

SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549

FORM 11-K

(Mark One)

ANNUAL REPORT PURSUANT TO SECTION 15(d) OF THE
SECURITIES EXCHANGE ACT OF 1934 (FEE REQUIRED)
For the fiscal year ended: December 31, 1996

OR

TRANSITION REPORT PURSUANT TO SECTION 15(d) OF THE
SECURITIES EXCHANGE ACT OF 1934 [NO FEE REQUIRED]

For the transition period from _____ to _____

Commission File Number 1-4471

A. Full title of the plan and address of the plan, if different from that of
the issuer named below:

THE PROFIT SHARING PLAN OF XEROX CORPORATION AND
THE XEROGRAPHIC DIVISION, UNION OF NEEDLETRADES, INDUSTRIAL
AND TEXTILE EMPLOYEES, A.F.L. - C.I.O. - C.L.C.

B. Name of issuer of the securities held pursuant to the plan and the address
of its principal executive office:

Xerox Corporation
P.O. Box 1600
Stamford, Connecticut 06904-1600

SIGNATURES

THE PLAN. Pursuant to the requirements of the Securities Exchange Act of 1934, the persons who administer the plan have duly caused this annual report to be signed on its behalf by the undersigned thereunto duly authorized.

THE PROFIT SHARING PLAN OF XEROX CORPORATION AND
THE XEROGRAPHIC DIVISION, UNION OF NEEDLETRADES, INDUSTRIAL
AND TEXTILE EMPLOYEES, A.F.L. - C.I.O. - C.L.C.

Patricia M. Nazemetz

Stamford, Connecticut
Dated June 26, 1997

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THE PROFIT SHARING PLAN OF XEROX CORPORATION AND
THE XEROGRAPHIC DIVISION, UNION OF NEEDLETRADES, INDUSTRIAL
AND TEXTILE EMPLOYEES, A.F.L. - C.I.O. - C.L.C.

Financial Statements and Schedule

December 31, 1996 and 1995

(With Independent Auditors' Report Thereon)

THE PROFIT SHARING PLAN OF XEROX CORPORATION AND
 THE XEROGRAPHIC DIVISION, UNION OF NEEDLETRADES, INDUSTRIAL
 AND TEXTILE EMPLOYEES, A.F.L. - C.I.O. - C.L.C.

Statement of Net Assets Available for Plan Benefits
 with Fund Information

December 31, 1996

Fund Information

	International Stock Fund	U.S Stock Fund	Stock Fund	Small Company Balanced Fund	Income Fund	Stock Fund	Xerox Assets Fund (see note 4)	Segregated Loan Fund	Employee Total
Assets:									
Employer contributions receivable	\$ 256,046	280,792	411,977	1,038,178	556,804	533,368	-	-	3,077,165
Investment in employees' loans	-	-	-	-	-	-	-	11,350,450	11,350,450
Investment in Master Trust	7,864,634	7,055,404	7,380,655	48,959,548	84,907,703	16,083,001	-	-	172,250,945
Total assets	8,120,680	7,336,196	7,792,632	49,997,726	85,464,507	16,616,369	-	11,350,450	186,678,560
Liabilities:									
Accrued expenses and other liabilities	8,973	1,348	4,948	26,563	15,378	(1,782)	-	-	55,428
Due from (to) other funds	104,649	30,316	34,663	95,409	(264,241)	(232,839)	-	232,043	-
Net assets available for plan benefits	\$ 8,216,356	7,365,164	7,822,347	50,066,572	85,184,888	16,385,312	-	11,582,493	186,623,132

The accompanying notes are an integral part of the financial statements.

THE PROFIT SHARING PLAN OF XEROX CORPORATION AND
 THE XEROGRAPHIC DIVISION, UNION OF NEEDLETRADES, INDUSTRIAL
 AND TEXTILE EMPLOYEES, A.F.L. - C.I.O. - C.L.C.

Statement of Net Assets Available for Plan Benefits
 with Fund Information

December 31, 1995

Fund Information

	International Stock Fund	U.S Stock Fund	Stock Fund	Small Company Balanced Fund	Income Fund	Stock Fund	Xerox Assets Fund (see note 4)	Segregated Loan Fund	Employee Total
Assets:									
Employer contributions receivable	\$ 211,193	250,898	174,965	1,043,908	843,985	397,075	-	-	2,922,024
Investment in employees' loans	-	-	-	-	-	-	-	10,139,531	10,139,531
Investment in Master Trust	4,104,338	3,313,901	3,371,172	39,083,944	94,522,635	8,762,055	85,695	-	153,243,740
Total assets	4,315,531	3,564,799	3,546,137	40,127,852	95,366,620	9,159,130	85,695	10,139,531	166,305,295
Liabilities:									
Accrued expenses and other liabilities	248	2,625	1,371	39,194	18,647	(248)	-	-	61,837
Due from (to) other funds	30,673	139,839	96,345	68,885	(1,011,209)	374,189	-	301,278	-
Net assets available for plan benefits	\$ 4,345,956	3,702,013	3,641,111	40,157,543	94,336,764	9,533,567	85,695	10,440,809	166,243,458

The accompanying notes are an integral part of the financial statements.

THE PROFIT SHARING PLAN OF XEROX CORPORATION AND
 THE XEROGRAPHIC DIVISION, UNION OF NEEDLETRADES, INDUSTRIAL
 AND TEXTILE EMPLOYEES, A.F.L. - C.I.O. - C.L.C.

Statement of Changes in Net Assets Available for Plan Benefits
 with Fund Information

Year ended December 31, 1996

Fund Information

	International Stock Fund	U.S. Stock Fund	Stock Fund	Small Company Balanced Fund	Income Fund	Stock Fund	Xerox Assets Fund (see note 4)	Segregated Loan Fund	Employee Total
Contributions:									
Employees- voluntary	635,693	730,553	664,705	3,678,924	6,179,199	1,094,794	-	-	12,983,868
Employer	\$ 333,754	371,494	488,810	1,521,349	1,772,340	675,052	-	-	5,162,799
Total Contributions	969,447	1,102,047	1,153,515	5,200,273	7,951,539	1,769,846	-	-	18,146,667
Net income from Master Trust investments, net of administrative expenses	1,231,660	1,088,917	1,215,520	7,863,559	5,292,502	2,105,714	135,231	-	18,933,103
Interest income on employees' loans	-	-	-	-	-	-	-	851,082	851,082
Total	2,201,107	2,190,964	2,369,035	13,063,832	13,244,041	3,875,560	135,231	851,082	37,930,852
Benefit payments (452,950)	(172,350)	(239,220)	(4,184,856)	(12,100,391)	(401,411)	-	-	-	(17,551,178)
Transfers among funds	2,122,243	1,644,537	2,051,421	1,030,053	(10,295,526)	3,377,596	(220,926)	290,602	-
Net increase (decrease) in net assets available for plan benefits	3,870,400	3,663,151	4,181,236	9,909,029	(9,151,876)	6,851,745	(85,695)	1,141,684	20,379,674
Net assets available for plan benefits:									
Beginning of year	4,345,956	3,702,013	3,641,111	40,157,543	94,336,764	9,533,567	85,695	10,440,809	166,243,458
End of year	8,216,356	7,365,164	7,822,347	50,066,572	85,184,888	16,385,312	-	11,582,493	186,623,132

The accompanying notes are an integral part of the financial statements.

THE PROFIT SHARING PLAN OF XEROX CORPORATION AND
THE XEROGRAPHIC DIVISION, UNION OF NEEDLETRADES, INDUSTRIAL
AND TEXTILE EMPLOYEES, A.F.L. - C.I.O. - C.L.C.

Statement of Changes in Net Assets Available for Plan Benefits
with Fund Information

Year ended December 31, 1995

Fund Information

	International Stock Fund	U.S Stock Fund	Stock Fund	Small Company Balanced Fund	Income Fund	Stock Fund	Xerox Assets Fund (see note 4)	Segregated Loan Fund	Employee Total
Contributions:									
Employees- voluntary	419,960	360,707	315,241	3,809,861	7,862,875	774,063	-	-	13,542,707
Employer	\$ 285,946 705,906	297,649 658,356	217,513 532,754	1,045,428 4,855,289	2,049,923 9,912,798	511,263 1,285,326	-	-	4,407,722 17,950,429
Net income from									
Master Trust investments, net of administrative expenses	522,799	575,275	413,561	7,238,985	7,184,733	2,406,168	-	-	18,341,521
Interest income on									
employees' loans	-	-	-	-	-	-	-	656,459	656,459
Total	1,228,705	1,233,631	946,315	12,094,274	17,097,531	3,691,494	-	656,459	36,948,409
Benefit payments (176,424)		(91,092)	(101,305)	(3,367,878)	(13,502,814)	(785,210)	-	-	(18,024,723)
Transfers among									
funds	(86,611)	1,219,379	1,347,650	(286,580)	(2,087,659)	1,098,599	(1,788,510)	583,732	-
Transfer from AMTX, Inc.	-	-	-	-	104,799	-	-	-	104,799
Transfer to Retirement Income Guarantee Plan of the Xerox Corporation and the Xerographic Division, Union of Needletrades, Industrial and Textile Employees, A.F.L. - C.I.O. - C.L.C.	-	-	-	-	(1,202)	-	-	-	(1,202)
Net increase (decrease) in net assets available for plan benefits									
	965,670	2,361,918	2,192,660	8,439,816	1,610,655	4,004,883	(1,788,510)	1,240,191	19,027,283
Net assets available for plan benefits:									
Beginning of year	3,380,286	1,340,095	1,448,451	31,717,727	92,726,109	5,528,684	1,874,205	9,200,618	147,216,175
End of year	4,345,956	3,702,013	3,641,111	40,157,543	94,336,764	9,533,567	85,695	10,440,809	166,243,458

The accompanying notes are an integral part of the financial statements.

THE PROFIT SHARING PLAN OF XEROX CORPORATION AND
THE XEROGRAPHIC DIVISION, UNION OF NEEDLETRADES, INDUSTRIAL
AND TEXTILE EMPLOYEES, A.F.L. - C.I.O. - C.L.C.

Notes to Financial Statements

December 31, 1996 and 1995

(1) Description of Plan

The following description of the Profit Sharing and Savings Plan of Xerox Corporation and The Xerographic Division, Union of Needletrades, Industrial and Textile Employees, A.F.L. - C.I.O. - C.L.C. (Plan) provides only general information. Participants should refer to the summary plan description or plan document for a more complete description of the Plan's provisions.

General

The Plan is a defined contribution plan covering substantially all domestic full and part-time Union of Needletrades, Industrial and Textile Employees, A.F.L. - C.I.O. - C.L.C. employees of Xerox Corporation (sponsor). Employees hired on or before the first working day in July are eligible to participate in the Plan immediately. Otherwise, employees are eligible to participate beginning on the next January 1.

Payments of Benefits

Upon termination of service, a participant may elect to receive either a lump sum amount equal to the value of his or her account, or may purchase an annuity payable from a life insurance company. Amounts allocated to participants who have elected to withdraw from the Plan but have not been paid are \$122,742 and \$1,875,933 at December 31, 1996 and 1995 respectively.

Employee Savings Contributions

Subject to limits imposed by the Internal Revenue Code, eligible employees may contribute up to 18% of pay (as defined in the Plan) through a combination of before-tax and after-tax payroll deductions. (The maximum before-tax contribution for the 1996 calendar year is \$9,500.) Employees are immediately vested in their savings contributions. Xerox Corporation matches 35% of employee savings contributions, up to a maximum match equaling 4% of annual pay. These contributions are made annually to eligible participants of record on the last day of February following the Plan year-end. The 1996 contribution will be recorded in the 1997 financial statements.

THE PROFIT SHARING PLAN OF XEROX CORPORATION AND
THE XEROGRAPHIC DIVISION, UNION OF NEEDLETRADES, INDUSTRIAL
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Notes to Financial Statements

(1) Description of Plan (continued)

Xerox Optional Profit Sharing Contributions

Eligible employees may receive an optional profit sharing contribution from the sponsor. The contribution ranges from zero to 10% of pay and is based upon the return on assets (ROA) of the Xerox Document Processing industry segment as defined in the Plan document and the participant's length of service.

An employee may receive the contribution in cash or Xerox Corporation common stock, or may elect to invest all or part of the contribution on a tax deferred basis, subject to limits imposed by the Internal Revenue Code, through the Plan's investment funds. Employees are immediately vested in optional profit sharing contributions.

During 1996, the sponsor's ROA was 17.8%, which resulted in an optional profit sharing contribution for all eligible active employees at December 31, 1996 equal to 10.0% of pay or \$20,644,353. Participants elected to invest \$3,077,165 into the Plan at December 31, 1996.

During 1995, the sponsor's ROA was 18.5%, which resulted in an optional profit sharing contribution for all eligible active employees at December 31, 1995 equal to 10.0% of pay or \$21,672,430. Participants elected to invest \$2,922,024 into the Plan at December 31, 1995.

Investment Funds

As further described in note 3, the investment funds are part of the Xerox Trust Agreement to Fund Retirement Plans (Master Trust). Employees can direct their plan accounts to one or more of the following six investment funds:

International Stock Fund -- Invests primarily in stocks of companies based outside of the United States.

U.S. Stock Fund -- Invests primarily in stocks of medium to large U.S. companies.

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Notes to Financial Statements

(1) Description of Plan (continued)

Small Company Stock Fund -- Invests primarily in stocks of smaller U.S. companies that fund managers believe have greater value than indicated by the current market price, or above average prospects for long-term growth.

Balanced Fund -- Under normal market conditions, invests approximately 70% in stocks; most of the remainder in bonds; some real estate, private placements, and cash. The mix may shift with market outlook.

Income Fund -- Invests in contracts with insurance companies and banks; short to intermediate duration, high-quality bonds.

Xerox Stock Fund -- Invests in Xerox Corporation common stock and cash for administrative purposes.

Segregated Assets Fund

This fund was established on April 1, 1991 and represented participant investments in certain guaranteed investment contracts which were segregated and frozen. See note 4 to the financial statements for further discussion.

Employee Loan Fund

Participants are permitted to borrow from their profit sharing savings accounts subject to certain limitations. The loans are payable over terms up to 14.5 years and bear interest at the quarterly Citibank commercial prime rate in effect at the time of loan issuance plus 1%. Principal and interest payments on the loans are redeposited into the participants' accounts based on their current investment allocation elections. At December 31, 1996, market value on loans approximates fair value. Loan issuances net of principal repayments on outstanding loans are reflected as a transfer among funds in the statement of changes of net assets available for benefits.

(2) Federal Income Taxes

The Plan obtained its latest determination letter from the Internal Revenue Service (IRS) on September 8, 1995, covering Plan amendments through December 31, 1994, indicating that the Plan, as designed, was in compliance

THE PROFIT SHARING PLAN OF XEROX CORPORATION AND
THE XEROGRAPHIC DIVISION, UNION OF NEEDLETRADES, INDUSTRIAL
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Notes to Financial Statements

(2) Federal Income Taxes (continued)

with the applicable requirements of the Internal Revenue Code. The Plan Administrator and the Plan's internal tax counsel believe that the Plan, as currently designed and operated, is in compliance with the applicable requirements of the Internal Revenue Code. Accordingly, they believe that the Plan was qualified and the related trust was tax-exempt as of the financial statement date.

As long as the Plan continues to be qualified under present federal income tax laws and regulations, participants will not be taxed on company contributions or on investment earnings on such contributions at the time such contributions and investment earnings are received by the trustee under the Plan, but may be subject to tax thereon at such time as they receive distributions under the Plan.

(3) Master Trust

As discussed in note 1, the Plan participates in the Master Trust. The following other Xerox employee benefit plans also participate in the Master Trust as of December 31, 1996:

Xerox Corporation Profit Sharing and Savings Plan;

Xerox Corporation Retirement Income Guarantee Plan;

Retirement Income Guarantee Plan of Xerox Corporation
and The Xerographic Division, Union of Needletrades, Industrial
and Textile Employees, A.F.L.-C.I.O.-C.L.C.; and

XDS Investment Plan.

The Master Trust has six investment pools -- the International Stock Pool, U.S. Stock Pool, Small Company Stock Pool, All Other Pool, Income Fund, and the Xerox Stock Fund. Participants direct their accounts into investment funds, as described in note 1, which participate in the aforementioned investment pools. Each of the plans has an ownership interest in one or more of these investment pools in accordance with that interest as determined by participant fund elections. In addition, prior to December 31, 1996, there was a Segregated Assets Fund which is discussed in note 4.

THE PROFIT SHARING PLAN OF XEROX CORPORATION AND
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Notes to Financial Statements

(3) Master Trust (continued)

The following financial information is presented for the Master Trust and each of the Master Trust investment pools:

Statement of Net Assets of the Master Trust as of December 31, 1996

Assets	International Stock Pool	U.S Stock Pool	Stock Pool	Small Company All Other Pool	Income Fund	Stock Fund	Xerox	Total
Cash (overdraft)	\$505,732	(39,735)	(399)	79,265	3,912,873	-		4,457,736
Receivables:								
Dividends	1,176,755	1,921,373	271,522	227,806	3	1,166,031		4,763,490
Interest	219,206	241,570	466,842	12,726,913	7,817,415	3,570		21,475,516
Due from brokers	16,297,932	5,998,581	2,839,181	13,834,640	-	-		38,970,334
Total receivables	17,693,893	8,161,524	3,577,545	26,789,359	7,817,418	1,169,601		65,209,340
Investments at fair value:								
At quoted market value:								
Short-term investments	30,587,252	55,085,204	105,175,194	286,264,166	69,131,134	1,025,621		547,268,571
Fixed income investments	9,584,433	-	-	1,120,334,856	349,887,222	-		1,479,806,511
Equity securities:								
Xerox common stock	-	-	-	-	-	212,199,630		212,199,630
Other	913,174,980	1,761,958,805	686,169,575	278,281,301	3,012,359	-		3,642,597,020
At estimated fair value								
Interest in estate trusts	-	-	-	119,317,087	-	-		119,317,087
Other investments	-	-	-	152,511,242	-	-		152,511,242
Investments at contract value:								
Investment contracts with insurance companies and banks	-	-	-	-	580,604,526	-		580,604,526
Total investments	953,346,665	1,817,044,009	791,344,769	1,956,708,652	1,002,635,241	213,225,251		6,734,304,587
Total assets	971,546,290	1,825,165,798	794,921,915	1,983,577,276	1,014,365,532	214,394,852		6,803,971,663
Due to brokers	5,247,237	4,318,387	2,815,356	39,957,068	16,658,058	608,287		69,604,393
Net assets	\$ 966,299,053	1,820,847,411	792,106,559	1,943,620,208	997,707,474	213,786,565		6,734,367,270

THE PROFIT SHARING PLAN OF XEROX CORPORATION AND
THE XEROGRAPHIC DIVISION, UNION OF NEEDLETRADES, INDUSTRIAL
AND TEXTILE EMPLOYEES, A.F.L. - C.I.O. - C.L.C.

Notes to Financial Statements

(3) Master Trust (continued)

The allocation of Master Trust investments by investment pool and fund as of December 31, 1996 is as follows:

	International Stock Fund	U.S Stock Fund	Stock Fund	Small Company Balanced Fund	Income Fund	Stock Fund	Xerox Total
International Stock Pool	\$ 146,849,493	-	-	819,449,560	-	-	966,299,053
U.S. Stock Pool	-	145,682,101	-	1,675,165,310	-	-	1,820,847,411
Small Company Stock Pool	-	-	143,641,654	648,464,905	-	-	792,106,559
All Other Pool	-	-	-	1,943,620,208	-	-	1,943,620,208
Income Fund	-	-	-	-	997,707,474	-	997,707,474
Xerox Stock Fund	-	-	-	-	-	213,786,565	213,786,565
Total	\$ 146,849,493	145,682,101	143,641,654	5,086,699,983	997,707,474	213,786,565	6,734,367,270

THE PROFIT SHARING PLAN OF XEROX CORPORATION AND
THE XEROGRAPHIC DIVISION, UNION OF NEEDLETRADES, INDUSTRIAL
AND TEXTILE EMPLOYEES, A.F.L. - C.I.O. - C.L.C.

Notes to Financial Statements

(3) Master Trust (continued)

Investments in the Master Trust for all participating plans as of December 31, 1996 are as follows:

	International Stock Fund	U.S Stock Fund	Stock Fund	Small Company Balanced Fund	Income Fund	Stock Fund	Xerox	Total
Xerox Corporation Profit Sharing and Savings Plan	\$ 138,984,859	138,626,697	136,260,999	756,247,022	685,279,435	197,703,564	2,053,102,576	
The Profit Sharing Plan of Xerox Corporation and The Xerographic Division, Union of Needletrades, Industrial and Textile Employees, A.F.L.-C.I.O.- C.L.C.	7,864,634	7,055,404	7,380,655	48,959,548	84,907,703	16,083,001	172,250,945	
Xerox Corporation Retirement Income Guarantee Plan	-	-	-	3,841,835,378	198,560,653	-	4,040,396,031	
Retirement Income Guarantee Plan of Xerox Corporation and The Xerographic Division, Union of Needletrades, Industrial and Textile Employees, A.F.L.-C.I.O.- C.L.C.	-	-	-	439,135,151	28,959,683	-	468,094,834	
XDS Investment Plan	-	-	-	522,884	-	-	522,884	
Total	\$ 146,849,493	145,682,101	143,641,654	5,086,699,983	997,707,474	213,786,565	6,734,367,270	

THE PROFIT SHARING PLAN OF XEROX CORPORATION AND
THE XEROGRAPHIC DIVISION, UNION OF NEEDLETRADES, INDUSTRIAL
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Notes to Financial Statements

(3) Master Trust (continued)

The following financial information is presented for the Master Trust and each of the Master Trust investment pools:

Statement of Net Assets of the Master Trust as of December 31, 1995:

Assets	International Stock Pool	U.S Stock Pool	Stock Pool	Small Company All Other Pool	Income Fund	Stock Fund	Xerox Assets Fund (see note 4)	Segregated Assets Fund	Total
Cash (overdraft) \$	112	(50)	(11)	11,111	-	-			11,162
Receivables:									
Accrued dividends	1,588,368	926,468	198,054	1,094,896	-	754,349	-		4,562,135
Accrued interest	86,628	438,421	187,760	11,002,442	7,929,389	3,435	-		19,648,075
Due from brokers	7,721,360	81,205,650	2,438,355	17,443,810	-	-	-		108,809,175
Total receivables	9,396,356	82,570,539	2,824,169	29,541,148	7,929,389	757,784	-		133,019,385
Investments at fair value:									
At market value:									
Short-term investments	9,268,743	44,489,749	49,274,613	197,009,116	44,703,298	789,372	-		345,534,891
Fixed income investments	9,589,491	10,226,338	-	833,168,785	290,096,610	-	-		1,143,081,224
Equity securities:									
Xerox common stock	-	-	-	-	-	142,246,963	-		142,246,963
Other	752,790,518	1,305,238,786	540,752,355	715,008,555	-	-	-		3,313,790,214
Investments at contract value:									
Investment contracts with insurance companies and banks	-	-	-	-	755,604,296	-	1,269,049		756,873,345
Investment in real estate trusts	-	-	-	135,536,235	-	-	-		135,536,235
Other investments	-	-	-	119,926,428	-	-	-		119,926,428
Total investments	771,648,752	1,359,954,873	590,026,968	2,000,649,119	1,090,404,204	143,036,335	1,269,049		5,956,989,300
Total assets	781,045,220	1,442,525,362	592,851,126	2,030,201,378	1,098,333,593	143,794,119	1,269,049		6,090,019,847
Due to brokers	3,768,819	82,671,588	4,181,722	83,214,374	-	2,736,487	-		176,572,990
Net assets \$	777,276,401	1,359,853,774	588,669,404	1,946,987,004	1,098,333,593	141,057,632	1,269,049		5,913,446,857

THE PROFIT SHARING PLAN OF XEROX CORPORATION AND
THE XEROGRAPHIC DIVISION, UNION OF NEEDLETRADES, INDUSTRIAL
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Notes to Financial Statements

(3) Master Trust (continued)

The allocation of Master Trust investments by investment pool and fund as of December 31, 1995 is as follows:

	International Stock Fund	U.S. Stock Fund	Stock Fund	Small Company Balanced Fund	Income Fund	Stock Fund	Xerox Assets Fund (see note 4)	Segregated Total
International Stock Pool	\$ 81,173,622	-	-	696,102,779	-	-	-	777,276,401
U.S. Stock Pool	-	83,817,175	-	1,276,036,599	-	-	-	1,359,853,774
Small Company Stock Pool	-	-	77,790,975	510,878,429	-	-	-	588,669,404
All Other Pool	-	-	-	1,946,987,004	-	-	-	1,946,987,004
Income Fund	-	-	-	-	1,098,333,593	-	-	1,098,333,593
Xerox Stock Fund	-	-	-	-	-	141,057,632	-	141,057,632
Segregated Assets Fund	-	-	-	-	-	-	1,269,049	1,269,049
Total	\$ 81,173,622	83,817,175	77,790,975	4,430,004,811	1,098,333,593	141,057,632	1,269,049	5,913,446,857

THE PROFIT SHARING PLAN OF XEROX CORPORATION AND
THE XEROGRAPHIC DIVISION, UNION OF NEEDLETRADES, INDUSTRIAL
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Notes to Financial Statements

(3) Master Trust (continued)

Investments in the Master Trust for all participating plans as of December 31, 1995 are as follows:

	International Stock Fund	U.S Stock Fund	Stock Fund	Small Company Balanced Fund	Income Fund	Stock Fund	Xerox Assets Fund (see note 4)	Segregated Total
Xerox Corporation Profit Sharing and Savings Plan	\$ 77,069,284	80,503,274	74,419,803	602,798,747	761,171,723	132,295,577	864,596	1,729,123,004
The Profit Sharing Plan of Xerox Corporation and The Xerographic Division, Union of Needletrades, Industrial and Textile Employees, A.F.L.-C.I.O.- C.L.C.	4,104,338	3,313,901	3,371,172	39,083,944	94,522,635	8,762,055	85,695	153,243,740
Xerox Corporation Retirement Income Guarantee Plan	-	-	-	3,380,714,262	212,647,377	-	279,767	3,593,641,406
Retirement Income Guarantee Plan of Xerox Corporation and The Xerographic Division, Union of Needletrades, Industrial and Textile Employees, A.F.L.-C.I.O.- C.L.C.	-	-	-	406,958,302	29,991,858	-	38,991	436,989,151
XDS Investment Plan	-	-	-	449,556	-	-	-	449,556
Total	\$ 81,173,622	83,817,175	77,790,975	4,430,004,811	1,098,333,593	141,057,632	1,269,049	5,913,446,857

THE PROFIT SHARING PLAN OF XEROX CORPORATION AND
THE XEROGRAPHIC DIVISION, UNION OF NEEDLETRADES, INDUSTRIAL
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Notes to Financial Statements

(3) Master Trust (continued)

Statement of Changes in Net Assets of the Master Trust for the year
ended December 31, 1996

	International Stock Pool	U.S Stock Pool	Stock Pool	Small Company All Other Pool	Income Fund	Stock Fund	Xerox Assets Fund (see note 4)	Segregated Total
Additions:								
Transfers in \$	17,970,853	23,688,458	18,160,218	161,002,215	60,018,213	25,611,224	-	306,451,181
Investment earnings:								
Interest	1,849,864	7,457,727	5,679,022	79,669,309	70,300,811	57,074	1,615,842	166,629,649
Dividends	11,016,178	62,560,466	3,265,515	26,621,520	3	4,326,332	-	107,790,014
Net appreciation	174,079,634	206,545,174	149,114,478	185,387,318	(5,232,588)	27,564,968	-	737,458,984
Margin variation on futures contracts	(54,411)	16,271,835	8,279,360	(588,118)	(169,870)	-	-	23,738,796
Other	552,365	101,265	254,250	2,267,517	92,595	10,768	-	3,278,760
Total investment earnings	187,443,630	292,936,467	166,592,625	293,357,546	64,990,951	31,959,142	1,615,842	1,038,896,203
Total additions	205,414,483	316,624,925	184,752,843	454,359,761	125,009,164	57,570,366	1,615,842	1,345,347,384
Deductions:								
Administrative expenses	6,365,164	2,184,620	3,132,546	13,641,792	2,095,064	144,976	-	27,564,162
Transfers out	7,506,744	6,729,045	6,077,292	325,510,912	139,266,050	11,772,766	-	496,862,809
Total deductions	13,871,908	8,913,665	9,209,838	339,152,704	141,361,114	11,917,742	-	524,426,971
Transfers between funds/pools	(2,519,923)	153,282,377	27,894,150	(118,573,853)	(84,274,169)	27,076,309	(2,884,891)	-
Net assets:								
Beginning of year	\$777,276,401	1,359,853,774	588,669,404	1,946,987,004	1,098,333,593	141,057,632	1,269,049	5,913,446,857
End of year	\$966,299,053	1,820,847,411	792,106,559	1,943,620,208	997,707,474	213,786,565	-	6,734,367,270

THE PROFIT SHARING PLAN OF XEROX CORPORATION AND
THE XEROGRAPHIC DIVISION, UNION OF NEEDLETRADES, INDUSTRIAL
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Notes to Financial Statements

(3) Master Trust (continued)

The allocation of net income from Master Trust investments, net of administrative expenses, by investment pool and fund for the year ended December 31, 1996

	International Stock Fund	U.S Stock Fund	Stock Fund	Small Company Balanced Fund	Income Fund	Stock Fund	Xerox Assets Fund (see note 4)	Segregated	Total
International Stock Pool	\$24,023,484	-	-	157,054,982	-	-	-	-	181,078,466
U.S. Stock Pool	-	23,621,893	-	267,129,954	-	-	-	-	290,751,847
Small Company Stock Pool	-	-	25,610,108	137,849,971	-	-	-	-	163,460,079
All Other Pool	-	-	-	279,715,754	-	-	-	-	279,715,754
Income Fund	-	-	-	-	62,895,887	-	1,615,842	-	64,511,729
Xerox Stock Fund	-	-	-	-	-	31,814,166	-	-	31,814,166
Total	\$24,023,484	23,621,893	25,610,108	841,750,661	62,895,887	31,814,166	1,615,842	1,011,332,041	

THE PROFIT SHARING PLAN OF XEROX CORPORATION AND
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Notes to Financial Statements

(3) Master Trust (continued)

Net income from Master Trust investments, net of administrative expenses, for all participating plans for the year ended December 31, 1996

	International Stock Fund	U.S Stock Fund	Stock Fund	Small Company Balanced Fund	Income Fund	Stock Fund	Xerox Assets Fund (see note 4)	Segregated	Total
Xerox Corporation Profit Sharing and Savings Plan	\$22,791,824	22,532,976	24,394,588	123,085,243	43,834,849	29,708,452	1,124,757		267,472,689
The Profit Sharing Plan of Xerox Corporation and The Xerographic Division, Union of Needletrades, Industrial and Textile Employees, A.F.L.- C.I.O.-C.L.C.*	1,231,660	1,088,917	1,215,520	7,863,559	5,157,271	2,105,714	135,231		18,797,872
Xerox Corporation Retirement Income Guarantee Plan	-	-	-	637,283,175	12,226,058	-	330,112		649,839,345
Retirement Income Guarantee Plan of Xerox Corporation and The Xerographic Division, Union of Needletrades, Industrial and Textile Employees, A.F.L.-C.I.O.- C.L.C.	-	-	-	73,427,145	1,677,709	-	25,742		75,130,596
XDS Investment Plan	-	-	-	91,539	-	-			91,539
Total	\$24,023,484	23,621,893	25,610,108	841,750,661	62,895,887	31,814,166	1,615,842	1,011,332,041	

*The above allocation of investment results, net of administrative expenses, is at the Master Trust level. This allocation differs from the amounts reported in the statement of changes in net assets available for plan benefits due to the impact of investment manager expenses accrued at the Plan level.

THE PROFIT SHARING PLAN OF XEROX CORPORATION AND
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Notes to Financial Statements

(3) Master Trust (continued)

Statement of Changes in Net Assets of the Master Trust for the year ended December 31, 1995:

	International Stock Pool	U.S Stock Pool	Stock Pool	Small Company All Other Pool	Income Fund	Stock Fund	Xerox Assets Fund (see note 4)	Segregated Total
Additions:								
Transfers in \$	10,919,316	10,753,389	9,981,002	84,925,835	82,263,870	17,720,205	-	216,563,617
Investment earnings:								
Interest	797,053	3,551,707	2,697,288	76,515,170	75,080,721	68,860	-	158,710,799
Dividends	11,086,858	40,508,183	9,230,997	27,300,325	-	2,953,710	-	91,080,073
Net appreciation	103,304,225	291,258,259	100,229,056	242,818,178	10,799,345	36,855,487	-	785,264,550
Margin variation on futures contracts	955,499	242,881	-	25,280,953	(177,409)	-	-	26,301,924
Other	188,292	30,830	167,806	841,022	34,575	2,866	-	1,265,391
Total investment earnings	116,331,927	335,591,860	112,325,147	372,755,648	85,737,232	39,880,923	-	1,062,622,737
Total additions	127,251,243	346,345,249	122,306,149	457,681,483	168,001,102	57,601,128	-	1,279,186,354
Deductions:								
Administrative expenses								
Administrative expenses	5,373,025	4,088,595	3,284,523	12,857,817	2,012,683	94,743	-	27,711,386
Transfers out	4,455,977	3,632,277	3,303,774	327,339,211	160,481,105	10,231,722	-	509,444,066
Total deductions	9,829,002	7,720,872	6,588,297	340,197,028	162,493,788	10,326,465	-	537,155,452
Transfers between funds/pools	(3,439,292)	101,919,449	(118,152,078)	6,613,550	37,327,292	2,148,420	(26,417,341)	-
Net assets:								
Beginning of year								
Beginning of year	\$663,293,452	919,309,948	591,103,630	1,822,888,999	1,055,498,987	91,634,549	27,686,390	5,171,415,955
End of year								
End of year	\$777,276,401	1,359,853,774	588,669,404	1,946,987,004	1,098,333,593	141,057,632	1,269,049	5,913,446,857

THE PROFIT SHARING PLAN OF XEROX CORPORATION AND
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Notes to Financial Statements

(3) Master Trust (continued)

The allocation of net income from Master Trust investments, net of administrative expenses, by investment pool and fund for the year ended December 31, 1995:

	International Stock Fund	U.S Stock Fund	Stock Fund	Small Company Balanced Fund	Income Fund	Stock Fund	Xerox Total
International Stock Pool	\$10,942,675	-	-	100,016,227	-	-	110,958,902
U.S. Stock Pool	-	16,469,124	-	315,034,141	-	-	331,503,265
Small Company Stock Pool	-	-	11,827,943	97,212,681	-	-	109,040,624
All Other Pool	-	-	-	359,897,831	-	-	359,897,831
Income Fund	-	-	-	-	83,724,549	-	83,724,549
Xerox Stock Fund	-	-	-	-	-	39,786,180	39,786,180
Segregated Assets Fund	-	-	-	-	-	-	-
Total	\$10,942,675	16,469,124	11,827,943	872,160,880	83,724,549	39,786,180	1,034,911,351

THE PROFIT SHARING PLAN OF XEROX CORPORATION AND
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Notes to Financial Statements

(3) Master Trust (continued)

Net income from Master Trust investments, net of administrative expenses, for all participating plans for the year ended December 31, 1995:

	International Stock Fund	U.S Stock Fund	Stock Fund	Small Company Balanced Fund	Income Fund	Stock Fund	Xerox Total
Xerox Corporation Profit Sharing and Savings Plan	\$10,423,107	15,892,723	11,414,088	113,729,773	57,960,411	37,379,321	246,799,423
The Profit Sharing Plan of Xerox Corporation and The Xerographic Division, Union of Needletrades, Industrial and Textile Employees, A.F.L.-C.I.O.- C.L.C.*	519,568	576,401	413,855	7,245,759	7,181,696	2,406,859	18,344,138
Xerox Corporation Retirement Income Guarantee Plan	-	-	-	669,131,478	16,272,638	-	685,404,116
Retirement Income Guarantee Plan of Xerox Corporation and The Xerographic Division, Union of Needletrades, Industrial and Textile Employees, A.F.L.-C.I.O.- C.L.C.	-	-	-	81,984,094	2,309,804	-	84,293,898
XDS Investment Plan	-	-	-	69,776	-	-	69,776
Total	\$10,942,675	16,469,124	11,827,943	872,160,880	83,724,549	39,786,180	1,011,332,041

*The above allocation of investment results, net of administrative expenses, is at the Master Trust level. This allocation differs from the amounts reported in the statement of changes in net assets available for plan benefits due to the impact of investment manager expenses accrued at the Plan level.

THE PROFIT SHARING PLAN OF XEROX CORPORATION AND
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Notes to Financial Statements

(3) Master Trust (continued)

With respect to the Plan, the Joint Administrative Board (JAB) is responsible for establishing investment guidelines, reviewing the investment decisions and reviewing investment results. The JAB consists at present of five Xerox Corporation representatives and five union representatives.

Marketable securities are valued at the last reported sales price on the last business day of the year. Quotations are obtained from national securities exchanges or, in instances where securities are not listed on any of the exchanges, quotations are obtained from brokerage firms.

Non-readily marketable investments, which include private placements, are carried at fair value, based on the cost of the investments, developments concerning the portfolio investments of the private placements, and such other factors as the managing general partners of these investments may deem relevant. The valuations do not necessarily represent amounts which might ultimately be realized from the investments.

The value of the investment contracts with insurance companies and banks is at contract value, which approximates fair value. In connection with the investment contracts, all of which are fully benefit-responsive, the following information is presented:

- (i) The average investment yields for the years ended December 31, 1996 and 1995 were 7.3% and 6.9%, respectively.
- (ii) The crediting interest rates at December 31, 1996 and 1995 ranged from 5.0% to 9.3%.
- (iii) The fair value, as determined by discounting estimated future cash flows for traditional GIC's and the market value of underlying investments and the associated wrapper for synthetic GIC'S, at December 31, 1996 and 1995 was \$588,280,797 and \$772,781,602, respectively. Contract values were \$580,604,526 and \$756,873,345 at December 31, 1996 and 1995, respectively.

The Master Trust invests in real estate group trusts. These trusts provide pension and profit sharing plans with a medium for pooling their funds for investment in income producing real estate. The investment trusts value real estate holdings at estimated market value based upon independent appraisals, consideration of significant changes in economic circumstances, and capital additions made to properties after the appraisal date. Such market value estimates necessarily involve subjective judgments. Accordingly, the actual market price of the real estate can only be determined by negotiation between independent third parties in a sales transaction.

fair value:								
Short-term and fixed								
income investments	\$ (455,516)	1,871,329	-	63,009,046	10,799,345	-	75,224,204	
Xerox common stock	-	-	-	-	-	36,855,487	36,855,487	
Other equity investments	103,759,741	289,386,930	100,229,056	168,529,561	-	-	661,905,288	
Investments at estimated								
fair value:								
Interest in								
real estate trusts	-	-	-	(5,348,896)	-	-	(5,348,896)	
Other investments	-	-	-	16,628,467	-	-	16,628,467	
Total	\$103,304,225	291,258,259	100,229,056	242,818,178	10,799,345	36,855,487	785,264,550	

There are no investments in the Plan that represent 5% or more of Master Trust net assets.

Other investments consist primarily of private placement limited partnerships.

(4) Segregated Assets Fund - Investment Contracts With Executive Life Insurance Company

On April 11, 1991, the California Department of Insurance (CDI) took over Executive Life Insurance Company (ELIC) citing a "serious danger of insolvency" and temporarily suspended all payments on Guaranteed Investment Contracts (GICs) issued by ELIC. Effective April 1, 1991, in order to treat all participants fairly, \$66 million in affected assets were transferred into a Segregated Assets Fund.

Through December 31, 1996, the Xerox retirement and savings plans have received \$66 million in payments related to the ELIC investments. These payments represent the recovery of 100% of each participant's original investment plus \$1.6 million in interest. Should Xerox receive additional payments from ELIC for unrecognized interest income associated with the original GIC's, the proceeds will be allocated to those participants originally invested in ELIC based upon their percent interest on April 11, 1991. All proceeds will be recorded through the income fund and transferred to other funds based on a participants allocation elections at the time of receipt.

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Notes to Financial Statements

(5) Unit Values

The interests of Plan participants in each of the funds is expressed in terms of units, representing undivided interests in the net assets of the fund. Unit value is calculated monthly by dividing the total value of net assets of each fund (reduced by employer contributions receivable not yet received by the Master Trust and by unaccrued benefit payments and other reconciling items) by units outstanding at the valuation date.

The total number of units and net asset value per unit outstanding during the year ended December 31, 1996 were as follows:

	International Fund		U.S Stock Fund		Small Co. Fund		Balanced Fund		Income Fund		Xerox Stock Fund	
	Units	Unit	Units	Unit	Units	Unit	Units	Unit	Units	Unit	Units	Unit
	outstanding	Value	Outstanding	Value	Outstanding	Value	Outstanding	Value	Outstanding	Value	Outstanding	Value
January 31:	3,334,551	\$1.298843	2,607,160	\$1.384328	2,591,438	\$1.345363	3,408,036	\$11.594012	15,254,214	\$6.131268	1,576,864	\$5.289206
February 28:	3,419,705	1.311633	2,843,695	1.398277	2,630,400	1.402304	3,397,928	11.698504	14,836,899	6.149365	1,800,655	5.597323
March 31:	3,593,568	1.351739	3,327,284	1.410611	2,722,728	1.453844	3,436,271	11.902984	14,416,534	6.168735	1,809,693	5.383233
April 30:	3,902,332	1.387228	3,808,249	1.426560	2,922,666	1.551849	3,552,393	12.138867	14,294,019	6.193430	1,833,208	6.293252
May 31:	4,305,499	1.395861	3,918,755	1.458338	3,344,836	1.611155	3,600,918	12.333157	14,020,252	6.222871	1,851,268	6.767969
June 30:	4,540,941	1.411045	3,997,087	1.459900	3,693,333	1.551550	3,614,207	12.360292	13,740,468	6.262955	1,933,288	6.941962
July 31:	4,709,658	1.352980	4,100,890	1.386290	3,995,570	1.434285	3,630,066	11.918603	13,594,380	6.295800	2,075,992	6.539139
August 31:	4,760,960	1.383398	4,090,626	1.420414	4,082,210	1.529633	3,636,415	12.212231	13,554,689	6.330015	2,130,580	7.120918
September 30:	4,713,973	1.427807	4,139,591	1.506957	4,019,906	1.608958	3,598,317	12.747171	13,422,642	6.375039	2,238,745	7.001655
October 31:	5,076,899	1.443572	4,150,550	1.542665	4,066,685	1.609340	3,583,903	12.938311	13,408,169	6.425139	2,247,888	6.053273
November 30:	5,189,617	1.518698	4,190,843	1.662408	4,165,680	1.685160	3,596,567	13.604205	13,273,695	6.464303	2,298,425	6.388306
December 31:	5,093,127	1.542035	4,318,074	1.631667	4,293,189	1.716124	3,589,255	13.614407	13,077,944	6.487638	2,330,563	6.899738

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Notes to Financial Statements

(5) Unit Values (continued)

The total number of units and net asset value per unit outstanding during the year ended December 31, 1995 was as follows:

	International Fund		U.S Stock Fund		Small Co. Fund		Balanced Fund		Income Fund		Xerox Stock Fund	
	Units Outstanding	Unit Value	Units Outstanding	Unit Value	Units Outstanding	Unit Value	Units Outstanding	Unit Value	Units Outstanding	Unit Value	Units Outstanding	Unit Value
January 31:												
3,169,561	\$1.018130	1,329,325	\$1.029036	1,327,320	\$1.077083	3,351,130	\$9.144290	16,155,691	\$5.679131	1,328,658	\$4.546439	
February 28:												
3,035,577	1.019070	1,334,593	1.067032	1,322,355	1.112642	3,274,368	9.386685	15,933,421	5.716524	1,326,524	4.643632	
March 31:												
2,983,408	1.041911	1,344,743	1.092511	1,384,677	1.148665	3,269,526	9.589252	16,121,091	5.750308	1,350,992	4.925474	
April 30:												
2,949,175	1.078100	1,464,590	1.117114	1,455,388	1.169514	3,359,641	9.801530	16,633,841	5.786225	1,445,398	5.170663	
May 31:												
2,879,621	1.101337	1,494,621	1.157223	1,495,823	1.186400	3,332,583	10.072054	16,592,006	5.835838	1,493,408	4.787161	
June 30:												
2,908,216	1.107386	1,568,770	1.183467	1,601,530	1.245101	3,324,768	10.274284	16,534,575	5.869781	1,527,128	4.944176	
July 31:												
2,960,759	1.181317	1,645,662	1.220654	1,666,186	1.317888	3,349,135	10.631160	16,470,584	5.901137	1,520,771	5.034070	
August 31:												
3,003,841	1.171576	1,857,052	1.226346	1,716,908	1.341249	3,368,695	10.696712	16,402,231	5.938466	1,487,881	5.129378	
September 30:												
3,058,124	1.199565	2,071,657	1.268495	1,867,106	1.372466	3,399,521	10.943127	16,156,115	5.969829	1,472,763	5.695305	
October 31:												
3,211,091	1.186678	2,146,919	1.256804	2,118,264	1.304997	3,428,208	10.821345	16,065,770	6.010552	1,484,990	5.499589	
November 30:												
3,239,333	1.205377	2,258,750	1.310500	2,260,207	1.344355	3,408,629	11.113660	15,798,607	6.051636	1,494,729	5.846293	
December 31:												
3,280,879	1.253083	2,472,696	1.341163	2,490,481	1.354599	3,436,181	11.362424	15,636,291	6.094389	1,505,177	5.846807	

The Segregated Assets Fund had 257,331 units outstanding and a net asset value of \$85,695 at December 31, 1995.

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AND TEXTILE EMPLOYEES, A.F.L. - C.I.O. - C.L.C.

Notes to Financial Statements

(6) Reconciliation of Financial Statements to Form 5500

The following is a reconciliation of net assets available for plan benefits per the financial statements to the Form 5500:

		December 31	
		1996	1995
Net assets available for plan benefits as reported in the Plan financial statements	\$186,623,132	\$166,243,458	
Benefit claims payable reported on line 31g of Form 5500	(122,742)	(1,875,933)	
Net assets available for plan benefits as reported in the Plan Form 5500	186,500,390	164,367,525	

The following is a reconciliation of benefits paid per the financial statements to the Form 5500:

		December 31	
		1996	1995
Benefits paid to participants as reported in the Plan financial statements	\$17,551,178	18,024,723	
Add: Amounts allocated to withdrawing participants at December 31	122,742	1,875,933	
Less: Amounts allocated to withdrawing participants at December 31, 1996 and 1995, respectively	(1,875,933)	(884,395)	
Benefits paid to participants as reported in the Form 5500	15,797,987	19,016,261	

Amounts allocated to withdrawing participants are recorded on the Form 5500 for benefit claims that have been processed and approved for payment prior to December 31 but not yet paid as of that date.

THE PROFIT SHARING PLAN OF XEROX CORPORATION AND
THE XEROGRAPHIC DIVISION, UNION OF NEEDLETRADES, INDUSTRIAL
AND TEXTILE EMPLOYEES, A.F.L. - C.I.O. - C.L.C.

Notes to Financial Statements

(7) AMTX, Inc.

AMTX, Inc. is a wholly-owned subsidiary of Xerox Corporation. Effective January 1, 1995, the AMTX, Inc. Employee's Retirement Plan was terminated, and employees' balances were transferred into The Profit Sharing Plan of Xerox Corporation and The Xerographic Division, Union of Needletrades, Industrial and Textile Employees, A.F.L.-C.I.O.-C.L.C. These employees are now participants in that Plan.

8) Stock Split

In May 1996, the shareholders approved a three-for-one stock split of the Company's common stock. The stock split does not impact participants' interest in the Xerox Stock Fund.

THE PROFIT SHARING PLAN OF XEROX CORPORATION AND
 THE XEROGRAPHIC DIVISION, UNION OF NEEDLETRADES, INDUSTRIAL
 AND TEXTILE EMPLOYEES, A.F.L. - C.I.O. - C.L.C.

Item 27a - Schedule of Assets Held for Investment Purposes

December 31, 1996

Identity of issuer, borrower, lessor, or similar party	Description of investment including maturity date, rate of interest, collateral, par or maturity value	Historical Cost	Current Value
Investment in Master Trust	(1)	\$ 149,383,456	172,250,945
Investment in Participant Loans Receivable *	Loans to Plan participants, maturity dates through 5/31/09, interest rates from 7.0% to 11.5% per annum.	-	11,350,450

* Party-in-interest

(1) See note 3.

INDEPENDENT AUDITORS' REPORT

The Plan Administrator and Participants
The Profit Sharing Plan of Xerox Corporation and The Xerographic
Division, Union of Needletrades, Industrial and Textile Employees,
A.F.L.-C.I.O.-C.L.C.

We have audited the accompanying statements of net assets available for plan benefits of the Profit Sharing Plan of Xerox Corporation and The Xerographic Division, Union of Needletrades, Industrial and Textile Employees, A.F.L.-C.I.O.-C.L.C. (Plan) as of December 31, 1996 and 1995, and the related statements of changes in net assets available for plan benefits for the years then ended. These financial statements are the responsibility of the Plan's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with generally accepted auditing standards. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the net assets available for plan benefits of the Plan as of December 31, 1996 and 1995, and the changes in those net assets available for Plan benefits for the years then ended in conformity with generally accepted accounting principles.

Our audits were performed for the purpose of forming an opinion on the basic financial statements taken as a whole. The supplemental schedule of assets held for investment purposes is presented for purpose of additional analysis and is not a required part of the basic financial statements, but is supplementary information required by the Department of Labor's Rules and Regulations for Reporting and Disclosure under the Employee Retirement Income Security Act of 1974. The fund information in the statements of net assets available for plan benefits and the statement of changes in the assets available for plan benefits is presented for purposes of additional analysis rather than to present the net assets available for plan benefits and changes in the assets available for plan benefits of each fund. The supplemental schedule and fund information have been subjected to the auditing procedures applied in the audits of the basic financial statements and, in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole.

KPMG PEAT MARWICK LLP

Rochester, New York
April 30, 1997

EXHIBIT INDEX

Exhibit
(b)(1) Accountants' Consent

Electronic
Submission
Document
2

ACCOUNTANTS' CONSENT

The Board of Directors
Xerox Corporation:

We consent to incorporation by reference in the Registration Statement (No. 2-86275 and No. 333-22067) on Form S-8 of Xerox Corporation of our report dated April 30, 1997, relating to the statements of net assets available for plan benefits of the Profit Sharing Plan of Xerox Corporation and The Xerographic Division, Union of Needletrades, Industrial and Textile Employees, A.F.L - C.I.O. - C.L.C. (Plan) as of December 31, 1996 and 1995, and the related statements of changes in net assets available for plan benefits for the years then ended, which report appears in the December 31, 1996 Annual Report on Form 11-K of the Xerox Corporation Profit Sharing Plan.

KPMG PEAT MARWICK

Rochester, New York
June 26, 1997