

IN THE MATTER OF THE CANADIAN SECURITIES LEGISLATION OF
BRITISH COLUMBIA, ALBERTA, SASKATCHEWAN, MANITOBA, ONTARIO, NEW
BRUNSWICK, PRINCE EDWARD ISLAND, NOVA SCOTIA, NEWFOUNDLAND, THE
NORTHWEST TERRITORIES, NUNAVUT AND THE YUKON TERRITORY

AND

IN THE MATTER OF
THE MUTUAL RELIANCE REVIEW SYSTEM FOR
EXEMPTIVE RELIEF APPLICATIONS

AND

IN THE MATTER OF
XEROX CANADA INC. AND XEROX CORPORATION

MRRS DECISIONS DOCUMENT

WHEREAS the Canadian securities regulatory authority or regulator (the "Decision Maker") in each of British Columbia, Alberta, Saskatchewan, Manitoba, Ontario, New Brunswick, Prince Edward Island, Nova Scotia, Newfoundland, the Northwest Territories, Nunavut and the Yukon Territory (collectively, the "Jurisdictions", and, each, a "Jurisdiction") has received an application from Xerox Canada Inc. ("Xerox Canada") and Xerox Corporation ("Xerox") for the following decisions pursuant to the securities legislation (the "Legislation") of the Jurisdictions:

(a) a decision that, under the Legislation, the registration requirement and the prospectus requirement as each of these terms is defined in National Instrument 14-101 (the "Registration and Prospectus Requirements") shall not apply to;

(i) the grant by Xerox to Xerox Canada of a right (the "Subscription Right") to acquire, from time to time, from Xerox, shares ("Xerox Common Shares") of common stock of Xerox, in connection with the exercise of Rights (defined below) to purchase or obtain Xerox Common Shares that, from time to time, have been, or will have been, issued by Xerox Canada under the Xerox Canada Executive Rights Plan ("the Plan") to persons that are, or were, at the time of the issue, employees ("Employees") of Xerox Canada or an affiliate of Xerox Canada; and

(ii) the distribution of Xerox Common Shares to the holder of a Right, upon exercise, by Xerox Canada, or by a person or company (a "Plan Administrator") as the agent or trustee appointed by Xerox Canada to administer the Plan, subject to certain terms and conditions; and

(b) a decision that previous decisions (the "Previous Decisions") of the Decision Makers referred to in the attached Schedule "A", which concern the same subject matter as this Decision, but

were issued before certain amendments were made to the Plan to provide for Performance Rights and Bonus Rights (as defined below), be revoked.

AND WHEREAS pursuant to the Mutual Reliance Review System for Exemptive Relief Applications (the "System"), the Ontario Securities Commission is the Principal Regulator for this application;

AND WHEREAS it has been represented by Xerox Canada and Xerox to the Decision Makers that:

1. Xerox Canada, a corporation amalgamated under the laws of Ontario, is a reporting issuer, or the equivalent, under the Legislation of each Jurisdiction, and is not in default of any requirement of the Legislation;

2. the head office of Xerox Canada is in Ontario;

3. Xerox, a corporation incorporated under the laws of the State of New York, United States of America, is a reporting issuer or the equivalent under the Legislation of each Jurisdiction, and is not in default of any requirement of the Legislation;

4. the authorized and issued capital of Xerox Canada comprises class A shares ("Xerox Canada Class A Shares"), non-voting exchangeable class B shares ("Xerox Canada Class B Shares") and non-cumulative, non-voting, redeemable preferred shares ("Xerox Canada Preference Shares");

5. Xerox owns all of the Xerox Canada Class A Shares and the Xerox Canada Preference Shares that are issued and outstanding;

6. the issued capital of Xerox consists of shares of common stock ("Xerox Common Shares") and cumulative preferred shares that are issuable in series;

7. the Xerox Common Shares are listed and posted for trading on the New York Stock Exchange (the "NYSE") and several other stock exchanges outside of Canada;

8. the terms of the Xerox Canada Class B Shares entitle the holder, at any time, to exchange, with Xerox Canada, one Xerox Canada Class B Share for two Xerox Common Shares;

9. under the Plan, rights ("Purchase Rights") to acquire Xerox Common Shares from Xerox Canada have been issued, and may, from time to time, be issued by Xerox Canada to certain Employees;

10. the Performance Rights and Bonus Rights (as hereafter defined) are not tradeable and, except upon the death of the holder, are not transferable, and each Purchase Right entitles the holder, upon exercise, to acquire one Xerox Common Share from Xerox Canada;

11. the Purchase Rights are exercisable for a set period of time, at a price based on the closing price of one Xerox Common Share on the NYSE on the date the Purchase Right is issued;

12. upon the exercise of a Purchase Right by the holder, Xerox Canada will transfer to the holder one Xerox Common Share, which Xerox Canada, on behalf of the exercising holder, has either purchased from Xerox under the Subscription Right or purchased on the open market;

13. all Xerox Common Shares purchased, or to be purchased, by Xerox Canada from Xerox under the Subscription Right have been and will be issued from treasury stock;

14. in 1999, Xerox Canada amended the Plan to vary certain terms applicable to the subsequent issue of Purchase Rights and to provide for the issue to certain Employees of the following:

(i) rights ("Performance Rights") to acquire Xerox Common Shares from Xerox Canada, with the number of Xerox Common Shares to be acquired upon exercise of a Performance Right determined by formula based upon certain year-over-year growth in earnings, per Xerox Common Share, of Xerox; and

(ii) rights (a "Bonus Right"), to acquire Xerox Common Shares from Xerox Canada, the number of which to be granted, and the vesting requirements of which, will depend upon the annual bonus of the Employee, as determined under individual and corporate-based performance criteria established for the Employee (the "Bonus Stock Rights"), provided the Employee has accepted in writing, before the expiry of a period during which such offer has been left open for acceptance, the offer to receive Bonus Stock Rights;

(the Purchase Rights, Performance Rights and Bonus Rights being collectively referred to as "Rights");

15. the exercise price of a Performance Right is nil;

16. the exercise price, payable in cash, of a Bonus Stock Right that is accepted by an Employee will be determined on the day following the expiry of the period of time for acceptance and will be based upon 100 per cent of the average of the high and low price of a Xerox Common Share on the NYSE on such date;

17. Xerox Common Shares deliverable by Xerox Canada upon the exercise of a Performance Right or Bonus Right are to be obtained by Xerox Canada pursuant to the Subscription Right or in the open market;

18. the Performance Rights and Bonus Rights are not tradeable and, except upon the death of the holder; are not transferable;

19. Employees are under no obligation to accept or exercise Rights and no Employee will be induced to accept or exercise Rights by expectation of employment or continued employment;

20. the holders of Rights are provided with all the continuous disclosure material relating to Xerox which is provided by Xerox to holders of Xerox Common Shares that are resident in Canada;

21. the distribution by Xerox Canada of Rights to Employees pursuant to the Plan will be made in reliance upon registration and prospectus exemptions (the "Employee Exemptions") applicable to the issuance of securities to employees contained in the Legislation;

22. except for exemptions provided for in the Previous Decisions, there are no prospectus or registration exemptions available under the Legislation in respect of the grant by Xerox to Xerox Canada of the Subscription Right;

23. the distribution by Xerox of Xerox Common Shares to Xerox Canada, from time to time, pursuant to the exercise of the Subscription Right, is exempt from the Registration and Prospectus Requirements by virtue of exemptions (the "Rights Exemptions") that are available under the Legislation for the issue of securities upon the exercise of a right previously granted by the issuer of the right;

24. Xerox Canada cannot rely on the Rights Exemptions or the Employee Exemptions to transfer Xerox Common Shares, purchased from Xerox under the Subscription Right or purchased on the open market, to holders of Rights, upon their exercise, because, in the case of the Rights Exemptions, the Xerox Common Shares are not securities of Xerox Canada, and, because, in the case of the Employee Exemptions, the holder may not, at the time of exercise, be an employee referred to in the Employee Exemptions; and

25. Xerox Canada wishes to report its trades in Xerox Common Shares to the holder of a Right, upon exercise, on a monthly basis;

AND WHEREAS pursuant to the System this MRRS Document evidences the decisions of each Decision Maker (collectively, the "Decisions");

AND WHEREAS each of the Decision Makers is satisfied that the tests contained in the Legislation that provides the Decision Maker with the jurisdiction to make the Decisions has been met;

THE DECISION of the Decision Makers, pursuant to the Legislation, is that the Registration and Prospectus Requirements shall not apply to;

(a) the grant by Xerox to Xerox Canada of the Subscription Right, provided that the first trade in any Xerox Common Shares acquired upon exercise of the Subscription Right shall be a distribution; or

(b) the distribution (a "Xerox Canada Distribution") of Xerox Common Shares to the holder of any Right, upon exercise of the Right, made by Xerox Canada or a Plan Administrator, on behalf of Xerox Canada, provided that, in each case, the first trade in any Xerox Common Shares acquired by the holder, upon the exercise of the Right and pursuant to this Decision in a Jurisdiction (the "Applicable Jurisdiction"), shall be a distribution under the Legislation (the "Applicable Legislation") of such Jurisdiction unless:

(i) at the time of the first trade, Xerox is a reporting issuer, or the equivalent, under the Applicable Legislation and has been a reporting issuer, or the equivalent, under the Applicable Legislation for at least twelve months;

(ii) disclosure of the prior corresponding Xerox Canada Distribution is made to the Decision Maker under the Applicable Legislation;

(iii) if, in respect of the first trade, the seller is in a "special relationship" with Xerox, as that term is defined in the Applicable Legislation, the seller has reasonable grounds to believe that Xerox is not in default of any requirement under the Applicable Legislation;

(iv) the first trade is not a trade from the holdings of any person or company holding a sufficient number of securities to affect materially the control of Xerox, but any holding of any person, company or combination of persons or companies holding more than 20 per cent of the outstanding voting securities of Xerox, or more than 20 per cent of the voting securities of Xerox, after giving effect to the exchange of all Xerox Canada Class B shares held by the person, company or combination of persons and companies, shall, in the absence of evidence to the contrary, be deemed, for these purposes, to affect materially the control of Xerox under the Applicable Legislation; and

(v) no unusual effort is made to prepare the market or to create a demand for the Xerox Common Shares forming the subject matter of the first trades and no extraordinary commission or consideration is paid in respect of the first trade;

PROVIDED THAT, for the purposes of clause (b) (ii), above, disclosure may be made as follows:

1.the disclosure is made by way of a letter, filed by Xerox Canada with the Decision Maker, that discloses the date of the Xerox Canada Distribution, the number of Xerox Common Shares comprising the Xerox Canada Distribution and the purchase price paid, or to be paid, for the Xerox Common Shares, which is certified by an officer of Xerox Canada, on behalf of Xerox Canada, who also certifies that he/she has knowledge of the facts set out in the letter; and

2.the disclosure is filed with 10 days of the end of the month in which the Xerox Canada Distribution occurred;

AND IT IS THE FURTHER DECISION of the Decision Makers that the Previous Decisions are revoked.

DATED at Toronto, Ontario this "25th" day of "February", 2000.

"J.A.Geller"

"Stephen N. Adams"

Schedule "A"

List of Previous Decisions

| Decision Makers | Title | Date |
|--|---|-------------------|
| Order of British Columbia Securities Commission | In the Matter of the Securities Act S.B.C. 1985, c.83 and In the Matter of Xerox Canada Inc. and In the Matter of Xerox Corporation | January 18,1996 |
| Ruling Order of Alberta Securities Commission | In the Matter of The Securities Act (S.A. 1981, c.S-6.1, as amended) and In the Matter of Xerox Canada Inc. and Xerox Corporation. | December 18, 1995 |
| Order of Manitoba Securities Commission | Xerox Canada Inc. and Xerox Corporation | December 18, 1995 |
| Ruling Order of Ontario Securities Commission | In the Matter of the Securities Act, R.S.O. 1990, Chapter S.5, as amended and In the Matter of Xerox Canada Inc. and In the Matter of Xerox Corporation | December 22, 1995 |
| Ruling of Nova Scotia Securities Commission | In the Matter of the Securities Act, R.S.N.S. 1989, Chapter 418, as amended and In the Matter of Xerox Canada Inc. and In the Matter of Xerox Corporation | December 11, 1995 |
| Order of New Brunswick Securities Administrator | In the Matter of the Security Frauds Prevention Act, R.S.N.B. 1973, Chapter S-6 and In the Matter of Xerox Canada Inc. and In the Matter of Xerox Corporation | December 13, 1995 |
| Ruling of Newfoundland Director of Securities | In the Matter of the Securities Act R.S.N. 1990 c. S-13, as amended and In the Matter of Xerox Canada Inc. and In the Matter of Xerox Corporation | December 19, 1995 |
| Ruling of Prince Edward Island Registrar of Securities | In the Matter of the Securities Act, R.S.P.E.I. 1988, CAP. S-3, as amended and In the Matter of Xerox Canada Inc. and In the Matter of Xerox Corporation | December 4, 1995 |
| Ruling order of the Yukon Registrar of Securities | In the Matter of the Securities Act R.S.Y. 1986, Chapter 158, as amended and In the Matter of Xerox Canada Inc. and In the Matter of Xerox Corporation | November 30, 1995 |
| Order of the Northwest Territories Registrar of Securities | In the Matter of the Securities Act, R.S.N.W.T. 1988, c.S.5 as amended and in the Matter of Xerox Canada Inc. and Xerox Corporation | January 25, 1996 |

