

UNISYS CORP  
Form DEF 14A  
March 16, 2006

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**SCHEDULE 14A**  
**(RULE 14a-101)**

**INFORMATION REQUIRED IN PROXY STATEMENT**

**SCHEDULE 14A INFORMATION**

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

Filed by the Registrant ☒ X

Filed by a Party other than the Registrant ☐ O

Check the appropriate box:

- ☐ Preliminary Proxy Statement
- ☐ Confidential, for Use of the Commission Only (as permitted by Rule 14a-6(e)(2))
- ☒ Definitive Proxy Statement
- ☐ Definitive Additional Materials
- ☐ Soliciting Material Pursuant to Section 240.14a-11(c) or Section 240.14a-12

**UNISYS CORPORATION**

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(Name of Registrant as Specified in Its Charter)

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

Payment of Filing Fee (Check the appropriate box):

- ☒ No fee required.
- ☐ Fee computed on table below per Exchange Act Rules 14a-6(i)(1) and 0-11

(1) Title of each class of securities to which transaction applies:

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(2) Aggregate number of securities to which transaction applies:

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(3) Per unit price or other underlying value of transaction computed pursuant to Exchange Act Rule 0-11 (Set forth the amount on which the filing fee is calculated and state how it was determined):

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(4) Proposed maximum aggregate value of transaction:

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(5) Total fee paid:

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☐ Fee paid previously by written preliminary materials.

☐ Check box if any part of the fee is offset as provided by Exchange Act Rule 0-11(a)(2) and identify the filing for which the offsetting fee was paid previously. Identify the previous filing by registration statement number, or the Form or Schedule and the date of its filing.

(1) Amount Previously Paid:

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(2) Form Schedule or Registration Statement No.:

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(3) Filing Party:

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(4) Date Filed:

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Unisys Corporation  
Unisys Way  
Blue Bell, PA 19424-0001

March 16, 2006

Dear Fellow Stockholder:

It is my pleasure to invite you to the Unisys 2006 Annual Meeting of Stockholders. This year's meeting will be held on Thursday, April 20, 2006, at The Hilton Inn at Penn, which is located at 3600 Sansom Street in Philadelphia, Pennsylvania. The meeting will begin at 9:30 a.m.

The past year was a challenging one for Unisys. We encountered significant issues in two of our outsourcing operations and faced lower demand than we expected in our technology sales. These factors, plus higher pension accounting expense and an adjustment in our deferred tax assets, resulted in a substantial loss for the year. While these results were disappointing and unacceptable, we have much to be optimistic about as we enter the new year. In 2005, we conducted a comprehensive review of our strategy and business operations to build on our strengths and drive profitable growth going forward. As a result of this review, we announced a far-reaching plan to refocus our business around high-growth market segments, reduce our cost base, divest non-core assets, and enhance our sales and marketing efforts. We saw strong orders growth and cash flow in the fourth quarter. While we have much more work to do to implement the new plan, we are confident that we have laid the foundation for improved results in 2006 and beyond.

Whether or not you plan to attend the annual meeting, I urge you to take a moment to vote on the items in this year's proxy statement. Most stockholders have a choice of voting their shares over the Internet, by telephone, or by completing, signing, and returning a proxy card. Voting by any of these means takes only a few minutes, and it will ensure that your shares are represented at the meeting. If you vote over the Internet, you will also be given the opportunity to access future proxy statements and annual reports over the Internet instead of receiving paper copies in the mail. Electronic access saves the company the cost of producing and mailing these documents. I encourage you to take advantage of it.

I look forward to seeing you at the annual meeting, where you will hear about our results for 2005 and our priorities for 2006.

Sincerely,

Joseph W. McGrath  
President and Chief Executive Officer

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**NOTICE OF ANNUAL MEETING OF STOCKHOLDERS**

**April 20, 2006**

Unisys Corporation will hold its 2006 Annual Meeting of Stockholders at The Hilton Inn at Penn, 3600 Sansom Street, Philadelphia, Pennsylvania, on Thursday, April 20, 2006, at 9:30 a.m. to:

1. elect four directors;
2. ratify the selection of the Company's independent registered public accounting firm for 2006; and
3. transact any other business properly brought before the meeting.

Only record holders of Unisys common stock at the close of business on February 28, 2006 will be entitled to vote at the annual meeting.

By Order of the Board of Directors,

Nancy Straus Sundheim  
Senior Vice President, General Counsel  
and Secretary

Blue Bell, Pennsylvania  
March 16, 2006

**Important**

**Your vote is important. Most stockholders will have a choice of voting over the Internet, by telephone, or by using a traditional proxy card. Please check the information you have received to see which options are available to you.**

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**UNISYS CORPORATION  
PROXY STATEMENT  
ANNUAL MEETING OF STOCKHOLDERS  
April 20, 2006**

The Board of Directors of Unisys Corporation solicits your proxy for use at the 2006 Annual Meeting of Stockholders to be held on April 20, 2006 and at any adjournments. At the annual meeting, stockholders will be asked to elect four directors, to ratify the selection of the Company's independent registered public accountants, and to transact any other business properly brought before the meeting.

The record date for the annual meeting is February 28, 2006. Only holders of record of Unisys common stock as of the close of business on the record date are entitled to vote at the meeting. On the record date, 342,544,001 shares of common stock were outstanding. The presence, in person or by proxy, of a majority of those shares will constitute a quorum at the meeting.

This proxy statement, the proxy/voting instruction card and the annual report of Unisys, including the financial statements for 2005, are being mailed and made available on the Internet on or about March 16, 2006.

**Required Vote**

Each share of Unisys common stock outstanding on the record date is entitled to one vote on each matter to be voted upon. Under Delaware law and the Company's Bylaws, directors are elected by a plurality of the votes cast. This means that the nominees receiving the greatest number of votes will be elected. However, as more fully discussed in paragraph 7 of Corporate Governance Guidelines on page 8, the Board has adopted a majority voting policy that any nominee who receives a greater number of votes withheld from his or her election than votes for his or her election must tender his or her resignation. The Board will accept or reject the tendered resignation within 90 days of the annual meeting. Abstentions and broker non-votes are not counted for purposes of the election of directors.

Ratification of the selection of the Company's independent registered public accounting firm will require the affirmative vote of a majority of shares present, in person or by proxy, and entitled to vote. Abstentions will be included in the vote totals for this matter and therefore will have the same effect as a negative vote; broker non-votes will not be included in the vote totals and therefore will have no effect on the vote.

**Voting Procedures and Revocability of Proxies**

Your vote is important. Shares may be voted at the annual meeting only if you are present in person or represented by proxy. Most stockholders have a choice of voting (a) by completing a proxy/voting instruction card and mailing it in the postage-paid envelope provided, (b) over the Internet or (c) by telephone using a toll-free telephone number. Check the materials you have received to see which options are available to you and to obtain the applicable web site or telephone number. If you elected to receive proxy materials over the Internet, you should have already received e-mail instructions on how to vote electronically. Please be aware that if you vote over the Internet, you may incur costs associated with your

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electronic access, such as usage charges from Internet access providers and telephone companies, for which you will be responsible.

The telephone and Internet voting procedures are designed to authenticate stockholders' identities by use of a control number, to allow stockholders to give their voting instructions and to confirm that stockholders' instructions have been recorded properly. The Company has been advised by counsel that the telephone and Internet voting procedures are consistent with the requirements of applicable law.

You may revoke your proxy at any time before it is exercised by writing to the Corporate Secretary of Unisys, by timely delivery of a properly executed later-dated proxy (including an Internet or telephone vote) or by voting in person at the meeting.

The method by which you vote will in no way limit your right to vote at the meeting if you later decide to attend in person. If your shares are held in the name of a bank, broker or other holder of record, you must obtain a proxy, executed in your favor, from the holder of record to be able to vote at the meeting.

If you properly complete and return your proxy, and do not revoke it, the proxy holders will vote your shares in accordance with your instructions. If your properly completed proxy gives no instructions, the proxy holders will vote your shares FOR the election of directors, FOR the selection of independent registered public accountants, and in their discretion on any other matters that properly come before the annual meeting.

If you are a participant in the Unisys Savings Plan, the proxy/voting instruction card will serve as voting instructions to the plan trustee for any whole shares of Unisys common stock credited to your account as of February 28, 2006. The trustee will vote those shares in accordance with your instructions if it receives your completed proxy by April 14, 2006. If the proxy is not timely received, or if you give no instructions on a matter to be voted upon, the trustee will vote the shares credited to your account in the same proportion as it votes those shares for which it received proper instructions from other participants.

### **ELECTION OF DIRECTORS**

The Board of Directors currently consists of 11 members, divided into three classes. One class of directors is elected each year to hold office for a three-year term. The four directors whose terms expire in 2006, Randall J. Hogan, Edwin A. Huston, Leslie F. Kenne and Joseph W. McGrath, have been nominated for reelection. The remaining seven directors will continue to serve as set forth below. Each of the nominees has agreed to serve as a director if elected, and Unisys believes that each nominee will be available to serve. However, the proxy holders have discretionary authority to cast votes for the election of a substitute should any nominee not be available to serve as a director.

**The Board of Directors recommends a vote FOR all nominees.**

### **Information Regarding Nominees and Directors**

The names and ages of the nominees and directors, their principal occupations and employment during the past five years, and other information regarding them are as follows.



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**Nominees for Election to the Board of Directors**

**RANDALL J. HOGAN**

Mr. Hogan, 50, is a Director and Chairman and Chief Executive Officer of Pentair, Inc., a diversified manufacturer of water and wastewater transport, storage and treatment products and enclosures for the protection of electronic controls and components. He has also held the positions of President and Chief Operating Officer and Executive Vice President of that company and President of its Electronic Enclosures Group. He has served as a Director of Unisys since 2004 and is a member of the Finance Committee and the Nominating and Corporate Governance Committee.

**EDWIN A. HUSTON**

Mr. Huston, 67, is a retired Vice Chairman of Ryder System, Inc., an international logistics and transportation solutions company. He has also served as Senior Executive Vice President-Finance and Chief Financial Officer of that company. He is a Director of Answerthink, Inc., Enterasys Networks, Inc. and Kaman Corporation. He has served as a Director of Unisys since 1993 and is chairman of the Audit Committee.

**LESLIE F. KENNE**

Ms. Kenne, 58, is a retired Lieutenant General of the United States Air Force. Prior to retiring from the Air Force in 2003 as Deputy Chief of Staff, Warfighting Integration, Pentagon, she had a 32-year military career including technical training, command experience and responsibility for large aircraft test, evaluation and acquisition programs. She is a Director of EDO Corporation and Harris Corporation. She has served as a Director of Unisys since February 2006.

**JOSEPH W. MCGRATH**

Mr. McGrath, 53, is President and Chief Executive Officer of Unisys. He has been with Unisys since 1999, serving as President and Chief Operating Officer from April 2004 through December 2004; Executive Vice President and President of the Company's Enterprise Transformation Services business from 2000 to 2004; and Senior Vice President of Major Accounts Sales and Chief Marketing Officer from 1999 to 2000. He has served as a Director of Unisys since 2005.

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**Members of the Board Continuing in Office**

**Term Expiring in 2007**

**HENRY C. DUQUES**

Mr. Duques, 62, is a Director and Chairman and Chief Executive Officer of First Data Corporation, an electronic commerce and payment services company, a position he resumed in November 2005. He had previously served as Chairman and Chief Executive Officer of that company from 1992 until January 2002 and remained Chairman of the Board until his retirement in January 2003. He has served as a Director of Unisys since 1998, has been the non-executive Chairman of the Board since February 1, 2006 and is chairman of the Compensation Committee.

**CLAYTON M. JONES**

Mr. Jones, 56, is a Director and Chairman, President and Chief Executive Officer of Rockwell Collins, Inc., a global aviation electronics and communications company. He has also held the positions of Executive Vice President of that company and Senior Vice President of its former parent company, Rockwell International Corporation. He has served as a Director of Unisys since 2004 and is a member of the Compensation Committee.

**THEODORE E. MARTIN**

Mr. Martin, 66, is a retired President and Chief Executive Officer of Barnes Group Inc., a manufacturer and distributor of automotive and aircraft components and maintenance products. He has also held the position of Executive Vice President-Operations of that company. He is a Director of Ingersoll-Rand Company, Applera Corporation and C.R. Bard, Inc. He has served as a Director of Unisys since 1995 and is a member of the Compensation Committee.

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**Members of the Board Continuing in Office**

**Term Expiring in 2008**

**J. P. BOLDOC**

Mr. Bolduc, 66, is Chairman and Chief Executive Officer of JPB Enterprises, Inc., a merchant banking, venture capital and real estate investment holding company. Since April 2003, he has also served as Chief Executive Officer of J. A. Jones, a multi-national construction and construction-related services company. He previously served in the positions of President and Chief Executive Officer, Vice Chairman, and Chief Operating Officer of W. R. Grace & Co., a specialty chemicals and health care company. He is a Director of Proudfoot PLC and EnPro Industries, Inc. He has served as a Director of Unisys since 1992 and is chairman of the Finance Committee.

In February 2003, the SEC and Mr. Bolduc settled public administrative and cease-and-desist proceedings. Without admitting or denying the SEC's findings, Mr. Bolduc consented to the entry of a cease-and-desist order in which the SEC found that, between 1991 and 1995, while Mr. Bolduc was president and either chief operating officer or chief executive officer of W. R. Grace & Co. and a member of its board of directors, Grace fraudulently used reserves to defer income earned by a subsidiary, primarily to smooth earnings of its health care segment, in violation of the antifraud provisions of the federal securities laws, as well as the provisions that require public companies to keep accurate books and records, maintain appropriate internal accounting controls and file accurate annual and quarterly reports. The order generally finds that Mr. Bolduc, through his actions or omissions, was a cause of these violations. The order also notes that, during the period in question, Mr. Bolduc did not sell any of the substantial number of Grace shares that he owned. The SEC ordered Mr. Bolduc to cease and desist from committing or causing any violation or future violation of the antifraud and reporting requirements of the federal securities laws. It did not impose any fines, penalties or bars on Mr. Bolduc.

**JAMES J. DUDERSTADT**

Dr. Duderstadt, 63, is President Emeritus and University Professor of Science and Engineering at the University of Michigan. He has served as a Director of Unisys since 1990 and is chairman of the Nominating and Corporate Governance Committee.

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**MATTHEW J. ESPE**

Mr. Espe, 46, is a Director and Chairman and Chief Executive Officer of IKON Office Solutions, Inc., a provider of integrated document management systems and services. Prior to joining IKON in 2002, Mr. Espe had been with General Electric Company since 1980, most recently serving as President and Chief Executive Officer of GE Lighting. He has served as a Director of Unisys since 2004 and is a member of the Audit Committee and the Finance Committee.

**DENISE K. FLETCHER**

Ms. Fletcher, 57, has been Executive Vice President, Finance of Vulcan, Inc., an investment and project company since September 2005. From 2004 to 2005, she served as Chief Financial Officer of DaVita, Inc., an independent provider of dialysis services in the United States. From 2000 to 2003, she was Executive Vice President and Chief Financial Officer of MasterCard International, an international payment solutions company. She has served as a Director of Unisys since 2001 and is a member of the Audit Committee and the Nominating and Corporate Governance Committee.

**Board Meetings; Attendance at Annual Meetings**

The Board of Directors held eight meetings in 2005. During 2005, all directors attended at least 75% of the meetings of the Board of Directors and standing Committees on which they served.

It is the Company's policy that all directors should attend the annual meeting of stockholders. All of the Company's directors attended the 2005 annual meeting.

**Independence of Directors**

All of the Company's directors other than Mr. McGrath meet the independence requirements prescribed by the New York Stock Exchange and, in the case of members of the Audit Committee, also meet the audit committee independence requirements prescribed by the SEC. In assessing whether a director has a material relationship with Unisys (either directly or as a partner, stockholder or officer of an organization that has a relationship with Unisys), the Board uses the criteria outlined below in paragraph 2 of "Corporate Governance Guidelines". All non-employee directors met these criteria in 2005.

**Committees**

The Board of Directors has a standing Audit Committee, Compensation Committee, Finance Committee and Nominating and Corporate Governance Committee. The specific functions and responsibilities of each committee are set forth in its charter, which is available on the Company's Internet web site at [www.unisys.com](http://www.unisys.com) in the Investors section under Corporate

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Governance and Board of Directors and is also available in print to any stockholder who requests it.

The Audit Committee assists the Board in its oversight of the integrity of the Company's financial statements and its financial reporting and disclosure practices, the soundness of its systems of internal financial and accounting controls, the independence and qualifications of its independent registered public accounting firm, the performance of its internal auditors and independent registered public accounting firm, the Company's compliance with legal and regulatory requirements and the soundness of its ethical and environmental compliance programs. The Audit Committee held 15 meetings in 2005. Its members are Mr. Espe, Ms. Fletcher and Mr. Huston (chair). The Board has determined that each of Mr. Espe, Ms. Fletcher and Mr. Huston is an audit committee financial expert as defined by the SEC.

The Compensation Committee oversees the compensation of the Company's executives, the Company's executive management structure, the compensation-related policies and programs involving the Company's executive management and the level of benefits of officers and key employees. It also monitors the Company's diversity programs. The Compensation Committee held five meetings in 2005. Its members are Mr. Duques (chair), Mr. Jones and Mr. Martin.

The Finance Committee oversees the Company's financial affairs, including its capital structure, financial arrangements, capital spending and acquisition and disposition plans. It also oversees the management and investment of funds in the pension, savings and welfare benefit plans sponsored by the Company. The Finance Committee held seven meetings in 2005. Its members are Mr. Bolduc (chair), Mr. Espe and Mr. Hogan.

The Nominating and Corporate Governance Committee identifies and reviews candidates and recommends to the Board of Directors nominees for membership on the Board of Directors. It also oversees the Company's corporate governance. In identifying candidates for Board membership, the Nominating and Corporate Governance Committee considers a number of factors including independence, experience, strength of character, mature judgment, technical skills, diversity, age and the extent to which the individual would fill a present need on the Board. In February 2006, the committee recommended, and the Board elected, a new director. As part of the selection process, the committee looked for candidates with a background in information technology or with government, security or sales and marketing experience. The committee retained a third-party search firm to assist in identifying qualified candidates. The committee will consider recommendations on director candidates received from stockholders and other qualified sources. Stockholder recommendations must be in writing and addressed to the Chairman of the Nominating and Corporate Governance Committee, c/o Corporate Secretary, Unisys Corporation, Unisys Way, Blue Bell, Pennsylvania 19424. The Nominating and Corporate Governance Committee held six meetings in 2005. Its members are Dr. Duderstadt (chair), Ms. Fletcher and Mr. Hogan.

**Code of Ethics and Business Conduct**

Unisys has a code of ethics, the Unisys Code of Ethics and Business Conduct, that applies to all employees, officers (including the chief executive officer, chief financial officer and controller) and directors. The code is posted on the Company's Internet web site at [www.unisys.com](http://www.unisys.com) in the Investors section under Corporate Governance and Board of Directors and is also available in print to any stockholder who requests it. The Company intends to post

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amendments to or waivers from the code (to the extent applicable to the Company's chief executive officer, chief financial officer or controller) at this location on its web site.

**Corporate Governance Guidelines**

The Board of Directors has adopted Guidelines on Significant Corporate Governance Issues. The full text of these guidelines, as amended through February 9, 2006, is available on the Company's Internet web site at [www.unisys.com](http://www.unisys.com) in the Investors section under Corporate Governance and Board of Directors and is also available in print to any stockholder who requests it. Among other matters, the guidelines cover the following:

1. A majority of the Board of Directors shall qualify as independent under the listing standards of the New York Stock Exchange.
2. The Nominating and Corporate Governance Committee reviews annually with the Board the independence of outside directors. Following this review, only those directors who meet the independence qualifications prescribed by the New York Stock Exchange and who the Board affirmatively determines have no material relationship with the Company will be considered independent. The Board has determined that the following commercial or charitable relationships will not be considered to be material relationships that would impair independence: (a) if a director is an executive officer or partner of, or owns more than a ten percent equity interest in, a company that does business with Unisys, and sales to or purchases from Unisys are less than one percent of the annual revenues of that company and (b) if a director is an officer, director or trustee of a charitable organization, and Unisys donates less than one percent of that organization's annual charitable receipts.
3. The Nominating and Corporate Governance Committee is responsible for determining the appropriate skills and characteristics required of Board members in the context of its current make-up, and will consider factors such as independence, experience, strength of character, mature judgment, technical skills, diversity and age in its assessment of the needs of the Board.
4. If the Chairman of the Board is not an employee of the Company, the Chairman should qualify as independent under the listing standards of the New York Stock Exchange. Members of the Audit, Compensation, and Nominating and Corporate Governance Committees must also so qualify.
5. Directors may not stand for election after age 70 or continue to serve beyond the annual stockholders meeting following the attainment of age 70.
6. Directors should volunteer to resign from the Board upon a change in primary job responsibility. The Nominating and Corporate Governance Committee will review the appropriateness of continued Board membership under the circumstances and will recommend, and the Board will determine, whether or not to accept the director's resignation. In addition, if the Company's chief executive officer resigns from that position, he is expected to offer his resignation from the Board at the same time.
7. In an uncontested election of directors (i.e., an election where the only nominees are those recommended by the Board), any nominee for director who receives a greater number of votes withheld from his or her election than votes for his or her election will promptly tender his or her resignation to the Chairman of the Board. The Nominating and Corporate Governance Committee will promptly consider the resignation submitted by such director and will recommend to the Board whether to accept the tendered resignation

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or reject it. The Board will act on the Nominating and Corporate Governance Committee's recommendation no later than 90 days following the date of the stockholders' meeting where the election occurred, and the Company will promptly publicly disclose the Board's decision. To the extent that one or more directors' resignations are accepted by the Board, the Nominating and Corporate Governance Committee will recommend to the Board whether to fill such vacancy or vacancies or to reduce the size of the Board. Any director who tenders his or her resignation pursuant to this provision will not participate in the Nominating and Corporate Governance Committee recommendation or Board consideration regarding whether or not to accept the tendered resignation.

8. The non-management directors will meet in executive session at all regularly scheduled Board meetings. They may also meet in executive session at any time upon request. If the Chairman of the Board is an employee of the Company, the Board will elect from the independent directors a lead director who will preside at executive sessions. If the Chairman is not an employee, the Chairman will preside at executive sessions.

9. Board members have complete access to Unisys management. Members of senior management who are not Board members regularly attend Board meetings, and the Board encourages senior management, from time to time, to bring into Board meetings other managers who can provide additional insights into the matters under discussion.

10. The Board and its committees have the right at any time to retain independent outside financial, legal or other advisors.

11. Directors should not, except in rare circumstances approved by the Board, draw any consulting, legal or other fees from the Company. In no event shall any member of the Audit Committee receive any compensation from the Company other than directors' fees.

12. The Company should maintain an orientation program for new directors and continuing education programs for all directors.

13. The Board will conduct an annual self-evaluation to determine whether it and its committees are functioning effectively.

14. The non-management directors will evaluate the performance of the chief executive officer annually and will meet in executive session, led by the chairperson of the Compensation Committee, to review this performance. The evaluation is based on objective criteria, including performance of the business, accomplishment of long-term strategic objectives and development of management. Based on this evaluation, the Compensation Committee will recommend, and the members of the Board who meet the independence criteria of the New York Stock Exchange will determine and approve, the compensation of the chief executive officer.

15. To assist the Board in its planning for the succession to the position of chief executive officer, the chief executive officer is expected to provide an annual report on succession planning to the Compensation Committee.

16. The Company's stockholder rights plan is scheduled to expire on March 17, 2006, and it has no present intention to extend such rights plan or adopt a new one. Subject to its continuing fiduciary duties, which may dictate otherwise depending on the circumstances, the Board shall submit the adoption of any future stockholder rights plan or extension of the Company's current rights plan to a vote of the stockholders. Any stockholder rights plan adopted or extended without stockholder approval shall be approved by a majority of the

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independent members of the Board and shall be in response to specific, articulable circumstances that are deemed to warrant such action without the delay that might result from seeking prior stockholder approval. If the Board adopts or extends a rights plan without prior stockholder approval, the Board shall, within one year, either submit the plan to a vote of the stockholders or redeem the plan or cause it to expire.

**Stock Ownership Guidelines**

Since 1998, the Company has had in place stock ownership guidelines for both directors and elected officers in order to more closely link their interests with those of stockholders. Under the guidelines, directors and elected officers are expected to own, within specified time periods, a specified number of shares of Unisys stock or stock units. Stock options, including vested stock options, do not count toward fulfillment of the ownership guidelines.

**Communications with Directors**

Stockholders may send communications to the Board of Directors or to the non-management directors as a group by writing to them c/o Corporate Secretary, Unisys Corporation, Unisys Way, Blue Bell, Pennsylvania 19424. All communications directed to Board members will be delivered to them.

**Audit Committee Report**

In performing its oversight responsibilities as defined in its charter, the Audit Committee has reviewed and discussed the audited financial statements and reporting process, including the system of internal controls, with management and with Ernst & Young LLP, the Company's independent registered public accounting firm. The Committee has also discussed with Ernst & Young LLP the matters required to be discussed by Statement on Auditing Standards No. 61 (Communication with Audit Committees), as amended. In addition, the Committee has discussed with Ernst & Young LLP their independence and has received from them the written disclosures required by the Independence Standards Board. The Committee has also considered the compatibility of audit-related services, tax services and other non-audit services with the firm's independence.

During 2005, the Audit Committee was kept informed of the progress of management's documentation, testing and evaluation of the Company's system of internal control over financial reporting required by Section 404 of the Sarbanes-Oxley Act of 2002 and related regulations and provided oversight to management during the process. At the conclusion of the process, the Committee reviewed a report on the effectiveness of the Company's internal control over financial reporting.

Based on these reviews and discussions, the Committee recommended to the Board of Directors that the audited financial statements be included in the Annual Report on Form 10-K for the year ended December 31, 2005 for filing with the SEC.

Audit Committee  
Matthew J. Espe  
Denise K. Fletcher  
Edwin A. Huston



**Table of Contents****Relationship with Independent Registered Public Accounting Firm**

Ernst & Young LLP has billed the Company the following fees for professional services rendered in respect of the years ended December 31, 2005 and 2004 (in millions of dollars):

	2005	2004*
Audit Fees	\$ 8.3	\$ 7.8
Audit-Related Fees	1.4	1.0
Tax Fees	0.2	1.0
All Other Fees	0.1	0

\* Audit fees and all other fees for 2004 have been adjusted from the amounts shown in last year's proxy statement to reflect actual amounts paid.

Audit fees consist of fees for the audit and review of the Company's financial statements, statutory audits, comfort letters, consents, assistance with and review of documents filed with the SEC and Section 404 attestation procedures. Audit-related fees consist of fees for employee benefit plan audits, accounting advice regarding specific transactions, and various attestation engagements. Tax fees principally represent fees for tax compliance services. All other fees are for non-prohibited advisory services to the Company's federal government group.

The Audit Committee annually reviews and pre-approves the services that may be provided by the independent registered public accounting firm. The committee has also adopted an Audit and Non-Audit Services Pre-Approval Policy that contains a list of pre-approved services, which the committee may revise from time to time. In addition, the Audit Committee has delegated pre-approval authority, up to a fee limitation of \$150,000 per service, to the chairman of the committee. The chairman of the committee reports any such pre-approval decision to the Audit Committee at its next scheduled meeting.

**RATIFICATION OF SELECTION OF INDEPENDENT REGISTERED PUBLIC  
ACCOUNTING FIRM**

The Audit Committee has selected the firm of Ernst & Young LLP as the independent registered public accounting firm to audit the Company's books and accounts for the year ending December 31, 2006. Ernst & Young LLP has served as the Company's independent registered public accounting firm since 1986. Its representatives will be present at the annual meeting and will have the opportunity to make a statement if they desire to do so and to respond to appropriate questions asked by stockholders.

The Board of Directors considers Ernst & Young LLP to be well qualified to serve as the independent registered public accounting firm for Unisys. If, however, stockholders do not ratify the selection of Ernst & Young LLP, the appointment will be reconsidered.

**The Board of Directors recommends a vote FOR the proposal to ratify the selection of Ernst & Young LLP as the Company's independent registered public accounting firm for 2006.**

Table of Contents**EQUITY COMPENSATION PLAN INFORMATION**

The following table sets forth information as of December 31, 2005 with respect to compensation plans under which Unisys common stock is authorized for issuance.

<b>Plan category</b>	<b>Number of securities to be issued upon exercise of outstanding options, warrants and rights (a)</b>	<b>Weighted-average exercise price of outstanding options, warrants and rights (b)</b>	<b>Number of securities remaining available for future issuance under equity compensation plans (excluding securities reflected in column (a)) (c)</b>
Equity compensation plans approved by security holders	40.943 million <sup>(1)</sup> .428 million <sup>(2)</sup>	\$ 17.50 <sup>(3)</sup> \$ 0	6.863 million <sup>(4)</sup>
Equity compensation plans not approved by security holders <sup>(5)</sup>	6.593 million <sup>(6)</sup> .150 million <sup>(7)</sup>	\$ 10.56 \$ 0	0
<b>Total</b>	<b>48.114 million</b>	<b>\$ 16.54</b>	<b>6.863 million</b>

(1) Represents stock options, including options for approximately 1,600 shares granted under compensation plans assumed in connection with acquisitions.

(2) Represents restricted share units and stock units.

(3) Weighted-average exercise price of outstanding options under compensation plans assumed in connection with acquisitions is \$29.72.

(4) All shares are issuable under the Unisys Corporation 2003 Long-Term Incentive and Equity Compensation Plan (the 2003 Plan ).

(5) Comprises the Unisys Corporation Director Stock Unit Plan (the Stock Unit Plan ) and the 2002 Stock Option Plan (the 2002 Plan ). Under the Stock Unit Plan, directors received a portion of their annual retainers and attendance fees in common stock equivalent units, as described on page 20. The Stock Unit Plan was terminated in 2004, and stock units are now granted to directors under the 2003 Plan, approved by stockholders in 2003. Under the 2002 Plan, stock options could be granted to key employees other than elected officers to purchase the Company's common stock at no less than 100% of fair market value at the date of grant. Options generally had a maximum duration of ten years and were exercisable in four equal annual installments beginning one year after the date of grant. The 2002 Plan was replaced by the 2003 Plan in 2003. No further awards will be made under either the Stock Unit Plan or the 2002 Plan, and no shares (other than shares subject to outstanding options and other awards previously made) are available for future issuance under either plan.

- (6) Represents options granted under the 2002 Plan.
- (7) Represents stock units granted under the Stock Unit Plan.

**Table of Contents****SECURITY OWNERSHIP BY CERTAIN BENEFICIAL OWNERS AND MANAGEMENT**

Shown below is information with respect to persons or groups that beneficially own more than five percent of Unisys common stock. This information is derived from Schedules 13G filed by such persons or groups in 2006.

<b>Name and Address of Beneficial Owner</b>	<b>Number of Shares of Common Stock</b>	<b>Percent of Class</b>
Brandes Investment Partners, L.P. Brandes Investment Partners, Inc. Brandes Worldwide Holdings, L.P. Charles H. Brandes Glenn R. Carlson Jeffrey A. Busby 11988 El Camino Real, Suite 500 San Diego, CA 92130	55,343,604 <sup>(1)</sup>	16.2
Merrill Lynch & Co. Inc. (on behalf of Merrill Lynch Investment Managers) World Financial Center, North Tower 250 Vesey Street New York, NY 10381	30,928,663 <sup>(2)</sup>	9.06
Tudor Investment Corporation Paul Tudor Jones, II Tudor Proprietary Trading, L.L.C. The Altar Rock Fund L.P. 1275 King Street Greenwich, CT 06831 The Raptor Global Portfolio Ltd. The Tudor BVI Global Portfolio Ltd. c/o CITCO Kaya Flamboyen 9 P.O. Box 4774 Curacao, Netherlands Antilles	18,667,300 <sup>(2)</sup>	5.5