

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: November 30, 1997

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:

XEROX CORPORATION PROFIT SHARING AND SAVINGS PLAN

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

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.

XEROX CORPORATION PROFIT SHARING AND SAVINGS PLAN

Patricia M. Nazemetz  
Plan Administrator

Stamford, Connecticut  
Dated May 29, 1998

XEROX CORPORATION  
PROFIT SHARING AND SAVINGS PLAN

Financial Statements and Schedules

December 31, 1997 and  
November 30, 1997 and 1996

(With Independent Auditors' Report Thereon)

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XEROX CORPORATION  
PROFIT SHARING AND SAVINGS PLAN

Statement of Net Assets Available for Plan Benefits  
With Fund Information

December 31, 1997

	International		Fund Information	
	Stock	U.S. Stock	Small	Balanced
	Fund	Fund	Company	Fund
			Stock	
			Fund	Fund
Assets:				
Investment in				
Master Trust \$	165,404,600	245,871,622	201,085,797	937,212,155
Participant notes				
receivable	-	-	-	-
Employer				
contributions				
receivable	5,211,957	11,918,762	7,494,196	23,598,210
Total assets	170,616,557	257,790,384	208,579,993	960,810,365
Liabilities:				
Accrued expenses and				
other				
liabilities		302,084	183,643	263,655
				891,305
Due from (to) other				
funds	(5,850,276)	768,616	(2,026,538)	(135,363)
Due from (to) other				
plans	(4)	7,172	6,306	76,807
Net assets available				
for plan				
benefits \$	164,464,193	258,382,529	206,296,106	959,860,504

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

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Income	Xerox	Employee	Total
Fund	Stock	Loan	
Fund	Fund	Fund	

635,611,631	311,118,588	-	2,496,304,393
-	-	66,182,431	66,182,431
6,747,587	13,248,905	-	68,219,617
642,359,218	324,367,493	66,182,431	2,630,706,441
485,774	17,982	-	2,144,443
976,048	6,267,513	-	-
37,083	289,823	-	417,187
642,886,575	330,906,847	66,182,431	2,628,979,185

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XEROX CORPORATION  
PROFIT SHARING AND SAVINGS PLAN

Statement of Net Assets Available for Plan Benefits  
With Fund Information

November 30, 1997

	International Stock Fund	U.S. Stock Fund	Small Company Stock Fund	Balanced Fund
Assets:				
Investment in Master Trust \$	166,221,445	238,536,887	201,094,208	928,099,095
Participant notes receivable	-	-	-	-
Total assets	166,221,445	238,536,887	201,094,208	928,099,095
Liabilities:				
Accrued expenses and other liabilities		132,804	84,380	458,427
Due from (to) other funds	( 4,886,292)	2,048,501	858,350	(2,341,145)
Net assets available for plan benefits	\$ 161,202,349	240,501,008	201,805,562	925,299,523

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

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Income Fund	Stock Fund	Employee Loan Fund	Total
637,540,756	319,238,274	-	2,490,730,665
-	-	64,417,177	64,417,177
637,540,756	319,238,274	64,417,177	2,555,147,842
173,228	29,226	-	1,025,061
(4,955,175)	6,778,874	2,496,887	-
632,412,353	325,987,922	66,914,064	2,554,122,781

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XEROX CORPORATION  
PROFIT SHARING AND SAVINGS PLAN

Statement of Net Assets Available for Plan Benefits  
With Fund Information

November 30, 1996

	International Stock Fund	U.S. Stock Fund	Fund Information Small Company Stock Fund	Balanced Fund
Assets:				
Investment in Master Trust \$	136,379,184	138,676,389	131,146,618	757,250,020
Participant notes receivable	-	-	-	-
Total assets	136,379,184	138,676,389	131,146,618	757,250,020
Liabilities:				
Accrued expenses and other liabilities		149,535	40,466	91,219
				313,420
Due from (to) other funds	444,179	1,794,007	2,135,881	(1,319,578)
Net assets available for plan benefits \$	136,673,828	140,429,930	133,191,280	755,617,022

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

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Income Fund	Xerox Stock Fund	Employee Loan Fund	Total
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693,889,121	179,548,012	-	2,036,889,344
-	-	59,201,070	59,201,070
693,889,121	179,548,012	59,201,070	2,096,090,414
165,625	43,108	-	803,373
(8,100,444)	2,869,821	2,176,134	-
685,623,052	182,374,725	61,377,204	2,095,287,041

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XEROX CORPORATION  
PROFIT SHARING AND SAVINGS PLAN

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

For the one month period ending December 31, 1997

	International Stock Fund	U.S. Stock Fund	Small Company Stock Fund	Balanced Fund
Contributions:				
Employees' -				
voluntary \$	629,356	1,080,399	826,091	2,053,150
Employer	5,215,329	11,919,954	7,492,719	23,644,704
Total				
contributions	5,844,685	13,000,353	8,318,810	25,697,854
Net income (loss) from				
Master				
Trust investments,				
net of				
administrative				
expenses	3,493,132	4,312,537	(1,620,555)	10,591,873
Interest income on				
participant				
notes receivable	-	-	-	-
	9,337,817	17,312,890	6,698,255	36,289,727
Benefit payments		(377,094)	(413,353)	(359,371)
Transfers among funds	(5,698,875)	974,812	(1,854,646)	297,583
Transfer among plans		(4)	7,172	6,306
				76,807
Net increase				
(decrease)				
in net assets				
available				
for plan benefits	3,261,844	17,881,521	4,490,544	34,560,981
Net assets available				
for plan				
benefits:				
Beginning of				
period	161,202,349	240,501,008	201,805,562	925,299,523
End of				
period	\$ 164,464,193	258,382,529	206,296,106	959,860,504

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

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Income Fund	Xerox Stock Fund	Employee Loan Fund	Total
1,118,128	1,137,866	-	6,844,990
6,772,456	13,174,455	-	68,219,617
7,890,584	14,312,321	-	75,064,607
4,094,269	(15,103,176)	-	5,768,080
-	-	454,887	454,887
11,984,853	(790,855)	454,887	81,287,574
(2,783,365)	(812,038)	-	(6,848,357)
1,235,651	6,231,995	(1,186,520)	-
37,083	289,823	-	417,187
10,474,222	4,918,925	(731,633)	74,856,404
632,412,353	325,987,922	66,914,064	2,554,122,781
642,886,575	330,906,847	66,182,431	2,628,979,185

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XEROX CORPORATION  
PROFIT SHARING AND SAVINGS PLAN

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

Year ended November 30, 1997

	International Stock Fund	U.S. Stock Fund	Fund Information Small Company Stock Fund	Balanced Fund
Contributions:				
Employees' -				
voluntary	\$ 11,906,142	16,296,309	13,832,494	37,300,231
Employer	6,372,983	8,694,916	8,756,190	20,481,148
Total				
contributions	18,279,125	24,991,225	22,588,684	57,781,379
Net income from Master				
Trust				
investments, net of				
administrative				
expenses	11,853,952	48,065,924	31,281,399	145,978,704
Interest income on				
participant				
notes receivable	-	-	-	-

	30,133,077	73,057,149	53,870,083	203,760,083
Benefit payments	(7,289,327)	(6,860,379)	(6,287,499)	(39,825,077)
Transfers among funds	1,684,771	33,874,308	21,031,698	5,224,612
Transfer from XDS Savings Plan	-	-	-	522,883
Net increase (decrease) in net assets available for plan benefits	24,528,521	100,071,078	68,614,282	169,682,501
Net assets available for plan benefits:				
Beginning of year	136,673,828	140,429,930	133,191,280	755,617,022
End of year \$	161,202,349	240,501,008	201,805,562	925,299,523

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

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Income Fund	Xerox Stock Fund	Employee Loan Fund	Total
22,980,521	15,571,159	-	117,886,856
7,750,410	8,332,412	-	60,388,059
30,730,931	23,903,571	-	178,274,915
44,780,652	112,250,036	-	394,210,667
-	-	5,240,416	5,240,416
75,511,583	136,153,607	5,240,416	577,725,998
(48,793,032)	(10,357,827)	-	(119,413,141)
(79,929,250)	17,817,417	296,444	-
-	-	-	522,883
(53,210,699)	143,613,197	5,536,860	458,835,740
685,623,052	182,374,725	61,377,204	2,095,287,041
632,412,353	325,987,922	66,914,064	2,554,122,781

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XEROX CORPORATION  
PROFIT SHARING AND SAVINGS PLAN

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

Year ended November 30, 1996

	International		Fund Information	
	Stock	U.S. Stock	Small	Balanced
	Fund	Fund	Company	Fund
			Stock	
			Fund	
Contributions:				
Employees' -				
voluntary	\$ 9,362,123	12,440,492	10,185,690	36,787,660
Employer		5,143,474	7,362,449	4,699,323
				21,696,033
Total				
contributions	14,505,597	19,802,941	14,885,013	58,483,693
Net income from Master				
Trust				
investments, net of				
administrative				
expenses	23,593,622	27,001,873	22,455,809	136,258,719
Interest income on				
participant				
notes receivable	-	-	-	-
	38,099,219	46,804,814	37,340,822	194,742,412
Benefit payments		(4,847,948)	(4,391,021)	(3,963,761)
Transfers among funds	29,708,728	20,034,162	26,525,279	4,998,693
Net increase				
(decrease)				
in net assets				
available				
for plan				
benefits	62,959,999	62,447,955	59,902,340	167,541,998
Net assets available				
for plan				
benefits:				
Beginning of year	73,713,829	77,981,975	73,288,940	588,075,024
End of year	\$136,673,828	140,429,930	133,191,280	755,617,022

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

Income	Xerox	Segregated	Employee	Total
Fund	Stock	Assets	Loan	
	Fund	Fund	Fund	
		(see note 4)		
28,677,256	12,365,247	-	-	109,818,468
11,356,376	7,829,947	-	-	58,087,602
40,033,632	20,195,194	-	-	167,906,070
46,256,022	15,057,165	1,124,757	-	271,747,967
-	-	-	4,497,685	4,497,685



86,289,654	35,252,359	1,124,757	4,497,685	444,151,722
(54,862,143)	(6,442,732)	-	-	(106,706,712)
(101,790,509)	21,805,132	(1,989,353)	707,868	-
(70,362,998)	50,614,759	(864,596)	5,205,553	337,445,010
755,986,050	131,759,966	864,596	56,171,651	1,757,842,031
685,623,052	182,374,725	-	61,377,204	2,095,287,041

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XEROX CORPORATION  
PROFIT SHARING AND SAVINGS PLAN

Notes to Financial Statements

December 31, 1997 and  
November 30, 1997 and 1996

(1) Description of Plan

The following description of the Xerox Corporation Profit Sharing and Savings Plan (Plan) provides only general information. Participants should refer to the Plan document for a more complete description of the Plan's provisions.

General

The Plan is a defined contribution plan covering substantially all full and part-time U.S. employees of Xerox Corporation (sponsor) and participating subsidiaries, except those covered by a collective bargaining agreement unless that agreement calls for participation in the Plan. Employees are automatically eligible to participate in the Plan after completing one year of service.

Plan Amendments

(i) In December 1997, the Company changed the Xerox Corporation Profit Sharing and Savings Plan (the Plan) year end from November 30 to December 31. As a result, the accompanying financial statements include a statement of net assets available for benefits at December 31, 1997, November 30, 1997 and November 30, 1996 as well as a statement of changes in net assets available for benefits for the one month period ended December 31, 1997 and the years ended November 30, 1997 and November 30, 1996.

(ii) Effective January 1, 1998, the Plan Administrator amended the provisions of the Plan pertaining to the valuation date used to value assets of the Plan. This amendment requires the Plan Trustee to value the assets held in each separate fund as of the close of business each day. The Trustee shall appraise them at their market or estimated fair value each day and reflect increases or decreases in the value of each separate fund. Previously, assets of the Plan were valued once a month.

(iii) Effective January 1, 1997, the XDS Savings Plan employee balances were transferred into the Xerox Corporation Profit Sharing and Savings Plan. Participant account balances existing at the time of the transfer are subject to the provisions of the XDS Savings Plan while any new contributions are subject to the provisions of the Xerox Corporation Profit Sharing and Savings Plan.

(iv) Effective January 1, 1998, employees of Chrystal Software Inc., dpiX, Inc., In Concert, Inc., In Night Software, Inc., Liveworks, Inc., PD Reader, Inc. and XESystems, Inc. will no longer participate in the Plan's optional profit sharing program. These employees are eligible to continue participating in the savings portion of the Plan.

XEROX CORPORATION  
PROFIT SHARING AND SAVINGS PLAN

Notes to Financial Statements, Continued

(1) Description of Plan, Continued

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 \$5,022,493 and \$2,077,252 at November 30, 1997 and 1996, respectively. There were no benefits allocated from the Plan for participants at December 31, 1997.

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 1997 calendar year is \$9,500.) Employees are immediately vested in their savings contributions.

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. ROA is determined as of the sponsor's calendar year-end, which prior to the Plan year end change in 1997 differed from the November 30 plan year end.

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.

For the calendar year ended December 31, 1997, the sponsor's ROA was 18.0% which resulted in an optional profit sharing contribution for the one month period ending December 31, 1997 for all eligible active employees at December 31, 1997 equal to 10% of pay or \$245,981,190. Participants elected to invest \$68,219,617 into the Plan which has been accrued as an employer contributions receivable in the Plan's financial statements for the one month period ended December 31, 1997.

For the calendar year ended December 31, 1996, the sponsor's ROA was 17.8%, which resulted in an optional profit sharing contribution for the plan year ending November 30, 1996 for all eligible active employees at December 31, 1996 equal to 10% of pay or \$217,033,647. Participants elected to invest \$60,388,059 into the Plan which is recorded as an employer contribution in the Plan's financial statements for the plan year ending November 30, 1997.

XEROX CORPORATION  
PROFIT SHARING AND SAVINGS PLAN

Notes to Financial Statements, Continued

(1) Description of Plan, Continued

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 established companies based in economically developed countries of Europe and Asia.

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

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. In 1996, all remaining investments in the Segregated Assets Fund were fully recovered. 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. Loans are issued at market value. At December 31, 1997 and November 30, 1997 and 1996, market value on loans approximate fair value.

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XEROX CORPORATION  
PROFIT SHARING AND SAVINGS PLAN

Notes to Financial Statements, Continued

#### (2) Federal Income Taxes

The Plan obtained its latest determination letter from the Internal Revenue Service (IRS) on September 18, 1995, covering Plan amendments through January 31, 1995, indicating that the Plan, as designed, was in compliance with the applicable requirements of the Internal Revenue Code. The Plan administrator and 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 and November 30, 1997:

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.;

Xerox Corporation Retirement Income Guarantee Plan; and

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.

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. For the one month period ended December 31, 1997, accrued administrative expenses and due from (to) other funds activity is recorded at both the Master Trust and plan level. Prior to the one month period ended December 31, 1997, this activity was accrued only at the Plan level. In addition, prior to November 30, 1996 there was a Segregated Assets Fund which is discussed in note 4.

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XEROX CORPORATION  
PROFIT SHARING AND SAVINGS PLAN

Notes to Financial Statements, Continued

(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, 1997 is as follows:

Other Assets	International Stock		Small Company Stock	All Pool
	Pool	U.S. Stock Pool	Pool	
Cash (overdraft) (13,039)	\$(440,317)	266,929	(369,071)	
Receivables:				
Dividends	1,189,113	2,005,454	204,275	
Interest	240,712	750,259	788,274	
Due from brokers	11,242,428	8,370,860	16,327,733	
Other	-	584,373	-	-
Total receivables	12,672,253	11,710,946	17,320,282	
Investments at fair value:				
At quoted market value:				
Short-term investments	44,105,848	163,877,893	229,101,207	
Fixed income Investments	4,974,135	-	-	
Equity securities:				
Xerox common Stock	-	-	-	-

Other 974,400,002 2,325,093,037 729,192,598  
 358,595,427

At estimated fair  
 value:

Interest in real estate trusts	-	-	-
75,286,433			
Other investments	-	-	-
139,546,374			

Investments at  
 contract value:

Investment contracts with insurance companies and banks	-	-	-	-
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Total Investments	1,023,479,985	2,488,970,930	958,293,805
2,079,542,194			

Total assets	1,035,711,921	2,500,948,805	975,245,016
2,180,162,040			

Liabilities

Due to brokers	2,046,663	2,553,077	155,485
138,660,686			
Other	6,688,026	-	2,231,618
6,656,682			

Net assets	1,026,977,232	2,498,395,728	972,857,913
2,034,844,672			

Income Fund	Xerox Stock Fund	Total
(92,089)	-	(647,587)
-	1,461,318	4,968,912
8,192,303	5,242	24,818,272
13,113,477	-	134,737,149
-	7,032,593	7,616,966
21,305,780	8,499,153	172,141,299
74,439,579	432,338	763,793,331
588,632,453	-	1,847,884,082
-	337,073,565	337,073,565
2,167,893	-	4,389,448,957
-	-	75,286,433
-	-	139,546,374

278,816,783	-	278,816,783
944,056,708	337,505,903	7,831,849,525
965,270,399	346,005,056	8,003,343,237
38,229,883	-	181,645,794
139,660	-	15,715,986
926,900,856	346,005,056	7,805,981,457

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XEROX CORPORATION  
PROFIT SHARING AND SAVINGS PLAN

Notes to Financial Statements, Continued

(3) Master Trust, Continued

The allocation of Master Trust net assets by investment pool as of December 31, 1997 is as follows:

	International Stock Fund	U.S. Stock Fund	Small Company Stock Fund	Balanced Fund
International Stock Pool 858,419,465	\$ 168,557,767	-	-	
U.S. Stock Pool 2,239,143,535	-	259,252,193	-	
Small Company Stock Pool 762,484,022	-	-	210,373,891	
All Other Pool 2,034,844,672	-	-	-	
Income Fund	-	-	-	-
Xerox Stock Fund	-	-	-	-
Total 5,894,891,694	\$ 168,557,767	259,252,193	210,373,891	

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Income Fund	Xerox Stock Fund	Total
-	-	1,026,977,232
-	-	2,498,395,728
-	-	972,857,913

-	-	2,034,844,672
926,900,856	-	926,900,856
-	346,005,056	346,005,056
926,900,856	346,005,056	7,805,981,457

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XEROX CORPORATION  
PROFIT SHARING AND SAVINGS PLAN

Notes to Financial Statements, Continued

(3) Master Trust, Continued

Net assets in the Master Trust for all participating plans as of December 31, 1997 are as follows:

Balanced	International Stock Fund	U.S. Stock Fund	Small Company Stock Fund	Fund
Xerox Corporation Profit Sharing and Savings Plan*	\$ 159,252,236	246,463,767	198,801,910	936,262,294
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.	9,305,531	12,788,426	11,571,981	65,516,491
Xerox Corporation Retirement Income Guarantee Plan	-	-	-	4,391,614,640
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.	-	-	-	501,498,269
Total	\$ 168,557,767	259,252,193	210,373,891	5,894,891,694

\* The net asset balances at the master trust level do not include the optional profit sharing accrual at December 31, 1997, which is recorded at the Plan level only.

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Income Fund	Xerox Stock Fund	Total
636,138,988	317,657,942	2,494,577,137
81,207,045	28,347,114	208,736,588
183,117,495	-	4,574,732,135
26,437,328	-	527,935,597
926,900,856	346,005,056	7,805,981,457

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XEROX CORPORATION  
PROFIT SHARING AND SAVINGS PLAN

Notes to Financial Statements, Continued

(3) Master Trust, Continued

Statement of Net Assets of the Master Trust as of November 30, 1997:

Assets	International Stock Pool	U.S. Stock Pool	Small Company Stock Pool	All Other Pool
Cash	101,955	11,907	-	165,389
Receivables:				
Dividends	1,293,836	2,721,518	134,380	21,640
Interest	285,100	729,998	687,053	14,841,482
Due from brokers	2,055,055	804,656	4,111,180	99,938,034
Total Receivables	3,633,991	4,256,172	4,932,613	
114,801,156				
Investments at fair value:				
At quoted market value:				
Short-term Investments	72,050,751	158,431,877	141,929,559	
307,280,744				
Fixed income Investments	5,324,510	-	-	
1,194,461,407				
Equity securities:				
Xerox common Stock	-	-	-	-
Other	935,415,759	2,292,047,471	839,706,225	



357,400,841

At estimated fair value:

Interest in real estate trusts	-	-	-	74,947,472
Other investments	-	-	-	138,439,496

Investments at contract value:

Investment contracts with insurance companies and banks	-	-	-	-
---	---	---	---	---

Total

Investments	1,012,791,020	2,450,479,348	981,635,784	
	2,072,529,960			

Total assets	1,016,526,966	2,454,747,427	986,568,397	
	2,187,496,505			

Liabilities

Cash overdraft	-	-	282	-
Due to brokers	830,987	4,369,061	5,064,018	139,566,815

Net assets \$	1,015,695,979	2,450,378,366	981,504,097	
	2,047,929,690			

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Income Fund	Xerox Stock Fund	Total
851	-	280,102
8	-	4,171,382
8,185,309	2,085	24,731,027
11,611,718	-	118,520,643
19,797,035	2,085	147,423,052
32,723,746	281,863	712,698,540
522,657,230	-	1,722,443,147
-	347,575,351	347,575,351
2,176,566	-	4,426,746,862
-	-	74,947,472
-	-	138,439,496
375,936,203	-	375,936,203
933,493,745	347,857,214	7,798,787,071
953,291,631	347,859,299	7,946,490,225

-	435	717
23,371,769	-	173,202,650
929,919,862	347,858,864	7,773,286,858

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XEROX CORPORATION  
PROFIT SHARING AND SAVINGS PLAN

Notes to Financial Statements, Continued

(3) Master Trust, Continued

The allocation of Master Trust investments by investment pool as of November 30, 1997 is as follows:

Balanced	International Stock Fund	U.S. Stock Fund	Small Company Stock Fund	Fund
International Stock Pool \$ 839,346,408	176,349,571	-	-	
U.S. Stock Pool 2,199,192,124	-	251,186,242	-	
Small Company Stock Pool 768,395,891	-	-	213,108,206	
All Other Pool 2,047,929,690	-	-	-	
Income Fund	-	-	-	-
Xerox Stock Fund	-	-	-	-
Total 5,854,864,113	\$ 176,349,571	251,186,242	213,108,206	

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Income Fund	Xerox Stock Fund	Total
-	-	1,015,695,979
-	-	2,450,378,366
-	-	981,504,097
-	-	2,047,929,690
929,919,862	-	929,919,862
-	347,858,864	347,858,864
929,919,862	347,858,864	7,773,286,858

XEROX CORPORATION  
PROFIT SHARING AND SAVINGS PLAN

Notes to Financial Statements, Continued

(3) Master Trust, Continued

Investments in the Master Trust for all participating plans as of November 30, 1997 are as follows:

Balanced	International Stock Fund	U.S. Stock Fund	Small Company Stock Fund	Fund
Xerox Corporation Profit Sharing and Savings Plan				
	\$ 166,221,445	238,536,887	201,094,208	928,099,095
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.				
	10,128,126	12,649,355	12,013,998	65,159,193
Xerox Corporation Retirement Income Guarantee Plan				
	-	-	-	4,360,881,801
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.				
	-	-	-	500,724,024
Total	\$ 176,349,571	251,186,242	213,108,206	5,854,864,113

Income Fund	Xerox Stock Fund	Total
----------------	------------------------	-------

637,540,756 319,238,274 2,490,730,665

80,336,040 28,620,590 208,907,302

185,079,677 - 4,545,961,478

26,963,389 - 527,687,413

929,919,862 347,858,864 7,773,286,858

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XEROX CORPORATION  
PROFIT SHARING AND SAVINGS PLAN

Notes to Financial Statements, Continued

(3) Master Trust, Continued

Statement of Net Assets of the Master Trust as of November 30, 1996:

Assets	International Stock Pool	U.S. Stock Pool	Small Company Stock Pool	All Other Pool
Cash	\$ 108,596	-	-	
1,971,597				
Receivables:				
Dividends	1,252,417	2,520,631	152,707	
211,754				
Interest	215,445	404,275	554,161	
13,108,361				
Due from brokers	2,885,545	2,317,272	10,209,426	
10,051,565				
Total				
Receivables	4,353,407	5,242,178	10,916,294	
23,371,680				
Investments at fair value:				
At quoted market value:				
Short-term Investments	37,876,365	52,717,245	119,000,779	
296,394,084				
Fixed income Investments	12,263,211	-	-	1,140,116,818
Equity securities:				
Xerox common Stock	-	-	-	-
Other	898,144,054	1,798,935,366	652,074,653	
267,795,216				
At estimated fair value:				
Interest in real estate Trusts	-	-	-	
120,074,113				
Other				

Investments	-	-	-
141,816,200			
Investments at contract value:			
Investment contracts with insurance companies and banks	-	-	-
Total Investments	948,283,630	1,851,652,611	771,075,432
1,966,196,431			
Total assets	952,745,633	1,856,894,789	781,991,726
1,991,539,708			
Liabilities			
Cash overdraft	-	639	-
Due to brokers	750,632	4,381,597	7,166,878
			34,232,374
Net assets	\$951,995,001	1,852,512,553	774,824,848
1,957,307,334			

Xerox Income Fund	Stock Fund	Total
1,957,053	-	4,037,246
3	-	4,137,512
7,705,579	4,289	21,992,110
12,257,266	-	37,721,074
19,962,848	4,289	63,850,696
68,075,236	1,752,922	575,816,631
308,267,495	-	1,460,647,524
-	197,019,053	197,019,053
927	-	3,616,950,216
-	-	120,074,113
-	-	141,816,200
634,202,724	-	634,202,724
1,010,546,382	198,771,975	6,746,526,461
1,032,466,283	198,776,264	6,814,414,403

-	-	639
20,685,156	4,596,115	71,812,752
1,011,781,127	194,180,149	6,742,601,012

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XEROX CORPORATION  
PROFIT SHARING AND SAVINGS PLAN

Notes to Financial Statements, Continued

(3) Master Trust, Continued

The allocation of Master Trust investments by investment pool as of November 30, 1996 is as follows:

Other	International Stock Fund	U.S. Stock Fund	Small Company Stock Fund	All Fund
International Stock Pool 807,782,882	\$ 144,212,119	-	-	
U.S. Stock Pool 1,706,864,568	-	145,647,985	-	
Small Company Stock Pool 636,648,784	-	-	138,176,064	
All Other Pool 1,957,307,334	-	-	-	
Income Fund	-	-	-	-
Xerox Stock Fund	-	-	-	-
Total	\$ 144,212,119	145,647,985	138,176,064	5,108,603,568

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Income Fund	Xerox Stock Fund	Total
-	-	951,995,001
-	-	1,852,512,553
-	-	774,824,848
-	-	1,957,307,334
1,011,781,127	-	1,011,781,127
-	194,180,149	194,180,149
1,011,781,127	194,180,149	6,742,601,012

XEROX CORPORATION  
PROFIT SHARING AND SAVINGS PLAN

Notes to Financial Statements, Continued

(3) Master Trust, Continued

Investments in the Master Trust for all participating plans as of November 30, 1996 are as follows:

	International Stock Fund	U.S. Stock Fund	Small Company Stock Fund	All Other Fund
Xerox Corporation Profit Sharing and Savings Plan	\$ 136,379,184	138,676,389	131,146,618	757,250,020
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.	7,832,935	6,971,596	7,029,446	48,816,602
Xerox Corporation Retirement Income Guarantee Plan	-	-	-	3,860,398,301
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.	-	-	-	441,556,944
XDS Investment Plan	-	-	-	581,701
Total	\$ 144,212,119	145,647,985	138,176,064	5,108,603,568

Income Fund	Xerox Stock Fund	Total
693,889,121	179,548,012	2,036,889,344
85,680,794	14,632,137	170,963,510
201,917,419	-	4,062,315,720
30,293,793	-	471,850,737
-	-	581,701
1,011,781,127	194,180,149	6,742,601,012

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XEROX CORPORATION  
PROFIT SHARING AND SAVINGS PLAN

Notes to Financial Statements, Continued

(3) Master Trust, Continued

Statement of Changes in Net Assets of the Master Trust for the one month period ending December 31, 1997:

	International Stock Pool	U.S. Stock Pool	Small Company Stock Pool	All Other Pool
Additions:				
Transfers in \$	939,756	1,520,723	1,192,294	3,440,189
Investment earnings:				
Interest	202,909	750,978	793,609	6,126,673
Dividends	882,124	2,115,534	306,282	2,541,445
Net appreciation (depreciation)	21,900,292	43,019,044	(16,962,885)	5,498,929
Margin variation on futures contracts	(95,540)	(814,897)	8,628,426	2,300,388
Other	54,282	20,020	31,823	14,924
Total investment earnings (loss)	22,944,067	45,090,679	(7,202,745)	16,482,359
Total additions (deductions)	23,883,823	46,611,402	(6,010,451)	19,922,548
Deductions:				
Administrative expenses	310,690	194,227	393,228	6,382,549
Transfers out	702,337	840,592	751,755	22,944,703
Total deductions	1,013,027	1,034,819	1,144,983	29,327,252
Transfers between funds/pools	(11,589,543)	2,440,779	(1,490,750)	(3,680,314)
Net assets:				
Beginning of period	1,015,695,979	2,450,378,366	981,504,097	
	2,047,929,690			



End of  
period \$1,026,977,232 2,498,395,728 972,857,913  
2,034,844,672

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Income Fund	Xerox Stock Fund	Total
2,391,846	1,835,515	11,320,323
5,154,818	47,787	13,076,774
338,418	1,461,318	7,645,121
636,761	(17,890,578)	36,201,563
51,226	-	10,069,603
553	-	121,602
6,181,776	(16,381,473)	67,114,663
8,573,622	(14,545,958)	78,434,986
575,715	88,500	7,944,909
10,394,122	2,161,969	37,795,478
10,969,837	2,250,469	45,740,387
(622,791)	14,942,619	-
929,919,862	347,858,864	7,773,286,858
926,900,856	346,005,056	7,805,981,457

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XEROX CORPORATION  
PROFIT SHARING AND SAVINGS PLAN

Notes to Financial Statements, Continued

(3) Master Trust, Continued

The allocation of net income (loss) from Master Trust investments, net of administrative expenses, by investment pool and fund for the one month period ended December 31, 1997 is as follows:

Other	International Stock Fund	U.S. Stock Fund	Small Company Stock Fund	All Fund
International Stock Pool	\$ 3,837,223	-	-	
18,796,154				

U.S. Stock Pool	-	4,649,365	-
40,247,087			
Small Company Stock Pool	-	-	(1,656,202)
(5,939,771)			
All Other Pool	-	-	-
10,099,810			
Income Fund	-	-	-
Xerox Stock Fund	-	-	-
Total	\$ 3,837,223	4,649,365	(1,656,202)
63,203,280			

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Income Fund	Xerox Stock Fund	Total
-	-	22,633,377
-	-	44,896,452
-	-	(7,595,973)
-	-	10,099,810
5,606,061	-	5,606,061
-	(16,469,973)	(16,469,973)
5,606,061	(16,469,973)	59,169,754

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XEROX CORPORATION  
PROFIT SHARING AND SAVINGS PLAN

Notes to Financial Statements, Continued

(3) Master Trust, Continued

Net income (loss) from Master Trust Investments, net of administrative expenses, for all participating plans for the one month period ended December 31, 1997:

	International Stock Fund	U.S. Stock Fund	Small Company Stock Fund	All Other Fund
Xerox Corporation Profit Sharing and Savings Plan	\$ 3,493,132	4,312,537	(1,620,555)	
10,591,873				

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.	344,091	336,828	(35,647)
695,135			

Xerox Corporation Retirement Income Guarantee Plan	-	-	-
46,595,340			

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.	-	-	-
5,320,932			

Total	\$ 3,837,223	4,649,365	(1,656,202)
63,203,280			

Income Fund	Xerox Stock Fund	Total
4,094,269	(15,103,176)	5,768,080
422,229	(1,366,797)	395,839
952,104	-	47,547,444
137,459	-	5,458,391
5,606,061	(16,469,973)	59,169,754

XEROX CORPORATION  
PROFIT SHARING AND SAVINGS PLAN

Notes to Financial Statements, Continued

(3) Master Trust, Continued

Statement of Changes in Net Assets of the Master Trust for the year ended November 30, 1997:

	International Stock Pool	U.S. Stock Pool	Small Company Stock Pool	All Other Pool
Additions:				
Transfers in \$	22,306,484	29,656,915	27,058,668	79,565,183
Investment earnings:				
Interest	1,757,349	5,278,265	7,297,953	94,879,439
Dividends	18,590,152	30,313,782	4,363,734	32,314,872
Net appreciation (depreciation)	63,334,431	513,193,249	165,120,824	135,330,440
Margin variation on futures contracts	(1,755,915)	278,387	(7,435,687)	(7,295,238)
Other	1,125,898	609,792	490,449	9,218,301
Total investment earnings	83,051,915	549,673,475	169,837,273	264,447,814
Total additions	105,358,399	579,330,390	196,895,941	344,012,997
Deductions:				
Administrative expenses	7,366,980	4,588,938	5,153,687	14,439,320
Transfers out	9,831,290	9,771,882	8,829,849	260,745,848
Total deductions	17,198,270	14,360,820	13,983,536	275,185,168
Transfers between funds/pools	(24,459,151)	32,896,243	23,766,844	21,794,527
Net assets:				
Beginning of year	951,995,001	1,852,512,553	774,824,848	1,957,307,334
End of year	\$1,015,695,979	2,450,378,366	981,504,097	2,047,929,690

Income Fund	Xerox Stock Fund	Total
48,095,890	30,942,161	237,625,301
63,253,387	57,861	172,524,254
35,286	5,197,447	90,815,273
(89,293)	116,767,751	993,657,402
(383,641)	-	(16,592,094)

4,480,888	26,055	15,951,383
67,296,627	122,049,114	1,256,356,218
115,392,517	152,991,275	1,493,981,519
2,207,265	262,852	34,019,042
123,104,702	16,993,060	429,276,631
125,311,967	17,255,912	463,295,673
(71,941,815)	17,943,352	-
1,011,781,127	194,180,149	6,742,601,012
929,919,862	347,858,864	7,773,286,858

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XEROX CORPORATION  
PROFIT SHARING AND SAVINGS PLAN

Notes to Financial Statements, Continued

(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 November 30, 1997 is as follows:

	International Stock Fund	U.S. Stock Fund	Small Company Stock Fund	All Other Fund
International Stock Pool 63,165,778	\$ 12,519,157	-	-	
U.S. Stock Pool 494,465,175	-	50,619,362	-	
Small Company Stock Pool 131,524,350	-	-	33,159,236	
All Other Pool 250,008,494	-	-	-	
Income Fund	-	-	-	-
Xerox Stock Fund	-	-	-	-
Total 939,163,797	\$ 12,519,157	50,619,362	33,159,236	

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Income Fund	Stock Fund	Total
-	-	75,684,935
-	-	545,084,537
-	-	164,683,586
-	-	250,008,494
65,089,362	-	65,089,362
-	121,786,262	121,786,262
65,089,362	121,786,262	1,222,337,176

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XEROX CORPORATION  
PROFIT SHARING AND SAVINGS PLAN

Notes to Financial Statements, Continued

(3) Master Trust, Continued

Net income from Master Trust Investments, net of administrative expenses for all participating plans for the year ended November 30, 1997:

	International Stock Fund	U.S. Stock Fund	Small Company Stock Fund	All Other Fund
Xerox Corporation Profit Sharing and Savings Plan*	\$ 11,837,221	48,109,839	31,337,175	
146,126,025				
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.	681,936	2,509,523	1,822,061	9,948,427
Xerox Corporation Retirement Income Guarantee Plan	-	-	-	702,386,981
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.	-	-	-	80,702,364
Total	\$ 12,519,157	50,619,362	33,159,236	939,163,797

\* 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.

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Income Fund	Xerox Stock Fund	Total
44,788,256	112,236,153	394,434,669
5,468,305	9,550,109	29,980,361
13,026,031	-	715,413,012
1,806,770	-	82,509,134
65,089,362	121,786,262	1,222,337,176

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XEROX CORPORATION  
PROFIT SHARING AND SAVINGS PLAN

Notes to Financial Statements, Continued

(3) Master Trust, Continued

Statement of Changes in Net Assets of the Master Trust for the year ended November 30, 1996 is as follows:

	International Stock Pool	U.S. Stock Pool	Small Company Stock Pool	All Other Pool
Additions:				
Transfers in \$	17,667,117	23,361,582	17,871,703	
161,169,556				
Investment earnings:				
Interest	1,758,465	7,472,177	5,385,918	77,829,819
Dividends	11,536,790	64,246,861	8,676,627	27,587,944
Net appreciation (depreciation)	189,455,864	268,707,939	133,179,213	203,226,626
Margin variation on futures contracts	(40,828)	17,959,290	9,297,242	9,725,636
Other	552,365	101,265	216,690	2,267,517
Total investment earnings	203,262,656	358,487,532	156,755,690	320,637,542
Total additions	220,929,773	381,849,114	174,627,393	481,807,098
Deductions:				
Administrative expenses	6,299,902	2,155,352	3,106,127	13,317,170
Transfers out	6,804,169	6,451,303	5,727,577	325,123,111

Total deductions	13,104,071	8,606,655	8,833,704	338,440,281
Transfers between funds/pools	(2,842,963)	154,196,486	28,035,998	
(112,596,592)				
Net assets:				
Beginning of year	747,012,262	1,325,073,608	580,995,161	
1,926,537,109				
End of year	\$ 951,995,001	1,852,512,553	774,824,848	
1,957,307,334				

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Income Fund	Xerox Stock Fund	Segregated Assets Fund (see note 4)	Total
60,773,598	25,410,969	-	306,254,525
70,882,808	56,938	1,615,842	165,001,967
3	3,160,301	-	115,208,526
(2,182,375)	12,868,904	-	805,256,171
267,516	-	-	37,208,856
92,908	5,553	-	3,236,298
69,060,860	16,091,696	1,615,842	1,125,911,818
129,834,458	41,502,665	1,615,842	1,432,166,343
1,907,429	112,269	-	26,898,249
135,023,860	11,624,843	-	490,754,863
136,931,289	11,737,112	-	517,653,112
(89,143,035)	25,234,997	(2,884,891)	-
1,108,020,993	139,179,599	1,269,049	5,828,087,781
1,011,781,127	194,180,149	-	6,742,601,012

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XEROX CORPORATION  
PROFIT SHARING AND SAVINGS PLAN

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 November 30, 1996 is as follows:

Small



	International Stock Fund	U.S. Stock Fund	Company Stock Fund	All Other Fund
International Stock Pool 171,924,377	\$ 25,038,377	-	-	
U.S. Stock Pool 328,049,930	-	28,282,250	-	
Small Company Stock Pool 130,019,056	-	-	23,630,507	
All Other Pool 307,320,372	-	-	-	
Income Fund	-	-	-	-
Xerox Stock Fund	-	-	-	-
Total 937,313,735	\$ 25,038,377	28,282,250	23,630,507	

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Income Fund	Xerox Stock Fund	Segregated Asset Fund	Total
-	-	-	196,962,754
-	-	-	356,332,180
-	-	-	153,649,563
-	-	-	307,320,372
67,153,431	-	1,615,842	68,769,273
-	15,979,427	-	15,979,427
67,153,431	15,979,427	1,615,842	1,099,013,569

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XEROX CORPORATION  
PROFIT SHARING AND SAVINGS PLAN

Notes to Financial Statements, Continued

(3) Master Trust, Continued

Net income from Master Trust Investments, net of administrative expenses for all participating plans for the year ended November 30, 1996:

International Stock Fund	U.S. Stock Fund	Small Company Stock Fund	All Other Fund
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Xerox Corporation Profit  
 Sharing and  
 Savings Plan\* \$ 23,752,671 26,986,737 22,517,556  
 136,097,648

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. 1,285,706 1,295,513 1,112,951 8,689,527

Xerox Corporation Retirement  
 Income Guarantee  
 Plan - - -  
 710,218,766

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. - - - 82,206,637

XDS Investment Plan - - - 101,157

Total \$ 25,038,377 28,282,250 23,630,507  
 937,313,735

\* 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.

Income Fund	Xerox Stock Fund	Segregated Asset Fund	Total
46,800,658	15,061,698	1,124,757	272,341,725
5,525,723	917,729	135,231	18,962,380
13,001,192	-	330,112	723,550,070
1,825,858	-	25,742	84,058,237
-	-	-	101,157

XEROX CORPORATION  
PROFIT SHARING AND SAVINGS PLAN

Notes to Financial Statements, Continued

(3) Master Trust, Continued

Master Trust investments are managed by selected investment managers under the direction of the Treasurer of Xerox Corporation. The Finance Committee of the Xerox Corporation Board of Directors is responsible for establishing investment guidelines, reviewing the investment decisions of the Treasurer and reviewing the investment results of the Master Trust. The Finance Committee of the Xerox Corporation Board of Directors consists, at present, of six members of the Xerox Corporation Board of Directors, none of whom are officers of Xerox Corporation.

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 upon the cost of the investments, developments concerning the portfolio investments of the private placements, and 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 one month period ended December 31, 1997 and the years ended November 30, 1997 and November 30, 1996 were 6.8%, 6.8% and 7.3%, respectively.

(ii) The crediting interest rates at December 31, 1997, November 30, 1997 and November 30, 1996 ranged from 4.4% to 9.3%.

(iii) The fair value, as determined by discounting estimated future cash flows for traditional GIC's and the market value of the underlying investments for synthetic GIC's, at December 31, 1997, November 30, 1997 and November 30, 1996 was approximately \$274,344,245, \$374,333,247 and \$641,588,033, respectively. Contract values were \$278,816,783, \$375,936,203 and \$634,202,724 at December 31, 1997, November 30, 1997 and November 30 1996, 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.

Purchases and sales of securities are recorded on a trade date basis. Dividend income is recorded on the ex-dividend date. Interest income is recorded as earned. Margin variation represents market fluctuations on futures investments.

Notes to Financial Statements, Continued

(3) Master Trust, Continued

Derivative financial instruments are used by the Master Trust's equity and balanced portfolio investment managers primarily to rebalance the fixed income/equity allocation of the Master Trust's portfolio and to hedge the currency risk component of the Master Trust's foreign investments. Certain of the Master Trust's fixed income investment managers are permitted to use certain specified types of derivative instruments as part of their respective strategies. These strategies include the use of futures and options as substitutes for certain types of fixed income securities. Leveraging of the Master Trust's assets and speculation are prohibited. Currency hedge positions are not permitted to exceed the level of exposure in the related Master Trust's assets.

The derivatives most commonly used by the investment managers are highly liquid exchange traded equity and fixed income futures and over-the-counter foreign exchange forward contracts. The use of derivative instruments is not believed to materially increase the credit or market risk of the Master Trust's investment.

The net appreciation (depreciation) of investments for the one month period ending December 31, 1997 is as follows:

	International Stock Pool	U.S. Stock Pool	Small Company Stock Pool	All Other Pool	Income Fund	Xerox Stock Fund	Total
Investments at quoted market value: Short-term and fixed income investments	\$ (633,644)	-	-	1,121,169	636,761	-	1,124,286
Xerox common stock (17,890,578)	-	-	-	-	-	(17,890,578)	
Other equity investments	22,533,936	43,019,044	(16,962,885)	3,061,928	-	-	51,652,023
Investments at estimated fair value: Interest in real estate trusts	-	-	-	433,096	-	-	433,096
Other investments	-	-	-	882,736	-	-	882,736
Total	\$ 21,900,292	43,019,044	(16,962,885)		5,498,929	636,761	(17,890,578) 36,201,563

Notes to Financial Statements, Continued

(3) Master Trust, Continued

The net appreciation (depreciation) of investments for the year ended November 30, 1997 is as follows:

U.S.                      Small

International Stock Pool	Stock Pool	Company Stock Pool	All Other Pool	Income Fund	Xerox Stock Fund	Total
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Accountants' Consent

The Board of Directors  
Xerox Corporation:

We consent to incorporation by reference in the Registration Statements (No. 2-86274 and No. 333-22059) on Form S-8 of Xerox Corporation of our report dated April 30, 1998, relating to the statement of net assets available for plan benefits of the Xerox Corporation Profit Sharing and Savings Plan as of December 31, 1997 and November 30, 1997 and 1996, and the related statements of changes in net assets available for plan benefits for the one month period ended December 31, 1997 and for the years ended November 30, 1997 and 1996 and related schedule, which report appears in the November 30, 1997 Annual Report on Form 11-K of the Xerox Corporation Profit Sharing and Savings Plan.

Rochester, New York  
May 29, 1998