

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:

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

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

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

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.

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

Patricia M. Nazemetz
Plan Administrator

Stamford, Connecticut
Dated June 28, 1999

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

Financial Statements and Schedule

December 31, 1998 and 1997

(With Independent Auditors' Report Thereon)

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

Statement of Net Assets Available for Plan Benefits
With Fund Information

December 31, 1998

(In thousands)

	International Stock Fund	Fund Information U.S. Stock Fund	Small Company Stock Fund	Balanced Fifty/ Fifty	Fund More Bonds
Assets:					
Investment in Master Trust	\$ 8,566	22,028	10,488	1,655	741
Participant notes Receivable	-	-	-	-	-
Employer Contributions receivable	63	221	94	41	27
Total assets	8,629	22,249	10,582	1,696	768
Due from (to) other funds	(13)	(34)	(16)	(2)	(1)
Net assets available for plan benefits	\$ 8,616	22,215	10,566	1,694	767

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
76,223	406	79,433	53,195	1,090	-	253,825
-	-	-	-	-	17,299	17,299
1,079	13	154	649	14	-	2,355
77,302	419	79,587	53,844	1,104	17,299	273,479
(117)	(1)	(122)	(81)	(2)	389	-
77,185	418	79,465	53,763	1,102	17,688	273,479

THE PROFIT SHARING PLAN OF
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A.F.L. - C.I.O. - C.L.C.

Statement of Net Assets Available for Plan Benefits
With Fund Information

December 31, 1997

(In thousands)

	International Stock Fund	Fund Information U.S. Stock Fund	Small Company Stock Fund	Balanced Fund
Assets:				
Investment in Master Trust	\$ 9,841	12,796	11,520	65,925
Participant notes receivable	-	-	-	-
Employer contributions receivable	141	399	227	2,535
Total assets	9,982	13,195	11,747	68,460

Liabilities:

Accrued expenses and other liabilities	18	9	15	78
Due from (to) other funds	(517)	8	72	(280)
Due from (to) other plans	-	(7)	(6)	(50)
Net assets available for plan benefits \$	9,447	13,187	11,798	68,052

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

Income Fund	Xerox Stock Fund	Employee Loan Fund	Total
81,395	27,854	-	209,331
-	-	12,784	12,784
254	919	-	4,475
81,649	28,773	12,784	226,590
114	6	-	240
(72)	789	-	-
(2)	(290)	-	(355)
81,461	29,266	12,784	225,995

THE PROFIT SHARING PLAN OF
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UNION OF NEEDLETRADES, INDUSTRIAL
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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 \$	174	390	251	41	27
Employees' - voluntary	805	1,350	1,163	6	2
Rollovers from external plans	8	57	30	-	-
Rollovers from internal plans	28	28	4	-	-
Total contributions	1,015	1,825	1,448	47	29
Net income (loss) from Master Trust investments, net of administrative expenses	1,331	4,242	(664)	111	36
Interest income on participant notes receivable	-	-	-	-	-
Total	2,346	6,067	784	158	65
Benefit payments	(204)	(608)	(249)	(7)	(1)
Transfers					

among funds	(2,739)	3,720	(1,538)	1,543	703
Transfer between plans	(234)	(151)	(229)	-	-
Net increase (decrease) in net assets available for plan benefits	(831)	9,028	(1,232)	1,694	767
Net assets available for plan benefits					
Beginning of year	9,447	13,187	11,798	-	-
End of year	\$ 8,616	22,215	10,566	1,694	767

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
1,707	13	890	975	14	-	4,482
4,289	3	4,535	2,502	2	-	14,657
38	-	661	70	-	-	864
962	-	1,264	198	-	-	2,484
6,996	16	7,350	3,745	16	-	22,487
10,912	15	4,866	18,658	64	-	39,571
-	-	-	-	-	1,228	1,228
17,908	31	12,216	22,403	80	1,228	63,286
(2,923)	(1)	(5,593)	(1,019)	(2)	-	(10,607)
(3,946)	388	(6,655)	3,772	1,024	3,728	-
(1,906)	-	(1,964)	(659)	-	(52)	(5,195)
9,133	418	(1,996)	24,497	1,102	4,904	47,484
68,052	-	81,461	29,266	-	12,784	225,995
77,185	418	79,465	53,763	1,102	17,688	273,479

THE PROFIT SHARING PLAN OF
XEROX CORPORATION AND
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Statement of Changes in Net Assets Available for Plan Benefits
With Fund Information

Year ended December 31, 1997

(In thousands)

	Fund Information			
	International Stock Fund	U.S. Stock Fund	Small Company Stock Fund	Balanced Fund
Contributions:				
Employees' -				
voluntary	\$ 848	1,017	1,026	3,996
Employer	252	519	359	3,155
	1,100	1,536	1,385	7,151

Net income from
Master Trust
investments, net of
administrative

expenses	781	2,863	1,596	10,665
Interest income on Participant notes receivable	-	-	-	-
	1,881	4,399	2,981	17,816
Benefit payments	(339)	(194)	(221)	(2,254)
Transfers among funds	(311)	1,624	1,222	2,472
Transfer between plans	-	(7)	(6)	(50)
Net increase (decrease) in net assets available for plan benefits	1,231	5,822	3,976	17,984
Net assets available for plan benefits:				
Beginning of Year	8,216	7,365	7,822	50,068
End of year	\$ 9,447	13,187	11,798	68,052

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

Income Fund	Xerox Stock Fund	Employee Loan Fund	Total
5,173	1,651	-	13,711
1,079	1,116	-	6,480
6,252	2,767	-	20,191
5,679	7,032	-	28,616
-	-	973	973
11,931	9,799	973	49,780
(6,561)	(484)	-	(10,053)
(9,092)	3,856	229	-
(2)	(290)	-	(355)
(3,724)	12,881	1,202	39,372
85,185	16,385	11,582	186,623
81,461	29,266	12,784	225,995

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

Notes to Financial Statements

December 31, 1998 and 1997

(1) Description of Plan

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

General

The Plan is a defined contribution plan covering substantially all domestic full and part-time Union of Needletrades, Industrial and Textile Employees,

A.F.L. - C.I.O. - C.L.C. employees of Xerox Corporation (sponsor). Employees are eligible to participate in the 401(K) savings portion of the Plan immediately upon hire.

Plan Amendment

As of January 1, 1998, each employee shall immediately become a participant under the Plan for the purpose of determining eligibility.

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 distributions 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 Contributions disclosure in note 1 for further information.

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 each business 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.

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 or 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. Employees are immediately vested in their savings contributions.

Xerox Corporation matches 35% of employee savings contributions, up to a maximum match equaling 4% of annual pay. These contributions are made annually to eligible participants of record on the last day of February following the Plan year-end. The 1998 contribution recorded on March 12, 1999 was \$2,355.

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Notes to Financial Statements, Continued

(1) Description of Plan, Continued

Xerox Profit Sharing Contributions

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.

In 1999 and forward, the maximum profit sharing payout will be 15%. In any given year, the payout bears a 1:1 relationship to earnings per share (EPS) growth up to 15%. However, if EPS growth is below 5%, there is no payout.

Prior to 1998, an employee may have received the contribution in cash 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 profit sharing contributions.

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

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 \$11,443 and 5% in stock options which are not a component of the Plan. Participants elected to invest \$2,355 into the Plan at December 31, 1998 (dollars in thousands).

During 1997, the sponsor's ROA was 18.0%, which resulted in an optional profit sharing contribution for all eligible active employees at December 31, 1997 equal to 10.0% of pay or \$21,234. Participants elected to invest \$4,475 into the Plan at December 31, 1997 (dollars in thousands).

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 four new investment funds: 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.

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Notes to Financial Statements, Continued

(1) Description of Plan, Continued

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.

Balanced Fund - More Stocks - Usually invests approximately 70% in stocks: 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 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.

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, market value on loans approximates fair value.

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(2) Federal Income Taxes

The Plan obtained its latest determination letter from the Internal Revenue Service (IRS) on September 8, 1995, covering Plan amendments through December 31, 1994, indicating that the Plan, as designed, was in compliance 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, 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, 1998:

Xerox Corporation Profit Sharing and Savings Plan;

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, Other Fixed Pool, Bond Pool, Income Fund, 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 year ended December 31, 1997, the accrued administrative expenses and due from (to) other funds activity is 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 the Balanced Fund - More Stocks, based on the net asset fund balances at the end of each month.

In October 1998, there was 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 new investment funds as discussed in note 1.

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(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):

International Stock	U.S. Stock	Small Company Stock	All Other	Income
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Assets	Pool	Pool	Pool	Pool	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	-	-	-	-	-
Other investments	-	-	-	-	-
Investments at contract value:					
Investment contracts with insurance companies and banks	-	-	-	-	62,861
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

THE PROFIT SHARING PLAN OF
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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
-	-	-	-	-	-
-	-	937,147	-	-	937,149
-	-	-	643,759	-	639,759
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 19,209 937,147 634,759 19,796 8,858,947

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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

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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	-	134,737
-	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

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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

THE PROFIT SHARING PLAN OF
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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

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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
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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

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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

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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

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Notes to Financial Statements, Continued

(3) Master Trust, Continued

Statement of Changes in Net Assets of the Master Trust for the year ended
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 Investment earnings:	\$ 22,392	30,110	27,308	79,711
Interest	1,818	5,765	7,611	93,314

Dividends	18,530	29,592	4,125	29,467
Net appreciation (depreciation)	72,184	592,165	133,630	134,587
Margin variation on futures contracts	(1,678)	926	2,147	3,096
Other	1,078	611	540	9,486
Total investment earnings	91,932	629,059	148,053	269,950
Total additions	114,324	659,169	175,361	349,661
Deductions:				
Administrative expenses	7,380	4,682	5,395	19,115
Transfers out	9,718	10,240	9,109	259,992
Total deductions	17,098	14,922	14,504	279,107
Transfers between funds/pools	(36,548)	33,302	19,894	20,670
Net assets:				
Beginning of year	966,299	1,820,847	792,107	1,943,620
End of year	\$ 1,026,977	2,498,396	972,858	2,034,844

Income Fund	Xerox Stock Fund	Total
47,685	31,600	238,806
62,740	102	171,350
376	5,493	87,583
2,147	84,305	1,019,018
112	-	4,603
4,484	20	16,219
69,859	89,920	1,298,773
117,544	121,520	1,537,579
2,543	324	39,439
119,045	18,291	426,395
121,588	18,615	465,834
(66,762)	29,313	(131)
997,707	213,787	6,734,367
926,901	346,005	7,805,981

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

International Stock	U.S. Stock	Small Company Stock	Balanced
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	Fund	Fund	Fund	Fund
International Stock Pool	\$ 14,334	-	-	70,218
U.S. Stock Pool	-	64,659	-	559,718
Small Company Stock Pool	-	-	31,105	111,553
All Other Pool	-	-	-	250,835
Income Fund	-	-	-	-
Xerox Stock Fund	-	-	-	-
Total	\$ 14,334	64,659	31,105	992,324

Income Fund	Xerox Stock Fund	Total
-	-	84,552
-	-	624,377
-	-	142,658
-	-	250,835
67,316	-	67,316
-	89,596	89,596
67,316	89,596	1,259,334

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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 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	\$ 13,553	61,796	29,509	144,050
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.	781	2,863	1,596	10,665
Xerox Corporation Retirement Income Guarantee Plan	-	-	-	751,651
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.	-	-	-	85,958
Total	\$ 14,334	64,659	31,105	992,324

Income Fund	Xerox Stock Fund	Total
46,330	82,564	377,802
5,679	7,032	28,616
13,398	-	765,049
1,909	-	87,867
67,316	89,596	1,259,334

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Notes to Financial Statements, Continued

(3) Master Trust, Continued

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

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

Non-readily marketable investments, which include private placements, are carried at fair value, based on the cost of the investments, developments concerning the portfolio of investments of the private placements, and such other factors as the managing general partners of the investments consider 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 years ended December 31, 1998 and 1997 were 7.1% and 6.8%, respectively.

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

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Notes to Financial Statements, Continued

(3) Master Trust, Continued

(iii) The fair value, as determined by discounting estimated future cash flows for traditional GIC's, and the market value of the underlying investments and the associated wrapper for synthetic GIC's at December 31, 1998 and 1997 was \$63,780 and \$274,344 respectively. Contract values were \$62,861 and \$278,817 at December 31, 1998 and 1997, 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.

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.

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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

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Notes to Financial Statements, Continued

(3) Master Trust, Continued

The net appreciation (depreciation) of investments for the year 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	\$ (2,173)	-	-	38,188
Xerox common stock	-	-	-	-
Other equity investments	74,357	592,165	133,630	75,517
Investments at estimated fair value:				
Interest in real estate trusts	-	-	-	(8,320)
Other investments	-	-	-	29,202
Total	\$ 72,184	592,165	133,630	134,587

Income Fund	Xerox Stock Fund	Total
2,147	-	38,162
-	84,305	84,305
-	-	875,669
-	-	(8,320)
-	-	29,202
2,147	84,305	1,019,018

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Notes to Financial Statements, Continued

(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.

The total number of units and net asset value per unit outstanding during the year ended December 31, 1998 was as follows:

International Stock Fund	U.S. Stock Fund
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	Units Outstanding	Unit Value	Units Outstanding	Unit Value
January 31	920,364	\$10.382375	1,291,659	\$10.099668
February 28	917,743	10.962610	1,396,344	10.877374
March 31	929,145	11.657176	1,521,651	11.420459
April 30	939,875	11.716992	1,589,919	11.548355
May 31	885,484	11.786185	1,586,323	11.334877
June 30	875,981	11.661331	1,602,319	11.805511
July 31	869,231	11.814280	1,638,896	11.677048
August 31	801,354	10.275574	1,633,809	9.990193
September 30	778,819	9.900287	1,585,081	10.570626
October 31	759,733	10.684862	1,556,811	11.456733
November 30	755,513	11.218222	1,665,713	12.135353
December 31	736,627	11.628680	1,698,600	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	59,367	10.535520	34,437	10.327282
November 30	98,419	10.945811	37,569	10.669218
December 31	146,790	11.274600	68,111	10.879377

	Enhanced Bond Fund		Income Fund	
	Units Outstanding	Unit Value	Units Outstanding	Unit Value
January 31	-	\$ -	8,004,190	\$10.076927
February 28	-	-	7,475,936	10.105522
March 31	-	-	7,392,511	10.156731
April 30	-	-	7,481,069	10.206823
May 31	-	-	6,995,465	10.267817
June 30	-	-	6,942,159	10.316044
July 31	-	-	6,905,492	10.368480
August 31	-	-	7,134,306	10.468176
September 30	-	-	7,270,669	10.602034
October 31	56,931	9.905175	7,463,054	10.619355
November 30	54,028	10.125494	7,390,631	10.615745
December 31	40,065	10.133596	7,444,002	10.670738

Small Company Stock Fund	
Units Outstanding	Unit Value
1,152,655	\$9.884830
1,199,675	10.740566
1,273,539	11.292184
1,270,346	11.426224
1,264,722	10.750264
1,233,290	10.808698
1,237,790	9.932038
1,179,068	7.840207
1,141,593	8.180712
1,130,332	8.618658
1,124,406	9.071812
1,082,499	9.688692

Balanced Fund - More Stocks	
Units Outstanding	Unit Value
6,424,779	\$10.145639
6,506,838	10.636311
6,809,733	11.026386
6,831,274	11.119027
6,744,577	11.030174
6,711,987	11.213429
6,764,278	11.121109

6,706,497	10.007453
6,497,740	10.286159
6,397,539	10.815761
6,449,787	11.298588
6,480,952	11.761080

Xerox Stock Fund	
Units Outstanding	Unit Value
2,801,232	\$10.874319
3,005,216	11.964169
3,099,139	14.360530
3,169,325	15.300170
3,389,547	13.872963
3,523,815	13.772022
3,548,464	14.295476
3,510,909	11.928028
3,672,590	11.567694
3,484,772	13.194813
3,409,313	14.620633
3,309,095	16.075393

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

Notes to Financial Statements, Continued
(4) Unit Values, Continued

The total number of units and net asset value per unit outstanding during the year ended December 31, 1997 was as follows:

	International Stock Fund		U.S. Stock Fund	
	Units Outstanding	Unit Value	Units Outstanding	Unit Value
January 31	5,239,115	\$1.543425	4,406,217	\$1.728658
February 28	5,341,029	1.562208	4,497,210	1.740928
March 31	5,888,573	1.575980	5,116,762	1.658333
April 30	5,976,454	1.588181	5,196,816	1.751299
May 31	6,116,208	1.659004	5,232,406	1.866003
June 30	6,240,107	1.730076	5,317,968	1.944255
July 31	6,384,348	1.782436	5,507,272	2.108241
August 31	6,350,969	1.672465	5,519,315	2.010197
September 30	6,398,872	1.792312	5,648,647	2.132616
October 31	6,404,805	1.648348	5,762,266	2.063432
November 30	6,170,905	1.642708	5,915,669	2.143173
December 31	5,545,281	1.678099	5,860,645	2.182085

	Balanced Fund		Income Fund	
	Units Outstanding	Unit Value	Units Outstanding	Unit Value
January 31	3,634,982	\$13.978013	13,168,371	\$6.521293
February 28	3,658,895	14.012611	13,032,286	6.549495
March 31	3,879,230	13.655406	12,792,540	6.565563
April 30	3,911,827	14.002261	12,684,713	6.609874
May 31	3,917,352	14.697693	12,669,561	6.647454
June 30	3,960,669	15.241481	12,478,600	6.690273
July 31	3,999,184	16.038329	12,426,027	6.750195
August 31	3,998,824	15.663793	12,261,985	6.768509
September 30	4,013,888	16.426774	12,115,934	6.816442
October 31	4,029,870	16.027899	11,891,043	6.864514
November 30	4,033,987	16.190160	11,679,523	6.886846
December 31	4,000,763	16.375997	11,715,189	6.931774

Small Company Fund	
Units Outstanding	Unit Value
4,388,720	\$1.747487
4,604,685	1.694722
5,292,188	1.616296
5,387,273	1.611924

5,420,222	1.790273
5,399,110	1.878601
5,453,861	2.005116
5,448,500	2.032599
5,572,707	2.181263
5,666,433	2.058766
5,917,651	2.034271
5,736,340	2.017311

Xerox Stock Fund	
Units	Unit
Outstanding	Value
2,322,532	\$7.688210
2,377,978	8.205805
2,494,075	7.508071
2,530,923	8.121978
2,536,632	8.950173
2,570,875	10.460962
2,566,887	10.942996
2,614,097	10.046536
2,627,063	11.236564
2,682,074	10.582841
2,736,029	10.361126
2,869,738	9.877945

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

Notes to Financial Statements, Continued

(5) Reconciliation of Financial Statements to Form 5500

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

	1998	December 31, 1997
	(in thousands)	
Net assets available for plan benefits as reported in the Plan financial statements	\$ 273,479	225,996
Benefit claims payable reported on line 31g of Form 5500	-	-
Net assets available for plan benefits as reported in the Plan Form 5500	\$ 273,479	225,996
	1998	December 31 1997
	(in thousands)	
Benefits paid to participants as reported in the Plan financial statements	\$ 10,607	10,052
Add: Amounts allocated to withdrawing participants at December 31, 1998 and 1997	-	-
Less: Amounts allocated to withdrawing participants at December 31, 1997 and 1996, respectively	-	(123)
Benefits paid to participants as reported in the Form 5500	\$ 10,607	9,929

THE PROFIT SHARING PLAN OF
XEROX CORPORATION AND
THE XEROGRAPHIC DIVISION,
UNION OF NEEDLETRADES, INDUSTRIAL
AND TEXTILE EMPLOYEES

Notes to Financial Statements, Continued

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

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.

(6) 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

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.

Line 27a - Schedule of Assets Held for Investment Purposes

December 31, 1998

(in thousands)

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)	\$ 203,099	\$ 253,825
*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	--	17,299

* Party-in-interest

(1) See note 3

Independent Auditors' Report

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

We have audited the accompanying statements of net assets available for plan benefits of The Profit Sharing Plan of Xerox Corporation and the Xerographic Division, Union of Needletrades, Industrial and Textile Employees, A.F.L. - C.I.O. - C.L.C. (Plan) as of December 31, 1998 and 1997, and the related statements of changes in net assets available for plan benefits for the years then ended. These financial statements are the responsibility of the Plan's management. Our responsibility is to express an opinion on these financial statements based on our audits.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the net assets available for plan benefits of the Plan as of December 31, 1998 and 1997, and the changes in net assets available for plan benefits for the years then ended in conformity with generally accepted accounting principles.

Our audits were performed for the purpose of forming an opinion on the basic financial statements taken as a whole. The supplemental schedule of assets held for investment purposes is presented for the purpose of additional analysis and is not a required part of the basic financial statements, but it 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 net assets available for plan benefits of each fund. The supplemental schedule and fund information have been subjected to the auditing procedures applied in the audits of the basic financial statements and, in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole

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. 2-86275 and No. 333-22037) 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 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. as of December 31, 1998 and 1997, and the related statements of changes in net assets available for plan benefits for the year then ended and related schedule, which report appears in the December 31, 1998 Annual Report on Form 11-K of The Profit Sharing Plan of Xerox Corporation and The Xerographic Division, Union of Needletrades, Industrial and Textile Employees, A.F.L. - C.I.O. - C.L.C.

Rochester, New York
June 29, 1999