

SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549

SCHEDULE 13D

Under the Securities Exchange Act of 1934

(Amendment No. 3) 1

SelecTronics, Inc.
(Name of issuer)

Common Stock, par value \$0.01 per share
(Title of class of securities)

816314108
(CUSIP Number)

Martin S. Wagner
Assistant Secretary
Xerox Corporation
800 Long Ridge Road
P.O. Box 1600
Stamford, Connecticut 06904-1600
(203) 968-3000

(Name, address and telephone number of person
authorized to receive notices and communications)

July 1, 1995

(Page 1 of 23)

(Date of event which requires filing of this statement)

If the filing person has previously filed a statement on Schedule 13G to report the acquisition which is the subject of this Schedule 13D, and is filing this schedule because of Rule 13d-1(b)(3) or (4), check the following box. / /

Check the following box if a fee is being paid with this statement. / / (A fee is not required only if the reporting person: (1) has a previous statement on file reporting beneficial ownership of more than five percent of the class of securities described in Item 1; and (2) has filed no amendment subsequent thereto reporting beneficial ownership of five percent or less of such class.) (See Rule 13d-7.)

Note. Six copies of this statement, including all exhibits, should be filed with the Commission. See Rule 13d-1(a) for other parties to whom copies are to be sent.

CUSIP No. 816314108

-
- (1) NAMES OF REPORTING PERSONS S.S. OR I.R.S. IDENTIFICATION NOS. OF ABOVE PERSONS
Xerox Corporation I.R.S. Identification Number 16-0468020
-
- (2) CHECK THE APPROPRIATE BOX IF A MEMBER OF A GROUP
(SEE INSTRUCTIONS) (a) / / (b) /X/
-
- (3) SEC USE ONLY
-
- (4) Source Of Funds (SEE INSTRUCTIONS)
WC, 00
-
- (5) CHECK IF DISCLOSURE OF LEGAL PROCEEDINGS IS REQUIRED PURSUANT TO
ITEMS 2(d) OR 2(e) / /
-
- (6) CITIZENSHIP OR PLACE OF ORGANIZATION
New York
-
- (7) SOLE VOTING POWER
None
-
- Number of Shares Beneficially Owned by Each Reporting Person With
- (8) SHARED VOTING POWER
32,458,651 Shares of Common Stock (See Item 5 hereof)
-
- (9) SOLE DISPOSITIVE POWER
None
-
- (10) Shared Dispositive Power
32,458,651 Shares of Common Stock (See Item 5 hereof)
-
- (11) AGGREGATE AMOUNT BENEFICIALLY OWNED BY EACH REPORTING PERSON
32,458,651 Shares of Common Stock (See Items 3 and 5 hereof)
-
- (12) CHECK IF THE AGGREGATE AMOUNT IN ROW (11) EXCLUDES CERTAIN SHARES
(SEE INSTRUCTIONS) / /
-
- (13) PERCENT OF CLASS REPRESENTED BY AMOUNT IN ROW (11)
Approximately 25.35% (See Item 5 hereof)
-
- (14) TYPE OF REPORTING PERSON (SEE INSTRUCTIONS)
CO
-

INTRODUCTORY STATEMENT

This Amendment No. 3 amends and supplements the Schedule 13D filed on November 29, 1989, as amended by Amendment Nos. 1 and 2 thereto filed on December 7, 1990 and June 8, 1994, respectively (as amended, 'Schedule 13D'), by Xerox Corporation, a New York corporation ('Xerox'), relating to the Common Stock, par value \$.01 per share (the 'Common Stock'), of SelecTronics, Inc. ('SelecTronics'). This Amendment No. 3

is being filed pursuant to Section 13(d)(2) of the Securities Exchange Act of 1934, as amended, and Rule 13d-2 promulgated thereunder, in order to disclose the shared voting and dispositive power between Xerox and Horsley Bridge Partners, Inc., a Delaware corporation ('HBP'), with respect to the Common Stock beneficially owned by Xerox and the increase in the percentage of Common Stock beneficially owned by Xerox resulting from the issuance to Xerox by SelecTRonics of additional warrants to purchase additional shares of Common Stock. All capitalized terms used but not defined herein have the meanings assigned to such terms in Schedule 13D.

ITEM 2. IDENTITY AND BACKGROUND

Item 2 of Schedule 13D is hereby amended in its entirety as follows:

This statement is being filed by Xerox, whose principal executive offices are located at P.O. Box 1600, 800 Long Ridge Road, Stamford, Connecticut 06904-1600. Xerox is a global company serving the worldwide document processing markets.

Set forth below is the name of each director of Xerox, the present principal occupation of such director and the business address of such director:

Director's Name	Present Principal Occupation	Address
Paul A. Allaire	Chairman of the Board and Chief Executive Officer, Chairman of the Executive Committee of the Board	Xerox Corporation 800 Long Ridge Road P. O. Box 1600 Stamford, CT 06904-1600
Robert A. Beck	Chairman Emeritus of the Board	The Prudential Insurance Company of America Corporate Office, Prudential Plaza Newark, NJ 07101
B. R. Inman	Investor	Suite 650-221 3300 Bee Cave Road Austin, TX 78747 (mailing address)
Vernon E. Jordan, Jr.	Partner	Akin, Gump, Strauss, Hauer & Feld, LLP 1333 New Hampshire Ave, N.W., Suite 400 Washington, D.C. 20036
(Page 4 of 23)		
Yotaro Kobayashi	Chairman and Chief Executive Officer	Fuji Xerox Co., Ltd. 3-5 Akasaka 3-chome Minato-ku, Tokyo 107, Japan
Hilmar Kopper	Spokesman of the Board of Managing Directors	Deutsche Bank AG Taunusanlage 12 60262 Frankfurt, Germany
Ralph S. Larsen	Chairman and Chief Executive Officer	Johnson & Johnson One Johnson & Johnson Plaza New Brunswick, NJ 08933
John D. Macomber	Principal	JDM Investment Group 2806 N Street, N.W. Washington, D.C. 20007
Nicholas J. Nicholas, Jr.	Investor	15 West 53rd Street, 34F New York, NY 10019 (mailing address)
John E. Pepper, Jr.	President	Procter & Gamble Company One Procter & Gamble Plaza Cincinnati, OH 45202
Martha R. Seger	Distinguished Visiting Professor of Finance,	Water Park Tower 1501 Crystal Drive Arlington, VA 22202

(mailing address)

Thomas C. Partner, William Blair Suite 3300
Theobald Capital Management 222 West Adams Street
Chicago, IL 60606-5312
(mailing address)

Each of the directors named above (other than Messrs. Yotaro Kobayashi and Hilmar Kopper) is a United States citizen. Messr. Yotaro Kobayashi is a citizen of Japan, and Messr. Hilmar Kopper is a citizen of Germany.

Set forth below is the name of each executive officer of Xerox and the title of such officer at Xerox:

Officer's Name	Title
Paul A. Allaire	Chairman of the Board and Chief Executive Officer, Chairman of the Executive Committee of the Board
A. Barry Rand	Executive Vice President
Barry D. Romeril	Executive Vice President and Chief Financial Officer
Stuart B. Ross	Executive Vice President
Peter van Cuylenburg	Executive Vice President
William F. Buehler	Senior Vice President
Allan E. Dugan	Senior Vice President
Julius L. Marcus	Senior Vice President

(Page 5 of 23)

Mark B. Myers	Senior Vice President
David R. Myerscough	Senior Vice President
Richard S. Paul	Senior Vice President and General Counsel
Leonard Vickers	Senior Vice President
Patricia C. Barron	Vice President
Richard S. Barton	Vice President
John Seely Brown	Vice President
Charles E. Buchheit	Vice President
Ronald B. Campbell, Jr.	Vice President
David T. Erwin	Vice President
J. Michael Farren	Vice President
Eunice M. Filter	Vice President, Treasurer and Secretary
Phillip D. Fishbach	Vice President and Controller
Maurice F. Holmes	Vice President
Charles P. Holt	Vice President
James H. Lesko	Vice President
Roger E. Levien	Vice President
John A. Lopiano	Vice President
Patrick J. Martin	Vice President
Alan R. Monahan	Vice President
Hector J. Motroni	Vice President
Anne M. Mulcahy	Vice President
Colin J. O'Brien	Vice President
Russell Y. Okasako	Vice President
Carlos Pascual	Vice President
Wilbur I. Pittman	Vice President
Norman E. Rickard	Vice President
Ronald E. Rider	Vice President
Brian E. Stern	Vice President
Patricia M. Wallington	Vice President

The organization in which the present principal occupation of each of the executive officers named above is conducted is Xerox, the principal executive offices of which are located at P.O. Box 1600, 800 Long Ridge Road, Stamford, Connecticut 06904-1600. Each of the officers named above (other than Messrs. Barry D. Romeril, Peter van Cuylenburg, Leonard Vickers and Carlos Pascual) is a United States citizen. Messrs. Barry D. Romeril, Peter van Cuylenburg and Leonard Vickers are citizens of Great Britain, and Messr. Carlos Pascual is a citizen of Spain.

During the past five years, neither Xerox nor, to its knowledge, any of its directors or executive officers named in this Item 2 has been (i) convicted in a criminal proceeding (excluding traffic violations or similar misdemeanors) or (ii) a party to a civil proceeding of a judicial or administrative body of competent jurisdiction and as a result of such proceeding was or is subject to a judgment, decree or final order enjoining future violations of, or prohibiting or mandating activities subject to, federal or state securities laws or finding any violation with respect to such laws.

ITEM 3. SOURCE AND AMOUNT OF FUNDS OR OTHER CONSIDERATION

Item 3 of Schedule 13D is hereby supplemented by adding thereto the following:

During the period from September 13, 1994 to April 19, 1995, Xerox advanced to SelecTronics a series of loans totaling \$635,000 in the aggregate. Said loans were evidenced by the following demand promissory

(Page 6 of 23)

notes: \$225,000 8% Promissory Note dated September 13, 1994; \$100,000 8% Promissory Note dated January 26, 1995; \$110,000 8% Promissory Note dated February 10, 1995; \$150,000 8% Promissory Note dated March 23, 1995; and \$50,000 8% Promissory Note dated April 19, 1995.

In connection with such loans, SelecTronics issued to Xerox warrants to purchase an aggregate of 635,000 shares of Common Stock. The warrants are exercisable at any time in whole or from time to time in part at the prices set forth therein and expire on the fifth anniversary of the date of issue. For a description of the terms and provisions of the warrants, reference is hereby made to said warrants, copies of which are filed as Exhibits 7 through 11 hereto and incorporated herein by reference.

ITEM 4. PURPOSE OF TRANSACTION

Item 4 of Schedule 13D is hereby supplemented by adding thereto the following:

The acquisition of the warrants described in Item 3 above have been made for investment purposes only.

ITEM 5. INTEREST IN SECURITIES OF THE ISSUER

Item 5 of Schedule 13D is hereby amended and restated in its entirety as follows:

(a) Xerox beneficially owns an aggregate of 32,458,651 shares of Common Stock, of which 14,042,000 shares are represented by 1,404,200 shares of Convertible Preferred Stock, 1,665,000 shares by the Warrants (which term shall include the warrants described in Item 3 above) and 1,000,000 shares by the Option. Xerox owns the remaining 15,751,651 shares directly in the form of Common Stock. The 32,458,651 shares of Common Stock represent approximately 25.35% of the 128,023,377 shares of Common Stock outstanding as of a recent date. To Xerox' knowledge, none of its directors and executive officers named in Item 2 above beneficially owns any shares of Common Stock.

(b) As stated in Item 6 below, pursuant to the HBP Management Agreement referred to therein, Xerox has granted to HBP power to vote or direct the vote of and to dispose or direct the disposition of Common Stock owned by Xerox and to be acquired by Xerox upon exercise of the Warrants or Options or upon conversion of the Convertible Preferred Stock. To Xerox' knowledge, none of its directors and executive officers named in Item 2 above has either sole or shared power to vote or to direct the vote or to dispose or direct the disposition of any shares of Common Stock.

(c) Except as otherwise described in this Amendment No. 3 and Schedule 13D, neither Xerox nor, to its knowledge, any of its directors and executive officers named in Item 2 above has effected any transaction in shares of Common Stock during the past 60 days.

(d) None.

(e) Not applicable.

(Page 7 of 23)

Item 6. CONTRACTS, ARRANGEMENTS, UNDERSTANDINGS OR RELATIONSHIPS WITH RESPECT TO SECURITIES OF THE ISSUER.

Item 6 of Schedule 13D is hereby supplemented by adding thereto the following:

Effective on July 1, 1995, Xerox and HBP entered into an Asset Management Agreement (the 'HBP Management Agreement'), pursuant to which Xerox appointed HBP to act as investment manager with respect to all securities issued by Kurzweil, including the Common Stock and the Warrants, which are owned by Xerox. Pursuant to the HBP Management

Agreement, HBP has power to vote or direct the vote of and to dispose or direct the disposition of Common Stock owned by Xerox to be acquired by Xerox upon exercise of the Warrants or Options or upon conversion of the Convertible Preferred Stock. For a description of the terms and provisions of the HBP Management Agreement, reference is hereby made to the HBP Management Agreement, a copy of which is filed as Exhibit 12 hereto and incorporated herein by reference.

ITEM 7. MATERIAL TO BE FILED AS EXHIBITS

Item 7 of Schedule 13D is hereby supplemented by adding thereto the following:

- | EXHIBIT NO. | DESCRIPTION |
|-------------|---|
| (7) | Warrant to purchase 225,000 shares of Common Stock dated September 13, 1994 in favor of Xerox Corporation. |
| (8) | Warrant to purchase 100,000 shares of Common Stock dated January 26, 1995 in favor of Xerox Corporation. |
| (9) | Warrant to purchase 110,000 shares of Common Stock dated February 10, 1995 in favor of Xerox Corporation. |
| (10) | Warrant to purchase 150,000 shares of Common Stock dated March 23, 1995 in favor of Xerox Corporation. |
| (11) | Warrant to purchase 50,000 shares of Common Stock dated April 19, 1995 in favor of Xerox Corporation. |
| (12) | Asset Management Agreement dated as of July 1, 1995 between Xerox Corporation and Horsley Bridge Partners, Inc. |

(Page 8 of 23)

SIGNATURE

After reasonable inquiry and to the best of my knowledge and belief, I certify that the information set forth in this statement is true, complete and correct.

August 18, 1995

XEROX CORPORATION

By: /s/ Martin S. Wagner
Assistant Secretary

EXHIBIT INDEX

EXHIBIT NO.	DESCRIPTION
(7)	Warrant to purchase 225,000 shares of Common Stock dated September 13, 1994 in favor of Xerox Corporation.
(8)	Warrant to purchase 100,000 shares of Common Stock dated January 26, 1995 in favor of Xerox Corporation.
(9)	Warrant to purchase 110,000 shares of Common Stock dated February 10, 1995 in favor of Xerox Corporation.
(10)	Warrant to purchase 150,000 shares of Common Stock dated March 23, 1995 in favor of Xerox Corporation.
(11)	Warrant to purchase 50,000 shares of Common Stock dated April 19, 1995 in favor of Xerox Corporation.
(12)	Asset Management Agreement dated as of July 1, 1995 between Xerox Corporation and Horsley Bridge Partners, Inc.

WARRANT

This Warrant Grant is made this 13th day of September 1994, between SelecTronics, Inc., a Delaware corporation (herein referred to as the 'Company') and Xerox Corporation (herein referred to as 'Xerox').

WITNESSETH:

1. The Company hereby grants to Xerox for good and valuable consideration received a warrant to purchase an aggregate of 225,000 shares of the \$.01 par value Common Stock of the Company (herein referred to as 'Shares'). The price shall be the lower of (i) ten cents (\$.10) per Common Share, or (ii) the lowest price per share realized in a public or private sale by the Company of its Common Stock in any transaction closed after the date of this Warrant in which such transaction the aggregate gross sales price was one million dollars (\$1,000,000) or more.
2. The warrant may be exercised at any time or from time to time as to all or any part of the Shares then available for exercise.
3. This warrant, to the extent not exercised, shall expire on the fifth anniversary of the warrant date.
4. The warrant is not transferable by Xerox.
5. In order for the warrant to be exercised, in whole or in part, Xerox must give notice to the Company in writing and the notice must be accompanied by payment in full of the warrant exercise price for the Shares being purchased.
6. Upon the exercise of the warrant, Xerox shall not thereafter transfer, encumber, or dispose of the Shares so purchased unless: (a) an effective registration statement covering such Shares is filled pursuant to the Securities Act of 1933, as amended, and applicable state law; or (b) an opinion letter of Xerox' counsel is obtained, satisfactory to the Company and its counsel, that such transfer is not in violation of any applicable federal or state securities laws or regulations.
7. This warrant shall be binding upon and inure to the benefit of any successor or assignee of the Company and to any successor of Xerox.

IN WITNESS WHEREOF, the Company has caused this warrant to be executed in its behalf by its duly authorized officer and to be sealed with its corporate seal, attested by its Secretary or Assistant Secretary.

Dated: 13 September 1994
Pittsford, New York

ATTEST:

SELECTRONICS, INC.

By: _____

WARRANT

This Warrant Grant is made this 26th day of January 1995, between SelecTronics, Inc., a Delaware corporation (herein referred to as the 'Company') and Xerox Corporation (herein referred to as 'Xerox').

WITNESSETH:

1. The Company hereby grants to Xerox for good and valuable consideration received a warrant to purchase an aggregate of 100,000 shares of the \$.01 par value Common Stock of the Company (herein referred to as 'Shares'). The price shall be the lower of (i) ten cents (\$.10) per Common Share, or (ii) the lowest price per share realized in a public or private sale by the Company of its Common Stock in any transaction closed after the date of this Warrant in which such transaction the aggregate gross sales price was one million dollars (\$1,000,000) or more.
2. The warrant may be exercised at any time or from time to time as to all or any part of the Shares then available for exercise.
3. This warrant, to the extent not exercised, shall expire on the fifth anniversary of the warrant date.
4. The warrant is not transferable by Xerox.
5. In order for the warrant to be exercised, in whole or in part, Xerox must give notice to the Company in writing and the notice must be accompanied by payment in full of the warrant exercise price for the Shares being purchased.
6. Upon the exercise of the warrant, Xerox shall not thereafter transfer, encumber, or dispose of the Shares so purchased unless: (a) an effective registration statement covering such Shares is filled pursuant to the Securities Act of 1933, as amended, and applicable state law; or (b) an opinion letter of Xerox' counsel is obtained, satisfactory to the Company and its counsel, that such transfer is not in violation of any applicable federal or state securities laws or regulations.
7. This warrant shall be binding upon and inure to the benefit of any successor or assignee of the Company and to any successor of Xerox.

IN WITNESS WHEREOF, the Company has caused this warrant to be executed in its behalf by its duly authorized officer and to be sealed with its corporate seal, attested by its Secretary or Assistant Secretary.

Dated: 26 January 1995
Pittsford, New York

ATTEST:

SELECTRONICS, INC.

By: _____

WARRANT

This Warrant Grant is made this 10th day of February 1995, between SelecTronics, Inc., a Delaware corporation (herein referred to as the 'Company') and Xerox Corporation (herein referred to as 'Xerox').

WITNESSETH:

1. The Company hereby grants to Xerox for good and valuable consideration received a warrant to purchase an aggregate of 110,000 shares of the \$.01 par value Common Stock of the Company (herein referred to as 'Shares'). The price shall be the lower of (i) ten cents (\$.10) per Common Share, or (ii) the lowest price per share realized in a public or private sale by the Company of its Common Stock in any transaction closed after the date of this Warrant in which such transaction the aggregate gross sales price was one million dollars (\$1,000,000) or more.
2. The warrant may be exercised at any time or from time to time as to all or any part of the Shares then available for exercise.
3. This warrant, to the extent not exercised, shall expire on the fifth anniversary of the warrant date.
4. The warrant is not transferable by Xerox.
5. In order for the warrant to be exercised, in whole or in part, Xerox must give notice to the Company in writing and the notice must be accompanied by payment in full of the warrant exercise price for the Shares being purchased.
6. Upon the exercise of the warrant, Xerox shall not thereafter transfer, encumber, or dispose of the Shares so purchased unless: (a) an effective registration statement covering such Shares is filled pursuant to the Securities Act of 1933, as amended, and applicable state law; or (b) an opinion letter of Xerox' counsel is obtained, satisfactory to the Company and its counsel, that such transfer is not in violation of any applicable federal or state securities laws or regulations.
7. This warrant shall be binding upon and inure to the benefit of any successor or assignee of the Company and to any successor of Xerox.

IN WITNESS WHEREOF, the Company has caused this warrant to be executed in its behalf by its duly authorized officer and to be sealed with its corporate seal, attested by its Secretary or Assistant Secretary.

Dated: 10 February 1995
Pittsford, New York

ATTEST:

SELECTRONICS, INC.
By: _____

WARRANT

This Warrant Grant is made this 23rd day of March 1995, between SelecTronics, Inc., a Delaware corporation (herein referred to as the 'Company') and Xerox Corporation (herein referred to as 'Xerox').

WITNESSETH:

1. The Company hereby grants to Xerox for good and valuable consideration received a warrant to purchase an aggregate of 150,000 shares of the \$.01 par value Common Stock of the Company (herein referred to as 'Shares'). The price shall be the lower of (i) ten cents (\$.10) per Common Share, or (ii) the lowest price per share realized in a public or private sale by the Company of its Common Stock in any transaction closed after the date of this Warrant in which such transaction the aggregate gross sales price was one million dollars (\$1,000,000) or more.
2. The warrant may be exercised at any time or from time to time as to all or any part of the Shares then available for exercise.
3. This warrant, to the extent not exercised, shall expire on the fifth anniversary of the warrant date.
4. The warrant is not transferable by Xerox.
5. In order for the warrant to be exercised, in whole or in part, Xerox must give notice to the Company in writing and the notice must be accompanied by payment in full of the warrant exercise price for the Shares being purchased.
6. Upon the exercise of the warrant, Xerox shall not thereafter transfer, encumber, or dispose of the Shares so purchased unless: (a) an effective registration statement covering such Shares is filled pursuant to the Securities Act of 1933, as amended, and applicable state law; or (b) an opinion letter of Xerox' counsel is obtained, satisfactory to the Company and its counsel, that such transfer is not in violation of any applicable federal or state securities laws or regulations.
7. This warrant shall be binding upon and inure to the benefit of any successor or assignee of the Company and to any successor of Xerox.

IN WITNESS WHEREOF, the Company has caused this warrant to be executed in its behalf by its duly authorized officer and to be sealed with its corporate seal, attested by its Secretary or Assistant Secretary.

Dated: 23 March 1995
Pittsford, New York

ATTEST:

SELECTRONICS, INC.

By: _____

WARRANT

This Warrant Grant is made this 19th day of April 1995, between SelecTronics, Inc., a Delaware corporation (herein referred to as the 'Company') and Xerox Corporation (herein referred to as 'Xerox').

WITNESSETH:

- 1. The Company hereby grants to Xerox for good and valuable consideration received a warrant to purchase an aggregate of 50,000 shares of the \$.01 par value Common Stock of the Company (herein referred to as 'Shares'). The price shall be the lower of (i) ten cents (\$.10) per Common Share, or (ii) the lowest price per share realized in a public or private sale by the Company of its Common Stock in any transaction closed after the date of this Warrant in which such transaction the aggregate gross sales price was one million dollars (\$1,000,000) or more.
- 2. The warrant may be exercised at any time or from time to time as to all or any part of the Shares then available for exercise.
- 3. This warrant, to the extent not exercised, shall expire on the fifth anniversary of the warrant date.
- 4. The warrant is not transferable by Xerox.
- 5. In order for the warrant to be exercised, in whole or in part, Xerox must give notice to the Company in writing and the notice must be accompanied by payment in full of the warrant exercise price for the Shares being purchased.
- 6. Upon the exercise of the warrant, Xerox shall not thereafter transfer, encumber, or dispose of the Shares so purchased unless: (a) an effective registration statement covering such Shares is filled pursuant to the Securities Act of 1933, as amended, and applicable state law; or (b) an opinion letter of Xerox' counsel is obtained, satisfactory to the Company and its counsel, that such transfer is not in violation of any applicable federal or state securities laws or regulations.
- 7. This warrant shall be binding upon and inure to the benefit of any successor or assignee of the Company and to any successor of Xerox.

IN WITNESS WHEREOF, the Company has caused this warrant to be executed in its behalf by its duly authorized officer and to be sealed with its corporate seal, attested by its Secretary or Assistant Secretary.

Dated: April 19, 1995
Pittsford, New York

ATTEST:

SELECTRONICS, INC.
By: _____

ASSET MANAGEMENT AGREEMENT

This Asset Management Agreement is made and entered into as of the 1st day of July, 1995, by and between Xerox Corporation, a New York corporation ('Xerox'), and Horsley Bridge Partners, Inc., a Delaware corporation ('Investment Manager').

1. Appointment of Investment Manager.

Xerox hereby appoints Horsley Bridge Partners, Inc. to act as its investment manager, commencing as of the date hereof, with respect to (i) all of the limited partnership investments listed on Exhibit A hereto; (ii) all securities listed on Exhibit B hereto; and (iii) all securities which are distributed by any of the partnerships described in clause (i) hereof (collectively, the 'Investment Assets'). All cash proceeds of the Investment Assets shall be transferred to Xerox, and Investment Manager shall have no responsibility with respect to the management thereof.

2. Representations of Investment Manager.

The Investment Manager represents and warrants that it is duly registered with the Securities and Exchange Commission as an investment adviser pursuant to the Investment Advisers Act of 1940, as amended, and that it has completed, obtained or performed all registrations, filings, approvals, authorizations, consents or examinations required by any government or governmental authority for the performance of the acts contemplated by this Agreement.

3. Duties of the Investment Manager

(a) The Investment Manager shall use its best efforts to protect and enhance the value of the Investment Assets. Such efforts shall include without limitation to visit periodically the issuers of securities constituting the Investment Assets, to receive all distributions from the limited partnerships listed on Exhibit A and to manage the Investment Assets to cash. Such efforts shall not include serving as a director of any issuer.

(b) The Investment Manager is authorized, in its discretion to make all decisions with respect to the investment and disposition of any of the Investment Assets, provided, however, that Investment Manager shall have the authority to direct the purchase only of securities of issuers the securities of which are listed on Exhibit B hereto, and the successors of such issuers, and only in an aggregate amount up to \$1,500,000 during the term of this Agreement. If the Investment Manager believes it is advisable to purchase securities with an aggregate purchase price in excess of such \$1,500,000, it shall make such purchases only after obtaining the written approval therefor from Xerox.

(Page 16 of 23)

(c) The Investment Manager is authorized to place orders with brokers or dealers or other persons to sell, exchange or liquidate any of the Investment Assets. The Investment Manager shall have custody of the Investment Assets, provided that it shall return all cash it receives with respect to the Investment Assets (other than cash received from Xerox for the purchase of securities) to Xerox pursuant to instructions provided by Xerox. Xerox shall, at the request of the Investment Manager, execute and deliver any documents that the Investment Manager reasonably deems necessary or appropriate to enable the Investment Manager to perform its duties hereunder.

(i) Any instruction or direction which the Investment Manager wishes to give Xerox in the performance of its responsibilities under this Agreement shall be given in any manner which is agreeable to the Investment Manager and Xerox. However, all instructions and directions shall be either given or confirmed in writing.

(ii) An officer of the Investment Manager shall from time to time certify to Xerox the name of the person or persons authorized to act on its behalf, and furnish Xerox a specimen of his or their signatures. Any person so certified shall be deemed to be the Investment Manager's authorized representative. When any person so certified shall cease to have authority to act on its behalf, the Investment Manager shall promptly give notice to that effect to Xerox, but until such notice is received by Xerox such person shall continue to be an authorized representative.

(d) With respect to any action it takes or omits that is within the power and authority granted to it hereunder, the Investment Manager shall be fully protected and have no liability to Xerox, provided it has used the care, skill, prudence and diligence under the circumstances then prevailing that a prudent man acting in a like capacity and familiar with such matters would use in the conduct of an enterprise of a like character and with like aims.

(e) The Investment Manager is hereby authorized as Xerox's agent and attorney-in-fact to take all actions with respect to the voting of the Investment Assets, including the execution of proxies, and the execution, on behalf of Xerox, of all agreements, amendments thereto, consents and other documents relating to the Investment Assets.

(f) The Investment Manager shall provide (i) quarterly reports to Xerox, which shall include a list of the Investment Assets and a current valuation thereof, (ii) an annual meeting to provide current information about the Investment Assets and the Investment Manager's activities pursuant to this Agreement and (iii) such information and updates concerning developments with respect to the Investment Assets and its activities hereunder as Xerox shall from time to time reasonably request.

4. Duties of Xerox

Xerox shall provide the Investment Manager with all of the information and documents which the Investment Manager may from time to time reasonably require with respect to the investment Assets.

5. Compensation

(Page 17 of 23)

(a) Xerox shall pay to the Investment Manager in cash during the term of this Agreement, as full payment for the services rendered by the Investment Manager hereunder, annual compensation, payable quarterly in advance equal to the following:

Years	Amount
July 1, 1995 - June 30, 1996	\$450,000
July 1, 1996 - June 30, 1997	\$350,000
July 1, 1997 - June 30, 1999	\$200,000 - \$350,000*
July 1, 1999 - June 30, 2002	\$150,000 - \$250,000*
After June 30, 2002	Up to \$100,000*

* Subject to annual negotiation within the ranges shown prior to the commencement of each such year.

(b) in addition to the compensation provided pursuant to paragraph (a) of this Section 5, Xerox will reimburse the Investment Manager for all reasonable actual out-of-pocket expenses, including reasonable attorneys' and accountants' fees, incurred by the Investment Manager in connection with or as a result of the services rendered by the Investment Manager hereunder, provided, however, the Investment Manager shall not incur any such attorneys' or accounts fees in excess of \$7,500 in any contract year without the prior approval of Xerox. Such reimbursement shall be made by Xerox after presentation by the Investment Manager of invoices or other reasonable evidence of the incurrence of such expenses in accordance with its customary practices for making payments to service providers.

6. Termination

(a) This Agreement shall continue in effect until terminated by either party by giving the other party notification in writing at least thirty (30) days prior to the date of termination; provided, however, that the Investment Manager shall not have the right to terminate this Agreement prior to seven (7) years after the effective date hereof except in the event of (i) a breach by Xerox of its obligations under this Agreement that is not cured within thirty (30) days after notice of such breach is given to Xerox by investment Manager or (ii) failure of Xerox and the Investment Manager to reach agreement on the fee for any year beginning after June 30, 1997 per Section 5 (a).

(b) Any compensation payable to the Investment Manager pursuant to Section 5 of this Agreement shall be pro rated to the date of termination and the Investment Manager shall return to Xerox any unearned fees that had been previously paid.

7. Indemnification

Xerox shall indemnify and hold harmless the Investment Manager and each director, officer, employee and agent of the Investment Manager (the 'Indemnified Parties') against any cost, expense (including reasonable attorneys' fees, including those incurred in enforcing this indemnity), loss, judgment, liability or amount paid

(Page 18 of 23)

in settlement in accordance with this Section 7 incurred by or imposed upon the Indemnified Parties, in connection with any action, suit or proceeding, to which such Indemnified Parties may be made a party or with which they shall be threatened, by reason of this Agreement or the services performed hereunder, provided, however, that no Indemnified Party shall be entitled to any indemnity hereunder with respect to any matters as to which the Indemnified Party shall have been finally adjudicated to have acted in violation of this Agreement, in bad faith or in a negligent manner.

Promptly after receipt by an Indemnified Party of notice of any complaint or the commencement of any action or proceeding with respect to which indemnification is being sought hereunder, such person will notify Xerox in writing of such complaint or of the commencement of such action or proceeding, but failure so to notify Xerox will relieve Xerox from any obligation or liability that it may have hereunder only if, and to the extent that such failure results in forfeiture by Xerox of any substantial rights and defenses, and will not in any event relieve Xerox from any other obligation or liability that it may have to any Indemnified Party otherwise than under this Agreement. If Xerox so elects or is requested by such Indemnified Party, Xerox will assume the defense of such action or proceeding, including the employment of counsel reasonably satisfactory to the Indemnified Party and the payment of the fees and disbursements of such counsel. In the event, however, such Indemnified Party reasonably determines in its reasonable judgment that having common counsel would present such counsel with a conflict of interest or if the defendants in, or targets of any such action or proceeding include both an Indemnified Party and Xerox, and such Indemnified Party reasonably concludes that there may be legal defenses available to it or other Indemnified Parties that are different from or in addition to those available to Xerox, or if Xerox fails to assume the defense of the action or proceeding or to employ counsel reasonably satisfactory to such Indemnified Party, in either case in a timely manner, then such Indemnified Party may employ separate counsel to represent or defend it in any such action or proceeding and Xerox will pay the reasonable fees and disbursements of such counsel, provided, however, that Xerox will not be required to pay the fees and disbursements of more than one separate counsel for all Indemnified Parties in any jurisdiction in any single action or proceeding. In any action or proceeding the defense of which Xerox assumes, the Indemnified Party will have the right to participate in such litigation and retain its own counsel at such Indemnified Party's own expense.

Xerox will not, without the Investment Manager's prior written consent, settle, compromise, consent to the entry of any judgment in or otherwise seek to terminate any action, claim, suit or proceeding in respect of which indemnification may be sought hereunder (whether or not any Indemnified Party is a party thereto) unless such settlement, compromise, consent or termination includes a release of each Indemnified Party from any liabilities arising out of such action, claim, suit or proceeding. No Indemnified Party seeking indemnification, reimbursement or contribution under this Agreement may, without Xerox' prior written consent, settle, compromise, consent to the entry of any judgment in or otherwise seek to terminate any action, claim, suit, investigation or proceeding in respect of which indemnification has or will be sought hereunder.

(Page 19 of 23)

8. Assignment

This Agreement shall not be assignable by either party.

9. Disclosure Statement

Xerox hereby acknowledges receipt of a copy of Part II of the Investment Manager's current Form ADV.

10. Change in Control

The Investment Manager shall notify Xerox within five business days if there is any change in control or ownership of the investment Manager.

11. Notices.

All notices hereunder shall be in writing and shall be delivered in person, or sent by overnight courier service, or transmitted by facsimile, to the address of the party set forth below, or to such other address as may be designated in writing in accordance with this Section:

(a) If to Xerox:

Xerox Corporation
800 Long Ridge Road
Stamford, CT 06904
Attention: Vice President, Treasurer and Secretary

Fax No. (203) 968- 4301

(b) If to Investment Manager:

Horsely Bridge Partners, Inc.
505 Montgomery Street
San Francisco, CA 94111

Fax No. (415) 986-7744

12. Entire Agreement.

This Agreement contains the entire understanding of the parties on the subject hereof and terminates and supersedes all previous verbal and written agreements on such subject.

13. Severability.

In the event that any court of competent jurisdiction shall determine that one or more of the provisions contained in this Agreement shall be unenforceable in any respect, then such provision shall be deemed limited and restricted to the extent that such court shall deem it to be enforceable, and as so limited or restricted shall remain in full force and effect. In the event that any such provision or provisions shall be deemed wholly unenforceable, the remaining provisions shall remain in full force and effect.

(Page 20 of 23)

14. Governing Law

The validity of this Agreement and the rights and liabilities of the parties hereunder shall be determined in accordance with the laws of the State of New York, without regard to the choice of law principles thereof.

IN WITNESS WHEREOF, the parties hereto have executed this Agreement as of the date first written above.

XEROX CORPORATION

By: /s/ Eunice M. Filter

Its: Vice President, Treasurer and Secretary

HORSLEY BRIDGE PARTNERS, INC.

By: /s/ N. Dan Reeve

Its: Managing Director & Assistant Secretary

(Page 21 of 23)

EXHIBIT A
XEROX LIMITED PARTNERSHIPS

COLORADO VENTURE MANAGEMENT III & IV

OXFORD II

PEREGRINE I & II

EXHIBIT B
XEROX SECURITIES

PRIVATE COMPANIES

CARDIFF SOFTWARE INC.
CHAPMAN INSTRUMENTS
CYMER LASER
MANAGEMENT ACQUISITION CORP.(GESCAN INT'L)(1)
NETWISE INCORPORATED
SPECTRA INC.
SUPERCONDUCTIVITY INC.
ULTRA FINE POWDER TECHNOLOGY
VERBEX

PUBLIC COMPANIES

BASHAW HOLDINGS(formerly BALLARD BATTERY)
BALLARD POWER (2)
C.P. CHARE (3)
INTERNATIONAL SOFTWARE GROUP (formerly CORTEX CORP.)
KURZWEIL Applied Intelligence
MICROTEC, INC. (formerly READY SYSTEMS)
M.R.S. TECHNOLOGY
SELECTRONICS
SOFTDESK (formerly ASG)
XEROGRAPHIC LASER IMAGING CORP.

-
- (1) XVC has royalty rights. No securities actually owned.
(2) Only 25,000 shares left. May be sold prior to 7/1/95
(3) IPO on 6/21/95. XVC sold 10,000 out of 169,012 shares owned.