

Xerox Corporation
Distribution of Conduent Incorporated Common Stock

Attachment to Form 8937

CONSULT YOUR TAX ADVISOR

THE FOLLOWING DISCUSSION IS A SUMMARY OF MATERIAL U.S. FEDERAL INCOME TAX BASIS CONSEQUENCES OF THE DISTRIBUTION UNDER CURRENT LAW AND IS FOR GENERAL INFORMATION ONLY. THE INFORMATION CONTAINED HEREIN DOES NOT CONSTITUTE TAX ADVICE AND DOES NOT PURPORT TO BE COMPLETE OR TO DESCRIBE THE CONSEQUENCES THAT MAY APPLY TO PARTICULAR CATEGORIES OF SHAREHOLDERS.

SHAREHOLDERS ARE URGED TO CONSULT THEIR OWN TAX ADVISOR WITH RESPECT TO THE U.S. FEDERAL, STATE AND LOCAL AND FOREIGN TAX CONSEQUENCES OF THE DISTRIBUTION.

Part II – Organizational Action

Line 14. Describe the organizational action and, if applicable, the date of the action or the date against which shareholders' ownership is measured for action.

On December 31, 2016 (“**Distribution Date**”), Xerox Corporation (“**Xerox**”) completed the spin-off of Conduent Incorporated (“**Conduent**”), through a pro rata distribution (“**Distribution**”) of 100% of the outstanding shares of Conduent common stock to holders of Xerox common stock. On the Distribution Date, each such shareholder received one (1) share of Conduent common stock for every (5) five shares of Xerox common stock owned as of December 15, 2016, the record date for the Distribution.

Line 15. Describe the quantitative effect of the organizational action on the basis of the security in the hands of a U.S. taxpayer as an adjustment per share or as a percentage of old basis.

Xerox shareholders should allocate their aggregate tax basis in their Xerox common stock held immediately prior to the Distribution among the shares of Conduent common stock received in the Distribution (including any fractional share of Conduent common stock for which cash was received) and the Xerox common stock in respect of which such Conduent common stock was received in proportion to their respective fair market values immediately after the Distribution.

Line 16. Describe the calculation of the change in basis and the data that supports the calculation, such as the market values of securities and the valuation dates.

The U.S. federal income tax laws provide that the allocation of the aggregate tax basis discussed under Line 15 above shall be allocated based on the respective fair market values of the resulting Xerox and Conduent shares received. However, the tax law does not provide any further guidance on the determination of fair market value. One method to determine the fair market value is to utilize the New York Stock Exchange market closing price on January 3, 2017 for Xerox common stock (**\$6.89 per share**), and the New York Stock Exchange market closing price on January 3, 2017 for Conduent Common stock (**\$13.72 per share**) as an indication of the fair market value. Based on that approach and the assumptions and calculations set forth below, **71.5175%** of a Xerox stockholder's aggregate tax basis in his or her shares of Xerox common stock prior to the Distribution would be allocated to such stockholder's shares of Xerox common stock and **28.4825%** would be allocated to such stockholder's shares of Conduent common stock. Other valuation methodologies may exist, however, and we urge you to consult your tax advisor regarding these basis allocation calculations.

EXAMPLE: The following is an example of how the approach to basis allocation described above would be applied.

Assumptions: Shares of Xerox common stock owned: 100

Starting tax basis of Xerox shares: \$9.43

Aggregate tax basis for Xerox shares: \$943.00 (100 shares x \$9.43 per share)

Shares of Conduent common stock received in the Distribution (100 shares of Xerox common stock multiplied by the distribution ratio of 1/5): 20

Number of Shares		Aggregate Tax Basis (A)	Closing Price on 1/3/2017	FMV of Shares Owned Post Distribution	Percentage of Total FMV (B)	Allocated Tax Basis (A) x (B)
Xerox Common Stock	100	\$943.00	\$6.89	\$689.00 ¹	71.5175% ³	\$674.41
Conduent Common Stock	20	\$943.00	\$13.72	\$274.40 ²	28.4825% ⁴	\$268.59
Total				\$963.40	100.0000%	\$943.00

¹ 100 shares x \$6.89

² 20 shares x \$13.72

³ \$689.00/\$963.40

⁴ \$274.40/\$963.40

Shareholders that have acquired different blocks of Xerox common stock at different times or at different prices should consult their tax advisor regarding the allocation of their aggregate basis among Xerox and Conduent common stock.

Line 17. List the applicable Internal Revenue Code section(s) and subsection(s) upon which the tax treatment is based.

The applicable Internal Revenue Code sections upon which the tax treatment is based are sections 355, 358, 368, and 1001.

Line 18. Can any resulting loss be recognized?

No loss may be recognized by a Xerox shareholder upon the receipt of Conduent common stock in the Distribution, except possibly with respect to any cash received in lieu of fractional shares of Conduent common stock.

Line 19. Provide any other information necessary to implement the adjustment, such as the reportable tax year.

The distribution of Conduent common stock occurred on December 31, 2016. As a result, the basis adjustments in the shares of Xerox common stock and Conduent common stock should be reported in the taxable year that includes this date. In the case of shareholders who are calendar year taxpayers, such adjustment should be reported in the taxable year ending December 31, 2016.