



Anne M. Mulcahy
Chairman and Chief Executive Officer

October 2, 2007

VIA E-MAIL

Ms. Nancy M. Morris
Secretary
U.S. Securities and Exchange Commission
100 F Street N.E.
Washington, DC 20549-1090

Re: Shareholder Proposals Relating to the Election of Directors – File Number
S7-17-07
Shareholders Proposals – File Number S7-16-07

Dear Ms. Morris:

On behalf of Xerox Corporation, I very much appreciate the opportunity to provide comments and recommendations to you with respect to: (1) the Securities and Exchange Commission's (the "Commission") interpretation and proposal to uphold its long-standing view of the meaning of the exclusion for shareholder proposals related to the election of directors; (2) the Commission's proposal to permit bylaw amendment shareholder proposals regarding the process for nominating candidates to the board of directors; and (3) the Commission's solicitation of comments related to non-binding shareholder proposals. At Xerox Corporation (the "Company" or "Xerox"), we are committed to director election and shareholder proposal processes that benefit all our shareholders. We believe that the Commission can best preserve and enhance the director election and shareholder proposal processes for the benefit of our shareholders by maintaining the existing framework for director nominations and amending its rules regarding non-binding shareholder proposals. Below please find our specific comments.

Existing Framework for Director Nominations Best Serves Our Shareholders

We applaud and support the Commission's interpretation and proposed rule amendment to reaffirm the Commission's longstanding position that company proxy statements are not the proper venue for shareholders to nominate candidates to serve on the board of directors. In the wake of the uncertainty created by the decision in *AFSCME v. AIG*, we welcome the Commission's clarification of the types of shareholder proposals that are a proper subject for inclusion in our proxy materials.

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By contrast, permitting shareholders to place their director candidates in our proxy statement would create the opportunity for a contested election virtually every year without the protections afforded by the rules governing contested solicitations. The rules surrounding contested solicitations were designed to promote full and accurate disclosure so that shareholders could make informed decisions when voting. We are very concerned by the confusion that would be created for our shareholders if the line is blurred between contested and non-contested elections.

In light of the Commission's interpretation clarifying that company proxy statements are not the appropriate vehicle for proxy access proposals, we strongly urge the Commission to reinstate the issuance of no-action letters for the 2008 proxy season. The no-action letter process is an important mechanism for companies and shareholders and allows them to avoid costly litigation.

Long Term Shareholder Value is Undermined by Bylaw Access Proposal

Of paramount concern to us is ensuring and promoting long term shareholder value. By allowing bylaw access proposals in the Company proxy there is genuine risk to ensuring and protecting the long term shareholder value of all shareholders, specifically:

Frequent Proxy Contests – Widespread access to our proxy materials by shareholders interested in nominating specific director candidates could result in frequent contested elections causing the Company to expend significant resources to support candidates nominated by Xerox's board of directors (the "Board"). Moreover, if frequent contested elections occurred, qualified candidates may be discouraged from serving on our Board.

Election of "Special Interest Directors" - Our Board has developed processes for nominating and electing qualified directors who represent the interest of all of our shareholders. "Special interest directors" elected to our Board may be inclined to promote particular agendas, thereby disrupting our Board's dynamic, impeding our Board's decision making processes and making decisions not in the best interest of all shareholders.

Undermine Independence and Corporate Governance Committee Role – Our Board has invested substantial time and effort in its governance processes and it has an effective Corporate Governance Committee responsible for identifying qualified candidates to serve on Xerox's Board. Permitting our shareholders to access our proxy materials to nominate director candidates could result in the election of non-independent directors to Xerox's Board, thus undoing our efforts in establishing independence standards. Furthermore, permitting widespread access to our proxy materials would encroach on one of the core functions of our Corporate Governance

Committee—recommending the nomination of director candidates. We believe that the independent members of our Corporate Governance Committee are in the best position to determine the skills and qualities desirable in candidates in order to maximize the effectiveness of Xerox's Board and ensure that its members meet the various qualifications and independence standards imposed by the Commission and the securities markets.

Xerox's Corporate Governance Changes Have Been Effective

Over the past few years, we have been pro-actively implementing an array of best corporate governance practices, in addition to the new corporate laws, rules and listing standards. Through these means, Xerox already provides its shareholders an effective and meaningful voice in the director election process. Accordingly, providing shareholders direct access to our proxy materials is unnecessary and could undermine many of the steps that we have already taken.

For example, we provide shareholders visibility into our director nomination process and shareholders may recommend director candidates through the Corporate Governance Committee. We also have a mechanism in place for shareholders to communicate directly with the Board through an independent director who serves on the Corporate Governance Committee. Xerox's Board is also committed to adopting a majority voting standard in 2008, which will strengthen our shareholders' voice in the director election process.

Strengthen Requirements on Including Non-Binding Shareholder Proposals

We believe the Commission should strengthen the requirements on including non-binding shareholder proposals in company proxy statements. Historically, the majority of time that we have spent addressing shareholder proposals has been spent addressing shareholder proposals from special interest groups. These proposals divert limited resources and distract management and the Board from managing and directing the Company. We would support changes that would reduce the time and resources we, and the Board, spend on such shareholder proposals.

Specifically, we believe that the Commission should raise the eligibility threshold for submitting shareholder proposals and also raise the thresholds for resubmitting shareholders proposals. The existing \$2,000 threshold for submitting shareholder proposals is outdated and needs to be significantly increased. We currently expend far too many resources addressing proposals submitted by small shareholders with special interest concerns that do not comport to the general interests of our shareholders. Similarly, the resubmission thresholds are out dated and need to be significantly increased. At the current levels, the resubmission thresholds do not

achieve the goal of preventing repeat shareholder votes on issues that do not have shareholder support.

Finally, we believe that the Commission should revise the ordinary business exclusion to delete the exception for shareholder proposals that raise social policy issues. This exception has encouraged the submission of shareholder proposals that have no discernable relation to company operations and creating shareholder value.

Conclusion

We support the Commission's interpretation and proposal to clarify the meaning of the exclusion for shareholder proposals related to the election of directors and believe that the Commission should reject the proposal to allow shareholders to include bylaw amendments in the company's proxy materials that would permit shareholders to include director nominations in the company's proxy materials. This outcome will best protect and enhance long term value for all of our shareholders. In light of the Commission's interpretation of Rule 14a-8(i)(8) contained in Exchange Act Release No. 56161, we urge the Commission to issue no-action letters for proxy access proposals pursuant to the director election exclusion during the 2008 proxy season.

We also support raising the eligibility and resubmission standards for including non-binding shareholder proposals.

Again, we appreciate the opportunity to comment on the Commission's proposals, and we would be pleased to discuss further any of the matters referenced in this letter.

Respectfully submitted,



Anne M. Mulcahy
Chairman and Chief Executive Officer