

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, 1998

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 person who administer the plan have duly caused this actual report to
be signed on its behalf by the undersigned who thereunto duly authorized.

XEROX CORPORATION PROFIT SHARING AND SAVINGS PLAN

Patricia M. Nazemetz
Plan Administrator

Stamford, Connecticut
Dated June 28, 1999

XEROX CORPORATION
PROFIT SHARING AND SAVINGS PLAN

Financial Statements and Schedule

December 31, 1998 and 1997
and November 30, 1997

(With Independent Auditors' Report Thereon)

XEROX CORPORATION
PROFIT SHARING AND SAVINGS PLAN

Statement of Net Assets Available for Plan Benefits
With Fund Information

December 31, 1998

(In thousands)

	Fund Information	
	Small	Balanced Fund
International	Company	

	Stock Fund	U.S. Stock Fund	Stock Fund	Fifty/Fifty	More Bonds
Assets:					
Investment in Master Trust	\$ 175,891	404,740	189,184	43,879	19,615
Participant notes receivable	-	-	-	-	-
Employer Contributions receivable	2,402	7,629	3,095	871	376
Total assets	178,293	412,369	192,279	44,750	19,991
Due from (to) other funds	(149)	(343)	(160)	(37)	(17)
Net assets available for plan benefits	\$ 178,144	412,026	192,119	44,713	19,974

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

More Stocks	Enhanced Bond Fund	Income Fund	Xerox Stock Fund	Marketplace Window	Employee Loan Fund	Total
1,102,063	18,803	692,898	590,564	18,706	-	3,256,343
-	-	-	-	-	80,030	80,030
13,575	193	3,179	10,190	353	-	41,863
1,115,638	18,996	696,077	600,754	19,059	80,030	3,378,236
(935)	(16)	(588)	(501)	(16)	2,762	-
1,114,703	18,980	695,489	600,253	19,043	82,792	3,378,236

XEROX CORPORATION
PROFIT SHARING AND SAVINGS PLAN

Statement of Net Assets Available for Plan Benefits
With Fund Information

December 31, 1997

(In thousands)

	Fund Information			
	International Stock Fund	U.S. Stock Fund	Small Company Stock Fund	Balanced Fund
Assets:				
Investment in Master Trust	\$ 165,404	245,872	201,086	937,212
Participant notes receivable	-	-	-	-
Employer Contributions Receivable	5,212	11,919	7,494	23,598
Total assets	170,616	257,791	208,580	960,810
Liabilities:				
Accrued expenses and other liabilities	302	184	263	891
Due from (to) other funds	(5,850)	769	(2,027)	(135)
Due from (to) other plans	-	7	6	77
Net assets available for plan benefits	\$ 164,464	258,383	206,296	959,861

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

Income Fund	Xerox Stock Fund	Employee Loan Fund	Total
635,612	311,118	-	2,496,304
-	-	66,182	66,182
6,748	13,249	-	68,220
642,360	324,367	66,182	2,630,706
486	18	-	2,144
975	6,268	-	-
37	290	-	417
642,886	330,907	66,182	2,628,979

XEROX CORPORATION
PROFIT SHARING AND SAVINGS PLAN

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

Year ended December 31, 1998

(In thousands)

	International Stock Fund	Fund Information U.S. Stock Fund	Small Company Stock Fund	Balanced Fund Fifty/Fifty	Fund More Bonds
Contributions:					
Employer	\$ 2,402	7,629	3,095	871	376
Employees' -					
Voluntary	11,839	21,938	15,336	141	67
Rollovers from external plans	1,310	3,985	1,419	183	119
Rollovers from internal plans	5,297	13,781	7,133	2,659	750
Total contributions	20,848	47,333	26,983	3,854	1,312
Net income (loss) from Master Trust investments, net of administrative expenses	24,155	82,037	(9,065)	2,841	1,201
Interest income on participant notes receivable	-	-	-	-	-
Total	45,003	129,370	17,918	6,695	2,513
Benefit payments	(6,940)	(14,249)	(6,787)	(428)	(1,232)
Transfers among funds	(24,617)	38,371	(25,537)	38,446	18,693
Transfer between plans	234	151	229	-	-
Net increase (decrease) in net assets available for plan benefits	13,680	153,643	(14,177)	44,713	19,974
Net assets available for plan benefits					
Beginning of year	164,464	258,383	206,296	-	-
End of year	\$ 178,144	412,026	192,119	44,713	19,974

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

More Stocks	Enhanced Bond Fund	Income Fund	Xerox Stock Fund	Marketplace Window	Employee Loan Fund	Total
13,575	193	3,179	10,190	353	-	41,863
40,013	64	20,323	23,493	55	-	133,269
7,473	508	14,785	2,944	119	-	32,845
83,404	551	65,748	5,559	255	-	185,137
144,465	1,316	104,035	42,186	782	-	393,114
161,361	229	43,553	209,986	1,239	-	517,537
-	-	-	-	-	6,180	6,180
305,826	1,545	147,588	252,172	2,021	6,180	916,831
(57,189)	(527)	(68,257)	(16,824)	(336)	-	(172,769)
(95,701)	17,962	(28,692)	33,339	17,358	10,378	-
1,906	-	1,964	659	-	52	5,195
154,842	18,980	52,603	269,346	19,043	16,610	749,257
959,861	-	642,886	330,907	-	66,182	2,628,979
1,114,703	18,980	695,489	600,253	19,043	82,792	3,378,236

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

(In thousands)

	Fund Information			
	International Stock Fund	U.S. Stock Fund	Small Company Stock Fund	Balanced Fund
Contributions:				
Employees' -				
voluntary	\$ 630	1,080	826	2,053
Employer	5,215	11,920	7,493	23,645
Total Contributions	5,845	13,000	8,319	25,698
Net income from Master Trust investments, net of administrative expenses	3,493	4,313	(1,621)	10,592
Interest income on Participant notes receivable	-	-	-	-
Total	9,338	17,313	6,698	36,290
Benefit payments	(377)	(413)	(359)	(2,104)
Transfers among funds	(5,699)	975	(1,854)	298
Transfer between plans	-	7	6	77
Net increase (decrease) in net assets available for plan benefits	3,262	17,882	4,491	34,561

Net assets available

for plan				
benefits:				
Beginning of				
Period	161,202	240,501	201,805	925,300
End of year	\$ 164,464	258,383	206,296	959,861

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

Income Fund	Xerox Stock Fund	Employee Loan Fund	Total
1,118	1,138	-	6,845
6,773	13,174	-	68,220
7,891	14,312	-	75,065
4,094	(15,103)	-	5,768
-	-	455	455
11,985	(791)	455	81,288
(2,783)	(812)	-	(6,848)
1,235	6,232	(1,187)	-
37	290	-	417
10,474	4,919	(732)	74,857
632,412	325,988	66,914	2,554,122
642,886	330,907	66,182	2,628,979

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

(In thousands)

	International Stock Fund	Fund Information U.S. Stock Fund	Small Company Stock Fund	Balanced Fund
Contributions:				
Employees' -				
voluntary	\$ 11,906	16,296	13,833	37,300
Employer	6,373	8,695	8,756	20,481
Total Contributions	18,279	24,991	22,589	57,781
Net income from Master Trust investments, net of administrative expenses	11,854	48,066	31,281	145,979
Interest income on Participant notes receivable	-	-	-	-
Total	30,133	73,057	53,870	203,760
Benefit payments	(7,290)	(6,860)	(6,287)	(39,825)
Transfers among funds	1,685	33,874	21,032	5,225
Transfer from XDS Savings Plan	-	-	-	523
Net increase (decrease)				

in net assets available for plan benefits	24,528	100,071	68,615	169,683
Net assets available for plan benefits:				
Beginning of year	136,674	140,430	133,190	755,617
End of year	\$ 161,202	240,501	201,805	925,300

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

	Income Fund	Xerox Stock Fund	Employee Loan Fund	Total
	22,981	15,571	-	117,887
	7,750	8,333	-	60,388
	30,731	23,904	-	178,275
	44,781	112,250	-	394,211
	-	-	5,240	5,240
	75,512	136,154	5,240	577,726
	(48,794)	(10,358)	-	(119,414)
	(79,929)	17,817	296	-
	-	-	-	523
	(53,211)	143,613	5,536	458,835
	685,623	182,375	61,378	2,095,287
	632,412	325,988	66,914	2,554,122

XEROX CORPORATION
PROFIT SHARING AND SAVINGS PLAN

Notes to Financial Statements

December 31, 1998 and 1997
and November 30, 1997

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 summary plan description and the Plan document for a more complete description of the Plan's provisions.

(a) 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 401(K) savings portion of the Plan upon date of hire.

(b) Plan Amendments

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, 1998 and December 31, 1997 as well as a statement of changes in net assets available for benefits for the year ended December 31, 1998, the one month period ended December 31, 1997 and the year ended November 30, 1997.

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.

Effective January 1, 1998, each employee shall immediately become a participant in the 401(K) savings portion of the Plan for the purpose of determining eligibility.

Effective January 1, 1998, employees of Chrystal Software Inc., dpiX, Inc., In Concert, Inc., In Xight Software, Inc., Liveworks, Inc., PD Reader, Inc. and XESystems, Inc. will no longer participate in the Plan's 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

Effective January 1, 1998, the Company modified the profit sharing payout amounts beginning with the plan year ended December 31, 1998. In 1998, profit sharing payouts were 50% in cash and 50% in stock options (stock options are not a component of the Plan). In 1999, profit sharing payouts will be 50% in cash, 25% in deferred compensation and 25% in stock options. See Xerox profit sharing contribution disclosure in note 1(e) for further information.

(c) 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. There were no benefits allocated from the Plan for participants at December 31, 1998 and 1997.

(d) 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. Employees are immediately vested in their savings contributions.

(e) Xerox Profit Sharing Contribution

Eligible employees may receive a profit sharing contribution from the sponsor. In prior years, the contribution payout has ranged from zero to 10% of pay and was 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.

In 1999 and forward, the maximum profit sharing payout will be 15%. In any given year, the payout bears a one-to-one relationship to earnings per share (EPS) growth up to 15%. However, if EPS growth is below 5%, there is no payment.

Prior to 1998, an employee may have received the contribution in cash or Xerox Corporation common stock, or may have elected 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.

Under the new profit sharing, a payout will have three components. They are as follows: (i) 50% of the payout will come in the form of cash which you can defer to the savings plan, (ii) another 25% of the payout is automatically deferred to the Xerox stock fund, and (iii) the last 25% of the payment is provided in the form of stock options which is not a component of this Plan.

XEROX CORPORATION
PROFIT SHARING AND SAVINGS PLAN

Notes to Financial Statements, Continued

(1) Description of Plan, Continued

During 1998, the sponsor's ROA was 17.5%, which resulted in a maximum profit sharing contribution for all eligible active employees at December 31, 1998 equal to 5% of pay or \$128,734 and 5% in stock options which are not a component of this plan. Participants elected to invest approximately \$41,863 into the Plan at December 31, 1998 (dollars in thousands).

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. Participants elected to invest \$68,220 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 (dollars in thousands).

(f) Investment Funds

As further described in note 3, the investment funds are part of the Xerox Trust Agreement to Fund Retirement Plans (Master Trust). Effective October 1, 1998, the sponsor added the following four new investment funds to the Plan: Balanced Fund - Fifty/Fifty, Balanced Fund - More Bond, Enhanced Bond Fund and Marketplace Window. Additionally, the Balanced Fund name was changed to Balanced Fund - More Stocks. Employees can direct their plan accounts to one or more of the following ten investment funds:

International Stock Fund - Invests primarily in stocks of companies outside the U.S.

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.

Balanced Fund - Fifty/Fifty - Usually invests approximately 50% in stocks and 50% in bonds; some private placements and cash. The mix may shift with market outlook.

Balanced Fund - More Bonds - Usually invests 30% in stocks, most of the rest in bonds, some private placements and cash. The mix may shift with market outlook.

XEROX CORPORATION
PROFIT SHARING AND SAVINGS PLAN

Notes to Financial Statements, Continued

(1) Description of Plan, Continued

Balanced Fund - More Stocks - Usually invests approximately 70% in stocks, most of the rest in bonds, some private placements and cash. The mix may shift with market outlook.

Enhanced Bond Fund - Invests in intermediate duration; approximately 70% high quality bonds and 30% high-yield lower quality bonds.

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

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

Marketplace Window- Offers access to no-load mutual funds outside of Xerox funds.

(g) 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, 1998 and 1997, market value on loans approximates fair value.

(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.

XEROX CORPORATION
PROFIT SHARING AND SAVINGS PLAN

Notes to Financial Statements, Continued

(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, 1998:

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 nine investment pools - the International Stock Pool, U.S. Stock Pool, Small Company Stock Pool, Other Equity Pool, Income Fund, Other Fixed Pool, Bond Pool, Xerox Stock Fund, and Marketplace Window.

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 1998, all accrued administrative expenses are recorded at the Master Trust level only, and as a result, are net against the investment in Master Trust at the Plan level. For the one month period ended December 31, 1997, the accrued administrative expenses and due from (to) other funds activity were recorded at both the Master Trust and Plan level.

The expense pool represents administrative expenses that are attributable only to the three Balanced Funds. It is not an investment pool. These expenses are allocated from the pool level to the Balanced Fund - Fifty/Fifty, Balanced Fund More Bonds, and Balanced Fund - More Stocks, based on the net asset fund balances at the end of each month.

In October 1998, there was a pool restructure. Assets of the All Other Pool were transferred to the Other Equity Pool and the Bond Pool. The pool restructure was done in conjunction with the addition of the new investment funds as discussed in note 1.

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, 1998 is as follows (in thousands):

Assets	International Stock Pool	U.S. Stock Pool	Small Company Stock Pool	All Other Pool	Income Fund
Cash (overdraft)	\$ 16,520	(141)	1,088	-	(4,469)
Receivables:					

Dividends	1,371	2,687	501	-	-
Interest	198	638	215	-	9,664
Due from brokers	3,227	7,697	1,783	-	77,389
Other	30	11	(1)	-	(225)
Total receivables	4,826	11,033	2,498	-	86,828

Investments at fair value:

At quoted market value:

Short-term					
Investments	29,261	160,154	67,680	-	188,727
Fixed income					
Investments	3,637	-	-	-	781,381
Equity securities:					
Xerox common stock	-	-	-	-	-
Other	1,033,271	2,842,337	613,346	-	5,973
At estimated fair value:					
Interest in real estate trusts	-	-	-	-	-

Investments at contract value:

Investment contracts with insurance companies and banks	-	-	-	-	62,861
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Total investments 1,066,169 3,002,491 681,026 - 1,038,942

Total assets 1,087,515 3,013,383 684,612 - 1,121,301

Liabilities

Due to brokers	(3,983)	(6,052)	(2,607)	-	(183,652)
Other	(2,053)	(1,692)	(751)	-	(500)

Net assets \$ 1,081,479 3,005,639 681,254 - 937,149

Xerox Stock Fund	Other Equity Pool	Other Fixed Pool	Marketplace Window	Bond Pool	Expense Pool	Total
-	-	-	-	15,757	-	28,755
1,962	22	-	-	-	-	6,543
33	1,403	660	-	16,511	-	29,322
-	6,359	-	-	17,986	-	114,441
10	-	-	-	(143)	-	(318)
2,005	7,784	660	-	34,354	-	149,988
9,401	335,740	159,972	-	78,006	-	1,028,941
-	3,221	-	-	1,519,208	-	2,307,447
632,445	-	-	-	-	-	632,445
-	114,059	-	19,796	104,887	-	4,733,669
-	31,562	-	-	-	-	31,562
-	208,894	-	-	-	-	208,894
-	-	-	-	-	-	62,861
641,846	693,476	159,972	19,796	1,702,101	-	9,005,819
643,851	701,260	160,632	19,796	1,752,212	-	9,184,562
-	(6,359)	-	-	(115,955)	-	(318,608)
(92)	(311)	(162)	-	(1,374)	(72)	(7,007)

643,759 694,590 160,470 19,796 1,634,883 (72) 8,858,947

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, 1998 is as follows (in thousands):

	International Stock Fund	U.S. Stock Fund	Small Company Stock Fund	Balanced Fund Fifty/Fifty	Balanced Fund More Bonds
International Stock Pool \$	184,457	-	-	6,100	2,870
U.S. Stock Pool	-	426,768	-	17,536	8,252
Small Company Stock Pool	-	-	199,672	3,275	1,541
All Other Pool	-	-	-	-	-
Income Fund	-	-	-	-	-
Xerox Stock Fund	-	-	-	-	-
Other Equity Pool	-	-	-	4,936	2,010
Other Fixed Pool	-	-	-	2,700	513
Marketplace Window	-	-	-	-	-
Bond Pool	-	-	-	10,987	5,170
Expense Pool	-	-	-	-	-
Total	\$ 184,457	426,768	199,672	45,534	20,356

Balanced Fund More Stocks	Enhanced Bond Fund	Income Fund	Xerox Stock Fund	Marketplace Window	Total
888,052	-	-	-	-	1,081,479
2,553,083	-	-	-	-	3,005,639
476,766	-	-	-	-	681,254
-	-	-	-	-	-
-	-	937,149	-	-	937,149
-	-	-	643,759	-	643,759
687,644	-	-	-	-	694,590
157,257	-	-	-	-	160,470
-	-	-	-	19,796	19,796
1,599,517	19,209	-	-	-	1,634,883
(72)	-	-	-	-	(72)
6,362,247	19,209	937,149	634,759	19,796	8,858,947

XEROX CORPORATION
PROFIT SHARING AND SAVINGS PLAN

Notes to Financial Statements, Continued

(3) Master Trust, Continued

Investment in the Master Trust for all participating plans as of December 31, 1998 is as follows (in thousands):

	International Stock Fund	U.S. Stock Fund	Small Company Stock Fund	Balanced Fund Fifty/ Fifty	Balanced Fund More Bonds
Xerox Corporation Profit Sharing and Savings Plan	\$175,891	404,740	189,184	43,879	19,615
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.	8,566	22,028	10,488	1,655	741
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.	-	-	-	-	-
Total	\$ 184,457	426,768	199,672	45,534	20,356

Balanced Fund More Stocks	Enhanced Bond Fund	Income Fund	Xerox Stock Fund	Marketplace Window	Total
1,102,063	18,803	692,898	590,564	18,706	3,256,343
76,223	406	79,433	53,195	1,090	253,825
4,686,540	-	143,631	-	-	4,830,171
497,421	-	21,187	-	-	518,608
6,362,247	19,209	937,149	643,759	19,796	8,858,947

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 December 31, 1997 is as follows (in thousands):

Assets	International Stock Pool	U.S. Stock Pool	Small Company Stock Pool	All Other Pool
Cash (overdraft)	\$ (440)	267	(369)	(13)
Receivables:				
Dividends	1,189	2,006	204	109
Interest	241	750	788	14,841
Due from brokers	11,242	8,371	16,328	85,683
Other	-	584	-	-
Total receivables	12,672	11,711	17,320	100,633

Investments at fair value:

At quoted market value:

Short-term

Investments 44,106 163,878 229,101 251,836

Fixed income

Investments 4,974 - - 1,254,278

Equity securities:

Xerox common

stock - - - -

Other 974,400 2,325,093 729,193 358,595

At estimated fair value:

Interest in real

Estate trusts - - - 75,286

Other investments - - - 139,546

Investments at contract value:

Investment

contracts with

insurance companies

and banks

- - - -

Total investments 1,023,480 2,488,971 958,294 2,079,541

Total assets 1,035,712 2,500,949 975,245 2,180,161

Liabilities

Due to brokers 2,047 2,553 155 138,661

Other 6,688 - 2,232 6,656

Net assets \$ 1,026,977 2,498,396 972,858 2,034,844

Income Fund	Xerox Stock Fund	Total
(92)	-	(647)
-	1,461	4,969
8,193	5	24,818
13,113	-	137,737
-	7,033	7,617
21,306	8,499	172,141
74,440	432	763,793
588,632	-	1,847,884
-	337,074	337,074
2,168	-	4,389,449
-	-	75,286
-	-	139,546
278,817	-	278,817
944,057	337,506	7,831,849
965,271	346,005	8,003,343
38,230	-	181,646
140	-	15,716
926,901	346,005	7,805,981

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(in thousands):

	International Stock Fund	U.S. Stock Fund	Small Company Stock Fund	Balanced Fund
International Stock Pool	\$ 168,558	-	-	858,419
U.S. Stock Pool	-	259,252	-	2,239,144
Small Company Stock Pool	-	-	210,374	762,484
All Other Pool	-	-	-	2,034,844
Income Fund	-	-	-	-
Xerox Stock Fund	-	-	-	-
Total	\$ 168,558	259,252	210,374	5,894,891

Income Fund	Xerox Stock Fund	Total
-	-	1,026,977
-	-	2,498,396
-	-	972,858
-	-	2,034,844
926,901	-	926,901
-	346,005	346,005
926,901	346,005	7,805,981

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(in thousands):

	International Stock Fund	U.S. Stock Fund	Small Company Stock Fund	Balanced Fund
Xerox Corporation Profit Sharing and Savings Plan*	\$ 159,252	246,464	198,802	936,262

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.	9,306	12,788	11,572	65,516
Xerox Corporation Retirement Income Guarantee Plan	-	-	-	4,391,615
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
Total	\$ 168,558	259,252	210,374	5,894,891

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.

Income Fund	Xerox Stock Fund	Total
636,139	317,658	2,494,577
81,207	28,347	208,736
183,117	-	4,574,732
26,438	-	527,936
926,901	346,005	7,805,981

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 as of December 31, 1998 is as follows (in thousands):

	International Stock Pool	U.S. Stock Pool	Small Company Stock Pool	All Other Pool	Income Fund
Additions:					
Transfers in \$	43,514	139,522	51,756	418,842	126,050
Investment earnings:					
Interest	2,206	8,198	6,948	59,043	57,481
Dividends	19,994	26,128	2,502	12,123	435
Net appreciation (depreciation)	140,075	663,920	(6,208)	25,060	5,737
Margin variation on futures contracts	1,217	7,864	350	13,831	(287)
Other	(775)	1,911	639	22,210	(104)
Total investment earnings	162,717	708,021	4,231	132,267	63,262
Total additions	206,231	847,543	55,987	551,109	189,312
Deductions:					
Administrative					

expenses	(8,531)	(7,852)	(4,300)	(7,872)	(2,341)
Transfers out	(53,101)	(58,284)	(52,728)	(442,927)	(176,723)
Total deductions	(61,632)	(66,136)	(57,028)	(450,799)	(179,064)
Transfers between funds/pools	(90,097)	(274,164)	(290,563)	313,106	-
Pool restructure	-	-	-	(2,448,260)	-
Net assets:					
Beginning of year	1,026,977	2,498,396	972,858	2,034,844	926,901
End of year	\$1,081,479	3,005,639	681,254	-	937,149

Xerox Stock Fund	Other Equity Pool	Other Fixed Pool	Marketplace Window	Bond Pool	Expense Pool	Total
102,002	125,652	118,979	18,839	18,136	-	1,163,292
445	4,308	3,270	-	17,068	-	158,967
7,453	3,749	-	569	1,195	-	74,148
221,414	60,417	14,876	735	16,842	-	1,142,868
-	7,862	1,321	-	(7,125)	-	25,033
-	3,156	(2)	-	(439)	-	26,596
229,312	79,492	19,465	1,304	27,541	-	1,427,612
331,314	205,144	138,444	20,143	45,677	-	2,590,904
(668)	(301)	(346)	(1)	(1,443)	(391)	(34,046)
(32,892)	(600,735)	(85,628)	(346)	(528)	-	(1,503,892)
(33,560)	(601,036)	(85,974)	(347)	(1,971)	(391)	(1,537,938)
-	230,399	108,000	-	3,000	319	-
-	860,083	-	-	1,588,177	-	-
346,005	-	-	-	-	-	7,805,981
643,759	694,590	160,470	19,796	1,634,883	(72)	8,858,947

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 December 31, 1998 is as follows (in thousands):

	International Stock Fund	U.S. Stock Fund	Small Company Stock Fund	Balanced Fund Fifty/Fifty	Balanced Fund More Bonds
International Stock Pool \$	25,486	-	-	875	412
U.S. Stock Pool	-	86,279	-	1,167	397
Small Company Stock Pool	-	-	(9,729)	66	31
All Other Pool	-	-	-	-	-
Income Fund	-	-	-	-	-

Xerox Stock Fund	-	-	-	-	-
Other Equity Pool	-	-	-	538	253
Other Fixed Pool	-	-	-	130	61
Marketplace Window	-	-	-	-	-
Bond Pool	-	-	-	176	83
Expense Pool	-	-	-	-	-
Total	\$ 25,486	86,279	(9,729)	2,952	1,237

Balanced Fund More Stocks	Enhanced Bond Fund	Income Fund	Xerox Stock Fund	Marketplace Window	Total
127,413	-	-	-	-	154,186
612,326	-	-	-	-	700,169
9,563	-	-	-	-	(69)
124,395	-	-	-	-	124,395
-	-	60,921	-	-	60,921
-	-	-	228,644	-	228,644
78,400	-	-	-	-	79,191
18,928	-	-	-	-	19,119
-	-	-	-	1,303	1,303
25,595	244	-	-	-	26,098
(391)	-	-	-	-	(391)
996,229	244	60,921	228,644	1,303	1,393,566

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 year ended December 31, 1998 is as follows (in thousands):

	International Stock Fund	U.S. Stock Fund	Small Company Stock Fund	Balanced Fund - Fifty/Fifty	Balanced Fund - More Bonds
Xerox Corporation Profit Sharing and Savings Plan	\$ 24,155	82,037	(9,065)	2,841	1,201
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.	1,331	4,242	(664)	111	36
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.	-	-	-	-	-
Total	\$ 25,486	86,279	(9,729)	2,952	1,237

Balanced Fund- More Stocks	Enhanced Bond Fund	Income Fund	Xerox Stock Fund	Marketplace Window	Total
161,361	229	43,553	209,986	1,239	517,537
10,912	15	4,866	18,658	64	39,571
746,740	-	10,952	-	-	757,692
77,216	-	1,550	-	-	78,766
996,229	244	60,921	228,644	1,303	1,393,566

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 is as follows (in thousands):

	International Stock Pool	U.S. Stock Pool	Small Company Stock Pool	All Other Pool
Additions:				
Transfers in	\$ 940	1,521	1,192	3,440
Investment earnings:				
Interest	203	751	794	6,127
Dividends	883	2,116	306	2,541
Net appreciation (depreciation)	21,900	43,019	(16,962)	5,499
Margin variation on futures contracts	(96)	(815)	8,628	2,300
Other	54	20	32	15
Total investment earnings (loss)	22,944	45,091	(7,202)	16,482
Total additions (deductions)	23,884	46,612	(6,010)	19,922
Deductions:				
Administrative expenses	311	194	393	6,383
Transfers out	702	840	752	22,945
Total deductions	1,013	1,034	1,145	29,328
Transfers between funds/pools	(11,590)	2,440	(1,491)	(3,680)
Net assets:				
Beginning of period	1,015,696	2,450,378	981,504	2,047,930
End of period	\$ 1,026,977	2,498,396	972,858	2,034,844

Income Fund	Xerox Stock Fund	Total
2,392	1,836	11,321
5,154	48	13,077
338	1,461	7,645
637	(17,891)	36,202
51	-	10,068
1	-	122
6,181	(16,382)	67,114
8,573	(14,546)	78,435
576	89	7,946
10,394	2,162	37,795
10,970	2,251	45,741
(622)	14,943	-
929,920	347,859	7,773,287
926,901	346,005	7,805,981

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 (in thousands):

	International Stock Fund	U.S. Stock Fund	Small Company Stock Fund	Balanced Fund
International Stock Pool	\$ 3,837	-	-	18,796
U.S. Stock Pool	-	4,649	-	40,248
Small Company Stock Pool	-	-	(1,656)	(5,939)
All Other Pool	-	-	-	10,099
Income Fund	-	-	-	-
Xerox Stock Fund	-	-	-	-
Total	\$ 3,837	4,649	(1,656)	63,204

Income Fund	Xerox Stock Fund	Total
-	-	22,633
-	-	44,897
-	-	(7,595)
-	-	10,099

5,605	-	5,605
-	(16,471)	(16,471)
5,605	(16,471)	59,168

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 is as follows (in thousands):

	International Stock Fund	U.S. Stock Fund	Small Company Stock Fund	Balanced Fund
Xerox Corporation Profit Sharing and Savings Plan	\$ 3,493	4,313	(1,621)	10,592
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	336	(35)	696
Xerox Corporation Retirement Income Guarantee Plan				46,595
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.	-			5,321
Total	\$ 3,837	4,649	(1,656)	63,204

Income Fund	Xerox Stock Fund	Total
4,094	(15,103)	5,768
422	(1,368)	395
952	-	47,547
137	-	5,458
5,605	(16,471)	59,168

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 is as follows (in thousands):

	International Stock Pool	U.S. Stock Pool	Small Company Stock Pool	All Other Pool
Additions:				
Transfers in	\$ 22,306	29,657	27,059	79,565

Investment earnings:				
Interest	1,758	5,278	7,298	94,879
Dividends	18,590	30,314	4,364	32,315
Net appreciation (depreciation)	63,334	513,193	165,121	135,330
Margin variation on futures contracts	(1,756)	278	(7,436)	(7,294)
Other	1,126	610	490	9,218
Total investment earnings	83,052	549,673	169,837	264,448
Total additions (deductions)	105,358	579,330	196,896	344,013
Deductions:				
Administrative expenses	7,367	4,589	5,154	14,439
Transfers out	9,831	9,772	8,830	260,746
Total deductions	17,198	14,361	13,984	275,185
Transfers between funds/pools	(24,459)	32,896	23,767	21,795
Net assets:				
Beginning of year	951,995	1,852,513	774,825	1,957,307
End of year	\$ 1,015,696	2,450,378	981,504	2,047,930

	Income Fund	Xerox Stock Fund	Total
	48,096	30,942	237,625
	62,253	59	172,525
	35	5,197	90,815
	(88)	116,768	993,658
	(384)	-	(16,592)
	4,481	26	15,951
	67,297	122,050	1,256,357
	115,393	152,992	1,493,982
	2,207	263	34,019
	123,105	16,993	429,277
	125,312	17,256	463,296
	(71,942)	17,943	-
	1,011,781	194,180	6,742,601
	929,920	347,859	7,773,287

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 year ended November 30, 1997 is as follows (in thousands):

International	Small Company
---------------	---------------

	Stock Fund	U.S. Stock Fund	Stock Fund	Balanced Fund
International Stock Pool	\$ 12,519	-	-	63,166
U.S. Stock Pool	-	50,619	-	494,465
Small Company Stock Pool	-	-	33,159	131,524
All Other Pool	-	-	-	250,009
Income Fund	-	-	-	-
Xerox Stock Fund	-	-	-	-
Total	\$ 12,519	50,619	33,159	939,164

Income Fund	Xerox Stock Fund	Total
-	-	75,685
-	-	545,084
-	-	164,683
-	-	250,009
65,090	-	65,090
-	121,787	121,787
65,090	121,787	1,222,338

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 year ended November 30, 1997 is as follows (in thousands):

	International Stock Fund	U.S. Stock Fund	Small Company Stock Fund	Balanced Fund
Xerox Corporation Profit Sharing and Savings Plan*	\$ 11,837	48,110	31,337	146,126
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.	682	2,509	1,822	9,948
Xerox Corporation Retirement Income Guarantee Plan	-	-	-	702,387
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.	-	-	-	80,703
Total	\$ 12,519	50,619	33,159	939,164

*The above allocation of investment results, net of administrative expenses is at the Master Trust level. This allocation differs from the amount 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	Total
44,788	112,237	394,435
5,469	9,550	29,980
13,026	-	715,413
1,807	-	82,510
65,090	121,787	1,222,338

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 (dollars in thousands):

(i) The average investment yields for the year ended December 31, 1998 and one month period ended December 31, 1997 are 7.1% and 6.8%, respectively.

The crediting interest rates at December 31, 1998 and 1997 ranged from 4.4% to 9.3%.

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, 1998 and 1997 was approximately \$63,780 and \$274,344, respectively. Contract values were \$62,861 and \$278,817 at December 31, 1998 and 1997, respectively.

XEROX CORPORATION
PROFIT SHARING AND SAVINGS PLAN

Notes to Financial Statements, Continued

(3) Master Trust, Continued

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.

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.

XEROX CORPORATION
PROFIT SHARING AND SAVINGS PLAN

Notes to Financial Statements, Continued

(3) Master Trust, Continued

The net appreciation (depreciation) of investments for the year ending December 31, 1998 is as follows (in thousands):

	International Stock Pool	U.S. Stock Pool	Small Company Stock Pool	All Other Pool	Income Fund
Investments at quoted market value: Short-term and fixed income investments	\$ 310	-	-	10,107	5,737
Xerox common Stock	-	-	-	-	-
Other equity investments	139,765	663,920	(6,208)	2,884	-
Investments at estimated fair value: Interest in real estate trusts	-	-	-	(20,107)	-
Other investments	-	-	-	32,176	-
Total	\$ 140,075	663,920	(6,208)	25,060	5,737

Xerox Stock Fund	Other Equity Pool	Other Fixed Pool	Marketplace Window	Bond Pool	Expense Pool	Total
-	-	14,876	-	8,444	-	39,474
221,414	-	-	-	-	-	221,414
-	57,463	-	735	8,398	-	866,957
-	(4,026)	-	-	-	-	(24,133)
-	6,980	-	-	-	-	39,156
221,414	60,417	14,876	735	16,842	-	1,142,868

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

	International Stock Pool	U.S. Stock Pool	Small Company Stock Pool	All Other Pool
Investment at quoted market value:				
Short-term and fixed income investments	\$ (634)	-	-	1,122
Xerox common stock	-	-	-	-
Other equity investments	22,534	43,019	(16,962)	3,062
Investments at estimated fair value:				
Interest in real estate trusts	-	-	-	433
Other investments	-	-	-	882
Total	\$ 21,900	43,019	(16,962)	5,499

	Income Fund	Xerox Stock Fund	Total
	637	-	1,125
	-	(17,891)	(17,891)
	-	-	51,653
	-	-	433
	-	-	882
	637	(17,891)	36,202

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

	International Stock Pool	U.S. Stock Pool	Small Company Stock Pool	All Other Pool
Investment at quoted market value:				
Short-term and fixed income Investments	\$ (1,168)	-	-	18,771
Xerox common stock	-	-	-	-
Other equity investments	64,502	513,193	165,121	99,221
Investments at estimated fair value:				
Interest in real estate trusts	-	-	-	(9,127)
Other investments	-	-	-	26,465
Total	\$ 63,334	513,193	165,121	135,330

	Income Fund	Xerox Stock Fund	Total
	(88)	-	17,515

-	116,768	116,768
-	-	842,037
-	-	(9,127)
-	-	26,465
(88)	116,768	993,658

XEROX CORPORATION
PROFIT SHARING AND SAVINGS PLAN

Notes to Financial Statements, Continued

(3) Master Trust, Continued

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) 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. As of January 1, 1998, unit values are calculated daily by dividing the total value of net assets of each fund (reduced by employer contributions receivable not yet received by the Master Trust and other reconciling items) by units outstanding at the valuation date. Previously, unit values were calculated monthly.

XEROX CORPORATION
PROFIT SHARING AND SAVINGS PLAN

Notes to Financial Statements, Continued

(4) Unit Values, Continued

The total number of units and net asset value per unit outstanding for 1998 were as follows:

	International Stock Fund		U.S. Stock Fund	
	Units Outstanding	Unit Value	Units Outstanding	Unit Value
January 31	16,116,070	\$10.382375	24,927,813	\$10.099668
February 28	16,155,792	10.962610	26,232,810	10.877374
March 31	16,679,415	11.657176	28,059,104	11.420459
April 30	16,796,063	11.716992	28,844,680	11.548355
May 31	16,627,909	11.786185	29,220,733	11.334877
June 30	16,497,180	11.661331	29,309,443	11.805511
July 31	16,492,369	11.814280	30,280,521	11.677048
August 31	16,156,859	10.275574	30,190,909	9.990193
September 30	15,729,290	9.900287	29,838,172	10.570626
October 31	15,238,692	10.684862	29,893,895	11.456733
November 30	15,122,772	11.218222	30,776,092	12.135353
December 31	15,125,620	11.628680	31,209,881	12.968329

	Balanced Fund - Fifty/Fifty		Balanced Fund - More Bonds	
	Units Outstanding	Unit Value	Units Outstanding	Unit Value
January 31	-	\$ -	-	\$ -
February	-	-	-	-
March 31	-	-	-	-
April 30	-	-	-	-
May 31	-	-	-	-
June 30	-	-	-	-
July 31	-	-	-	-
August 31	-	-	-	-
September 30	-	-	-	-
October 31	1,720,187	10.535520	1,178,284	10.327282
November 30	3,334,498	10.945811	1,497,155	10.669218
December 31	3,891,846	11.274600	1,802,953	10.879377

	Enhanced Bond Fund		Income Fund	
	Units	Unit	Units	Unit
	Outstanding	Value	Outstanding	Value
January 31	-	\$ -	64,121,883	\$10.076927
February 28	-	-	62,649,277	10.105522
March 31	-	-	62,458,899	10.156731
April 30	-	-	62,377,011	10.206823
May 31	-	-	62,519,936	10.267817
June 30	-	-	62,826,117	10.316044
July 31	-	-	63,887,349	10.368480
August 31	-	-	68,828,185	10.468176
September 30	-	-	69,763,832	10.602034
October 31	1,037,793	9.905175	69,180,107	10.619355
November 30	1,454,692	10.125494	65,166,504	10.615745
December 31	1,855,511	10.133596	64,934,403	10.670738

Small Company Stock Fund	
Units	Unit
Outstanding	Value

20,119,053	\$9.884830
20,151,199	10.740566
20,938,929	11.292184
20,962,619	11.426224
20,894,638	10.750264
20,720,446	10.808698
20,694,033	9.932038
20,075,266	7.840207
19,659,985	8.180712
19,481,591	8.618658
19,713,158	9.071812
19,526,268	9.688692

Balanced Fund - More Stocks	
Units	Unit
Outstanding	Value

94,379,349	\$10.145639
94,852,747	10.636311
97,344,074	11.026386
97,230,413	11.119027
96,228,721	11.030174
95,700,232	11.213429
97,957,111	11.121109
96,465,703	10.007453
94,833,385	10.286159
93,857,000	10.815761
94,089,441	11.298588
93,704,235	11.761080

Xerox Stock Fund	
Units	Unit
Outstanding	Value

32,104,726	\$10.874319
32,684,937	11.964169
33,664,767	14.360530
34,429,180	15.300170
35,401,942	13.872963
36,295,330	13.772022
36,516,103	14.295476
36,511,299	11.928028
38,258,904	11.567694
37,572,370	13.194813
37,211,639	14.620633
36,737,142	16.075393

XEROX CORPORATION
PROFIT SHARING AND SAVINGS PLAN

Notes to Financial Statements,
Continued

(4) Unit Values, Continued

The total number of units and net asset value per unit outstanding from December 31, 1996 through December 31, 1997 were as follows:

	International	Stock Fund	U.S.	Stock Fund
	Units	Unit	Units	Unit
	Outstanding	Value	Outstanding	Value
1996				
December 31	90,563,566	\$ 1.532938	84,859,388	\$ 1.633287
1997				
January 31	91,150,844	1.534505	85,893,585	1.730341
February 28	94,025,972	1.553327	88,497,656	1.742577
March 31	99,136,218	1.567248	96,133,238	1.660099
April 30	100,422,099	1.579270	98,707,608	1.753541
May 31	101,629,939	1.649894	99,339,876	1.868288
June 30	102,618,758	1.720781	101,625,093	1.946789
July 31	103,491,932	1.772593	104,087,145	2.110584
August 31	104,231,978	1.663151	106,537,307	2.012423
September 30	104,171,429	1.782407	109,075,779	2.135018
October 31	102,885,514	1.639303	110,452,534	2.065826
November 30	102,005,002	1.633471	111,278,329	2.145322
December 31	95,447,037	1.668488	112,845,473	2.184082

	Balanced Fund	Income Fund
	Units	Unit
	Outstanding	Value
	Units	Unit
	Outstanding	Value
1996		
December 31	53,633,066	\$ 14.093684
1997		
January 31	53,698,376	14.470430
February 28	54,061,787	14.506426
March 31	55,945,191	14.137580
April 30	55,641,654	14.496758
May 31	55,621,901	15.218038
June 30	55,927,288	15.768765
July 31	55,994,477	16.591127
August 31	55,805,277	16.203908
September 30	55,844,090	16.994571
October 31	55,744,736	16.580802
November 30	55,470,643	16.747769
December 31	55,266,051	16.941002

Small Company	Stock Fund
Units	Unit
Outstanding	Value
79,486,842	\$ 1.712923
80,473,310	1.744382
83,858,153	1.692002
91,041,937	1.613780
93,217,757	1.609185
92,842,933	1.787189
92,963,998	1.875320
93,028,246	2.001355
93,690,113	2.028639
94,826,934	2.176980
97,598,620	2.054848
99,308,863	2.030057
98,744,501	2.013296

Xerox	Stock Fund
Units	Unit
Outstanding	Value
27,049,137	7.308812
27,006,027	8.145360
26,402,443	8.694382
27,057,319	7.956917
27,160,307	8.603987
27,192,122	9.481475
27,506,326	11.082058
27,643,047	11.577523
28,488,208	10.631119
28,923,301	11.894320
29,041,937	11.202250
29,195,255	10.964281
30,389,848	10.452765

XEROX CORPORATION
PROFIT SHARING AND SAVINGS PLAN

Notes to Financial Statements, Continued

(6) Reconciliation of Financial Statements to Form 5500

The following is a reconciliation of net assets available for plan benefits and benefits paid to participants as reported in the financial statements to the Form 5500 at December 31, 1998 and 1997 and November 30, 1997:

	December 31, 1998	
Net assets available for plan benefits as reported in the Plan financial statements	\$	3,378,236
Benefit claims payable reported on line 31g of Form 5500		---
Net assets available for plan benefits as reported in the Plan Form 5500	\$	3,378,236
	December 31, 1998	
Benefits paid to participants as reported in the Plan financial statements	\$	172,847
Add: Amounts allocated to withdrawing participants at December 31, 1998		---
Less: Amounts allocated to withdrawing participants at December 31, 1997		---
Benefits paid to participants as reported in the Form 5500	\$	172,847

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. There were no benefits allocated from the Plan for participants at December 31, 1998.

XEROX CORPORATION
PROFIT SHARING AND SAVINGS PLAN

Notes to Financial Statements, Continued

(6) Reconciliation of Financial Statements to Form 5500,
Continued

	(In thousands)	
	December 31, 1997	November 30, 1997
Net assets available for plan benefits as reported in the Plan financial statements	\$ 2,628,979	2,554,123
Benefit claims payable reported on line 31g of Form 5500	-	(5,023)
Net assets available for plan benefits as reported in the Plan Form 5500	\$ 2,628,979	2,549,100
	December 31, 1997	November 30, 1997
Benefits paid to participants as reported in the Plan financial statements	\$ 6,848	119,413
Add: Amounts allocated to withdrawing participants at November 30	-	5,023
Less: Amounts allocated to withdrawing		

participants at November 30, 1997 and 1996, respectively	(5,023)	(2,077)
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Benefits paid to participants as reported in the Form 5500	\$ 1,825	122,359
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Amounts allocated to withdrawing participants are recorded on the Form 5500 for benefit claims that have been processed and approved for payment prior to November 30 but not yet paid as of that date.

(7) Stock Split

In March 1999, the shareholders of the plan sponsor approved a two-for-one stock split of the Company's common stock. The stock split does not impact the value of participants' interest in the Xerox Stock Fund.

Schedule 1

XEROX CORPORATION
PROFIT SHARING AND SAVINGS PLAN

Line 27a - Schedule of Assets Held for Investment Purposes

(In thousands)

December 31, 1998

Identity of issuer, borrower, lessor, or similar party	Description of investment including maturity date, rate of interest, collateral, par or maturity value	Cost	Current value
Investment in Master Trust	(1)	\$2,605,574	\$3,256,343
*Investment in Participant Notes Receivable	Loans to Plan participants, maturity dates through 5/31/11, interest rates from 8.0% to 11.5% per annum	--	80,030

* Party-in-interest

(1) See note 3

Independent Auditors' Report

The Plan Administrator and Participants
Xerox Corporation Profit Sharing and Savings Plan

We have audited the accompanying statements of net assets available for plan benefits of the Xerox Corporation Profit Sharing and Savings Plan (Plan) as of December 31, 1998 and 1997, and the related statements of changes in net assets available for plan benefits for the year ended December 31, 1998, the one month period ended December 31, 1997 and the year ended November 30, 1997. 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, 1998 and 1997, and the changes in net assets available for plan benefits for the year ended December 31, 1998, the one month period ended December 31, 1997 and the year ended November 30, 1997 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 at December 31, 1998 is presented for the 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. This supplemental schedule is the responsibility of the Plan's management. The fund information in the statements of net assets available for plan benefits and the statements of changes in net 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 aspects in relation to the basic financial statements taken as a whole.

May 21, 1999

EXHIBIT INDEX

Exhibit		Electronic Submission Document
(b)(1)	Accountants' Consent	2

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 May 21, 1999, relating to the statements of net assets available for plan benefits of the Xerox Corporation Profit Sharing and Savings Plan as of December 31, 1998 and 1997, and the related statements of changes in net assets available for plan benefits for the year ended December 31, 1998, the one month period ended December 31, 1997 and for the year ended November 30, 1997 and the related schedule, which report appears in the December 31, 1998 Annual Report on Form 11-K of the Xerox Corporation Profit Sharing and Savings Plan.

Rochester, New York
June 29, 1999