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Headnote

Mutual Reliance Review System for Exemptive Relief Applications - relief granted to Xerox from the requirement to file its annual and first quarter financial statements, subject to Xerox filing its Financial Statements on the later of June 30, 2002 and the date on which Xerox files its Financial Statements with the SEC - relief granted to Xerox Canada Inc. from the requirement to file annual and first quarter financial statements, subject to XCI filing its Financial Statements by the date that is thirty days after Xerox files its Financial Statements with the SEC

Applicable British Columbia Provisions

Securities Act, R.S.B.C. 1996, c. 418, s. 91(1)(b)

Securities Rules, B.C. Reg. 194/97, ss. 144 and 145

**IN THE MATTER OF THE CANADIAN SECURITIES LEGISLATION OF
BRITISH COLUMBIA, ALBERTA, SASKATCHEWAN, MANITOBA,
ONTARIO, QUEBEC, PRINCE EDWARD ISLAND, NOVA SCOTIA,
NEWFOUNDLAND, NUNAVUT AND THE YUKON TERRITORIES**

AND

**IN THE MATTER OF THE MUTUAL RELIANCE REVIEW SYSTEM
FOR EXEMPTIVE RELIEF APPLICATIONS**

AND

**IN THE MATTER OF XEROX CORPORATION, XEROX CANADA INC.
AND XEROX CANADA FINANCE INC.**

MRRS DECISION DOCUMENT

WHEREAS the local securities regulatory authority or regulator (the “Decision Maker”) in each of British Columbia, Alberta, Saskatchewan, Manitoba, Ontario, Quebec, Prince Edward Island, Nova Scotia, Newfoundland, Nunavut and the Yukon Territories (the “Jurisdictions”) has received an application from Xerox Corporation (“Xerox”), Xerox Canada Inc. (“XCI”) (together with Xerox, the “Filers”) and Xerox Canada Finance Inc. (“XCFI”) (collectively, the “Applicants”) for a decision pursuant to the securities legislation of the Jurisdictions (the “Legislation”) to:

- (i) extend the deadlines prescribed by the Legislation (the “Deadline Requirements”) by which time each Filer is required to file with the applicable Decision Makers its audited annual financial statements for its financial year ended December 31, 2001 (the “2001 Statements”)

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and its 2002 first quarter unaudited financial statements (the “2002 Q1 Statements”) (collectively, the “Financial Statements”) and Annual Report, where applicable; and

- (ii) extend the deadlines in the Legislation of Ontario, Quebec and Saskatchewan (the “AIF and MD&A Deadline Requirements”) by which time each Filer must file with the applicable Decision Makers its annual information form (“AIF”) and management’s discussion and analysis (“MD&A”).

AND WHEREAS pursuant to the Mutual Review System for Exemptive Relief Applications (the “System”), the Ontario Securities Commission is the principal regulator for this application;

AND WHEREAS the Applicants have represented to the Decision Makers that:

1. Xerox is a State of New York incorporated, U.S.-based company which is a reporting issuer or the equivalent under the Legislation in each Jurisdiction. Xerox’s securities are registered with the SEC under the 1934 Act and it is not exempt from the reporting requirements of the 1934 Act under Rule 12g3-2.
2. The authorized and issued capital of Xerox includes shares of common stock (the “Xerox Common Shares”) of which approximately 725,294,902 were issued and outstanding on March 31, 2002.
3. Xerox’s financial year-end is December 31.
4. Xerox Common Shares are listed and posted for trading on the New York Stock Exchange (the “NYSE”) under the symbol “XRX” and several other stock exchanges outside of, but not in, Canada.
5. The transfer agent for Xerox Common Shares advises that the registered shareholders with addresses outside of the United States hold less than 1% of the issued and outstanding Xerox Common Shares.
6. XCI is a corporation amalgamated under the laws of Ontario on November 30, 1989 and is a reporting issuer, or the equivalent, under the Legislation of each Jurisdiction and its head office is in Ontario.
7. The authorized and issued capital of XCI consists of an unlimited number of voting class A shares (the “XCI Class A Shares”), non-voting exchangeable class B shares (the “XCI Exchangeable Shares”), of which 750,542 are issued and outstanding as of April 17, 2002, and \$8.00 non-cumulative, non-voting,

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redeemable preferred shares (the “XCI Preference Shares”). Xerox owns all of the XCI Class A Shares and the XCI Preference Shares that are issued and outstanding. The XCI Exchangeable Shares represent approximately 2% of the outstanding shares of XCI.

8. In 1989 the public common shareholders of XCI exchanged their common shares for XCI Exchangeable Shares that allow them to exchange such Exchangeable Shares for Xerox Common Shares at any time. Xerox became a reporting issuer or the equivalent in the Jurisdictions at that time. The XCI Exchangeable Shares are not listed or posted for trading on any stock exchange but are traded on the Canadian Unlisted Board of CDNX.
9. XCFI was continued under the laws of Ontario on June 3, 1998. XCFI is a reporting issuer or the equivalent, under the Legislation of each Jurisdiction and its head office is in Ontario.
10. The only outstanding shares of XCFI are its common shares, all of which are directly held by XCI.
11. XCFI has two series of unsecured debentures outstanding as at March 31, 2002: Cdn \$21,500,000 principal amount of 10.7% sinking fund debentures due 2006 and Cdn \$53,800,000 principal amount of 12.15% sinking fund debentures due 2007 (collectively, the “Debentures”). As a result, the total outstanding amount is Cdn \$75,300,000.
12. Each of Xerox and XCI has unconditionally guaranteed the Debentures as to principal and interest. The Legislation and the trust indentures, as amended, pursuant to which the Debentures were issued (the “Trust Indentures”) do not require that XCFI mail financial statements to the Debenture holders.
13. Xerox has publicly announced, in Canada and the United States, and has filed with the Decision Makers information regarding, the fact that, as part of a settlement reached with the SEC, the filing deadline for its 2001 Statements and its 2002 Q1 Statements has been extended to June 30, 2002. This extension is to permit Xerox the time necessary to restate and adjust certain historical financial statements and to adjust its previously announced 2001 results.
14. XCI has publicly announced in Canada, and has filed with the Decision Makers, information concerning its determination that it is necessary to restate and adjust its financial statements for its financial year ended December 31, 2000. Since the XCI 2001 Statements and 2002 Q1 Statements are consolidated with those of Xerox, the preparation of the two sets of

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statements, including the footnote disclosures, are inter-dependent. The restatements to Xerox's financial statements, including any restatement of footnote disclosures, has a material bearing on XCI's financial statements and requires that XCI restate and adjust its financial statements for the year ended December 31, 2000 to conform with the Xerox restatements. Following determination of the amount of any such restatements and completion of any such restatements it will be necessary for XCI's external auditors to audit the restatements and to re-audit the years in question.

15. Differences in filing deadlines under U.S. and Canadian laws result in a normal deadline of April 1 and May 15 for Xerox filings of annual and first quarter financials, respectively, in the U.S. versus May 21 and May 30, respectively, in Canada. As a result, XCI generally has over a month after the finalization of the Xerox financial information to review such information (particularly the note disclosure contained therein) to ensure consistency of presentation in the XCI financial statements, AIF and MD&A filed by May 21.
16. Xerox proposes to make its complete 2001 Statements, its 2002 Q1 Statements, its AIF on Form 10-K, its quarterly report on Form 10-Q and its Annual Report, where applicable, available to the public via SEDAR by filing them in each of the Jurisdictions contemporaneously with their filing with the SEC. Substantially concurrently with such filing by Xerox, XCI will, on behalf of Xerox, disseminate a press release summarizing highlights of such Financial Statements, advising readers that such Financial Statements, and the Forms 10-K and 10Q have been filed with regulatory authorities in each of the Jurisdictions and are available for viewing on SEDAR. In addition at such time, Xerox anticipates posting such Financial Statements on its website.
17. As a result of XCI's determination that it is necessary to restate and adjust its financial statements, and of Xerox's delay in filing its Financial Statements, the preparation and filing of XCI's 2001 Statements, 2002 Q1 Statements, AIF and MD&A is also expected to be delayed.
18. XCI proposes to make its 2001 Statements, 2002 Q1 Statements, AIF, MD&A and Annual Report, where applicable, available to the public via SEDAR by filing them in each of the Jurisdictions within 30 days of Xerox filing its information with the SEC. Substantially concurrently with such filing, XCI anticipates disseminating a press release summarizing highlights of such Financial Statements, advising readers that such Financial Statements have been filed with regulatory authorities in each of the Jurisdictions and are available for viewing on SEDAR.

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19. Xerox and XCI will each issue a press release (the "Press Release") immediately following the issuance of this Decision Document which will announce the filing extension granted and such other relief as is granted pursuant to this Decision Document.
20. If, prior to the issuance of the Press Release, any material change occurs in the circumstances or affairs of Xerox or XCI, Xerox or XCI, as applicable, will disclose such material change forthwith.

AND WHEREAS under the System, this MRRS Decision Document evidences the decision of each Decision Maker (collectively, the "Decision");

AND WHEREAS each of the Decision Makers is satisfied that the test contained in the Legislation that provides the Decision Maker with the jurisdiction to make the Decision, has been met;

THE DECISION of the Decision Makers under the Legislation is that the Filers shall not be subject to the Deadline Requirement for their respective 2002 Q1 Statements, 2001 Statements, and Annual Reports, where applicable, provided that:

1. In the case of Xerox, Xerox files with the applicable Decision Makers and delivers to its security holders its Financial Statements and Annual Report, where applicable, by the later of June 30, 2002 and the date on which Xerox files its Financial Statements with the SEC.
2. In the case of XCI, XCI files with the applicable Decision Makers and delivers to its security holders its Financial Statements and Annual Report, where applicable, by the later of July 30, 2002 and the date that is thirty days after Xerox files its Financial Statements with the SEC.
3. XCI will, on its own behalf and on behalf of Xerox, announce by way of a press release, upon the granting of this Decision Document, the filing extension granted.
4. Each Filer will issue a press release summarizing or setting out its Financial Statements upon the approval of such statements by the respective boards of directors of the Filers.
5. Until the Filers have filed their respective 2002 Q1 Statements, audited 2001 Statements, AIF, MD&A and Annual Report, where applicable, with the Decision Makers, XCI will, on its own behalf and on behalf of Xerox, (i) file with the Decision Makers any documents filed by Xerox with the SEC and (ii)

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distribute, to the registered holders of XCI Exchangeable Shares, any material distributed by Xerox to holders of its common stock, if such filing or distribution was made for the purpose of providing updated information regarding the filing of Xerox's Financial Statements.

6. XCI provides an undertaking that its "Management and Other Insiders" will cease trading in securities of XCI until its Financial Statements, AIF, MD&A and Annual Report, where applicable, have been filed with the Decision Makers, where, for this purpose, "Management and Other Insiders" means one or more persons or companies who are directors, officers or insiders of XCI during the period prior to such date.

DATED the 21st day of May, 2002.

Paul M. Moore

Harold Hand

THE FURTHER DECISION of the Decision Makers in each of Ontario, Saskatchewan and Quebec is that the AIF and MD&A Deadline Requirements shall not apply to the Filers provided that, in the case of Xerox, its AIF and MD&A are filed with the applicable Decision Makers and delivered to its security holders by the later of June 30, 2002 and the date on which Xerox files its Financial Statements with the SEC and, in the case of XCI, its AIF and MD&A are filed with the applicable Decision Makers and delivered to its security holders by the later of July 30, 2002 and the date that is thirty days after Xerox files its Financial Statements with the SEC.

DATED the 21st day of May, 2002.

John Hughes