FORM 10-Q

SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

(Mark One)

[X] QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the quarterly period ended: June 30, 2000

OR

[ ] TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the transition period from __________ to___________

Commission File Number 1-4471

XEROX CORPORATION
(Exact Name of Registrant as specified in its charter)

New York	16-0468020
(State or other jurisdiction of incorporation or organization)	(IRS Employer Identification No.)

P.O. Box 1600
Stamford, Connecticut 06904-1600
(Address of principal executive offices)
(Zip Code)

(203) 968-3000
(Registrant's telephone number, including area code)

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days.

Yes X No

APPLICABLE ONLY TO CORPORATE ISSUERS:

Indicate the number of shares outstanding of each of the issuer's classes of common stock, as of the latest practicable date.

Class	Outstanding at July 31, 2000
Common Stock	666,753,398 shares

This document consists of 61 pages.

Forward-Looking Statements

From time to time Xerox Corporation (the Registrant or the Company) and its representatives may provide information, whether orally or in writing, including certain statements in this Form 10-Q under "Management's Discussion and Analysis of Results of Operations and Financial Condition," which are deemed to be "forward-looking" within the meaning of the Private Securities Litigation Reform Act of 1995 ("Litigation Reform Act"). These forward-looking statements and other information relating to the Company are based on the beliefs of management as well as assumptions made by and information currently available to management.

The words "anticipate," "believe," "estimate," "expect," "intend," "will," and similar expressions, as they relate to the Company or the Company's management, are intended to identify forward-looking statements. Such statements reflect the current views of the Registrant with respect to future events and are subject to certain risks, uncertainties and assumptions. Should one or more of these risks or uncertainties materialize, or should underlying assumptions prove incorrect, actual results may vary materially from those described herein as anticipated, believed, estimated or expected. The Registrant does not intend to update these forward-looking statements.

In accordance with the provisions of the Litigation Reform Act we are making investors aware that such "forward-looking" statements, because they relate to future events, are by their very nature subject to many important factors which could cause actual results to differ materially from those contained in the "forward-looking" statements. Such factors include but are not limited to the following:

Competition - the Registrant operates in an environment of significant competition, driven by rapid technological advances and the demands of customers to become more efficient. There are a number of companies worldwide with significant financial resources which compete with the Registrant to provide document processing products and services in each of the markets served by the Registrant, some of whom operate on a global basis. The Registrant's success in its future performance is largely dependent upon its ability to compete successfully in its currently-served markets and to expand into additional market segments.

Transition to Digital - presently black and white light-lens copiers represent approximately 25% of the Registrant's revenues. This segment of the general office market is mature with anticipated declining industry revenues as the market transitions to digital technology. Some of the Registrant's new digital products replace or compete with the Registrant's current light-lens equipment. Changes in the mix of products from light-lens to digital, and the pace of that change as well as competitive developments could cause actual results to vary from those expected.

Pricing - the Registrant's ability to succeed is dependent upon its ability to obtain adequate pricing for its products and services which provide a reasonable return to shareholders. Depending on competitive market factors, future prices the Registrant can obtain for its products and services may vary from historical levels. In addition, pricing actions to offset currency devaluations may not prove sufficient to offset further devaluations or may not hold in the face of customer resistance and/or competition.

Financing Business - a significant portion of the Registrant's profits arise from the financing of its customers' purchases of the Registrant's equipment. On average, 75 to 80 percent of equipment sales are financed through the Registrant. The Registrant's ability to provide such financing at competitive rates and realize profitable spreads is highly dependent upon its own costs of borrowing which, in turn, depend upon its credit ratings. The Registrant's present credit ratings permit ready access to the credit markets. There is no assurance that these credit ratings can be maintained and/or ready access to the credit markets can be assured. A downgrade or lowering in such ratings could reduce the profitability of such financing business and/or make the Registrant's financing less attractive to customers thus reducing the volume of financing business done.

Productivity - the Registrant's ability to sustain and improve its profit margins is largely dependent on its ability to maintain an efficient, cost-effective operation. Productivity improvements through process reengineering, design efficiency and supplier cost improvements are required to offset labor cost inflation and potential materials cost changes and competitive price pressures.

International Operations - the Registrant derives approximately half its revenue from operations outside of the United States. In addition, the Registrant manufactures many of its products and/or their components outside the United States. The Registrant's future revenue, cost and profit results could be affected by a number of factors, including changes in foreign currency exchange rates, changes in economic conditions from country to country, changes in a country's political conditions, trade protection measures, licensing requirements and local tax issues.

New Products/Research and Development - the process of developing new high technology products and solutions is inherently complex and uncertain. It requires accurate anticipation of customers' changing needs and emerging technological trends. The Registrant must then make long-term investments and commit significant resources before knowing whether these investments will eventually result in products that achieve customer acceptance and generate the revenues required to provide anticipated returns from these investments.

Restructuring - the Registrant's ability to ultimately reduce pre-tax annual expenditures by approximately $1.4 billion, before reinvestments, is dependent upon its ability to successfully implement the 1998 and 2000 restructuring programs including the elimination of 14,200 net jobs worldwide (9,000 under 1998 program, 5,200 under 2000 program), the closing and consolidation of facilities and the successful implementation of process and systems changes.

Revenue Growth - the Registrant's ability to attain a consistent trend of revenue growth over the intermediate to longer term is largely dependent upon expansion of its equipment sales worldwide. The ability to achieve equipment sales growth is subject to the successful implementation of our initiatives to provide industry-oriented global solutions for major customers and expansion of our distribution channels in the face of global competition and pricing pressures. Our inability to attain a consistent trend of revenue growth could materially affect the trend of our actual results.

Xerox Corporation
Form 10-Q
June 30, 2000

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For additional information about The Document Company Xerox, please visit our World-Wide Web site at www.xerox.com/investor

PART I - FINANCIAL INFORMATION

Item 1

Xerox Corporation
Consolidated Statements of Income (Unaudited)

(In millions, except per-share data)	Three months ended June 30, 2000	1999	Six months ended June 30, 2000	1999
Revenues				
Sales	$ 2,527	$ 2,561	$ 4,818	$ 4,681
Service, outsourcing, financing and rentals	2,161	2,301	4,301	4,481
Total Revenues	4,688	4,862	9,119	9,162
Costs and Expenses				
Cost of sales	1,489	1,400	2,758	2,514
Cost of service, outsourcing, financing and rentals	1,285	1,258	2,586	2,471

Inventory charges	-	-	119	-
Research and development expenses	255	256	504	507
Selling, administrative and general expenses	1,338	1,252	2,569	2,423
Restructuring charge and asset impairments	(2)	-	504	-
Mexico provision	115	-	115	-
Gain on affiliate's sale of stock	-	-	(21)	-
Purchased in-process research and development	-	-	27	-
Other, net	49	63	148	120
Total Costs and Expenses	4,529	4,229	9,309	8,035
Income (Loss) before Income Taxes (Benefits), Equity Income and Minorities' Interests	159	633	(190)	1,127
Income taxes (benefits)	48	196	(65)	349
Equity in net income of unconsolidated affiliates	(46)	(24)	(50)	(34)
Minorities' interests in earnings of subsidiaries	12	13	23	21
Net Income (Loss)	$ 145	$ 448	$ (98)	$ 791
Basic Earnings (Loss) per Share	$ 0.21	$ 0.66	$ (0.17)	$ 1.16
Diluted Earnings (Loss) per Share	$ 0.19	$ 0.62	$ (0.17)	$ 1.09

See accompanying notes.

Xerox Corporation

Consolidated Balance Sheets

(In millions, except share data in thousands) Assets	June 30, 2000 (Unaudited)	December 31, 1999
Cash	$ 120	$ 126
Accounts receivable, net	2,951	2,622
Finance receivables, net	5,054	5,115
Inventories	3,289	2,961
Deferred taxes and other current assets	1,487	1,230
Total Current Assets	12,901	12,054
Finance receivables due after one year, net	8,238	8,203
Land, buildings and equipment, net	2,503	2,456
Investments in affiliates, at equity	1,596	1,615
Goodwill and intangible assets, net	2,233	1,724
Other assets	1,976	1,701
Investment in discontinued operations	867	1,130
Total Assets	$ 30,314	$ 28,883
Liabilities and Equity		
Short-term debt and current portion of long-term debt	$ 4,211	$ 3,957
Accounts payable	895	1,016
Accrued compensation and benefit costs	641	715
Unearned income	337	186
Other current liabilities	1,975	2,163
Total Current Liabilities	8,059	8,037
Long-term debt	13,296	10,994
Postretirement medical benefits	1,157	1,133
Deferred taxes and other liabilities	2,130	2,245
Discontinued operations liabilities - policyholders' deposits and other	111	428
Deferred ESOP benefits	(299)	(299)
Minorities' interests in equity of subsidiaries	129	127
Company-obligated, mandatorily redeemable preferred securities of subsidiary trust holding solely subordinated debentures of		

the Company	638	638
Preferred stock	661	669
Common shareholders' equity	4,432	4,911
Total Liabilities and Equity	$ 30,314	$ 28,883
Shares of common stock issued and outstanding	666,584	665,156

See accompanying notes.

Xerox Corporation
Consolidated Statements of Cash Flows (Unaudited)

Six months ended June 30 (In millions)	2000	1999
Cash Flows from Operating Activities		
Net Income (Loss)	$ (98)	$ 791
Adjustments required to reconcile income to cash flows from operating activities:		
Depreciation and amortization	536	457
Provisions for doubtful accounts	178	123
Restructuring and other charges	623	-
Mexico provision	115	-
Gain on affiliate's sale of stock	(21)	-
Gain on divestitures	(63)	-
Purchased in-process research and development	27	-
Provision for postretirement medical benefits, net of payments	24	22
Cash payments for the 1998 restructuring	(96)	(221)
Cash payments for the 2000 restructuring	(35)	-
Minorities' interests in earnings of subsidiaries	23	21
Undistributed equity in income of affiliated companies	(11)	(33)
Increase in inventories	(281)	(100)
Increase in on-lease equipment	(335)	(125)
Increase in finance receivables	(467)	(649)
Proceeds from securitization of finance receivables	-	750
Increase in accounts receivable	(362)	(281)
Decrease in accounts payable and accrued compensation and benefit costs	(216)	(319)
Net change in current and deferred income taxes	(390)	124
Change in other current and noncurrent liabilities	(300)	(414)
Other, net	(230)	(217)
Total	(1,379)	(71)
Cash Flows from Investing Activities		
Cost of additions to land, buildings and equipment	(240)	(310)
Proceeds from sales of land, buildings and equipment	55	26
Proceeds from divestitures	50	-
Acquisitions, net of cash acquired	(873)	-
Other, net	-	(26)
Total	(1,008)	(310)
Cash Flows from Financing Activities		
Net change in debt	2,759	609
Dividends on common and preferred stock	(294)	(293)
Proceeds from sale of common stock	18	117
Dividends to minority shareholders	(3)	(28)
Total	2,480	405
Effect of Exchange Rate Changes on Cash	-	(6)
Cash Provided by Continuing Operations	93	18
Cash Provided (Used) by Discontinued Operations	(99)	6
Increase (Decrease) in Cash	(6)	24
Cash at Beginning of Period	126	79
Cash at End of Period	$ 120	$ 103

See accompanying notes

Xerox Corporation
Notes to Consolidated Financial Statements

1. The unaudited consolidated interim financial statements

presented herein have been prepared by Xerox Corporation ("the Company") in accordance with the accounting policies described in its 1999 Annual Report to Shareholders and should be read in conjunction with the notes thereto.

In the opinion of management, all adjustments (consisting only of normal recurring adjustments) which are necessary for a fair statement of operating results for the interim periods presented have been made.

Prior years' financial statements have been restated to reflect certain reclassifications to conform with the 2000 presentation. The impact of these changes is not material and did not affect net income.

References herein to "we" or "our" refer to Xerox and consolidated subsidiaries unless the context specifically requires otherwise.

2. Inventories consist of (in millions):

	June 30, 2000	December 31, 1999
Finished products	$ 1,988	$ 1,800
Work in process	168	122
Raw materials and supplies	411	363
Sub-total	2,567	2,285
Equipment on operating leases, net	722	676
Total	$ 3,289	$ 2,961

3. On March 31, 2000, we announced details of a worldwide restructuring program designed to enhance shareholder value, spur growth and strengthen the company's competitive position in the digital marketplace primarily through cost and expense reductions. In connection with this program, in the first quarter of 2000 we recorded a pre-tax provision of $625 million ($444 million after taxes and including our $18 million share of a restructuring charge recorded by Fuji Xerox, an unconsolidated affiliate). The $625 million pre-tax charge includes severance costs related to the elimination of 5,200 positions worldwide. The employment reductions are wide-ranging, impacting all levels, business groups and geographic regions of the corporation. None of the reductions will reduce sales coverage or affect direct research and development. The charge also includes $71 million related to facility closings and other asset write-offs and $119 million for inventory charges , which were recorded as a component of cost of revenues. For facility fixed assets classified as assets to be disposed of, the impairment loss recognized is based on the fair value less cost to sell, with fair value based on estimates of existing market prices for similar assets. The inventory charges relate primarily to the consolidation of distribution centers and warehouses and the exit from certain product lines. The $625 million pre-tax charge was reduced by $2 million in the second quarter due to a change in estimate.

The restructuring will be completed in early 2001. Key initiatives of the restructuring, which will result in charges for severance and exit activities, include the following:

1) Sharpening the company's focus on cost, quality and delivery in manufacturing by reducing the production infrastructure and moving certain product lines to regions where they are in the greatest customer demand.
2) Driving greater efficiency in logistics and supply chain operations through the consolidation of distribution centers and warehouses, reducing costs and improving inventory turns.
3) Enhancing customer service delivery by deploying technology and executing process changes to reduce costs.
4) Implementing an average 10 percent reduction in the number of middle and upper managers across the various Xerox businesses in the United States, with similar reductions in other geographic areas.
5) Eliminating redundancies in support functions by moving to a shared service model for marketing, human resources and finance.
6) Outsourcing work in areas not related to the company's core business operations and where there is economic advantage.
7) Accelerating the integration of business functions in General Markets Operations to achieve benchmark expenses and

processes for indirect sales channels.

8) Implementing a wide-ranging series of initiatives across Developing Markets Operations (DMO) geographies to improve productivity and cost levels.
9) Leveraging Web-based technology to simplify and streamline processes across internal business operations, and extending to vendor and customer relationships.

The following table summarizes the status of the restructuring reserve (in millions):

Cash Charges:	Total Reserve	Charges Against Reserve/2/	June 30, 2000 Balance
Severance and related costs	$384	$ 33	$351
Lease cancellation and other costs	49/1/	1	48
Sub-total	433	34	399
Non-cash Charges:			
Asset impairment	71	71	-
Inventory charges	119	119	-
Sub-total	190	190	-
Total	$623	$224	$399/3/

/1/ Includes $2 million reduction recorded in second quarter 2000.
/2/ Includes the impact of currency rate changes.
/3/ Of this amount, $330 is included in Other current liabilities.

As of June 30, 2000, approximately 600 employees have left the Company under the 2000 restructuring program. There have been no material changes to the program since its announcement, and the remaining reserve relates to cash expenditures to be incurred primarily during the remainder of 2000 and early 2001.

4. In April 1998, we announced a worldwide restructuring program intended to enhance our competitive position and lower our overall cost structure. In connection with this program, we recorded a pre-tax provision of $1,644 million ($1,107 million after taxes and including our $18 million share of a restructuring charge recorded by Fuji Xerox). The program includes the elimination of approximately 9,000 jobs, net, worldwide, the closing and consolidation of facilities, and the write-down of certain assets. The charges associated with this restructuring program included $113 million of inventory charges recorded as cost of revenues, and $316 million of asset impairments. The inventory charges relate to certain light-lens products that were scrapped as a result of our decision to accelerate the transition to digital products and excess spare parts that were scrapped as a result of our decision to centralize certain parts depots. Included in the asset impairment charge were facility fixed assets write-downs of $156 million and other asset write-downs of $160 million. For facility fixed assets classified as assets to be disposed of, the impairment loss recognized is based on fair value less cost to sell, with fair value based on third-party valuations as well as our internal estimates of existing market prices for similar assets. The remaining $160 million of asset impairments included the write-down of certain technology assets and other items impacted by the consolidation activities described below. The lease cancellation costs relate to facilities primarily located in the U.S. and Europe.
Key initiatives of the restructuring included:

1) Consolidation of 56 European customer support centers into one facility and implementing a shared services organization for back-office operations.
2) Streamlining manufacturing, logistics, distribution and service operations. This includes centralizing U.S. parts depots and outsourcing storage and distribution.
3) Overhauling our internal processes and associated resources, including closing one of four geographically-organized U.S. customer administrative centers.

The reductions are occurring primarily in administrative functions, but also impact service, research and manufacturing.

The following table summarizes the status of the restructuring reserve (in millions):

		Charges	June 30,

Cash Charges:	Total Reserve	Against Reserve/1/	2000 Balance
Severance and related costs	$1,017	$ 846	$171
Lease cancellation and other costs	198	107	91
Sub-total	1,215	953	262
Non-cash Charges:			
Asset impairment	316	316	-
Inventory charges	113	113	-
Sub-total	429	429	-
Total	$1,644	$1,382	$262

/1/ Includes the impact of currency rate changes.

As of June 30, 2000, approximately 11,100 employees have left the Company under the 1998 restructuring program.

There have been no material changes to the program since its announcement in April 1998, and the majority of the remaining reserve will be utilized through the remainder of 2000 for the completion of certain European initiatives and continued payments associated with the severance and lease cancellation initiatives already implemented.

5. Common shareholders' equity consists of (in millions):

	June 30, 2000	December 31, 1999
Common stock	$ 668	$ 667
Additional paid-in-capital	1,572	1,539
Retained earnings	4,106	4,501
Accumulated other comprehensive income /1/	(1,914)	(1,796)
Total	$ 4,432	$ 4,911

/1/ Accumulated other comprehensive income at June 30, 2000 is composed of cumulative translation $(1,896), minimum pension liability of $(32), and unrealized gains on marketable securities of $14.

Comprehensive income (loss) for the three months and six months ended June 30, 2000 and 1999 is as follows (in millions):

	Three months ended June 30,		Six months ended June 30,	
	2000	1999	2000	1999
Net income (loss)	$ 145	$ 448	$ (98)	$ 791
Translation adjustments	(169)	(121)	(132)	(975)
Unrealized gains on marketable Securities	-	-	14	-
Comprehensive income (loss)	$ (24)	$ 327	$ (216)	$ (184)

6. Interest expense totaled $474 million and $405 million for the six months ended June 30, 2000 and 1999, respectively.

7. Segment Reporting

In the first quarter of 2000, we completed the realignment of our operations to better align the company to serve its diverse customers/distribution channels and to provide an industry-oriented focus for global document services and solutions. As a result of this realignment, our reportable segments have been revised accordingly and are as follows: Industry Solutions, General Markets and Developing Markets.

The Industry Solutions operating segment (ISO) covers the direct sales and service organizations in North America and Europe. It is organized around key industries and focused on providing our largest customers with document solutions consisting of hardware, software and services, including document outsourcing, systems integration and document consulting.

The General Markets operating segment (GMO) includes sales agents in North America, concessionaires in Europe and our Channels Group which includes retailers and resellers and our expanding Internet sales and telebusiness. It is responsible for increasing penetration of the general market space, including small office solutions, products for networked work group environments and personal/home office products. In addition, it has responsibility for product development and acquisition for its markets, providing customer- and channel-ready products and solutions.

The Developing Markets operating segment (DMO) includes operations in Latin America, China, Russia, India, the Middle East and Africa. It takes advantage of growth opportunities in emerging markets/countries around the world, building on the leadership Xerox has already established in a number of those markets.

Other businesses include several units, none of which met the thresholds for separate segment reporting. The revenues included in this group are primarily from Xerox Supplies Group (XSG) and Xerox Engineering Systems (XES).

All corporate expenses have been allocated to the operating segments.

Operating segment profit or loss information for the three months ended June 30, 2000 and 1999 is as follows (in millions):

	Industry Solutions	General Markets	Developing Markets	Other Businesses	Total
2000					
Revenue from external customers	$ 2,319	$1,295	$ 694	$ 380	$ 4,688
Intercompany revenues	12	62	-	(74)	-
Total segment revenues	$ 2,331	$1,357	$ 694	$ 306	$ 4,688
Segment profit/1/	$ 127	$ 12	$ (48)	$ 66	$ 157
1999					
Revenue from external customers	$ 2,519	$1,166	$ 710	$ 467	$ 4,862
Intercompany revenues	10	22	-	(32)	-
Total segment revenues	$ 2,529	$1,188	$ 710	$ 435	$ 4,862
Segment profit	$ 433	$ 36	$ 106	$ 58	$ 633

Operating segment profit or loss information for the six months ended June 30, 2000 and 1999 is as follows (in millions):

	Industry Solutions	General Markets	Developing Markets	Other Businesses	Total
2000					
Revenue from external customers	$ 4,478	$2,561	$1,303	$ 777	$ 9,119
Intercompany revenues	23	134	-	(157)	-
Total segment revenues	$ 4,501	$2,695	$1,303	$ 620	$ 9,119
Segment profit/1/	$ 282	$ 50	$ (34)	$ 162	$ 460
1999					
Revenue from external customers	$ 4,763	$2,258	$1,238	$ 903	$ 9,162
Intercompany revenues	19	43	-	(62)	-
Total segment revenues	$ 4,782	$2,301	$1,238	$ 841	$ 9,162
Segment profit	$ 795	$ 132	$ 116	$ 84	$ 1,127

/1/ The following is a reconciliation of segment profit to total Company Income (Loss) before Income Taxes (Benefits), Equity Income and Minorities' Interest:

	Three months ended June 30, 2000	Six months ended June 30, 2000
Total segment profit	$ 157	$ 460
2000 Restructuring:		
Inventory charges	-	(119)
Restructuring charge and asset		

impairments	2	2	(504)	(623)
CPID purchased in-process R&D		-		(27)
Income (Loss) before Income Taxes (Benefits), Equity Income and Minorities' Interests		$ 159		$ (190)

8. Acquisitions

On January 1, 2000 we, and Fuji Xerox, completed the acquisition of the Color Printing and Imaging Division of Tektronix, Inc. (CPID). The aggregate consideration paid of $925 million in cash, which includes $73 million paid directly by Fuji Xerox, is subject to certain post-closing adjustments. CPID manufactures and sells color printers, ink and related products, and supplies. The acquisition was accounted for in accordance with the purchase method of accounting. The operating results of CPID have been included in the consolidated statement of income since January 1, 2000.

The excess of cash paid over the fair value of net assets acquired has been allocated to identifiable intangible assets and goodwill. An independent appraiser, using a discounted cash flow approach, valued the identifiable intangible assets. The value of the identifiable intangible assets includes $27 million for acquired in-process research and development which was written off in the first quarter of 2000. This charge represents the fair value of certain acquired research and development projects that were determined not to have reached technological feasibility as of the date of the acquisition. We determined the amount of the purchase price to be allocated to in-process research and development, based on the methodology that focused on the after-tax cash flows attributable to the in-process products combined with the consideration of the stage of completion of the individual research and development project at the date of acquisition. The remaining excess of the purchase price was allocated to other identifiable intangible assets and goodwill. Identifiable intangible assets included in the valuation, exclusive of intangible assets acquired by Fuji Xerox, were the installed customer base ($209 million), the distribution network ($123 million), the existing technology ($103 million), the workforce ($71 million), and trademarks ($23 million). The remaining excess has been assigned to goodwill. Other identifiable intangible assets and goodwill are being amortized on a straight-line basis over their estimated useful lives which range from 7 to 25 years.

The valuation of the identifiable intangible assets, referred to above, is based on studies and valuations which are currently being finalized. Management does not believe that the final valuation and the final purchase price allocation will produce materially different results than those reflected herein. In addition, the final valuation may be affected by any post-closing adjustments to the purchase price.

9. Divestitures

In April 2000, the Company sold a 25 percent ownership interest in its wholly-owned subsidiary, ContentGuard, to Microsoft, Inc. for $50 million and recognized a pre-tax gain of $23 million, which is included in Other, net. An additional pre-tax gain of $27 million was deferred and is included in Unearned income in the Consolidated Balance Sheet. In connection with the sale, ContentGuard also received $40 million from Microsoft for a non-exclusive license of its patents and other intellectual property and a $25 million advance against future royalty income from Microsoft on sales of products incorporating ContentGuard's technology. The license payment is being amortized over the life of the license agreement of 10 years and the royalty advance will be recognized in income as earned.

In June 2000, the Company completed the sale of its U.S. and Canadian commodity paper business, including an exclusive license for the Xerox brand, to Georgia Pacific and recorded a pre-tax gain of approximately $40 million which is included in Other, net. In addition to the proceeds from the sale of the business, the Company will receive royalty payments on future sales of Xerox branded commodity paper by Georgia Pacific and will earn commissions on Xerox originated sales of commodity paper as an agent for Georgia Pacific. The U.S. and Canadian commodity paper business had annual sales of approximately $275 million of our $1.0 billion total worldwide paper sales in 1999.

10. Mexico Provision

During the second quarter of 2000, the Company recorded a pre-tax provision of $115 million ($78 million after taxes) related to its previously announced issues in Mexico. The provision relates to establishing reserves for uncollectible long-term receivables, recording liabilities for amounts due to concessionaires and, to a lesser extent, for contracts that did not fully meet the requirements to be recorded as sales-type leases. The charge represents the Company's best estimate of the impact of currently known events. Management, with the assistance of outside advisors, continues to investigate our Mexican operations. Until the investigation is complete, the need, if any, for further provisions will not be known. Accordingly, it is not practical to estimate at this time, what, if any, additional provisions may be needed.

In response to these issues, the Company has taken the following actions - a number of senior local managers in Mexico were held accountable and removed from the Company; a new general manager was appointed in Mexico with a strong financial background; the Audit Committee of the Board of Directors has launched an independent investigation into the Mexican operation and an extensive review of the Company's worldwide internal controls was initiated to ensure that the issues identified in Mexico are not present elsewhere.

The Company was recently advised that the Securities and Exchange Commission (SEC) had entered an order of a formal, non-public investigation into our accounting and financial reporting practices in Mexico. The SEC has also issued subpoenas for the production of certain documents. We are cooperating fully with the SEC.

11. Litigation

On March 10, 1994, a lawsuit was filed in the United States District Court for the District of Kansas by two independent service organizations (ISOs) in Kansas City and St. Louis and their parent company. Subsequently, a single corporate entity, CSU, L.L.C. (CSU), was substituted for the three affiliated companies. CSU claimed damages predominately resulting from the Company's alleged refusal to sell parts for high-volume copiers and printers to CSU prior to 1994. The Company's policies and practices with respect to the sale of parts to ISOs were at issue in an antitrust class action in Texas, which was settled by the Company during 1994. Claims for individual lost profits of ISOs who were not named parties, such as CSU, were not included in that class action. The Company asserted counter-claims against CSU alleging patent and copyright infringement relating to the copying of diagnostic software and service manuals. On April 8, 1997, the District Court granted partial summary judgment in favor of the Company on CSU's antitrust claims, ruling that the Company's unilateral refusal to sell or license its patented parts cannot give rise to antitrust liability. On January 8, 1999, the Court dismissed with prejudice all of CSU's antitrust claims. The District Court also granted summary judgment in favor of the Company on its patent infringement claim, leaving open with respect to patent infringement only the issues of willfulness and the amount of damages, and granted partial summary judgment in favor of the Company with respect to some of its claims of copyright infringement. A judgment in the amount of $1 million was entered in favor of the Company and against CSU on the copyright infringement counterclaim. On February 16, 2000, the United States Court of Appeals for the Federal Circuit affirmed the judgment of the District Court dismissing CSU's antitrust claims and on July 11, 2000 CSU petitioned the Supreme Court for a writ of certiorari to review the Appeals Court's judgment.

On April 11, 1996, an action was commenced by Accuscan Corp. (Accuscan), in the United States District Court for the Southern District of New York, against the Company seeking unspecified damages for infringement of a patent of Accuscan which expired in 1993. The suit, as amended, was directed to facsimile and certain other products containing scanning functions and sought damages for sales between 1990 and 1993. On April 1, 1998, the jury entered a verdict in favor of Accuscan for $40 million. However, on September 14, 1998, the Court granted the Company's motion for a new trial on damages. The trial ended on October 25, 1999 with a jury verdict of $10 million. The Company's motion to set aside the verdict or, in the alternative, to grant a new trial was denied by the Court. The Company is appealing to the Court of Appeals for the Federal Circuit.

A consolidated lawsuit is currently pending in the United States District Court for the Western District of Texas. It is a consolidation of two previously separate lawsuits, one of which had been filed in the United States District Court for the District of New Jersey and had been transferred to Texas, and the other which was commenced in Texas. Plaintiffs in both cases claimed that the withdrawal of Crum & Forster Holdings, Inc. (a former subsidiary of ours) (C&F) from the Xerox Corporation Employee Stock Ownership Plan (ESOP) constituted a wrongful termination under the Employee Retirement Income Security Act (ERISA). Both cases were also brought as purported class actions. The complaints in the two cases asserted different legal theories for recovery. In one case damages of $250 million were alleged and in the other case damages were unspecified.

On December 14, 1999, the Court granted plaintiffs' motion to amend their complaint. The amended complaint alleges violations of ERISA only and seeks unspecified damages, injunctive relief, costs and attorneys' fees. Under the amended complaint, plaintiffs purport to bring this action on behalf of themselves and a class of approximately 10,000 persons who were C&F participants in the ESOP on January 1, 1993. The plaintiffs have filed a new motion for class certification based upon the allegations in the amended complaint, which is currently pending. Plaintiffs' previous motion to certify a class action was denied by the Court. Xerox denies liability and intends to vigorously defend this action.

On June 24, 1999, Xerox Corporation was served with a summons and complaint filed in the Superior Court of the State of California for the County of Los Angeles. The complaint was filed on behalf of 681 individual plaintiffs claiming damages as a result of Xerox's alleged disposal and/or release of hazardous substances into the soil, air and groundwater. On July 22, 1999 and on April 12, 2000,respectively, two additional complaints were filed in the same Court, which have not yet been served on Xerox. These separate actions are on behalf of an additional 80 plaintiffs and 140 plaintiffs, respectively, with the same claims for damages as the June, 1999 action. Plaintiffs in all three cases further allege that they have been exposed to such hazardous substances by inhalation, ingestion and dermal contact, including but not limited to hazardous substances contained within the municipal drinking water supplied by the City of Pomona and the Southern California Water Company. Plaintiffs' claims against Xerox include personal injury, wrongful death (claimed in the first two complaints), property damage, negligence, trespass, nuisance, fraudulent concealment, absolute liability for ultra-hazardous activities, civil conspiracy, battery and violation of the California Unfair Trade Practices Act. Damages are unspecified.

We deny any liability for the plaintiffs' alleged damages and intend to vigorously defend these actions. In the most recently-filed case a status conference is set for October 10, 2000. The remaining two cases have been stayed, by stipulation of the parties, until the October 10th status conference.

On December 9, 1999, a complaint was filed in the United States District Court for the District of Connecticut in an action entitled Giarraputo, et al. vs. Xerox Corporation, Barry Romeril, Paul Allaire and Richard Thoman which purports to be a class action on behalf of the named plaintiff and all other purchasers of Common Stock of the Registrant between January 25, 1999 and October 7, 1999 (Class Period). On December 13, 1999, an amended complaint was filed adding an additional named plaintiff, extending the Class Period through December 10, 1999, and expanding the class to include individuals who purchased call options or sold put options. The amended complaint alleges that pursuant to the Securities Exchange Act of 1934, as amended, each of the defendants is liable as a participant in a fraudulent scheme and course of business that operated as a fraud or deceit on purchasers of the Company's Common Stock during the Class Period by disseminating materially false and misleading statements and/or concealing material facts. The amended complaint further alleges that the alleged scheme: (i) deceived the investing public regarding the economic capabilities, sales proficiencies, growth, operations and the intrinsic value of the Company's Common Stock; (ii) allowed several corporate insiders, such as the named individual defendants, to sell shares of privately held Common Stock of the Company while in possession of materially adverse, non-public information; and (iii) caused the individual plaintiffs and the other members of the purported class to purchase Common Stock of the Company at inflated prices. The amended complaint seeks unspecified compensatory damages in favor of the plaintiffs and the other members of the purported class against all defendants, jointly and severally, for all damages sustained as a result of defendants' alleged wrongdoing, including interest thereon, together with reasonable costs and expenses incurred in the action, including counsel fees and expert fees. Several additional class action complaints alleging the same or substantially similar claims were filed in the same Court.

On March 14, 2000, the Court issued an order consolidating all of these related cases into a single action captioned In re Xerox Corporation Securities Litigation, and appointing lead plaintiffs, and lead and liaison counsel. On April 28, 2000 plaintiffs filed an amended consolidated class action complaint on behalf of a redefined class consisting of themselves and all other purchasers of Common Stock of Registrant during the period between October 22, 1998 through October 7, 1999.

The named individual defendants and we deny any wrongdoing and intend to vigorously defend the action.

On July 5, 2000, a shareholder derivative action was commenced in the Supreme Court of the State of New York, County of New York on behalf of Registrant against all current members of the Board of Directors (with the exception of Anne M. Mulcahy) (collectively, the "Individual Defendants"), and Registrant, as a nominal defendant. Plaintiff claims breach of fiduciary duties related to certain of the accounts receivable related to Registrant's operations in Mexico. The complaint alleges that the Individual Defendants breached their fiduciary duties by, among other things, permitting wrongful business practices to occur, inadequately supervising and failing to instruct employees and managers of Registrant and taking no steps to institute appropriate legal action against those responsible for unspecified wrongful conduct. Plaintiff claims that Registrant has suffered unspecified damages but which are "expected to exceed tens of millions of dollars", and seeks judgment, among other things, requiring the Individual Defendants to pay to Registrant the amounts by which Registrant has been damaged by reason of their breach of their fiduciary duties and/or to the extent they have been unjustly enriched and to institute and enforce appropriate procedural safeguards to prevent the alleged wrongdoing.

The Individual Defendants deny the wrongdoing alleged in the complaint and intend to vigorously defend the action.

Item 2 Xerox Corporation
Management's Discussion and Analysis of Results of Operations and Financial Condition

Document Processing

Summary

Total second quarter 2000 revenues declined 4 percent to $4.7 billion compared with $4.9 billion in the 1999 second quarter. Excluding adverse currency translation, pre-currency revenues declined 1 percent. Excluding the beneficial impact of the January 1, 2000 acquisition of the Tektronix, Inc. Color Printing and Imaging Division (CPID), pre-currency revenues declined 4 percent.

Total revenues in the first half of 2000 of $9.1 billion declined 1 percent compared with $9.2 billion in the first half of 1999. Excluding adverse currency translation, pre-currency revenues increased 2 percent. Excluding the beneficial impact of the CPID acquisition, pre-currency revenues declined 1 percent. First quarter 2000 revenues included an increase of approximately $40 million associated with excellent growth in licensing patents from our intellectual property portfolio and selling standalone software.

Including a $115 million pre-tax provision ($78 million after taxes) related to the company's previously announced issues in

Mexico, income in the 2000 second quarter was $145 million. Over a period of years, several senior managers in Mexico had collaborated to circumvent Xerox accounting policies and administrative procedures, resulting in a charge primarily for uncollectible receivables and unrecorded liabilities. Excluding the Mexico provision, income declined 50 percent to $223 million from $448 million in the 1999 second quarter.

This decline in 2000 second quarter income included significant gross margin deterioration. Continued disruption in customer relationships caused by the company's direct sales force realignment resulted in weak equipment sales, primarily in North America and particularly in the high end of our business. In addition, higher growth in the lower-margin document outsourcing and channels businesses and unfavorable product mix continued. Selling, administrative and general expense (SAG) as a percent of revenue deteriorated in the 2000 second quarter from the 1999 second quarter due largely to increased bad debt provisions; significant marketing, advertising and promotional investments including the DRUPA graphic arts show in Germany in May and our major inkjet printer initiative with Sharp Corporation and Fuji Xerox; significant transition costs associated with the implementation of our European shared services organization and the continued impact of the U.S. customer administration issues. Equity income from Fuji Xerox improved in the 2000 second quarter reflecting improved business results and favorable currency translation.

Including the effect of special items, we had a net loss of $98 million in the first half of 2000. Excluding special items, net income in the first half of 2000 declined 44 percent to $442 million from $791 million in the first half of 1999. Special items included the following after-tax charges - $443 million in connection with the 2000 restructuring program (including our $18 million share of a separate Fuji Xerox restructuring charge), $19 million for acquired in-process research and development associated with the CPID acquisition and $78 million for the Mexico provision. The decline in net income reflects the significant gross margin deterioration and higher SAG in the first and second quarters.

Diluted earnings per share, including the $0.11 provision related to accounting issues in our Mexico business, was $0.19 in the 2000 second quarter. Excluding this provision, second quarter 2000 earnings per share of $0.30 declined 52 percent from $0.62 in the 1999 second quarter.

The CPID acquisition adversely impacted second quarter earnings by approximately one cent as the synergies we expect to capture from the integration will not begin to offset the higher goodwill and interest expense until later in 2000. Unfavorable year-over-year currency adversely affected our results by an estimated 4 cents. The 2000 second quarter results also include gains of approximately 6 cents related to sales of assets including the sale in June 2000 of the Xerox-branded commodity paper business in the United States and Canada to Georgia-Pacific Corporation and the sale in April 2000 of a minority interest in ContentGuard to Microsoft.

Including special items, the first half 2000 diluted loss per share was $0.17. Excluding special items, diluted earnings per share declined 45 percent to $0.60 in the first half of 2000 from $1.09 in the first half of 1999. The CPID acquisition and unfavorable year-over-year currency changes adversely impacted first half earnings by approximately three cents and nine cents, respectively.

The following table summarizes net income (loss) and diluted earnings (loss) per share (EPS) for the second quarter and first half of 2000:

(in millions, except per-share data)	2nd Quarter 2000	2nd Quarter 1999	First Half 2000	First Half 1999
Income before special items	$ 222	$ 448	$ 442	$ 791
Restructuring and IPRD charges	1	-	(462)	-
Mexico Provision	(78)	-	(78)	-
Net Income (Loss)	$ 145	$ 448	$ (98)	$ 791

EPS:				
Income before special items	$ 0.30	$ 0.62	$ 0.60	$ 1.09
Restructuring and IPRD charges	-	-	(0.66)	-
Mexico Provision	(0.11)	-	(0.11)	-
Diluted EPS	$ 0.19	$ 0.62	$(0.17)	$ 1.09

Pre-Currency Growth

To understand the trends in the business, we believe that it is helpful to adjust revenue and expense growth (except for ratios) to exclude the impact of changes in the translation of European and Canadian currencies into U.S. dollars. We refer to this adjusted growth as "pre-currency growth."

A substantial portion of our consolidated revenues is derived from operations outside of the United States where the U.S. dollar is not the functional currency. When compared with the average of the major European and Canadian currencies on a revenue-weighted basis, the U.S. dollar was approximately 10 percent stronger in the 2000 second quarter than in the 1999 second quarter and 9 percent stronger in the 2000 first quarter than in the 1999 first quarter. As a result, currency translation had an unfavorable impact of approximately three percentage points on revenue growth in both the second quarter and first half of 2000.

Revenues

Revenues By Segment

Revenues and revenue growth rates by segment are as follows:

	1999 Full Year Revenues	2Q 2000 Revenues	2Q 2000 Revenue Growth Post Currency	2Q 2000 Revenue Growth Pre Currency	Memo: Pre-Currency Revenue Growth Q1
Total Revenues	$19.2	$4.7	(4)%	(1)%	6%
Industry Solutions Ops.	10.0	2.3	(8)	(5)	-
General Markets Ops.	4.7	1.3	11	14	19
Developing Markets Ops.	2.7	0.7	(2)	(2)	15
Other Businesses	1.8	0.4	(19)	(16)	(4)
Memo: Fuji Xerox	7.8	2.2	20	7	2

	YTD 2000 Revenues	YTD 2000 Revenue Growth Post Currency	YTD 2000 Revenue Growth Pre Currency
Total Revenues	$9.1	(1)%	2%
Industry Solutions Ops.	4.5	(6)	(3)
General Markets Ops.	2.6	13	16
Developing Markets Ops.	1.3	5	6
Other Businesses	0.8	(14)	(10)
Memo: Fuji Xerox	4.3	19	4

Dollars are in billions.

Industry Solutions Operations (ISO) covers the direct sales and service organizations in North America and Europe. Revenues declined 8 percent (5 percent pre-currency) in the 2000 second quarter as disruptions in customer relationships caused by the sales force realignment, at a time when competitive product capabilities have strengthened, produced a drag on second quarter equipment sales, particularly of high-end products. Pricing pressure continued and accelerated in color products and also accelerated in light lens copiers in Europe. Revenues in the 2000 second quarter declined in the U.S., France and Germany, were flat in Canada, and reflected good growth in the U.K.

ISO revenues declined 6 percent (3 percent pre-currency) in the first half of 2000 due to the disruptions caused by the sales force realignment and intensified competitive and pricing pressures.

General Markets Operations (GMO) includes sales agents in North America, concessionaires in Europe and our Channels Group which includes retailers and resellers and our expanding Internet sales and telebusiness. General Markets Operations revenues grew 11 percent (14 percent pre-currency) in the 2000 second quarter from the 1999 second quarter including the CPID acquisition. Excluding CPID, General Markets pre-currency revenues were essentially flat in the 2000 second quarter. European concessionaires had good growth while revenues from North American sales agents were essentially flat. Excluding CPID, strong Channels recurring revenue growth from the growing installed equipment population was essentially offset by weak monochrome and color laser printer equipment sales. Excellent placements of inkjet equipment were more than offset by unfavorable mix and continuing equipment price declines. Shipments of our new M series family of inkjet printers, resulting from our alliance with Sharp Corporation and Fuji Xerox, will begin in the third quarter.

GMO revenues increased 13 percent (16 percent pre-currency) in the first half of 2000 including the favorable impact from the CPID acquisition. Excluding CPID, pre-currency revenues grew by 3 percent in the first half of 2000. European concessionaires had good growth while revenues from North American sales agents were essentially flat in the first half. Excluding CPID, strong Channels recurring revenue growth in the first half was offset by lower equipment sales, particularly in the second quarter.

Developing Market Operations (DMO) includes operations in Latin America, China, Russia, India, the Middle East and Africa. Revenue in Brazil in the 2000 second quarter improved sequentially as activity and momentum continue to increase and the economic environment improves. However, compared with the 1999 second quarter, revenue in Brazil temporarily declined due to an inability in 1999 to subsequently sustain the price increases implemented following the maxi-devaluation. China, Russia, the Middle East and Africa had excellent revenue growth in the second quarter but revenue declined in Mexico and Argentina.

DMO revenues increased 5 percent (6 percent pre-currency) in the first half of 2000 reflecting excellent revenue growth in China, India and the Middle East but revenue declined in Mexico and Argentina.

Other Businesses revenues declined 19 percent (16 percent pre-currency) in the 2000 second quarter and 14 percent (10 percent pre-currency) in the first half of 2000, including a decline in Xerox Engineering Systems and a decline in the Xerox Supplies Group, primarily print media other than paper.

Fuji Xerox Co., Ltd., an unconsolidated entity jointly owned by Xerox Limited and Fuji Photo Film Company Limited, develops, manufactures and distributes document processing products in Japan, Australia, New Zealand, and other areas of the Pacific Rim. Fuji Xerox revenues grew 20 percent (7 percent pre-currency) in the 2000 second quarter reflecting good revenue growth in both Japan and Fuji Xerox's other Asia Pacific territories.

Fuji Xerox revenues grew 19 percent (4 percent pre-currency) in the first half of 2000 reflecting modest revenue growth in Japan and strong revenue growth in Fuji Xerox's other Asia Pacific territories.

Key Ratios and Expenses

	1999					2000		.
	Q1	Q2	Q3	Q4	FY	Q1	Q2	YTD
Gross Margin	45.9%	45.3%	43.3%	41.8%	44.0%	42.0%*	40.8%	41.4%*
SAG % Revenue	27.2	25.8	26.1	27.8	26.8	27.8	28.5%	28.2%

* Excludes inventory charges associated with the 2000 restructuring program. If included, the Gross Margin in Q1 and YTD would have been 39.3% and 40.1%, respectively.

Gross margin declined by 4.5 percentage points in the 2000 second quarter from the 1999 second quarter or 4.1 percentage points excluding CPID. Manufacturing and other productivity improvements helped to only partially offset margin pressures from weak DocuTech and Production Printing equipment sales, competitive price pressures and unfavorable currency. Higher growth in the lower-margin document outsourcing and channels businesses also reduced margins in the quarter. In addition, gross margin was adversely impacted by unfavorable product mix and lower service gross margins as service revenue declines have not yet been accompanied by corresponding cost reductions.

Gross margin declined by 4.2 percentage points in the first half of 2000 from the first half of 1999 or 3.8 percentage points excluding CPID. The decline reflects the unfavorable trends noted above. Gross margin in the first quarter of 2000 benefited from increased licensing and stand-alone software revenues associated with the licensing of a number of patents from our intellectual property portfolio.

Selling, administrative and general expenses (SAG) grew 7 percent in the 2000 second quarter. Excluding the favorable effect of currency, SAG grew 10 percent, or 6 percent excluding CPID. In the first half of 2000, SAG grew 6 percent. Excluding the favorable effect of currency, SAG grew 9 percent, or 5 percent excluding CPID. SAG growth in the second quarter and first half reflects increased bad debt provisions; significant marketing, advertising and promotional investments including the DRUPA graphic arts trade show in Germany in May and our major inkjet printer initiative with Sharp Corporation and Fuji Xerox; significant transition costs associated with the implementation of our European shared services organization and the continued impact of the U.S. customer administration issues. These increases were only partially offset by the benefits of our 1998 restructuring program and ongoing expense controls. In the 2000 second quarter, SAG represented 28.5 percent of revenue compared with 25.8 percent of revenue in the 1999 second quarter. Year-to-date, SAG represented 28.2 percent of revenue compared with 26.5 percent of revenue in 1999.

Research and development (R&D) expense in the 2000 second quarter and first half was essentially flat both pre and post currency with the 1999 second quarter and first half, as increased program spending was offset by lower overhead expenses. We continue to invest in technological development to maintain our position in the rapidly changing document processing market with an added focus on increasing the effectiveness and value of that investment. Xerox R&D is strategically coordinated with Fuji Xerox which invested $555 million in R&D in the 1999 full year, for a combined total of $1.5 billion.

Worldwide employment increased by 100 in the 2000 second quarter to 96,300 as a result of the net hiring of 1,100 employees, primarily for the company's fast-growing document outsourcing business, direct sales representatives and staffing for the centralized European customer care and shared services operations in Ireland, which was partially offset by 1,000 employees leaving the company under the 1998 and 2000 worldwide restructuring programs. Worldwide employment increased by 1,700 in the first half of 2000 as a result of our acquisition of CPID with 2,200 employees and a net hiring of 1,200 employees, primarily in the second quarter, partially offset by 1,700 employees leaving the company under the 1998 and 2000 worldwide restructuring programs.

Gain on affiliate's sale of stock of $21 million, which was recorded in the first quarter of 2000, reflects our proportionate share of the increase in equity of Scansoft Inc. resulting from Scansoft's issuance of stock in connection with an acquisition. This gain is partially offset by a $5 million charge, in the first quarter, reflecting our share of Scansoft's write-off of in-process research and development associated with this acquisition, which is included in Equity in net income of unconsolidated affiliates. Scansoft, an equity affiliate, is a developer of digital imaging software that enables users to leverage the power of their scanners, digital cameras, and other electronic devices.

The $14 million decrease in Other, net, from the 1999 second quarter largely reflects gains from the asset sales discussed below and the absence of Y2K remediation spending. These gains were partially offset by increased non-financing interest expense and goodwill amortization associated with the January, 2000 CPID acquisition as well as increased non-financing interest expense associated with higher interest rates and higher debt. For the first half of 2000, Other, net increased $28 million as the asset gains were more than offset by increased non-financing interest expense and goodwill amortization associated with the CPID acquisition as well as increased non-financing interest expense associated with higher interest rates and higher debt.

In April 2000, the Company sold a 25 percent ownership interest in its wholly-owned subsidiary, ContentGuard, to Microsoft, Inc. and recognized a pre-tax gain of $23 million which is included in Other, net. In connection with the sale, ContentGuard also received $40 million from Microsoft for a non-exclusive license of its patents and other intellectual property. This payment is being amortized over the life of the license agreement of 10 years. In addition, ContentGuard will receive future royalty income from Microsoft on sales of Microsoft products incorporating ContentGuard's technology.

In June 2000, the Company completed the sale of its U.S. and Canadian commodity paper business, including an exclusive license for the Xerox brand, to Georgia Pacific and recorded a pre-tax gain of approximately $40 million which is included in Other, net. In addition to the proceeds from the sale of the business, the Company will receive royalty payments on future sales of Xerox branded commodity paper by Georgia Pacific and will earn commissions on Xerox originated sales of commodity paper as an agent for Georgia Pacific. The U.S. and Canadian commodity paper business had annual sales of approximately $275 million of our $1.0 billion total worldwide paper sales in 1999. Although future revenue is expected to be lower as a result of the sale, operating income should remain essentially unchanged as a result of payments received under the royalty/agent elements of the agreement. We expect a cash flow benefit as the existing working capital is reduced.

During the second quarter, the Company recorded a pre-tax provision of $115 million ($78 million after taxes or $0.11 per share) related to its previously announced issues in Mexico. Over a period of years, several senior managers in Mexico had collaborated to circumvent Xerox's accounting policies and administrative procedures. The provision relates to establishing reserves for uncollectible long-term receivables, recording liabilities for amounts due to concessionaires and, to a lesser extent, for contracts that did not fully meet the requirements to be recorded as sales-type leases. The charge represents the Company's best estimate of the impact of currently known events. Management, with the assistance of outside advisors, continues to investigate our Mexican operations. Until the investigation is complete, the need, if any, for further provisions will not be known. Accordingly, it is not practical to estimate at this time, what, if any, additional provisions may be needed.

In response to these issues, the Company has taken the following actions - a number of senior local managers in Mexico were held accountable and removed from the Company; a new general manager was appointed in Mexico with a strong financial background; the Audit Committee of the Board of Directors has launched an independent investigation into the Mexican operation and an extensive review of the Company's worldwide internal controls was initiated to ensure that the issues identified in Mexico are not present elsewhere.

The Company was recently advised that the Securities and Exchange Commission (SEC) had entered an order of a formal, non-public investigation into our accounting and financial reporting practices in Mexico. The SEC has also issued subpoenas for the production of certain documents. We are cooperating fully with the SEC.

Income Taxes, Equity in Net Income of Unconsolidated Affiliates and Minorities' Interests in Earnings of Subsidiaries

Income before income taxes was $159 million in the 2000 second quarter including the Mexico provision. Excluding the Mexico provision, income before income taxes declined 57 percent to $274 million in the 2000 second quarter from $633 million in the 1999 second quarter.

Including the effect of special items, the loss before income taxes was $190 million in the first half of 2000. Excluding special items, income before income taxes in the first half of 2000 declined 49 percent to $575 million from $1,127 million in the first half of 1999. Special items included the following pre-tax charges - a charge of $623 million in connection with the 2000 restructuring program, a $27 million charge for acquired in-process research and development associated with the CPID acquisition and a $115 million provision for Mexico.

The effective tax rate before special items was 31.0 percent in the 2000 second quarter and 2000 first half which is consistent with the 1999 second quarter, 1999 first half and 1999 full year rates. The second quarter effective tax rate of 30.2 percent including the Mexico provision reflects the effective tax rate in Mexico.

Equity in net income of unconsolidated affiliates is principally our 50 percent share of Fuji Xerox income. Total equity in net income increased significantly in the 2000 second quarter and first half reflecting improved Fuji Xerox business results and favorable currency translation.

Fuji Xerox revenues of $2.2 billion in the 2000 second quarter increased 20 percent compared with the 1999 second quarter, including the favorable impact of currency translation resulting primarily from the strengthening yen compared with the U.S. dollar. Pre-currency revenue growth was 7 percent. Net income of $86 million in the 2000 second quarter increased 50 percent from the 1999 second quarter driven by the higher revenues, lower SAG as a percent of revenue due to higher revenue growth in lower cost distribution channels, a lower statutory tax rate and favorable currency.

Fuji Xerox revenues of $4.3 billion in the first six months of 2000 increased 19 percent compared with the same period in 1999 including the favorable impact of currency translation. Pre-currency revenue growth was 4 percent. Net income of $137 million in the first half of 2000 increased from the prior year due to improved business results and favorable currency.

On March 31, 2000 we announced details of a worldwide restructuring program designed to enhance shareholder value, spur growth and strengthen the company's competitive position in the digital marketplace primarily through cost and expense reductions. In connection with this program, in the first quarter of 2000 we recorded a pre-tax provision of $625 million ($444 million after taxes including our $18 million share of the Fuji Xerox restructuring charge). The resulting pre-tax provision of $625 million includes severance costs related to the elimination of 5,200 positions, net worldwide through a combination of voluntary programs and layoffs. The charge also includes $190 million related to facility closings and other asset write-offs such as scrapping certain inventory. The $625 million pre-tax charge was reduced by $2 million in the second quarter due to a change in estimate.

The pre-tax savings from this restructuring plan, net of implementation costs, are expected to be approximately $95 million in 2000 and an incremental $300 million in 2001. These savings are not expected to be reinvested. Approximately 60 percent of the savings are expected in SAG with the balance in other activities. With respect to the headcount reductions we expect that approximately 3,400 positions will be eliminated by the end of 2000 and the balance in early 2001.

As of June 30, 2000, approximately 600 employees had left the company under the program, and termination benefits of $33 million have been charged to the reserve. Asset impairment, inventory charges and other charges of $71 million, $119 million and $1 million, respectively, have also been charged against the restructuring reserve. The 2000 restructuring reserve balance at June 30, 2000 amounted to $399 million which relates to cash expenditures to be incurred primarily during the remainder of 2000 and early 2001.

Additional details regarding the initiatives and status of the 2000 restructuring reserve are included in Note 3 of the "Notes to Consolidated Financial Statements" of this Quarterly Report on Form 10-Q.

On April 7, 1998, we announced a worldwide restructuring program associated with enhancing our competitive position and lowering our overall cost structure. In connection with this program, we recorded a second quarter 1998 pre-tax provision of $1,644 million ($1,107 million after taxes including our $18 million share of a restructuring charge recorded by Fuji Xerox). The program includes employment reductions, the closing and consolidation of facilities, and the write-down of certain assets.

As of June 30, 2000, approximately 11,100 employees had left the company under the 1998 restructuring program. The majority of the reserve balance of $262 million at June 30, 2000 relates to cash expenditures to be incurred primarily during 2000 for the completion of certain European initiatives and continued payments associated with the severance and lease cancellation initiatives already implemented.

The status of the 1998 restructuring reserve is included in Note 4 of the "Notes to Consolidated Financial Statements" of this Quarterly Report on Form 10-Q.

On January 1, 2000 we completed the acquisition of the Tektronix, Inc. Color Printing and Imaging Division (CPID) for $925 million in cash including $73 million paid by Fuji Xerox for the Asia Pacific operations of CPID. This transaction resulted in goodwill and other identifiable intangible assets of approximately $637 million, which will be amortized over their useful lives, ranging from seven to 25 years. In addition, we recognized a $27 million pre-tax charge in the 2000 first quarter for acquired in-process research and development associated with this acquisition.

New Accounting Standards. In 1998, the Financial Accounting Standards Board (FASB) issued Statement of Financial Accounting Standards (SFAS) No.133, "Accounting for Derivative Instruments and Hedging Activities." SFAS No. 133 requires companies to recognize all derivatives as assets or liabilities measured at their fair value. Gains or losses resulting from changes in the values of those derivatives would be accounted for depending on the use of the derivative and whether it qualifies for hedge accounting. We will adopt SFAS No. 133, as amended, beginning January 1, 2001. We do not expect this Statement to have a material impact on our consolidated financial statements.

Discontinued Operations - Insurance and Other

The net investment in our discontinued businesses which includes Insurance and Other Discontinued Businesses totaled $756 million at June 30, 2000 compared with $702 million at December 31, 1999. The increase in the first half of 2000 was primarily caused by the scheduled funding of reinsurance coverage for certain of the former Talegen Holdings, Inc. companies to Ridge Reinsurance Limited.

In July 2000, our OakRe life insurance business entered into an agreement with a subsidiary of the buyer of Xerox Life whereby the subsidiary assumed the remaining reinsurance liabilities associated with the Single Premium Deferred Annuity policies issued by Xerox Life. The agreement results in the completion of the run-off of OakRe. By the end of the 2000 third quarter, upon regulatory approval, OakRe will pay a dividend of approximately $80 million to Xerox Financial Services, Inc., a wholly owned subsidiary of the Company. The dividend is approximately equal to the remaining carrying value of our investment in OakRe.

Capital Resources and Liquidity

Total debt, including ESOP and Discontinued Operations debt not shown separately in our consolidated balance sheets, increased to $17,557 million at June 30, 2000 or $2,556 million more than at December 31, 1999. The changes in total indebtedness during the first six months of 2000 and 1999 are summarized as follows (in millions):

	2000	1999
Total debt* as of January 1	$15,001	$15,107
Non-Financing Businesses:		
Document Processing operations cash usage	1,522	889
Brazil dollar debt reallocation**	-	446
Discontinued businesses***	99	(6)
Non-Financing Businesses	1,621	1,329
Financing Businesses**	(34)	(1,050)
Shareholder dividends	294	293
Acquisitions, primarily CPID	873	-
Proceeds from divestitures	(50)	-

All other changes	(148)	(166)
Total debt* as of June 30	$17,557	$15,513

* Includes discontinued operations.

** Includes re-allocations from and to our non-financing businesses of a portion of Xerox do Brasil's U.S. dollar denominated debt used to fund customer finance receivables denominated in Brazilian currency. The re-allocations were performed consistent with the 8:1 debt to equity guideline used in our customer financing businesses.

*** The increase in cash usage primarily reflects a one-time tax payment in 2000 in settlement of prior year tax liability and the absence of net cash proceeds from the sale of assets in 1999. We anticipate that discontinued businesses will generate cash for the balance of the year that will almost fully offset the first half of the year usage.

Document Processing Non-Financing Operations

The following table summarizes document processing non-financing operations cash generation and usage for the six months ended June 30, 2000 and 1999 (in millions):

	2000	1999
Income (loss)	$ (213)	$ 624
Add back special items:		
Restructuring charge, net	443	-
Tektronix IPRD charge, net	19	-
Mexico charge, net	78	-
Income before special items	327	624
Depreciation* and amortization	536	457
Cash from Operations	863	1,081
Additions to land, buildings and equipment	(240)	(310)
Increase in inventories	(281)	(100)
Increase in on-lease equipment	(335)	(125)
Increase in accounts receivable	(362)	(281)
Net change in other assets and liabilities	(1,036)	(933)
Sub-total	(1,391)	(668)
Cash payments for 1998 and 2000 restructurings	(131)	(221)
Net Cash Usage	$(1,522)	$ (889)

* Includes on-lease equipment depreciation of $288 and $216 million in the six months ended June 30, 2000 and 1999, respectively

Non-financing operations' net cash usage during the first six months of 2000 and 1999 totaled $1,522 million and $889 million, respectively. On a year-over-year basis, lower non-financing income was partially offset by higher non-cash on-lease equipment depreciation charges and higher goodwill amortization primarily associated with our January, 2000 CPID acquisition. Overall first half 2000 cash from operations totaled $863 million versus $1,081 million in the first half of 1999.

Additions to land, buildings and equipment primarily include office furniture and fixtures, production tooling and our investments in Ireland, where we are consolidating European customer support centers and investing in manufacturing. The decline in the first half of 2000 versus 1999 is primarily due to lower spending for the Ireland projects. Inventory growth during first half of 2000 was higher than in the first half of 1999 due to less than anticipated first half equipment sales and some inventory build for new products being launched in the third quarter. On-lease equipment increased by $210 million more than in the first half of 1999, before first half depreciation, reflecting growth in our document outsourcing business and customer preference to finance equipment on operating leases. Accounts receivable increased by $81 million more than in the first half of 1999 reflecting some improvement in days sales outstanding being more than offset by the changing mix of rental versus sale business. The increase in other asset and liability usage is due primarily to higher tax payments in 2000 versus 1999. This increase was partially offset by lower cash payments made under employee compensation plans as well as payments received in connection with the license and royalty elements of the

ContentGuard transaction.

Cash payments related to the 1998 restructuring amounted to $96 million and $221 million in first half of 2000 and 1999, respectively. The decline reflects the maturity and overall wind-down of the program. Cash payments related to the 2000 restructuring amounted to $35 million. The status of the restructuring reserves is included in Notes 3 and 4 of the "Notes to Consolidated Financial Statements" of this Quarterly Report on Form 10-Q.

Financing Businesses

Customer financing-related debt declined by $34 million in the first half of 2000 and by $1,050 million in the first half of 1999 as first half 2000 new business was funded with financing business net income and higher deferred taxes. The first half 1999 change reflects the impact on our Brazilian finance receivables of the significant first quarter 1999 devaluation of the Brazilian real and the pay-down of debt with the proceeds from the June 1999 finance receivable securitization.

For analytical purposes, total equity includes common equity, ESOP preferred stock, mandatorily redeemable preferred securities and minorities' interests.

The following table summarizes the components and changes in total equity during the first six months of 2000 and 1999 (in millions):

	2000	1999
Minorities' interests	$ 127	$ 124
Mandatorily redeemable preferred Securities	638	638
Preferred stock	669	687
Common equity	4,911	4,857
Total equity as of January 1	$6,345	$6,306
Net income (loss)	(98)	791
Shareholder dividends	(294)	(293)
Exercise of stock options	18	117
Change in minorities' interests	2	(6)
Translation adjustments	(132)	(975)
All other, net	19	73
Total equity as of June 30	$5,860	$6,013
Minorities' interests	$ 129	$ 118
Mandatorily redeemable preferred Securities	638	638
Preferred stock	661	678
Common equity	4,432	4,579
Total equity as of June 30	$5,860	$6,013

Funding Plans for 2000

Xerox's present credit ratings, which reflect the following events, enable ready access to the credit markets.

* On July 26, 2000, Moody's placed the long-term ratings of Xerox under review for possible downgrade.

* On July 27, 2000, Standard & Poor's lowered its senior debt and commercial paper ratings for Xerox from A to A-, and from A-1 to A-2, respectively and maintained its negative CreditWatch on the Company's senior debt.

These actions will result in higher borrowing costs for the Company as debt is refinanced. There is no assurance that these credit ratings will be maintained and/or that the Company will continue to have ready access to the credit markets in the future.

Decisions related to term funding of our businesses will remain based on the interest rate environment and capital market conditions, and our desire to maintain ample liquidity and capital strength. We believe our short-term credit facilities ensure the ability to finance our day-to-day operations, and we have ready access to the global capital markets to satisfy medium- and long-term financing needs.

Risk Management

Xerox is typical of multinational corporations because it is exposed to market risk from changes in foreign currency exchange rates and interest rates that could affect our results of operations and financial condition.

We have entered into certain financial instruments to manage interest rate and foreign currency exposures. These instruments are held solely for hedging purposes and include interest rate swap agreements, forward exchange contracts and foreign currency swap agreements. We do not enter into derivative instrument transactions for trading purposes and employ long-standing policies prescribing that derivative instruments are only to be used to achieve a set of very limited objectives.

Currency derivatives are primarily arranged in conjunction with underlying transactions that give rise to foreign currency-denominated payables and receivables, for example, an option to buy foreign currency to settle the importation of goods from foreign suppliers, or a forward exchange contract to fix the dollar value of a foreign currency-denominated loan.

With regard to interest rate hedging, virtually all customer-financing assets earn fixed rates of interest. Therefore, within industrialized economies, we "lock in" an interest rate spread by arranging fixed-rate liabilities with similar maturities as the underlying assets and fund the assets with liabilities in the same currency. We refer to the effect of these conservative practices as "match funding" customer financing assets. This practice effectively eliminates the risk of a major decline in interest margins during a period of rising interest rates. Conversely, this practice effectively eliminates the opportunity to materially increase margins when interest rates are declining.

Pay fixed-rate and receive variable-rate swaps are often used in place of more expensive fixed-rate debt. Additionally, pay variable-rate and receive fixed-rate swaps are used from time to time to transform longer-term fixed-rate debt into variable-rate obligations. The transactions performed within each of these categories enable more cost-effective management of interest rate exposures. The potential risk attendant to this strategy is the non-performance of the swap counterparty. We address this risk by arranging swaps with a diverse group of strong-credit counterparties, regularly monitoring their credit ratings and determining the replacement cost, if any, of existing transactions.

Our currency and interest rate hedging are typically unaffected by changes in market conditions as forward contracts, options and swaps are normally held to maturity consistent with our objective to lock in currency rates and interest rate spreads on the underlying transactions.

Supplemental Second Quarter Revenue Discussion:

Revenue By Major Product Category

For the major product categories, the pre-currency revenue growth rates are as follows:

	1999						2000		.
	Q1	Q2	Q3	Q4	FY	FY Total $*	Q1	Q2	YTD
Total Revenues	(1)%	4%	2%	(3)%	-%	$19.2	6%	(1)%	2%
B&W Office/SOHO	(2)	1	-	(4)	(1)	8.2	(1)	(5)	(3)
B&W Production	(2)	2	1	(8)	(2)	5.9	(4)	(11)	(8)
Color	8	10	11	1	7	1.9	66	59	62

*Revenues are pre-currency except Total. Dollars are in billions. Revenues include major product categories only and exclude some small operations.

Black & White Office and Small Office/Home Office (SOHO) revenues include our expanding family of Document Centre digital multi-function products, light-lens copiers under 90 pages per minute, our DocuPrint N series of laser printers and digital copiers sold through indirect sales channels, and facsimile products. Revenues declined 5 percent in the 2000 second quarter from the 1999 second quarter. An office copying revenue decline, a decline in indirect channels laser printer revenues and a modest decline in indirect channels copying revenues were partially offset by excellent growth in facsimile revenues. Office copying revenue declined as equipment sales declined reflecting lower light-lens copier installations and continuing competitive and pricing pressures partially offset by higher Document Centre installations. Office copying revenues continue to be adversely affected by the page volume impact of pages diverted from copiers to printers. Document Centre multi-function products have not yet captured the incremental print volume to the full extent anticipated. In North America and Europe the sales force realignment to an industry basis disrupted customer relationships resulting in weaker equipment sales. Black & White Office and SOHO revenues represented 40 percent of second quarter 2000 revenues compared with 42 percent in the 1999 second quarter.

Black & White Production revenues include DocuTech, Production Printing, and light-lens copiers over 90 pages per minute. Revenues declined 11 percent in the 2000 second quarter from the 1999 second quarter reflecting weak equipment sales and a modest decline in recurring revenue. DocuTech and production printing revenues declined in the 2000 second quarter, as equipment sales were weak due to disrupted customer relationships, open sales territories, increased competition resulting in more contested sales and elongated sales cycles and unfavorable product mix. Production light-lens revenues declined significantly in the 2000 second quarter from the 1999 second quarter as the transition to digital products continued. Black & White Production revenues represented 27 percent of second quarter 2000 revenues compared with 30 percent in the 1999 second quarter.

Color Copying and Printing revenues grew 59 percent in the 2000 second quarter from the 1999 second quarter including the beneficial impact of the CPID acquisition. Excluding CPID, color revenues grew 21 percent reflecting a continued significant acceleration from 1999 trends. Growth reflects the exceptional success of our DocuColor 12 and Document Centre ColorSeries 50, the industry's first color-enabled digital multi-function product, which were introduced in the 1999 second half, along with the initial shipments of the DocuColor 2060 and DocuColor 2045 Digital Color Presses which were introduced in February, 2000. Customer acceptance of these products has been exceptional and we have therefore substantially increased manufacturing capacity for these products as we expect installations will accelerate throughout the rest of the year. Total inkjet revenue was essentially flat as a decline in equipment sales was offset by higher recurring revenue. Inkjet equipment sales declined due to anticipated lower pricing and unfavorable mix which more than offset excellent growth in unit placements. Shipments of our new M series of inkjet printers will begin in the third quarter. Inkjet recurring revenue growth was excellent reflecting the growing installed population. Including the CPID acquisition, color revenues represented 15 percent of second quarter 2000 revenues compared with 10 percent in the 1999 second quarter.

Revenue By Type

The pre-currency growth rates by type of revenue are as follows:

	1999					2000		.
	Q1	Q2	Q3	Q4	FY	Q1	Q2	YTD
Equipment Sales	(3)%	2%	5%	(8)%	(2)%	5%	(5)%	(1)%
Recurring Revenue	1	4	-	-	1	6	2	4
Total Revenues	(1)%	4%	2%	(3)%	-%	6%	(1)%	2%
Memo:								
Document Outsourcing*	31	34	32	16	26	22	17	20

*Includes equipment accounted for as equipment sales.

Equipment sales declined 5 percent in the 2000 second quarter including the beneficial impact of the CPID acquisition. Excluding CPID, equipment sales declined 9 percent due to weak equipment sales primarily in North America resulting from disruptions in customer relationships due to the sales force realignment, intense competition and pricing pressures. Channels equipment sales, excluding CPID, reflected weak monochrome and color laser printer equipment sales. Strong placements of inkjet equipment were more than offset by unfavorable mix and continuing equipment price declines.

Recurring revenues, including revenues from service, document outsourcing, rentals, standalone software, supplies, paper and finance income, represent the revenue stream that follows equipment placement. These revenues are primarily a function of our installed population of equipment, usage levels, pricing and interest rates. Recurring revenues in the 2000 second quarter grew 2 percent compared with the 1999 second quarter. Excluding CPID, recurring revenues declined 2 percent. Recurring revenues benefited from continued strong growth in document outsourcing, supplies growth from our growing installed population of inkjet and laser printers and copiers sold through indirect channels. Recurring revenues were adversely impacted by lower service revenues reflecting the recent trend of lower equipment sales and continue to be adversely affected by the page volume impact of pages diverted from copiers to printers. Document Centre multifunction products have not yet captured the incremental print volume to the full extent anticipated. Finance income was lower largely due to the unfavorable flow-through impact of the 1999 finance receivables securitizations as well as the $28 million gain from the second quarter 1999 securitization.

Total Document Outsourcing revenues grew 17 percent in the 2000 second quarter and were impacted by disruptions in customer relationships caused by the North American sales force realignment.

Item 3. Quantitative and Qualitative Disclosure about Market Risk

The information set forth under the caption "Risk Management" on pages 35-36 of this Quarterly Report on Form 10-Q is hereby incorporated by reference in answer to this Item.

PART II - OTHER INFORMATION

Item 1. Legal Proceedings

The information set forth under Note 11 contained in the "Notes to Consolidated Financial Statements" of this Quarterly Report on Form 10-Q is incorporated by reference in answer to this item.

Item 2. Changes in Securities

During the quarter ended June 30, 2000, Registrant issued the following securities in transactions which were not registered under the Securities Act of 1933, as amended (the Act):

(a) Securities Sold: on April 1, 2000, Registrant issued 4,884 shares of Common stock, par value $1 per share.

(b) No underwriters participated. The shares were issued to each of the non-employee Directors of Registrant: B.R. Inman, A.A.Johnson, V.E. Jordan, Jr., Y. Kobayashi, H. Kopper, R.S. Larsen, G.J. Mitchell, N.J. Nicholas, Jr., J.E. Pepper, P. F. Russo, M.R. Seger and T.C.Theobald.

(c) The shares were issued at a deemed purchase price of $20.75 per share (aggregate price $101,125), based upon the market value on the date of issuance, in payment of the quarterly Directors' fees pursuant to Registrant's Restricted Stock Plan for Directors.

(d) Exemption from registration under the Act was claimed based upon Section 4(2) as a sale by an issuer not involving a public offering.

Item 4. Submission of Matters to a Vote of Security Holders

The Annual Meeting of Shareholders of Xerox Corporation was duly called and held on May 18, 2000 at The Rittenhouse Hotel, 210 West Rittenhouse Square, Philadelphia, Pennsylvania.

Proxies for the meeting were solicited on behalf of the Board of Directors of the Registrant pursuant to Regulation 14A of the

General Rules and Regulations of the Commission. There was no solicitation in opposition to the Board of Directors' nominees for election as directors as listed in the Proxy Statement, and all nominees were elected.

At the meeting, votes were cast upon the Proposals described in the Proxy Statement for the meeting (filed with the Commission pursuant to Regulation 14A and incorporated herein by reference) as follows:

Proposal 1 - Election of directors for the ensuing year.

Name	For	Withheld Vote
Paul A. Allaire	598,185,902	18,626,101
William F. Buehler	599,933,536	16,878,467
B. R. Inman	600,460,725	16,351,278
Antonia Ax:son Johnson	600,792,768	16,019,235
Vernon E. Jordan, Jr.	595,907,918	20,904,085
Yotaro Kobayashi	596,653,418	20,158,585
Hilmar Kopper	601,050,113	15,761,890
Ralph S. Larsen	601,117,538	15,694,465
Anne M. Mulcahy	610,065,606	6,746,397
George J. Mitchell	599,883,484	16,928,519
N. J. Nicholas, Jr.	601,044,241	15,767,762
John E. Pepper	601,012,399	15,799,604
Barry D. Romeril	598,232,567	18,579,436
Patricia F. Russo	600,909,379	15,902,624
Martha R. Seger	600,958,737	15,853,266
Thomas C. Theobald	600,834,594	15,977,409

Proposal 2 - To elect KPMG LLP as independent auditors for the year 2000.

For -	607,917,071
Against -	5,292,069
Abstain -	3,602,863

Item 6. Exhibits and Reports on Form 8-K

(a) Exhibit 3(a)(1) Restated Certificate of Incorporation of Registrant filed by the Department of State of the State of New York on October 29, 1996. Incorporated by reference to Exhibit 3(a)(1) to Registrant's Quarterly Report on Form 10-Q for the Quarter Ended September 30, 1996.

Exhibit 3 (b) By-Laws of Registrant, as amended through May 11, 2000 (in electronic form only).

Exhibit 10 (p) Separation Agreement dated May 11, 2000 between Registrant and G. Richard Thoman, former President and Chief Executive Officer of Registrant (in electronic form only).

Exhibit 11 Computation of Net Income (Loss) per Common Share.

Exhibit 12 Computation of Ratio of Earnings to Fixed Charges.

Exhibit 27 Financial Data Schedule (in electronic form only).

(b) Current reports on Form 8-K dated June 16, 2000 and June 29, 2000 reporting Item 5 "Other Events" were filed during the quarter for which this Quarterly Report is filed.

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

XEROX CORPORATION
(Registrant)

/s/ Gregory B. Tayler

Date: August 14, 2000

By Gregory B. Tayler
Vice President and Controller
(Principal Accounting Officer)

EXHIBIT 3 (B)
BY-LAWS OF REGISTRANT, AS AMENDED THROUGH MAY 11, 2000

BY-LAWS

of

XEROX CORPORATION

May 11, 2000

ARTICLE I

MEETINGS OF STOCKHOLDERS

SECTION 1. Annual Meetings: A meeting of shareholders entitled to vote shall be held for the election of Directors and the transaction of other business in May of each year on any day (except a Saturday,Sunday, or holiday) in that month as determined by the Board of Directors.

SECTION 2. Special Meetings: Special Meetings of the shareholders may be called at any time by the Chairman of the Board, the President or the Board of Directors.

SECTION 3. Place of Meetings: Meetings of shareholders shall be held at the principal office of the Company or at such other place, within or without the State of New York, as may be fixed by the Board of Directors.

SECTION 4. Notice of Meetings:

(a) Notice of each meeting of shareholders shall be in writing and shall state the place, date and hour of the meeting. Notice of a Special Meeting shall state the purpose or purposes for which it is being called and shall also indicate that it is being issued by or at the direction of the person or persons calling the meeting. If, at any meeting, action is proposed to be taken which would, if taken, entitle shareholders, fulfilling the requirements of Section 623 of the Business Corporation Law to receive payment for their shares, the notice of such meeting shall include a statement of that purpose and to that effect.

(b) A copy of the notice of any meeting shall be given, personally or by mail, not less than ten nor more than sixty days before the date of the meeting, to each shareholder entitled to vote at such meeting. If mailed, such notice is given when deposited in the United States mail, with postage thereon prepaid, directed to the shareholder at his or her address as it appears on the record of shareholders, or, if he or she shall have filed with the Secretary a written request that notices to him or her be mailed to some other address, then directed to him or her at such other address.

(c) Notice of meeting need not be given to any shareholder who submits a signed waiver of notice, in person or by proxy, whether before or after the meeting. The attendance of any shareholder at a meeting, in person or by proxy, without protesting prior to the conclusion of the meeting the lack of notice of such meeting, shall constitute a waiver of notice by him or her.

SECTION 5. Quorum and Adjourned Meetings:

(a) At any Annual or Special Meeting the holders of a majority of the votes of shares entitled to vote thereat, present in person or by proxy, shall constitute a quorum for the transaction of any business, provided that when a specified item of business is required to be voted on by a class or series, voting as a class, the holders of a majority of the votes of shares of such class or series shall constitute a quorum for the transaction of such specified item of business. When a quorum is once present to organize a meeting, it is not broken by the subsequent withdrawal of any shareholders.

(b) Despite the absence of a quorum, the shareholders present may adjourn the meeting to another time and place, and it shall not be necessary to give any notice of the adjourned meeting if the time and place to which the meeting is adjourned are announced at the meeting at which the adjournment is taken. At the adjourned meeting any business may be transacted that might have been transacted on the original date of the meeting. If after the adjournment, however, the Board of Directors fixes a new record date for the adjourned meeting, a notice of the adjourned meeting shall be given to each shareholder on the new record date entitled to notice under Section 4 of this Article I of the By-Laws.

SECTION 6. Nominations and Business at Meetings:

At any annual meeting of shareholders, only persons who are nominated or business which is proposed in accordance with the procedures set forth in this Section 6 shall be eligible for election as Directors or considered for action by shareholders. Nominations of persons for election to the Board of Directors of the Company may be made or business proposed at a meeting of shareholders (i) by or at the direction of the Board of Directors or (ii) by any shareholder of the Company entitled to vote at the meeting who complies with the notice and other procedures set forth in this Section 6. Such nominations or business proposals, other than those made by or at the direction of the Board of Directors, shall be made pursuant to timely notice in writing to the Secretary of the Company and such business proposals must, under applicable law, be a proper matter for shareholder action. To be timely, a shareholder's notice shall be delivered to or mailed and received at the principal executive offices of the Company not less than 120 days nor more than 150 days in advance of the date which is the anniversary of the date the Company's proxy statement was released to security holders in connection with the previous year's annual meeting or if the date of the applicable annual meeting has been changed by more than 30 days from the date contemplated at the time of the previous year's proxy statement, not less than 90 days before the date of the applicable annual meeting.

Such shareholder's notice shall set forth (a) as to each person whom such shareholder proposes to nominate for election or reelection as a Director, all information relating to such person that is required to be disclosed in solicitations of proxies for election of directors, or is otherwise required, in each case pursuant to Regulation 14A under the Securities Exchange Act of 1934, as amended (including such person's written consent to being named in the proxy statement as a nominee and to serving as a Director if elected); (b) as to any other business that the shareholder proposes to bring before the meeting, a brief description of the business desired to be brought before the annual meeting, the reasons for conducting such business at the annual meeting and any material interest in such business of such person on whose behalf such proposal is made; and (c) as to the shareholder giving the notice and the beneficial owner, if any, on whose behalf the nomination or proposal is made, (i) the name and address of such shareholder, as they appear on the Company's books and (ii) the class and number of shares of the Company which are beneficially owned by such shareholder. No person shall be eligible for election as a Director of the Company and no business shall be conducted at the annual meeting of shareholders unless nominated or proposed in accordance with the procedures set forth in this Section 6. The Chairman of the meeting may, if the facts warrant, determine and declare to the meeting that a nomination or proposal was not made in accordance with the provisions of this Section 6 and, if he or she should so determine, he or she shall so declare to the meeting and the defective nomination or proposal shall be disregarded.

SECTION 7. Organization: At every meeting of the shareholders, the Chairman of the Board, or in his or her absence if the President is a Director, the President, or if the President is not a Director or is absent, a Vice Chairman, or in the absence of such officers, an Executive Vice President designated by the Chairman of the Board, or in the absence of such officers, a person selected by the meeting, shall act as chairman of the meeting. The Secretary or, in his or her absence, an Assistant Secretary shall act as secretary of the meeting, and in the absence of both the Secretary and an Assistant Secretary, a person selected by the meeting shall act as secretary of the meeting.

SECTION 8. Voting:

(a) Whenever any corporate action, other than the election of Directors, is to be taken by vote of the shareholders, it shall, except as otherwise required by law or by the Certificate of Incorporation be authorized by a majority of the votes cast in favor of or against such action at a meeting of shareholders by the holders of shares entitled to vote thereon. An abstention shall not constitute a vote cast.

(b) Directors shall, except as otherwise required by law, be elected by a plurality of the votes cast at a meeting of shareholders by holders of shares entitled to vote in the election.

SECTION 9. Qualification of Voters:

(a) Every shareholder of record of Common Stock and Series B Convertible Preferred Stock of the Company shall be entitled at every meeting of such shareholders to one vote for every share of Common Stock and Series B Convertible Preferred Stock, respectively, standing in his or her name on the record of shareholders.

(b) Shares of stock belonging to the Company and shares held by another domestic or foreign corporation of any type or kind, if a majority of the shares entitled to vote in the election of directors of such other corporation is held by the Company, shall not be shares entitled to vote or to be counted in determining the total number of outstanding shares.

(c) Shares held by an administrator, executor, guardian, conservator, committee, or other fiduciary, except a trustee, may be voted by him or her, either in person or by proxy, without transfer of such shares into his or her name. Shares held by a trustee may be voted by him or her, either in person or by proxy, only after the shares have been transferred into his or her name as trustee or into the name of his or her nominee.

(d) Shares standing in the name of another domestic or foreign corporation of any type or kind may be voted by such officer, agent or proxy as the By-Laws of such corporation may provide, or in the absence of such provision, as the Board of Directors of such corporation may provide.

SECTION 10. Proxies:

(a) Every shareholder entitled to vote at a meeting of shareholders or to express consent or dissent without a meeting may authorize another person or persons to act for him or her by proxy.

(b) No proxy shall be valid after the expiration of eleven months from the date thereof unless otherwise provided in the proxy. Every proxy shall be revocable at the pleasure of the shareholder executing it, except as otherwise provided by law.

(c) The authority of the holder of a proxy to act shall not be revoked by the incompetence or death of the shareholder who executed the proxy unless, before the authority is exercised, written notice of an adjudication of such incompetence or of such death is received by the Secretary or an Assistant Secretary.

(d) Without limiting the manner in which a shareholder may authorize another person or persons to act for him or her as proxy pursuant to paragraph (a) of this Section, the following shall constitute a valid means by which a shareholder may grant such authority:

(1) A shareholder may execute a writing authorizing another person or persons to act for him or her as proxy. Execution may be accomplished by the shareholder or the shareholder's authorized officer, director, employee or agent signing such writing or causing his or her signature to be affixed to such writing by any reasonable means including, but not limited to, by facsimile signature.

(2) A shareholder may authorize another person or persons to act for the shareholder as proxy by transmitting or authorizing the transmission of a telegram, cablegram or other means of electronic transmission to the person who will be the holder of the proxy or to a proxy solicitation firm, proxy support service organization or like agent duly authorized by the person who will be the holder of the proxy to receive such transmission, provided that such telegram, cablegram or other means of electronic transmission must either set forth or be submitted with information from which it can be reasonably determined that the telegram, cablegram or other electronic transmission was authorized by the shareholder. If it is determined that such telegrams, cablegrams or other electronic transmissions are valid, the inspectors shall specify the nature of the information upon which they relied.

(e) Any copy, facsimile telecommunication or other reliable reproduction of the writing or transmission created pursuant to paragraph (d) of this Section may be substituted or used in lieu of the original writing or transmission for any and all purposes for which the original writing or transmission could be used, provided that such copy, facsimile, telecommunication or other reproduction shall be a complete reproduction of the entire original writing or transmission.

SECTION 11. Inspectors of Election:

(a) The Board of Directors, in advance of any shareholders' meeting, shall appoint one or more inspectors to act at the meeting or any adjournment thereof. The Board of Directors may designate one or more persons as alternate inspectors to replace any inspector who fails to act. If no inspector or alternate has been appointed, or if such persons are unable to act at a meeting of shareholders, the person presiding at a shareholders' meeting shall appoint one or more inspectors. Each inspector, before entering upon the discharge of his or her duties, shall take and sign an oath faithfully to execute the duties of inspector at such meeting with strict impartiality and according to the best of his or her ability.

(b) The inspectors shall determine the number of shares outstanding and the voting power of each, the shares represented at the meeting, the existence of a quorum, the validity and effect of proxies, and shall receive votes, ballots or consents, hear and determine all challenges and questions arising in connection with the right to vote, count and tabulate all votes, ballots or consents, determine the result, and do such acts as are proper to conduct the election or vote with fairness to all shareholders. On request of the person presiding at the meeting or any shareholder entitled to vote thereat, the inspectors shall make a report in writing of any challenge, question or matter determined by them and execute a certificate of any fact found by them. Any report or certificate made by them shall be prima facie evidence of the facts stated and of the vote as certified by them.

SECTION 12. List of Shareholders at Meetings: A list of shareholders as of the record date, certified by the Secretary or by the transfer agent, shall be produced at any meeting of shareholders upon the request thereat or prior thereto of any shareholder. If the right to vote at any meeting is challenged, the inspectors of election, or person presiding thereat shall require such list of shareholders to be produced as evidence of the right of the persons challenged to vote at such meeting, and all persons who appear from such list to be shareholders entitled to vote thereat may vote at such meeting.

ARTICLE II

BOARD OF DIRECTORS

SECTION 1. Power of Board and Qualification of Directors: The business of the Company shall be managed under the direction of the Board of Directors, each of whom shall be at least eighteen years of age.

SECTION 2. Number, Term of Office and Classification:

(a) The Board of Directors shall consist of not less than five nor more than twenty-one members. The number of Directors shall be determined from time to time by resolution of a majority of the entire Board of Directors then in office, provided that no decrease in the number of Directors shall shorten the term of any incumbent Director. At each Annual Meeting of shareholders Directors shall be elected to hold office until the next annual meeting.

(b) If and whenever six full quarter-yearly dividends (whether or not consecutive) payable on the Cumulative Preferred Stock of any series shall be in arrears, in whole or in part, the number of Directors then constituting the Board of Directors shall be increased by two and the holders of the Cumulative Preferred Stock, voting separately as a class, regardless of series, shall be entitled to elect the two additional Directors at any annual meeting of shareholders or special meeting held in place thereof, or at a special meeting of the holders of the Cumulative Preferred Stock called as hereinafter provided. Whenever all arrears in dividends on the Cumulative Preferred Stock then outstanding shall have been paid and dividends thereon for the current quarter-yearly dividend period shall have been paid or declared and set apart for payment, then the right of the holders of the Cumulative Preferred Stock to elect such additional two Directors shall cease (but subject always to the same provisions for the vesting of such voting rights in the case of any similar future arrearages in dividends), and the terms of office of all persons elected as Directors by the holders of the Cumulative Preferred Stock shall forthwith terminate and the number of the Board of Directors shall be reduced accordingly. At any time after such voting power shall have been so vested in the Cumulative Preferred Stock, the Secretary of the Company may, and upon the written request of any holder of the Cumulative Preferred Stock (addressed to the Secretary at the principal office of the Company) shall, call a special meeting of the holders of the Cumulative Preferred Stock for the election of the two Directors to be elected by them as herein provided, such call to be made by notice similar to that provided in the By-Laws for a special meeting of the shareholders or as required by law. If any such special meeting required to be called as above provided shall not be called by the Secretary within twenty days after receipt of any such request, then any holder of Cumulative Preferred Stock may call such meeting, upon the notice above provided, and for that purpose shall have access to the stock books of the Company. The Directors elected at any such special meeting shall hold office until the next annual meeting of the shareholders or special meeting held in place thereof. In case any vacancy shall occur among the Directors elected by the holders of the Cumulative Preferred Stock, a successor shall be elected to serve until the next annual meeting of the shareholders or special meeting held in place thereof by the then remaining Director elected by the holders of the Cumulative Preferred Stock or the successor of such remaining Director.

(c) All Directors shall have equal voting power.

SECTION 3. Organization: At each meeting of the Board of Directors, the Chairman of the Board, or in his or her absence, the President, or in his or her absence, a chairman chosen by a majority of the Directors present shall preside. The Secretary shall act as secretary of the Board of Directors. In the event the Secretary shall be absent from any meeting of the Board of Directors, the meeting shall select its secretary.

SECTION 4. Resignations: Any Director of the Company may resign at any time by giving written notice to the Chairman of the Board, the President or to the Secretary of the Company. Such resignation shall take effect at the time specified therein or, if no time be specified, then on delivery.

SECTION 5. Vacancies: Newly created directorships resulting from an increase in the number of Directors and vacancies occurring in the Board of Directors for any reason except the removal of Directors without cause may be filled by a vote of a majority of the Directors then in office, although less than a quorum exists. A Director elected to fill a vacancy shall hold office until the next annual meeting.

SECTION 6. Place of Meeting: The Board of Directors may hold its meetings at such place or places within or without the State of New York as the Board of Directors may from time to time by resolution determine.

SECTION 7. First Meeting: On the day of each annual election of Directors, the Board of Directors shall meet for the purpose of organization and the transaction of other business. Notice of such meeting need not be given. Such first meeting may be held at any other time which shall be specified in a notice given as hereinafter provided for special meetings of the Board of Directors.

SECTION 8. Regular Meetings: Regular meetings of the Board of Directors may be held at such times as may be fixed from time to time by resolution of the Board of Directors without notice.

SECTION 9. Special Meetings: Special meetings of the Board of Directors shall be held whenever called by the Chairman of the Board, the President, or by any two of the Directors. Oral, telegraphic or written notice shall be given, sent or mailed not less than one day before the meeting and shall state, in addition to the purposes, the date, place and hour of such meeting.

SECTION 10. Waivers of Notice: Notice of a meeting need not be given to any Director who submits a signed waiver of notice whether before or after the meeting, or who attends the meeting without protesting, prior thereto or at its commencement, the lack of notice to him or her.

SECTION 11. Quorum and Manner of Acting:

(a) If the number of Directors is twelve or more, seven Directors shall constitute a quorum for the transaction of business or any specified item of business. If the number of Directors is less than twelve, a majority of the entire Board of Directors shall constitute a quorum.

(b) A majority of the Directors present, whether or not a quorum is present, may adjourn any meeting to another time and place without notice to any Director.

SECTION 12. Written Consents: Any action required or permitted to be taken by the Board of Directors or any committee thereof may be taken without a meeting if all members of the Board or the committee consent in writing to the adoption of a resolution authorizing the action. The resolution and the written consents thereto by the members of the Board or committee shall be filed with the minutes of the proceedings of the Board or committee.

SECTION 13. Participation At Meetings By Telephone: Any one or more members of the Board of Directors or any committee thereof may participate in a meeting of such Board or committee by means of a conference telephone or similar communications equipment allowing all persons participating in the meeting to hear each other at the same time. Participation by such means shall constitute presence in person at a meeting.

SECTION 14. Compensation: The Board of Directors shall have authority to fix the compensation of Directors for services in any capacity.

SECTION 15. Interested Directors:

(a) No contract or other transaction between the Company and one or more of its Directors, or between the Company and any other corporation, firm, association or other entity in which one or more of its Directors are directors or officers, or are financially interested, shall be either void or voidable for this reason alone or by reason alone that such Director or Directors are present at the meeting of the Board of Directors, or of a committee thereof, which approves such contract or transaction, or that his or her or their votes are counted for such purpose, provided that the parties to the contract or transaction establish affirmatively that it was fair and reasonable as to the Company at the time it was approved by the Board, a committee, or the shareholders.

(b) Any such contract or transaction may not be avoided by the Company for the reasons set forth in (a) if

(1) the material facts as to such Director's interest in such contract or transaction and as to any such common directorship, officership or financial interest are disclosed in good faith or known to the Board or committee, and the Board or committee approves such contract or transaction by a vote sufficient for such purpose without counting the vote of such interested Director or, if the votes of the disinterested Directors are insufficient for such purpose, by unanimous vote of the disinterested Directors (although common or interested Directors may be counted in determining the presence of a quorum at a meeting of the Board or of a committee which approves such contract or transactions), or

(2) the material facts as to such Director's interest in such contract or transaction and as to any such common directorship, officership or financial interest are disclosed in good faith or known to the shareholders entitled to vote thereon, and such contract or transaction is approved by vote of such shareholders.

SECTION 16. Loans to Directors: The Company may not lend money to or guarantee the obligation of a Director of the Company unless the particular loan or guarantee is approved by the shareholders, with the holders of a majority of the shares entitled to vote thereon constituting a quorum, but shares held of record or beneficially by Directors who are benefited by such loan or guarantee shall not be entitled to vote or to be included in the determination of a quorum.

ARTICLE III

EXECUTIVE COMMITTEE

SECTION 1. How Constituted and Powers: There shall be an Executive Committee, consisting of not less than three nor more than nine Directors, including the Chairman of the Board, the Chairman of the Executive Committee and the President, if the President is a Director, elected by a majority of the entire Board of Directors, who shall serve at the pleasure of the Board. The Executive Committee shall have all the authority of the Board, except it shall have no authority as to the following matters:

(a) The submission to shareholders of any action that needs shareholders' authorization.

(b) The filling of vacancies in the Board or in any committee.

(c) The fixing of compensation of the Directors for serving on the Board or on any committee.

(d) The amendment or repeal of the By-Laws, or the adoption of new By-Laws.

(e) The amendment or repeal of any resolution of the Board which, by its terms, shall not be so amendable or repealable.

(f) The declaration of dividends.

SECTION 2. Meetings: Meetings of the Executive Committee, of which no notice shall be necessary, shall be held on such days and at such place as shall be fixed, either by the Chairman of the Board, the Chairman of the Executive Committee, or by a vote of the majority of the whole Committee.

SECTION 3. Quorum and Manner of Acting: Unless otherwise provided by resolution of the Board of Directors, a majority of the Executive Committee shall constitute a quorum for the transaction of business and the act of a majority of all of the members of the Committee, whether present or not, shall be the act of the Executive Committee. The members of the Executive Committee shall act only as a Committee. The procedure of the Committee and its manner of acting shall be subject at all times to the directions of the Board of Directors.

SECTION 4. Additional Committees: The Board of Directors by resolution adopted by a majority of the entire Board may designate from among its members additional committees, each of which shall consist of one or more Directors and shall have such authority as provided in the resolution designating the committee, except such authority shall not exceed the authority conferred on the Executive Committee by Section 1 of this Article.

SECTION 5. Alternate Members: The Board of Directors may designate one or more eligible Directors as alternate members of the Executive Committee, or of any other committee of the Board, who may replace any absent or disqualified member or members at any meeting of any such committee.

ARTICLE IV

OFFICERS

SECTION 1. Number: The officers of the Company shall be a Chairman of the Board, a President, a Chairman of the Executive Committee, one or more Vice Chairman of the Board, one or more Vice Presidents, a Treasurer, a Secretary, a Controller, and such other officers as the Board of Directors may in its discretion elect. Any two or more offices may be held by the same person.

SECTION 2. Term of Offices and Qualifications: Those officers whose titles are specifically mentioned in Section 1 of this Article IV shall be chosen by the Board of Directors on the day of the Annual Meeting. Unless a shorter term is provided in the resolution of the Board electing such officer, the term of office of such officer shall extend to and expire at the meeting of the Board held on the day of the next Annual Meeting. The Chairman of the Board, the Chairman of the Executive Committee and the Vice Chairmen shall be chosen from among the Directors.

SECTION 3. Additional Officers: Additional officers other than those whose titles are specifically mentioned in Section 1 of this Article IV shall be elected for such period, have such authority and perform such duties, either in an administrative or subordinate capacity, as the Board of Directors may from time to time determine.

SECTION 4. Removal of Officers: Any officer may be removed by the Board of Directors with or without cause, at any time. Removal of an officer without cause shall be without prejudice to his or her contract rights, if any, but his or her election as an officer shall not of itself create contract rights.

SECTION 5. Resignation: Any officer may resign at any time by giving written notice to the Board of Directors, or to the Chairman of the Board, or the President, or to the Secretary. Any such resignation shall take effect at the time specified therein, or if no time be specified, then upon delivery.

SECTION 6. Vacancies: A vacancy in any office shall be filled by the Board of Directors.

SECTION 7. Chairman of the Board: The Chairman of the Board shall preside at all meetings of the shareholders at which he or she is present, unless at such meetings the shareholders shall appoint a chairman other than the Chairman of the Board. The Chairman of the Board shall preside at all meetings of the Directors at which he or she is present. The Chairman of the Board shall act as the Chief Executive Officer of the Company and it shall be his or her duty to supervise generally the management of the business of the Company with responsibility direct to the Board and subject to the control of the Board. The Chairman of the Board shall have such powers and perform such other duties as may be assigned to him or her by the Board.

SECTION 8. President: The President shall, if he or she is also a Director, in the absence of the Chairman of the Board, preside at all meetings of the shareholders, Directors or the Executive Committee at which he or she is present. The President shall act as Chief Operating Officer of the Company. The President shall have such powers and perform such other duties as may be assigned to him or her by the Board.

SECTION 9. Chairman of the Executive Committee: The Chairman of the Executive Committee shall have such powers and perform such duties as may be assigned to him or her by the Board. The Chairman of the Executive Committee shall preside at meetings of the Executive Committee of the Board of Directors.

SECTION 10. The Vice Chairmen: Each Vice Chairman of the Board shall have such power and shall perform such duties as may be assigned to him or her by the Board of Directors, the Chairman of the Board or the President.

SECTION 11. The Vice Presidents: Each Vice President shall have such powers and shall perform such duties as may be assigned to him or her by the Board of Directors, the Chairman of the Board or the President.

SECTION 12. The Treasurer: The Treasurer shall, if required by the Board of Directors, give a bond for the faithful discharge of his or her duties, in such sum and with such sureties as the Board of Directors shall require. He or she shall have charge and custody of, and be responsible for, all funds and securities of the Company, and deposit all such funds in the name of and to the credit of the Company in such banks, trust companies, or other depositories as shall be selected by the Board of Directors. The Treasurer may sign certificates for stock of the Company authorized by the Board of Directors. He or she shall also perform all other duties customarily incident to the office of Treasurer and such other duties as from time to time may be assigned to him or her by the Board of Directors.

SECTION 13. The Controller: The Controller shall keep and maintain the books of account for internal and external reporting purposes. He or she shall also perform all other duties customarily incident to the office of Controller and such other duties as may be assigned to him or her from time to time by the Board of Directors.

SECTION 14. The Secretary: It shall be the duty of the Secretary to act as secretary of all meetings of the Board of Directors, and of the shareholders, and to keep the minutes of all such meetings at which he or she shall so act in a proper book or books to be provided for that purpose; he or she shall see that all notices required to be given by the Company are duly given and served; he or she may sign and execute in the name of the Company certificates for the stock of the Company, deeds, mortgages, bonds, contracts or other instruments authorized by the Board of Directors; he or she shall prepare, or cause to be prepared, for use at meetings of shareholders the list of shareholders as of the record date referred to in Article I, Section 12 of these By-Laws and shall certify, or cause the transfer agent to certify, such list; he or she shall keep a current list of the Company's Directors and officers and their residence addresses; he or she shall be custodian of the seal of the Company and shall affix the seal, or cause it to be affixed, to all agreements, documents and other papers requiring the same. The Secretary shall have custody of the Minute Book containing the minutes of all meetings of shareholders, Directors, the Executive Committee, and any other committees which may keep minutes, and of all other contracts and documents which are not in the custody of the Treasurer or the Controller of the Company, or in the custody of some other person authorized by the Board of Directors to have such custody.

SECTION 15. Appointed Officers: The Board of Directors may delegate to any officer or committee the power to appoint and to remove any subordinate officer, agent or employee.

SECTION 16. Assignment and Transfer of Stocks, Bonds, and Other Securities: The Chairman of the Board, the President, the Treasurer, the Secretary, any Assistant Secretary, any Assistant Treasurer, and each of them, shall have power to assign, or to endorse for transfer, under the corporate seal, and to deliver, any stock, bonds, subscription rights, or other securities, or any beneficial interest therein, held or owned by the Company.

ARTICLE V

CONTRACTS, CHECKS, DRAFTS AND BANK ACCOUNTS

SECTION 1. Execution of Contracts: The Board of Directors, except as in these By-Laws otherwise provided, may authorize any officer or officers, agent, or agents, in the name of and on behalf of the Company to enter into any contract or execute and deliver any instrument, and such authority may be general or confined to specific instances; but, unless so authorized by the Board of Directors, or expressly authorized by these By-Laws, no officer, agent or employee shall have any power or authority to bind the Company by any contract or engagement or to pledge its credit or to render it liable pecuniarily in any amount for any purpose.

SECTION 2. Loans: No loans shall be contracted on behalf of the Company, and no negotiable paper shall be issued in its name unless specifically authorized by the Board of Directors.

SECTION 3. Checks, Drafts, etc.: All checks, drafts, and other orders for the payment of money out of the funds of the Company, and all notes or other evidences of indebtedness of the Company, shall be signed on behalf of the Company in such manner as shall from time to time be determined by resolution of the Board of Directors.

SECTION 4. Deposits: All funds of the Company not otherwise employed shall be deposited from time to time to the credit of the Company in such banks, trust companies or other depositories as the Board of Directors may select.

ARTICLE VI

STOCKS AND DIVIDENDS

SECTION 1. Shares of Stock: Shares of stock of the Company shall be represented by certificates except to the extent that the Board of Directors of the Company shall provide by resolution that some or all of any or all classes and series of the Company's shares shall be uncertificated shares, provided that such resolution shall not apply to shares represented by a certificate until such certificate is surrendered to the Company. Except as otherwise expressly provided by law, the rights and obligations of holders of uncertificated shares and the rights and obligations of the holders of certificates representing shares of the same class and series shall be identical.

SECTION 2. Certificates For Shares. To the extent that shares of stock of the Company are to be represented by certificates, the certificates therefor shall be in such form as shall be approved by the Board of Directors. The certificates of stock shall be numbered in order of their issue, shall be signed by the Chairman of the Board, the President, a Vice Chairman or a Vice President, and the Secretary or an Assistant Secretary, or the Treasurer or an Assistant Treasurer. The signature of the officers upon a certificate may be facsimiles if the certificate is countersigned by a transfer agent or registered by a registrar other than the Company itself or its employee. In case any officer who has signed or whose facsimile signature has been placed upon a certificate shall have ceased to be such officer before such certificate is issued, it may be issued by the Company with the same effect as if he or she were an officer at the date of issue.

SECTION 3. Transfer of Stock: Transfers of stock of the Company shall be made only on the books of the Company by the holder thereof, or by his or her duly authorized attorney, on surrender of the certificate or certificates for stock represented by certificates, properly endorsed, or in the case of shares of stock not represented by certificates, on delivery to the Company of proper transfer instructions. Within a reasonable time after the issuance or transfer of uncertificated stock, the Company shall send to the registered owner thereof a written notice containing the information required to be set forth or stated on certificates pursuant to the Business Corporation Law of the State of New York. Every certificate surrendered to the Company shall be marked "Canceled", with the date of cancellation, and no new certificate shall be issued in exchange therefor until the old certificate has been surrendered and canceled. A person in whose name stock of the Company stands on the books of the Company shall be deemed the owner thereof as regards the Company; provided that, whenever any transfer of stock shall be made for collateral security, and not absolutely, such fact, if known to the Secretary of the Company, or to its transfer agent shall be so expressed in the entry of the transfer. No transfer of stock shall be valid as against the Company, or its shareholders for any purpose, until it shall have been entered in the stock records of the Company as specified in these By-Laws by an entry showing from and to whom transferred.

SECTION 4. Transfer and Registry Agents: The Company may, from time to time, maintain one or more transfer offices or agencies and/or registry offices at such place or places as may be determined from time to time by the Board of Directors; and the Board of Directors may, from time to time, define the duties of such transfer agents and registrars and make such rules and regulations as it may deem expedient, not inconsistent with these By-Laws, concerning the issue, transfer and registration of certificates for stock or uncertificated stock of the Company.

SECTION 5. Lost, Destroyed and Mutilated Certificates: The holder of any certificated stock of the Company shall immediately notify the Company of any loss, destruction or mutilation of the certificate therefor. The Company may issue a new certificate or uncertificated stock in place of the lost or destroyed certificate, but as a condition to such issue, the holder of such certificate must make satisfactory proof of the loss or destruction thereof, and must give to the Company a bond of indemnity in form and amount and with one or more sureties satisfactory to the Treasurer, the Secretary or any Assistant Treasurer or Assistant Secretary. Such bond of indemnity shall also name as obligee each of the transfer agents and registrars for the stock the certificate for which has been lost or destroyed.

SECTION 6. Record Dates for Certain Purposes: The Board of Directors of the Company shall fix a day and hour not more than sixty days preceding the date of any meeting of shareholders, or the date for payment of any cash or stock dividend, or the date for the allotment of any rights of subscription, or the date when any change or conversion or exchange of capital stock shall go into effect, as a record date for the determination of the shareholders entitled to notice of, and to vote at, any such meeting and any adjournment thereof, or entitled to receive payment of any such dividend, or entitled to receive any such allotment of rights of subscription, or entitled to exercise rights in respect of any such change, conversion or exchange of capital stock, and in such case, such shareholders and only such shareholders as shall be shareholders of record on the day and hour so fixed shall be entitled to such notice of, and to vote at, such meeting or any adjournment thereof, or to receive payment of such dividend, or to receive such allotment of rights of subscription, or to exercise rights in connection with such change or conversion or exchange of capital stock, as the case may be, notwithstanding any transfer of any stock on the books of the Company after such day and hour fixed as aforesaid.

SECTION 7. Dividends and Surplus: Subject to the limitations prescribed by law, the Board of Directors (1) may declare dividends on the stock of the Company whenever and in such amounts as, in its opinion, the condition of the affairs of the Company shall render it advisable, (2) may use and apply, in its discretion, any part or all of the surplus of the Company in purchasing or acquiring any of the shares of stock of the Company, and (3) may set aside from time to time out of such surplus or net profits such sum or sums as it in its absolute discretion, may think proper as a reserve fund to meet contingencies or for equalizing dividends, or for the purpose of maintaining or increasing the property or business of the Company, or for any other purpose it may think conducive to the best interest of the Company.

ARTICLE VII

OFFICES AND BOOKS

SECTION 1. Offices: The Company shall maintain an office at such place in the County of Monroe, State of New York, as the Board of Directors may determine. The Board of Directors may from time to time and at any time establish other offices of the Company or branches of its business at whatever place or places seem to it expedient.

SECTION 2. Books and Records:

(a) There shall be kept at one or more offices of the Company (1) correct and complete books and records of account, (2) minutes of the proceedings of the shareholders, Board of Directors and the Executive Committee, (3) a current list of the Directors and officers of the Company and their residence addresses, and (4) a copy of these By-Laws.

(b) The stock records may be kept either at the office of the Company or at the office of its transfer agent or registrar in the State of New York, if any, and shall contain the names and addresses of all shareholders, the number and class of shares held by each and the dates when they respectively became the owners of record thereof.

ARTICLE VIII

GENERAL

SECTION 1. Seal: The corporate seal shall be in the form of a circle and shall bear the full name of the Company and the words and figures "Incorporated 1906, Rochester, N. Y.".

SECTION 2. Indemnification of Directors and Officers: Except to the extent expressly prohibited by law, the Company shall indemnify any person, made or threatened to be made, a party in any civil or criminal action or proceeding, including an action or proceeding by or in the right of the Company to procure a judgment in its favor or by or in the right of any other corporation of any type or kind, domestic or foreign, or any partnership, joint venture, trust, employee benefit plan or other enterprise, which any Director or officer of the Company served in any capacity at the request of the Company, by reason of the fact that he or she, his or her testator or intestate is or was a Director or officer of the Company or serves or served such other corporation, partnership, joint venture, trust, employee benefit plan or other enterprise, in any capacity, against judgments, fines, penalties, amounts paid in settlement and reasonable expenses, including attorneys' fees, incurred in connection with such action or proceeding, or any appeal therein, provided that no such indemnification shall be required with respect to any settlement unless the Company shall have given its prior approval thereto. Such indemnification shall include the right to be paid advances of any expenses incurred by such person in connection with such action, suit or proceeding, consistent with the provisions of applicable law. In addition to the foregoing, the Company is authorized to extend rights to indemnification and advancement of expenses to such persons by i) resolution of the shareholders, ii) resolution of the Directors or iii) an agreement, to the extent not expressly prohibited by law.

ARTICLE IX

FISCAL YEAR

SECTION 1. Fiscal Year: The fiscal year of the Company shall end on the 31st day of December in each year.

ARTICLE X

AMENDMENTS

SECTION 1. Amendments: By-Laws of the Company may be amended, repealed or adopted by a majority of the votes of the shares at the time entitled to vote in the election of any Directors. If, at any meeting of shareholders, action is proposed to be taken to amend, repeal or adopt By-Laws, the notice of such meeting shall include a brief statement or summary of the proposed action. The By-Laws may also be amended, repealed or adopted by the Board of Directors, but any By-Law adopted by the Board may be amended or repealed by shareholders entitled to vote thereon as hereinabove provided. If any By-Law regulating an impending election of Directors is adopted, amended or repealed by the Board of Directors, there shall be set forth in the notice of the next meeting of shareholders for the election of Directors the By-Law so adopted, amended or repealed, together with a concise statement of the changes made.

EXHIBIT 10 (P)
Separation Agreement dated May 11, 2000 between Registrant and G. Richard Thoman, former President and Chief Executive Officer of Registrant.

THE DOCUMENT COMPANY
XEROX

Paul A. Allaire
Chairman of the Board
Xerox Corporation
800 Long Ridge Road
Stamford, CT 06904
(203) 968-4515

May 11, 2000

Mr. G. Richard Thoman
28 Fox Run Lane
Greenwich, CT 06831

Dear Rick:

The following information summarizes the arrangements for your separation from Xerox Corporation (the Company) subject to approval by the Board of Directors or the Executive Compensation and Benefits Committee commencing May 11, 2000.

If you obtain employment as an employee of, or consultant to, another firm or corporation (other than the Company or an affiliate) that is a direct competitor of the Company in any business presently engaged in by the Company or in which the Company as of the date hereof may reasonably be expected to engage in the future, or is or may become such a competitor indirectly through a partnership, joint venture or other business arrangement with, or as a supplier or consultant to, such a direct competitor ("Competitor"), the stock options both vested and non-vested specified in the table below under Options and Rights (the "Stock Options") will be cancelled immediately. However, if the Company advises you in advance in writing that in its reasonable judgment such other firm or corporation is not a Competitor, the remaining salary continuance will continue to be paid. We will provide notice to you upon your request as to the competitive nature of a prospective employer.

The Company may cancel the Stock Options in the event you disclose confidential business information or if you publicly make any derogatory or disparaging statements about the Company, its management or its business. The Company agrees not to publicly make any derogatory or disparaging statements about you.

BONUS
You will receive $375,000 as a prorated 2000 bonus in February 2001.

OTHER COMPENSATION
You will receive a cash payment of $200,000 in lieu of continuation of life insurance benefits. Payment will be made as soon as administratively possible.

OPTIONS AND RIGHTS
Summarized below are the relevant provisions that apply to your long-term incentive awards, profit sharing and savings accounts, pension benefits, life insurance benefits and other benefits arrangements. In case of inconsistencies between this summary and the relevant plan, the terms of the plan will govern.

Grant Date	Grant Price	Amount Remaining	Vesting*	Expiration Date*
N/Q Stock Options:				
6/11/97 (Sign-on)	$34.8125	1,000,000	480,000 (Now) 260,000 on 1/1/2001 260,000 on 1/1/2002	12/31/04 Options exercisable for balance of term
6/11/97 (Sign-on)	$34.8125	100,540	100,540 (Now)	12/31/04 Options exercisable for balance of term
12/31/97 (LEEP)	$36.7032	400,512	264,335 (Now) 136,177 on 1/1/2001	12/31/05 Options

				exercisable for balance of term
10/12/98 (LEEP)	$46.8750	171,648	114,432 (Now) 57,216 on 1/1/2001	12/31/08 Options exercisable for balance of term
12/7/98 (LEEP)	$54.8594	163,480	81,740 (Now) 81,740 on 1/1/2001	2/26/09 Options exercisable for balance of term
1/1/99 (Profit Sharing)	$59.4375	1,374	458 (Now) 458 on 1/1/01 458 on 1/1/02	12/31/06 Options exercisable for balance of term
9/9/99 (Bonus)	$47.50	42,188	42,188 on 3/1/03	12/31/09 Options exercisable for balance of term
10/11/99 (Retention)	$25.3755	250,000	125,000 on 10/11/03 125,000 on 6/25/04	12/31/09 Options exercisable for balance of term
2/7/00 (Retention)	$21.7812	100,000	100,000 on 1/1/02 if meets targets, or 1/1/05 if not	12/31/09 Options exercisable for balance of term
Total		2,229,742		
Incentive Stock Rights:				
6/11/97 (Sign on)		80,000	40,000 on 1/1/01 40,000 on 1/1/02	
Total		80,000		

Note: Subject only to the second and third paragraphs of this letter (relating to competition with the Company, disclosure of confidential business information or publicly making derogatory or disparaging statements about the Company), by reason of your separation from the Company, all of your options as set forth in the table above will continue to vest on the dates provided (subject to no other conditions) and will be exercisable until their expiration dates as set forth in such table.

PROFIT SHARING AND SAVINGS ACCOUNT
As you know, under relevant plan provisions, you have choices available regarding the continued investment of your account balances and the time and form of distribution. A calculation of your account balances will be completed at the end of your salary continuance period at which time you will have the opportunity to elect how and when the proceeds will be distributed.

RETIREMENT BENEFIT
You will be entitled to an annual retirement benefit of $800,000 commencing as of the date hereof. The form of benefit is 100% joint and survivor meaning that your wife will continue to receive this benefit after your death.

MEDICAL, DENTAL AND OTHER BENEFITS
You will be entitled to retiree medical and dental coverage under the Mid-Career Hire Executive Retirement Program commencing the date hereof.

LIFE INSURANCE
Your Contributory Life Insurance coverage of $3,000,000 will terminate on the date of this agreement. Upon termination of the Plan Agreement in accordance with the terms of the Contributory Life Insurance Plan, the Company will recover its cumulative premiums paid into the Contributory Life Insurance Plan, plus an amount for administrative expenses as stated in the Plan Agreement. At that time you will become sole owner of the policy along with any remaining cash value, with the option to continue the coverage at your own expense.

DEFERRED COMPENSATION PLAN
Your deferred compensation accounts will be paid out in accordance with the terms of the plan. You will receive the proceeds in early July. The balance

of your accounts as of May 8, 2000 was $13,022,591 which is subject to fluctuation based upon hypothetical investment results through the date of distribution.

OTHER ARRANGEMENTS

You will be paid for any accrued and unused vacation upon commencement of salary continuance. You will not accrue any further vacation during salary continuance.

Your company financial counseling program will be continued through the end of 2000.

Tax preparation will be extended through 2001 for the 2000 tax year.

The Executive Expense Allowance payment has been made in 2000. You will not be entitled to any future Executive Expense Allowance payments while on salary continuance.

You will be eligible for your 2000 physical under the Executive Physical program.

The company will provide you with an office and administrative support at First Stamford Place for 2 years, commencing May 15, 2000.

INDEMNITY
You will be entitled to be indemnified with respect to all periods of your service as a director or officer of the Company or any of its subsidiaries in accordance with 1) the provisions of Sections 721 through 725 of the Business Corporation Law of the State of New York and provisions of California Labor Code Section 2802 2) Section 2 of Article VIII of the by-laws of the Company as in effect on the date hereof and 3) the Company directors and officers liability insurance policies with Federal Insurance Company, National Union Fire Insurance Company of Pittsburgh P.A., Reliance Insurance Company, Chubb Atlantic Ltd., Gulf Insurance Company and A.C.E. Insurance, Ltd., including, without limitation, In re Xerox Securities Litigation, 3:99-CV-2374(AWT) pending in the United States District Court for the District of Connecticut.

RELEASE
This agreement shall not become effective until you execute and delivery to the Company the release in the form attached. This agreement supercedes any prior agreements between you and the Company with respect to your separation from the Company.

COOPERATION IN LITIGATION
You will cooperate fully with the Company and its counsel in any litigation that arises out of or is related to your service with the Company or any of its subsidiaries, or in which you are named as a party. That cooperation includes making yourself available for reasonable periods of time upon reasonable notice for consultation with the Company's counsel in any such litigation and to provide testimony before or during any trial.

DIRECTOR/OFFICER STATUS
You hereby withdraw your nomination for election as a Director of the Company at the Annual Meeting of Shareholders scheduled to be held on May 18, 2000, or any adjournment thereof, and hereby decline to serve as a Director.

Concurrently herewith you are executing your resignation as a Director and Officer of the Company and as a director or officer of any subsidiary or affiliate of the Company in which you serve in such capacity, effective on the date hereof.

Sincerely,

/s/ PAUL A. ALLAIRE
- ----------------------------
Paul A. Allaire

PAA/crl

AGREED AND ACCEPTED

/s/ G. RICHARD THOMAN

G. Richard Thoman

EXHIBIT 11

Xerox Corporation

Computation of Net Income Per Common Share
(Dollars in millions, except per-share data; shares in thousands)

	Three months ended June 30, 2000	Three months ended June 30, 1999	Six Months ended June 30, 2000	Six Months ended June 30, 1999
I. Basic Net Income (Loss) Per Common Share				
Net Income (Loss)	$ 145	$ 448	$ (98)	$ 791
Accrued dividends on ESOP preferred stock, net	(7)	(10)	(17)	(20)
Adjusted net income (loss)	$ 138	$ 438	$ (115)	$ 771
Average common shares outstanding during the period	666,360	659,234	666,031	659,994
Common shares contingently issuable with respect to exchangeable shares	920	2,206	921	2,012
Adjusted average shares outstanding for the period	667,280	661,440	666,952	662,006
Basic earnings (loss) per share	$ 0.21	$ 0.66	$ (0.17)	$ 1.16
II. Diluted Net Income (Loss) Per Common Share				
Net Income (Loss)	$ 145	$ 448	$ (98)	$ 791
ESOP expense adjustment, net of tax	(6)	2	-	4
Accrued dividends on ESOP preferred stock, net	-	-	(17)	-
Interest on convertible debt, net of tax	-	4	-	8
Adjusted net income (loss)	$ 139	$ 454	$ (115)	$ 803
Average common shares outstanding during the period	666,360	659,234	666,031	659,994
Stock options, incentive and exchangeable shares	6,148	11,837	921	11,202
Convertible debt	5,287	13,190	-	13,190
ESOP preferred stock	51,004	52,433	-	52,337
Adjusted average shares outstanding for the period	728,799	736,694	666,952	736,723
Diluted earnings (loss) per share	$ 0.19	$ 0.62	$ (0.17)	$ 1.09

EXHIBIT 12

Xerox Corporation
Computation of Ratio of Earnings to Fixed Charges

(In millions)	Six months ended June 30, 2000*	1999	Year ended December 31, 1999	1998**	1997	1996	1995
Fixed charges:							
Interest expense	$ 474	$ 405	$ 803	$ 749	$ 617	$ 592	$ 603
Rental expense	57	61	132	145	140	140	142
Total fixed charges before capitalized interest and preferred stock dividends of subsidiaries	531	466	935	894	757	732	745
Preferred stock dividends of subsidiaries	27	27	55	55	50	-	-
Capitalized interest	7	2	8	-	-	-	-
Total fixed charges	$ 565	$ 495	$ 998	$ 949	$ 807	$ 732	$ 745
Earnings available for fixed charges:							
Earnings***	$ (140)	$1,161	$2,104	$ 837	$2,268	$2,067	$1,980
Adjustment to reflect distributed income from minority owned companies	(11)	(33)	(68)	(27)	(84)	(84)	(90)
Add fixed charges before capitalized interest and preferred stock dividends of subsidiaries	531	466	935	894	757	732	745
Total earnings available for fixed charges	$ 380	$1,594	$2,971	$1,704	$2,941	$2,715	$2,635
Ratio of earnings to fixed charges (1)(2)	*	3.22	2.98	1.80	3.64	3.71	3.54

(1) The ratio of earnings to fixed charges has been computed based on the Company's continuing operations by dividing total earnings available for fixed charges, excluding capitalized interest and preferred stock dividends of subsidiaries, by total fixed charges. Fixed charges consist of interest, including capitalized interest and preferred stock dividends of subsidiaries, and one-third of rent expense as representative of the interest portion of rentals.

(2) The Company's ratio of earnings to fixed charges includes the effect of the Company's finance subsidiaries, which primarily finance Xerox equipment. Financing businesses are more highly leveraged and, therefore, tend to operate at lower earnings to fixed charges ratio levels than do non-financial businesses.

* Earnings for the six months of 2000 were inadequate to cover fixed charges. The coverage deficiency was $185 million. Excluding charges for special items - the 2000 restructuring, CPID in-process R&D charge and Mexico provision - the ratio of earnings to fixed charges would be 2.03.

** Excluding the effects of the charges recorded in connection with the 1998 restructuring plan, the ratio of earnings to fixed charges would be 3.55.

*** Sum of "Income (Loss) before Income Taxes (Benefits), Equity Income and Minorities' Interests" and "Equity in Net Income of Unconsolidated Affiliates."

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THIS SCHEDULE CONTAINS SUMMARY FINANCIAL INFORMATION EXTRACTED
FROM XEROX CORPORATION'S 6-30-00 FINANCIAL STATEMENTS AND IS
QUALIFIED IN ITS ENTIRETY BY REFERENCE TO SUCH FINANCIAL STATEMENTS.

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6-MOS
DEC-31-2000
JUN-30-2000
120
0
16,743
500
3,289
12,901
5,490
2,987
30,314
8,059
17,557
638
661
668
3,764
30,314
4,818
9,119
2,758
5,463
3,846
178
474
(190)
(65)
(98)
0
0
0
(98)
(0.17)
(0.17)