37,328); Mr. Nicholas, 10,974 (\$160,769); Mr. Pepper, 8,001 (\$117,215); Ms. Reese 13,589 (\$199,079); and Mr. Robert, 13,589 (\$199,079).

(4) *Deferred Compensation:* Mr. Nicholas deferred his cash compensation for 2005 under the Deferred Compensation Plan for Directors. Amounts deferred under the Deferred Compensation Plan for Directors are assumed to be invested, without charge, in a stock fund established under the Xerox Corporation Savings Plan or a prime rate fixed income return investment fund. The value of each of these deferred accounts reflect all gains, losses and rates of return from such hypothetical investments. The value of each of these deferred accounts is generally determined on each business day. Amounts deemed invested in the prime rate fixed income return investment fund would have accrued interest at rates ranging from 5.25% to 7.00% per annum in fiscal year 2005.

**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 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.

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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, 2006.

For information on compensation for officers, see the Executive Compensation section starting on page 15.

### **Glenn A. Britt**

Age: 57 Director since: 2004

*Xerox securities owned:* 1,000 common shares and 17,692 DSUs

*Options/Rights:* none

*Occupation:* President and Chief Executive Officer, Time Warner Cable

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

Administration

*Other Directorships:* None

*Other Background:* Joined Time Inc. in 1972. Elected Vice President of Time Inc. in 1986, Treasurer in 1986 and Vice President-Finance of Time Inc. 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, Chairman and CEO in 2001, President and CEO in 2006. Member of the Audit and Corporate Governance Committees of Xerox.

### **Richard J. Harrington**

Age: 59 Director since: 2004

*Xerox securities owned:* 856 common shares and 12,878 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 a Certified Public Accountant for Arthur Young & Co for six years prior to joining Thomson. Chairman of the Audit Committee of Xerox.

### **William Curt Hunter**

Age: 58 Director since: 2004

*Xerox securities owned:* 16,911 DSUs and an indirect interest in approximately 3,716 common shares through the Deferred Compensation Plan for Directors

*Options/Rights:* none

*Occupation:* Dean and Distinguished Professor Finance, University of Connecticut School of Business

*Education:* BA, Hampton University; MBA, Northwestern University; PhD, Northwestern University

*Other Directorships:* Trustee of Nuveen Investments

*Other Background:* Joined the Federal Reserve Bank of Chicago in 1995 and most recently held the position of Senior Vice President and Director of Research. Member of the Bank's management committee, served as the Bank's chief economic advisor and oversaw the Statistical Reports and Consumer and Community Affairs units. Also served as Associate Economist on the Federal Open Market Committee, the Federal Reserve System's primary monetary policy



group. US Treasury advisor to the Bulgarian National Bank. Held faculty positions at University of Georgia, Atlanta University, Emory University, Chicago State University and Northwestern University. Member of the Audit and the Corporate Governance Committees of Xerox.

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**Vernon E. Jordan, Jr.**

Age: 70 Director since: 1974

*Xerox securities owned:* 40,019 common shares, 12,623 DSUs and an indirect interest in approximately 6,685 common shares through the Deferred Compensation Plan for Directors

*Options/Rights:* 40,000 common shares

*Occupation:* Senior Managing Director, Lazard Freres & Co. LLC; Of 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 in 1982, following ten years as President of the National Urban League, Inc. Member of the Bar of Arkansas, Georgia and the District of Columbia as well as the U.S. Supreme Court Bar. Member of the Council on Foreign Relations, The American Law Institute, the American Bar Association, the National Bar Association and the Bilderberg Meetings. Chairman of the Corporate Governance Committee and member of the Compensation Committee of Xerox.

**Hilmar Kopper**

Age: 71 Director since: 1991

*Xerox securities owned:* 37,452 common shares and 11,506 DSUs

*Options/Rights:* 35,050 common shares

*Occupation:* Former Chairman and Chief Executive Officer, Deutsche Bank AG

*Education:* High school diploma

*Other Directorships:* DaimlerChrysler AG; Unilever NV/PLC

*Other Background:* Apprenticeship with Rheinisch-Westfalischen Bank AG in Cologne, 1954. Management trainee at J. Henry Schroder Banking Corporation, New York. Foreign Department, Deutsche Bank's Central Office in Dusseldorf and Manager, Leverkusen branch, 1969. Appointed to the Board of Managing Directors of Deutsche Bank subsidiary European Asian Bank AG in Hamburg, 1972. Executive Vice President, Deutsche Bank AG, 1975; and Member of the Board of Managing Directors, Deutsche Bank AG, 1977. Spokesman of the Board of Managing Directors, December 1989 to May 1997. Member of the Compensation and Finance Committees of Xerox.

**Ralph S. Larsen**

Age: 67 Director since: 1990

*Xerox securities owned:* 33,689 common shares, 20,559 DSUs and an indirect interest in approximately 49,942 common shares through the Deferred Compensation Plan for Directors

*Options/Rights:* 40,000 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, and Chairman of the Board and Chief Executive Officer in 1989. Retired in 2002. Served two years in the U.S. Navy. Member of the Nominating and Corporate Governance and Management Development and Compensation Committees and the presiding director of General Electric. Chairman of the Compensation Committee and member of the Corporate Governance Committee of Xerox.

**Robert A. McDonald**

Age: 52 Director since: 2005

*Xerox securities owned:* 4,825 DSUs

*Options/Rights:* None

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

*Education:* U.S. Military Academy, B.S., 1975; University of Utah, M.B.A., 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.

**Anne M. Mulcahy**

Age: 53 Director since: 2000

*Xerox securities owned:* 597,951 common shares including ESOP account; 70,000 common shares held indirectly in a GRAT; and an indirect interest in approximately 35,635 shares through the Deferred Compensation Plan for Executives; immediate family owns 282 common shares in an ESOP account and an additional 3,770 shares

*Options/Rights:* 4,770,249 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.

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**N. J. Nicholas, Jr.**

Age: 66 Director since: 1987

*Xerox securities owned:* 106,700 common shares, 15,690 DSUs and an indirect interest in approximately 58,453 common shares through the Deferred Compensation Plan for Directors; immediate family owns 1,400 shares

*Options/Rights:* 40,000 common shares

*Occupation:* Investor

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

*Other Directorships:* Boston Scientific Corporation; Time Warner Cable

*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: 53 Director since: 2003

*Xerox securities owned:* 6,654 common shares and 17,817 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:* CBS Corporation; 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, 1999-2000. Executive Vice President and Chief Financial Officer, ITT Corporation, 1995-1998; Treasurer, ITT Corporation, 1992-1995; Assistant Treasurer, ITT Corporation, 1987-1992. Member of the Finance and Governance Committees of Xerox.

**Mary Agnes Wilderotter**

Age: 51 Director since: 2006

*Xerox securities owned:* None

*Options/Rights:* None

*Occupation:* Chairman and Chief Executive Officer, Citizens Communications

*Education:* BA, College of the Holy Cross

*Other Directorships:* The McClatchy Co.

*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 and Chief Executive Officer Aviation Communication Division 1995-1996; Senior Vice President, McCaw

Cellular Communications Inc., 1990-1995.

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***Ownership of Company Securities***

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, 2005, 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<br>Stock | Dodge & Cox<br>555 California Street, 40th Floor<br>San Francisco, CA 94104 | 123,035,083 (2)                           | 12.8 %           |