

**UNITED STATES DISTRICT COURT
SOUTHERN DISTRICT OF NEW YORK**

____, Individually and on Behalf of All Others
Similarly Situated,

Plaintiff,

v.

XEROX HOLDINGS CORPORATION,
STEVEN J. BANDROWCZAK, and
XAVIER HEISS,

Defendants.

Case No.

**CLASS ACTION COMPLAINT FOR
VIOLATIONS OF THE FEDERAL
SECURITIES LAWS**

DEMAND FOR JURY TRIAL

Plaintiff ___ (“Plaintiff”), individually and on behalf of all others similarly situated, by and through his attorneys, alleges the following upon information and belief, except as to those allegations concerning Plaintiff, which are alleged upon personal knowledge. Plaintiff’s information and belief is based upon, among other things, his counsel’s investigation, which includes without limitation: (a) review and analysis of regulatory filings made by Xerox Holdings Corporation (“Xerox” or the “Company”) with the United States (“U.S.”) Securities and Exchange Commission (“SEC”); (b) review and analysis of press releases and media reports issued by and disseminated by Xerox; and (c) review of other publicly available information concerning Xerox.

NATURE OF THE ACTION AND OVERVIEW

1. This is a class action on behalf of persons and entities that purchased or otherwise acquired Xerox securities between January 25, 2024 and October 28, 2024, inclusive (the “Class Period”). Plaintiff pursues claims against the Defendants under the Securities Exchange Act of 1934 (the “Exchange Act”).

2. Xerox and its subsidiaries offer workplace technology that integrates hardware, services, and software for enterprises in the Americas, and internationally.

3. In October 2023, Xerox introduced an organizational overhaul, which it dubbed the “Reinvention.” Xerox described the Reinvention as a three-pronged approach. First, geographic optimization, taking a more selective approach to direct operations in certain markets, and when appropriate, shifting to a partner-led distribution model. Second, streamlining product offerings, including shifting the Company’s core business to increase focus on its emerging digital and IT services. Third, increasing “operating efficiencies” through an “end-to-end organizational and structural simplification.” On January 3, 2024, the Company announced the next stage of the Company’s “operating model evolution” which included shifting to a “business unit operating

model,” consolidating groups under a “Global Business Services organization,” and a layoff of 15% of the Company’s workforce.

4. The truth of effects the Company’s Reinvention began to emerge on April 23, 2024, before the market opened, when the Company revealed that for second quarter 2024, quarterly revenue was down 12.4% year-over-year to \$1.50 billion, net loss fell to -\$113 million (down \$184 million year-over-year), and equipment sales declined 25.8% year-over-year to \$290 million. The Company admitted, in part, “*geographic simplification*” had driven the year-over-year decline. The Company also partially disclosed that the Reinvention plan had been “*initially disruptive to sales operations*” but assured investors it was “seeing the benefits of the new business unit-led operating model in equipment order momentum.”

5. On this news, the Company’s share price fell \$1.66, or 10.11%, to close at \$14.76 per share on April 23, 2024, on unusually heavy trading volume.

6. Then, on October 29, 2024, before the market opened, the Company revealed “*lower-than-expected improvements in sales force productivity*” and “*delays in the global launch of two new products*” had led to “*sales underperformance.*” The Company disclosed that for third quarter 2024, quarterly revenue was down 7.5% year-over-year to \$1.53 billion, net loss fell to - **\$1.2 billion** (down \$1.3 billion year-over-year), and equipment sales declined 12.2% year over year to \$339 million. In a corresponding earnings call, the Company’s Chief Operating Officer John Bruno revealed the product delay was in fact a “forecasting issue” where the Company “*had higher expectations that we were going to flush through the older product*” which it needed to “*sell through*” in order to “make those transitions.”

7. On this news, the Company’s share price fell \$1.79, or 17.41%, to close at \$8.49 per share on October 29, 2024, on unusually heavy trading volume.

8. Throughout the Class Period, Defendants made materially false and/or misleading statements, as well as failed to disclose material adverse facts about the Company's business, operations, and prospects. Specifically, Defendants failed to disclose to investors: (1) that, after a large workforce reduction, the Company's salesforce was reorganized with new territory assignments and account coverage; (2) that, as a result, the Company's salesforce productivity was disrupted; (3) that, as a result, the Company had a lower rate of sell-through of older products; (4) that the difficulties in flushing out older product would delay the launch of key products; (5) that, as a result, Xerox was likely to experience lower sales and revenue; and (6) that, as a result of the foregoing, Defendants' positive statements about the Company's business, operations, and prospects were materially misleading and/or lacked a reasonable basis.

9. As a result of Defendants' wrongful acts and omissions, and the precipitous decline in the market value of the Company's securities, Plaintiff and other Class members have suffered significant losses and damages.

JURISDICTION AND VENUE

10. The claims asserted herein arise under Sections 10(b) and 20(a) of the Exchange Act (15 U.S.C. §§ 78j(b) and 78t(a)) and Rule 10b-5 promulgated thereunder by the SEC (17 C.F.R. § 240.10b-5).

11. This Court has jurisdiction over the subject matter of this action pursuant to 28 U.S.C. § 1331 and Section 27 of the Exchange Act (15 U.S.C. § 78aa).

12. Venue is proper in this Judicial District pursuant to 28 U.S.C. § 1391(b) and Section 27 of the Exchange Act (15 U.S.C. § 78aa(c)). Substantial acts in furtherance of the alleged fraud or the effects of the fraud have occurred in this Judicial District. Many of the acts charged herein, including the dissemination of materially false and/or misleading information, occurred in substantial part in this Judicial District.

13. In connection with the acts, transactions, and conduct alleged herein, Defendants directly and indirectly used the means and instrumentalities of interstate commerce, including the United States mail, interstate telephone communications, and the facilities of a national securities exchange.

PARTIES

14. Plaintiff ____, as set forth in the accompanying certification, incorporated by reference herein, purchased Xerox securities during the Class Period, and suffered damages as a result of the federal securities law violations and false and/or misleading statements and/or material omissions alleged herein.

15. Defendant Xerox is incorporated under the laws of New York with its principal executive offices located in Norwalk, Connecticut. Xerox's common stock trades on the NASDAQ exchange under the symbol "XRX."

16. Defendant Steven J. Bandrowczak ("Bandrowczak") was the Company's Chief Executive Officer ("CEO") at all relevant times.

17. Defendant Xavier Heiss ("Heiss") was the Company's Chief Financial Officer ("CFO") at all relevant times.

18. Defendants Bandrowczak and Heiss (together, the "Individual Defendants"), because of their positions with the Company, possessed the power and authority to control the contents of the Company's reports to the SEC, press releases and presentations to securities analysts, money and portfolio managers and institutional investors, i.e., the market. The Individual Defendants were provided with copies of the Company's reports and press releases alleged herein to be misleading prior to, or shortly after, their issuance and had the ability and opportunity to prevent their issuance or cause them to be corrected. Because of their positions and access to material non-public information available to them, the Individual Defendants knew that the

adverse facts specified herein had not been disclosed to, and were being concealed from, the public, and that the positive representations which were being made were then materially false and/or misleading. The Individual Defendants are liable for the false statements pleaded herein.

SUBSTANTIVE ALLEGATIONS

Background

19. Xerox and its subsidiaries offer workplace technology that integrates hardware, services, and software for enterprises in the Americas, and internationally.

20. In October 2023, Xerox introduced an organizational overhaul which it dubbed the “Reinvention.” Xerox described the Reinvention as a three-pronged approach. First, geographic optimization, taking a more selective approach to direct operations in certain markets, and when appropriate, shifting to a partner-led distribution model. Second, streamlining product offerings, including shifting the Company’s core business to increase focus on its emerging digital and IT services. Third, increasing “operating efficiencies” through an “end-to-end organizational and structural simplification.”

21. On January 3, 2024, the Company announced the next stage of the Company’s “operating model evolution” which included shifting to a “business unit operating model,” consolidating groups under a “Global Business Services organization,” and a layoff of 15% of the Company’s workforce.

Materially False and Misleading

Statements Issued During the Class Period

22. The Class Period begins on January 25, 2024. On that day, Xerox announced its financial results for the fourth-quarter and full-year for the fiscal year ended December 31, 2023 in a press release. The press release touted the Company’s Reinvention plan as having “*led 170*

basis points of adjusted operating margin expansion.”¹ The press release further asserted that any decline in equipment sales was merely the result of the “*prior year effect of backlog reduction.*” The press release also put forth full year 2024 guidance including a decline of 3% to 5% in constant currency for revenue and an adjusted operating margin of at least 7.5%. The press release stated the guided year-over-year decline in revenue was attributable only to the “*headwind from prior-year backlog reduction*” and the “*deemphasis of certain non-strategic revenue.*” Specifically the press release stated in relevant part:

“Last year, steps we took to structurally simplify our business impacted revenue but led to 170 basis points of adjusted operating margin expansion and laid the foundation for successful execution of our Reinvention,” said Steve Bandrowczak, chief executive officer at Xerox.

* * *

Full-Year Key Financial Results

(in millions, except per share data)	FY 2023	FY 2022	B/(W) YOY	% Change B/(W) YOY
Revenue	\$6,886	\$7,107	\$(221)	(3.1)% AC (3.3)% CC ⁽¹⁾
Gross Margin	33.6%	32.6%	100 bps	
RD&E %	3.3%	4.3%	100 bps	
SAG %	24.6%	24.8%	20 bps	
Pre-Tax (Loss) ⁽²⁾	\$(28)	\$(325)	\$297	NM
Pre-Tax (Loss) Margin ⁽²⁾	(0.4)%	(4.6)%	420 bps	
Operating Income - Adjusted ⁽¹⁾	\$389	\$275	\$114	41.5%
Operating Income Margin - Adjusted ⁽¹⁾	5.6%	3.9%	170 bps	
GAAP Diluted (Loss) per Share ⁽²⁾	\$(0.09)	\$(2.15)	\$2.06	NM
Diluted Earnings Per Share - Adjusted ⁽¹⁾	\$1.82	\$1.12	\$0.70	62.5%

* * *

2024 Guidance

- *Revenue: decline of 3% to 5% in constant currency*
- *Adjusted operating margin: at least 7.5%*
- *Free cash flow: at least \$600 million*

¹ Unless otherwise stated, all emphasis in bold and italics hereinafter is added, and all footnotes are omitted.

The company expects stable Print demand, growth in Digital and IT Services and neutral macroeconomic conditions. ***The guided year-over-year decline in revenue is attributable to the following: around 200 basis points of headwind from prior-year backlog reduction and around 200 basis points from the deemphasis of certain non-strategic revenue, including lower sales of paper.*** Margin guidance implies adjusted operating income margin improvement of more than 190 basis points, and adjusted operating income improvement of more than \$100 million, year-over-year.

The company reiterates its three-year target of \$300 million of incremental adjusted operating income above 2023 levels and a return to double-digit adjusted operating income margin by 2026.

* * *

Equipment sales of \$458 million in the fourth quarter 2023 declined 17.3% in actual currency, or 18.3% in constant currency, as compared to the fourth quarter 2022. The prior year effect of backlog reduction drove more than a 25-percentage point year-over-year decline. Total equipment revenue outpaced equipment installation activity, due to favorable product mix. Installations of High-End color equipment, which were less affected by prior year backlog reductions, increased as compared to fourth quarter 2022, while Entry and Mid offerings declined. Declines in entry primarily reflect prior year reductions to backlog and current year constraints.

* * *

We expect 2024 pre-tax income and adjusted operating income margins to improve in 2024 to approximately 5.1% and at least 7.5%, respectively. The increase in profit margins will primarily be driven by structural simplification actions enabled by our reorganization, including the effects of the workforce reduction decisions announced in January 2024.

23. On February 1, 2024, the Company announced the launch of “a collection of new solutions and services” which promoted the Company’s new VersaLink products which would “***be available in all regions by the end of March.***” Specifically, the press release stated the following, in relevant part,

The following updates are the latest in a recent surge of print, document management and workflow automation innovations designed for hybrid workers:

- **Xerox® VersaLink® C415/B415/C625/B625 MFPs and the Xerox® VersaLink C620/B620** – Completing a total refresh of its A4 printers and multifunction printers (MFPs), the Xerox VersaLink family enables more

than just print. The MFPs use machine learning to recognize common tasks and suggest more efficient processes, eliminating programming steps and saving valuable time. High-capacity scanning quickly turns hardcopy into digital files and initiates digital workflows.

* * *

- *The Xerox VersaLink C415/B415/C625/B625 MFPs and the Xerox VersaLink C620/B620 will be available in all regions by the end of March.*

24. On February 23, 2024, the Company submitted its annual report for the fiscal year ended December 31, 2023 a Form 10-K filed with the SEC, affirming the previously reported financial results. The annual report touted the success of the Reinvention Plan and that it “is expected to deliver \$300 million of annual net adjusted operating income improvement above 2023 levels through 2026” and “more than one-third of that improvement in 2024.” The annual report purported to report the costs of the Company’s restructuring program as well as the potential risks posed by the Reinvention. Specifically, the annual report stated, in relevant part:

In January 2024, we announced a significant reorganization of our business, including the adoption of a business unit-led operating model, a greater focus on partner-led distribution and the establishment of a Global Business Services (GBS) organization to enable enterprise-wide efficiencies and productivity gains. These changes are expected to both strengthen our core business and position us to capture new, ancillary revenue opportunities over time. ***Reinvention is expected to deliver \$300 million of annual net adjusted operating income improvement above 2023 levels through 2026, and we expect to achieve more than one-third of that improvement in 2024,*** due in large part to organizational cost savings associated with the restructuring action that was announced in January 2024. Operating profit improvement will be driven by three concurrent efforts over the next three years:

* * *

Structural Cost Improvements: We continue to implement structural cost improvements to drive higher profitability and total shareholder returns. ***Our newly formed GBS organization will drive enterprise-wide efficiency and scalability by centrally coordinating internal processes. GBS serves as a catalyst for organizational savings in 2024 and an engine for continuous cost improvement going forward. The optimization of our geographic footprint and product offerings are also expected to generate profit improvements in 2024.***

* * *

Note 13 – Restructuring Programs

We engage in restructuring actions and other transformation efforts in order to reduce our cost structure and realign it to the changing nature of our business. As part of our efforts to reduce costs, our restructuring actions may also include the offshoring and/or outsourcing of certain operations, services and other functions, as well as reducing our real estate footprint.

Restructuring and related costs, net reflect the following components for the three years ended December 31, 2023, 2022 and 2021:

	Year Ended December 31,		
	2023	2022	2021
Restructuring charges, net	\$ 114	\$ 68	\$ 18
Asset impairment charges, net	32	(6)	9
Related costs, net	21	3	11
Total Restructuring and related costs, net	\$ 167	\$ 65	\$ 38

* * *

Our Reinvention entails the implementation of a new business-unit led operating model and the central coordination of internal processes through a new Global Business Services organization.

As part of our efforts to streamline operations and reduce costs, we have offshored and outsourced certain of our operations, services and other functions through arrangements with third parties (e.g., TCS and HCL) and we will continue to evaluate additional offshoring or outsourcing possibilities in the future. If our outsourcing partners fail to perform their obligations in a timely manner or at satisfactory quality levels or if we are unable to attract or retain sufficient personnel with the necessary skill sets to meet our offshoring or outsourcing needs, the quality of our services, products, and operations, as well as our reputation, could suffer. In addition, much of our offshoring takes place in developing countries and as a result may also be subject to geopolitical uncertainty. *Diminished service quality from offshoring and outsourcing could have an adverse material impact to our operating results due to service interruptions and negative customer reactions.*

25. The above statements identified in ¶¶ 22-24 were materially false and/or misleading, and failed to disclose material adverse facts about the Company's business, operations, and prospects. Specifically, Defendants failed to disclose to investors: (1) that, after a large workforce reduction, the Company's salesforce was reorganized with new territory assignments and account coverage; (2) that, as a result, the Company's salesforce productivity was disrupted;

(3) that, as a result, the Company had a lower rate of sell-through of older products; (4) that the difficulties in flushing out older product would delay the launch of key products; (5) that, as a result, Xerox was likely to experience lower sales and revenue; and (6) that, as a result of the foregoing, Defendants' positive statements about the Company's business, operations, and prospects were materially misleading and/or lacked a reasonable basis.

26. The truth began to emerge on April 23, 2024, before the market opened, when the Company announced its first quarter 2024 earnings in a press release. The press release revealed the Company had “orchestrated one of its most intense periods of structural change” and disclosed the *quarterly revenue was down 12.4%*, year over year to \$1.50 billion, *net loss of -\$113 million* (down \$184 million year-over-year), *and equipment sales declined 25.8% year over year to \$290 million*. The Company admitted, in part, “*geographic simplification*” had driven the year-over-year decline. The press release nonetheless maintained the Company's full year 2024 guidance and asserted that the guided revenue decline was attributable merely to “*headwind[s] from prior-year backlog reduction*” and the “*deemphasis of certain non-strategic revenue.*” Specifically, the press release stated, in relevant part:

Q1 2024

- *Revenue of \$1.50 billion, down 12.4 percent, or 13.2 percent in constant currency.*
- *GAAP net loss of \$(113) million, or \$(0.94) per share, a decrease of \$184 million or \$1.37 per share, year-over-year, respectively.* This quarter includes after-tax Project Reinvention related charges of \$100 million, or \$0.80 per share.
- Adjusted net income of \$11 million, or \$0.06 per share, declined by \$71 million or \$0.43 per share, year-over-year, respectively.
- Adjusted operating margin of 2.2 percent, 470 basis points lower year-over-year.
- Operating cash flow of \$(79) million, lower by \$157 million year-over-year.
- Free cash flow of \$(89) million, lower by \$159 million year-over-year.

* * *

First-Quarter Key Financial Results

(in millions, except per share data)	Q1 2024	Q1 2023	B/(W) YOY	% Change B/(W) YOY
Revenue	\$1,502	\$1,715	\$(213)	(12.4)% AC (13.2)% CC ⁽¹⁾
Gross Profit	\$443	\$589	\$(146)	
Gross Margin	29.5%	34.3%	(480) bps	
RD&E %	3.3%	3.7%	40 bps	
SAG %	26.4%	23.7%	(270) bps	
Pre-Tax (Loss) Income ⁽²⁾	\$(150)	\$85	\$(235)	NM
Pre-Tax (Loss) Income Margin ⁽²⁾	(10.0)%	5.0%	NM	
Gross Profit - Adjusted ⁽¹⁾	\$479	\$589	\$(110)	
Gross Margin - Adjusted ⁽¹⁾	31.9%	34.3%	(240) bps	
Operating Income - Adjusted ⁽¹⁾	\$33	\$118	\$(85)	(72.0)%
Operating Income Margin - Adjusted ⁽¹⁾	2.2%	6.9%	(470) bps	
GAAP Diluted (Loss) Earnings per Share ⁽²⁾	\$(0.94)	\$0.43	\$(1.37)	NM
Diluted Earnings Per Share - Adjusted ⁽¹⁾	\$0.06	\$0.49	\$(0.43)	(87.8)%

* * *

2024 Guidance

- *Revenue: decline of 3% to 5% in constant currency*
- *Adjusted Operating Margin: at least 7.5%*
- Free cash flow: at least \$600 million

Guidance assumes stable Print demand, growth in Digital and IT Services and neutral macroeconomic conditions. *The guided year-over-year decline in revenue is attributable to the following: around 200 basis points of headwind from prior-year backlog reduction and around 200 basis points from the deemphasis of certain non-strategic revenue, including lower sales of paper.* Margin guidance implies adjusted operating income margin improvement of more than 190 basis points, and adjusted operating income improvement of more than \$100 million, year-over-year.

The company maintains its three-year target of \$300 million of incremental adjusted operating income above 2023 levels and a return to double-digit adjusted operating income margin by 2026.

* * *

Equipment sales of \$290 million in the first quarter 2024 declined 25.8% in actual currency, or 26.3% in constant currency¹, as compared to the first quarter 2023. The prior year effect of backlog reduction and geographic simplification drove a 16-percentage point year-over-year decline. Total equipment revenue outpaced equipment installation activity, due to favorable product mix. Installations declined across all product groups primarily due to prior year backlog reductions. Post-sale revenue of \$1.2 billion declined 8.5% in actual currency, or 9.3% in constant currency¹, as compared to first quarter 2023. The decline was primarily

due to reductions in non-strategic, lower margin paper and IT endpoint device placements, as well as the effects of geographic simplification, the termination of the Fuji Royalty and the absence of PARC revenue. Excluding these effects, post sale revenue decreased low-single digits in actual currency.

* * *

Adjusted operating income decreased \$85 million as compared to first quarter 2023 due to lower equipment and post sale revenue, including the termination of Fuji royalty income and PARC revenue, lower gross profit and higher bad debt expense, which primarily related to a reserve release in the prior year period. These impacts were partially offset by the cost savings associated with structural simplification efforts.

We continue to expect a total Revenue decline of 3% to 5% in constant currency in 2024, which includes effects of prior year backlog reductions and the exit of non-strategic businesses. Core business revenue is expected to be roughly flat year-over-year, reflecting stable Print demand, growth in Digital and IT Services and neutral macroeconomic conditions.

We expect 2024 pre-tax income and adjusted operating income margins to improve in 2024 to approximately 5.1% and at least 7.5%, respectively. These increases will primarily be driven by structural simplification actions enabled by our reorganization, including the effects of the workforce reduction decisions announced in January 2024.

27. On this news, the Company's share price fell \$1.66, or 10.11%, to close at \$14.76 per share on April 23, 2024, on unusually heavy trading volume.

28. On April 23, 2024, the Company issued a press release entitled "Xerox Statement on Reinventing Production Business." The press release stated the following, in relevant part:

Xerox's production portfolio continues evolving to best suit our clients' needs.

Xerox is preparing to discontinue manufacturing of the Xerox® iGen® 5 Press and the Xerox Nuvera® Presses, two legacy platforms that helped create the Production Print industry. Order fulfillment for iGen and Nuvera is expected to continue through 2024 or while inventory lasts. Xerox will provide industry-leading support for these platforms throughout the life of their contracts.

29. On May 1, 2024, the Company submitted its quarterly report for the period ended March 31, 2024 on a Form 10-Q filed with the SEC, affirming the previously reported financial results. The quarterly report maintained that the Company's expected full year revenue decline of

3-5% was due to “*effects of prior year backlog reductions and the exit of non-strategic businesses.*” The quarterly report also maintained equipment sales had decreased year over year due merely to “*higher backlog reductions in the prior year quarter.*” The quarterly report also purported to report the costs of the Company’s restructuring program. Specifically, the quarterly report stated, in relevant part:

We continue to expect a total Revenue decline of 3% to 5% in constant currency in 2024, which includes effects of prior year backlog reductions and the exit of non-strategic businesses. Core business revenue is expected to be roughly flat year-over-year, reflecting stable Print demand, growth in Digital and IT Services and neutral macroeconomic conditions. In addition, we expect pre-tax income and adjusted operating income margins to improve in 2024, primarily driven by structural simplification actions enabled by our reorganization, including the effects of the workforce reduction decisions announced in January 2024. We continue to expect Operating cash flows to be at least \$650 million, which is expected to benefit from a reduction in our finance receivables balance, partially offset by approximately \$50 million of higher contributions to our pension plans. Capital expenditures are expected to be approximately \$50 million.

* * *

Equipment sales revenue decreased 26.0% during the first quarter 2024 as compared to first quarter 2023, reflecting higher backlog reductions in the prior year quarter. Backlog declined sequentially by approximately \$2 million in the first quarter 2024 as compared to approximately \$70 million in the first quarter 2023. Revenue declined across all product groups.

* * *

Note 11 – Restructuring Programs

In connection with our Reinvention and other transformative programs, we engage in restructuring actions in order to reduce our cost structure and realign it to the changing nature of our business. As part of our efforts to reduce costs, our restructuring actions may also include the off-shoring and/or outsourcing of certain operations, services and other functions, exit from certain product lines and geographies, as well as reducing our real estate footprint.

Restructuring and related costs, net reflect the following components:

	Three Months Ended March 31,	
	2024	2023
Restructuring charges, net	\$ 5	\$ 1
Asset impairment charges, net	26	—
Related costs, net	8	1
Total Restructuring and related costs, net	\$ 39	\$ 2

30. On July 25, 2024, the Company announced its financial results for the second quarter and period ended June 30, 2024, in a press release. The press release assured investors that though the “comprehensive and strategic operating model changes implemented in Q1 *caused a short period of disruption*” they “are *delivering the intended improvements in financial results.*” The press release asserted “[r]evenue declined across all product groups, *primarily due to the effects of backlog fluctuations in the current and prior year.*” The press release stated the guided year-over-year decline in revenue was attributable merely to “*headwind[s] from prior-year backlog reduction*” and the “*reduction in certain non-strategic revenue.*” Specifically, the press release stated, in relevant part:

“The comprehensive and strategic operating model changes implemented in Q1 caused a short period of disruption but are delivering the intended improvements in financial results. Adjusted operating income margin, free cash flow and revenue trajectory improved sequentially in Q2. ***Momentum in orders, enhanced sales operations and new product initiatives are expected to drive a return to revenue growth in the second half of the year,***” said Steve Bandrowczak, chief executive officer at Xerox. “Q2 results give us confidence Xerox’s new operating model, which is more streamlined and closely aligned to the economic buyers of our products and services, is enabling the operating improvements required to deliver an incremental \$300 million of adjusted operating income over 2023 levels and a return to double-digit adjusted operating income margin by 2026.”

Second-Quarter Key Financial Results

Second-Quarter Key Financial Results

(in millions, except per share data)	Q2 2024	Q2 2023	B/(W) YOY	% Change B/(W) YOY
Revenue	\$1,578	\$1,754	\$(176)	(10.0)% AC (9.6)% CC ¹
Gross Profit	\$520	\$597	\$(77)	(12.9)%
Gross Margin	33.0%	34.0%	(100) bps	
RD&E %	3.2%	3.2%	—	
SAG %	24.9%	24.7%	(20) bps	
Pre-Tax Income (Loss) ²	\$25	\$(89)	\$114	NM
Pre-Tax Income (Loss) Margin ²	1.6%	(5.1)%	670 bps	
Gross Profit - Adjusted ¹	\$528	\$597	\$(69)	(11.6)%
Gross Margin - Adjusted ¹	33.5%	34.0%	(50) bps	
Operating Income - Adjusted ¹	\$85	\$107	\$(22)	(20.6)%
Operating Income Margin - Adjusted ¹	5.4%	6.1%	(70) bps	
GAAP Diluted Earnings (Loss) per Share ²	\$0.11	\$(0.41)	\$0.52	NM
Diluted Earnings Per Share - Adjusted ¹	\$0.29	\$0.44	\$(0.15)	(34.1)%

* * *

Second Quarter 2024 Overview

In the second quarter of 2024, Xerox progressed in the design, planning and implementation of structural changes that will drive the Company's multi-year Reinvention strategy. *The intended benefits of the new operating model implemented in the first quarter 2024 are materializing in financial results. In second quarter 2024, adjusted operating income margin, cash flow and revenue trajectory all improved sequentially. These improvements, and ongoing enhancements to management processes, further our confidence that we have the right strategy in place to deliver our targeted \$300 million of improvement in adjusted operating income by the end of 2026.*

Equipment sales of \$356 million in the second quarter 2024 declined 15.2% in actual currency, or 14.9% in constant currency, as compared to the second quarter 2023. The prior year effect of backlog reduction and geographic simplification drove an approximate 14-percentage point year-over-year decline. Total equipment revenue declines outpaced equipment installation activity, due to unfavorable product mix. Revenue declined across all product groups, primarily due to the effects of backlog fluctuations in the current and prior year. Post-sale revenue of \$1.2 billion declined 8.4% in actual currency, or 7.9% in constant currency, as compared to second quarter 2023. The decline was primarily due to lower outsourcing and service revenue, reductions in non-strategic, lower margin IT endpoint device placements and paper sales, as well as the effects of geographic simplification. Excluding non-strategic effects, post sale revenue decreased mid-single digits.

* * *

2024 Guidance Update

•Revenue: from a decline of 3% to 5% to a decline of 5% to 6% in constant currency

•**Adjusted Operating Margin: from at least 7.5% to at least 6.5%**

•Free cash flow: from at least \$600 million to at least \$550 million

2024 revenue guidance was lowered to reflect additional reductions in non-strategic revenue, including those associated with incremental Reinvention actions. Adjusted operating income margin guidance was lowered primarily to reflect the reduction in revenue guidance, as well as higher-than-expected freight and product costs. Free cash flow guidance was lowered to reflect lower revenue and adjusted operating income margin guidance.

Guidance assumes growing Print demand and growth in Digital and IT Services in the second half of the year. ***The expected year-over-year decline in full-year revenue is attributable to the following: around 200 basis points of headwind from prior-year backlog reduction and 350 basis points from a reduction in certain non-strategic revenue, including lower sales of paper, financing income and Reinvention actions.*** Adjusted Operating Margin guidance implies full-year improvement of at least 90 basis points, primarily reflecting structural reductions in operating expense associated with our Reinvention.

The company maintains its three-year target of \$300 million of incremental adjusted operating income above 2023 levels and a return to double-digit adjusted operating income margin by the end of 2026.

31. On August 1, 2024, the Company submitted its quarterly report for the period ended June 30, 2024, on a Form 10-Q filed with the SEC. The quarterly report affirmed the previously reported financial results. The quarterly report touted that “[t]he intended benefits of the new operating model implemented in the first quarter 2024 ***are materializing in financial results***” The quarterly report maintained that “[r]evenue declined across all product groups, ***primarily due to the effects of backlog fluctuations in the current and prior year.***” The quarterly report further assured investors that the Company’s “[c]ore business revenue in 2024 is expected to be roughly flat year-over-year” as “***consistent with our prior outlook, reflecting growing demand for our products and services in the second half of the year.***” The quarterly report also purported to report the costs of the Company’s restructuring program. Specifically, the quarterly report stated, in relevant part:

Overview

In the second quarter of 2024, Xerox progressed in the design, planning and implementation of structural changes that will drive the Company's multi-year Reinvention strategy. ***The intended benefits of the new operating model implemented in the first quarter 2024 are materializing in financial results. In second quarter 2024, adjusted operating income margin, cash flow and revenue trajectory all improved sequentially.*** These improvements, and ongoing enhancements to management processes, further our confidence that we have the right strategy in place to deliver our targeted \$300 million of improvement in adjusted¹ operating income by the end of 2026.

Equipment sales of \$356 million in the second quarter 2024 declined 15.2% in actual currency, or 14.9% in constant currency, as compared to the second quarter 2023. The prior year effect of backlog reduction and geographic simplification drove an approximate 14-percentage point year-over-year decline. Total equipment revenue declines outpaced equipment installation activity, due to unfavorable product mix. ***Revenue declined across all product groups, primarily due to the effects of backlog fluctuations in the current and prior year.*** Post-sale revenue of \$1.2 billion declined 8.4% in actual currency, or 7.9% in constant currency, as compared to second quarter 2023. The decline was primarily due to lower outsourcing and service revenue, reductions in non-strategic, lower margin IT endpoint device placements and paper sales, as well as the effects of geographic simplification. Excluding non-strategic effects, post sale revenue declined mid-single digits.

* * *

Due primarily to incremental reductions in revenue associated with geographic simplification and the decision to exit the manufacturing of certain Production equipment, we are lowering our full-year revenue guidance from a decline of 3% to 5% in constant currency to a decline of 5% to 6% in constant currency. ***Core business revenue in 2024 is expected to be roughly flat year-over-year in constant currency consistent with our prior outlook, reflecting growing demand for our products and services in the second half of the year.*** As a result of lower expected revenues, and to a lesser extent rising freight and product costs, we are lowering adjusted operating income margin guidance from at least 7.5% to at least 6.5%. Operating cash flows is now expected to be at least \$600 million in 2024 versus prior guidance of at least \$650 million. The reduction in operating cash flows is in-line with the after-tax reduction in adjusted¹ operating income expectations. We continue to expect capital expenditures to be approximately \$50 million.

* * *

Note 11 – Restructuring Programs

In connection with our Reinvention and other transformative programs, we engage in restructuring actions in order to reduce our cost structure and realign it to the changing nature of our business. As part of our efforts to reduce costs, our restructuring actions may also include the off-shoring and/or outsourcing of certain operations, services and other functions, exit from certain product lines and geographies, as well as reducing our real estate footprint.

Restructuring and related costs, net reflect the following components:

	Three Months Ended June 30,		Six Months Ended June 30,	
	2024	2023	2024	2023
Restructuring charges, net	\$ 5	\$ 1	\$ 10	\$ 2
Asset impairment charges, net	(2)	12	24	12
Related costs, net	9	10	17	11
Total Restructuring and related costs, net	\$ 12	\$ 23	\$ 51	\$ 25

32. The above statements identified in ¶¶ 26, 28-31 were materially false and/or misleading, and failed to disclose material adverse facts about the Company’s business, operations, and prospects. Specifically, Defendants failed to disclose to investors: (1) that, as a result of the salesforce reorganization, the Company had a lower rate of sell-through of older products; (2) that the difficulties in flushing out older product would delay the launch of key products; (3) that, as a result, Xerox was likely to experience lower sales and revenue; and (4) that, as a result of the foregoing, Defendants’ positive statements about the Company’s business, operations, and prospects were materially misleading and/or lacked a reasonable basis.

Disclosures at the End of the Class Period

33. On October 29, 2024, before the market opened, the Company issued a press release which announced third quarter financial results for the period ended September 30, 2024. The press release disclosed the prolonged negative effects of the Reinvention — quarterly *revenue was down 7.5%* year over year to \$1.53 billion, *net loss of -\$1.2 billion (down \$1.3 billion year-over-year)*, and *equipment sales declined 12.2%* year over year to \$339 million. The press release attributed the decline, in part, to “*lower-than-expected improvements in sales force productivity*” and the

“delayed global launch of two new products.” The press release also announced a significant reduction in full year guidance “from a decline of 5% to 6% [] to a decline of around 10%” to reflect *“the delayed global launch of two new products and lower-than-expected improvements in sales force productivity.”* The press release also announced a reduction in adjusted operating income guidance to reflect “the effects of gross profit declines associated with the decline in revenue guidance, and to a lesser extent, delays in the implementation of certain cost reduction initiatives to 2025.” The press release further disclosed that *“[d]ue to lower-than-expected revenue in 2024, [it] no longer expect[s] to grow adjusted operating income \$300 million above 2023 levels by 2026.”* Specifically, the press release stated, in relevant part:

Financial Summary

Q3 2024

- Revenue of \$1.53 billion, down 7.5 percent, or 7.3 percent in constant currency.
- GAAP net (loss) of \$(1.2) billion, or \$(9.71) per share, a decrease of \$1.3 billion or \$9.99 per share, year-over-year, respectively. This quarter includes an after-tax non-cash goodwill impairment charge of \$1.0 billion, or \$8.16 per share and a charge to tax expense related to the establishment of a valuation allowance of \$161 million, or \$1.29 per share.

* * *

2024 Guidance Update

- Revenue: from a decline of 5% to 6% in constant currency to a decline of around 10% in constant currency
- Adjusted Operating Margin: from at least 6.5% to around 5.0%
- Free cash flow: from at least \$550 million to a range of \$450 to \$500 million

2024 guidance excludes any impact from the pending acquisition of ITsavvy. *Revenue guidance was lowered to reflect additional reductions in non-strategic revenue and lower-than-expected equipment sales. Adjusted operating income margin guidance was lowered primarily to reflect the reduction in revenue guidance.* Free cash flow guidance was lowered to reflect the after-tax impact of lower adjusted operating income margin guidance.

Due to lower-than-expected revenue in 2024, we no longer expect to grow adjusted operating income \$300 million above 2023 levels by 2026. However, we continue to expect growth in adjusted operating income and a return to double-digit adjusted operating income margin over the course of our Reinvention.

* * *

Equipment sales of \$339 million in the third quarter 2024 declined 12.2% in actual and constant currency, as compared to the third quarter 2023. The effects of fluctuations in backlog in the prior and current years and other Reinvention actions drove approximately 4.0-percentage points of the year-over-year decline. The remainder of the decline primarily reflects the delayed global launch of two new products, lower-than-expected improvements in sales force productivity, delays in the timing of installations associated with Hurricane Helene, unfavorable mix, and a large Production equipment sale in the prior year. Total equipment installations increased approximately 17.0% year-over-year, due to growth in entry level equipment.

34. On the same date, the Company published an earnings presentation in conjunction with its third quarter 2024 results. The earnings presentation discussed the Company’s “***equipment sales underperformance.***” The earnings presentation explained “***revenue fell short of expectations this quarter due to delays in the global launch of two new products and lower-than-expected improvements in sales force productivity.***” The earnings presentation revealed “***delays are expected to affect equipment sales again in Q4.***” Specifically, the earnings presentation stated, in relevant part:

What drove *equipment sales underperformance* in Q3? What are your expectations for equipment sales in Q4 and 2025?

Equipment revenue fell short of expectations this quarter due to delays in the global launch of two new products and lower-than-expected improvements in sales force productivity. Tactical challenges associated with the timing of Hurricane Helene, which affected one of our top sales regions during the busiest installation week of the quarter, and an increase in competitive activity in certain markets also contributed to the shortfall. ***Product launch delays are expected to affect equipment sales again in Q4,*** but to a lesser extent than in Q3. We have analyzed the factors that contributed to the product launch delays and are confident those factors will be resolved as we recalibrate global launch plans. Further, we expect an increase in sales force productivity in Q4 from ongoing sales efficiency and effectiveness programs. In 2025, we expect to grow market share with new product

launches, supported by improved global sales and marketing coordination, and improvements in sales force and channel productivity.

* * *

What factors drove the reduction in 2024 guidance?

We lowered revenue guidance from a decline of 5% to 6% in constant currency¹ to a decline of around 10% in constant currency. Approximately 75 basis points of the reduction in revenue guidance reflects the incremental effects of intentional reductions in non-strategic revenue. The remainder of the reduction primarily reflects a delay in the global launch of two new products and lower-than-expected improvements in sales force productivity. ***The 150- basis point reduction in adjusted¹ operating margin guidance, to around 5.0%, reflects the effects of gross profit declines associated with the reduction in revenue guidance and, to a lesser extent, delays in the implementation of certain cost reduction initiatives to 2025.*** Free cash flow¹ guidance was reduced from at least \$550 million to a range of \$450 to \$500 million, reflecting the after-tax effects of the reduction in adjusted¹ operating income guidance.

* * *

How does the reduction in 2024 guidance affect your outlook for 2025 and longer-term Reinvention targets?

Due to lower-than-expected revenue in 2024, we no longer expect to grow adjusted operating income \$300 million above 2023 levels by 2026. However, we continue to expect growth in adjusted¹ operating income and a return to double-digit adjusted¹ operating income margin over the course of our Reinvention. In 2025, we expect growth in adjusted¹ operating income and margin, supported by a return to revenue growth and the benefits of additional gross cost savings associated with cost reduction actions implemented in 2024 or expected to be implemented in 2025.

35. On the same date, the Company hosted a corresponding earnings call to discuss third quarter 2024 financial results. In that earnings call, the Company’s Chief Operating Officer John Bruno revealed the product delay was in fact a “forecasting issue” whereby the Company ***“had higher expectations that we were going to flush through the older product”*** which it needed to ***“sell through”*** in order to “make those transitions.” Specifically, John Bruno stated, in relevant part:

[L]et me start with the product transition issue first. *It's a forecasting issue more than anything else.* When we look at carried inventory of predecessor products, the timing and the release of new products and the forecasting of that mix, there are a lot of intricacies between the demand to supply signaling. *We had higher expectations that we were going to flush through the older product, and then the timing of the release of the new product not only to our direct business but also into the channels. As that started to get [indiscernible] through the quarter, we would have a decision to make, and the decision--clearly what we don't want to do is leave a lot of working capital and inventory behind. We want to sell through and make those transitions.*

36. On this news, the Company's share price fell \$1.79, or 17.41%, to close at \$8.49 per share on October 29, 2024, on unusually heavy trading volume.

CLASS ACTION ALLEGATIONS

37. Plaintiff brings this action as a class action pursuant to Federal Rule of Civil Procedure 23(a) and (b)(3) on behalf of a class, consisting of all persons and entities that purchased or otherwise acquired Xerox securities between January 25, 2024 and October 28, 2024, inclusive, and who were damaged thereby (the "Class"). Excluded from the Class are Defendants, the officers and directors of the Company, at all relevant times, members of their immediate families and their legal representatives, heirs, successors, or assigns, and any entity in which Defendants have or had a controlling interest.

38. The members of the Class are so numerous that joinder of all members is impracticable. Throughout the Class Period, Xerox's shares actively traded on the NASDAQ. While the exact number of Class members is unknown to Plaintiff at this time and can only be ascertained through appropriate discovery, Plaintiff believes that there are at least hundreds or thousands of members in the proposed Class. Millions of Xerox shares were traded publicly during the Class Period on the NASDAQ. Record owners and other members of the Class may be identified from records maintained by Xerox or its transfer agent and may be notified of the

pendency of this action by mail, using the form of notice similar to that customarily used in securities class actions.

39. Plaintiff's claims are typical of the claims of the members of the Class as all members of the Class are similarly affected by Defendants' wrongful conduct in violation of federal law that is complained of herein.

40. Plaintiff will fairly and adequately protect the interests of the members of the Class and has retained counsel competent and experienced in class and securities litigation.

41. Common questions of law and fact exist as to all members of the Class and predominate over any questions solely affecting individual members of the Class. Among the questions of law and fact common to the Class are:

(a) whether the federal securities laws were violated by Defendants' acts as alleged herein;

(b) whether statements made by Defendants to the investing public during the Class Period omitted and/or misrepresented material facts about the business, operations, and prospects of Xerox; and

(c) to what extent the members of the Class have sustained damages and the proper measure of damages.

42. A class action is superior to all other available methods for the fair and efficient adjudication of this controversy since joinder of all members is impracticable. Furthermore, as the damages suffered by individual Class members may be relatively small, the expense and burden of individual litigation makes it impossible for members of the Class to individually redress the wrongs done to them. There will be no difficulty in the management of this action as a class action.

UNDISCLOSED ADVERSE FACTS

43. The market for Xerox's securities was open, well-developed and efficient at all relevant times. As a result of these materially false and/or misleading statements, and/or failures to disclose, Xerox's securities traded at artificially inflated prices during the Class Period. Plaintiff and other members of the Class purchased or otherwise acquired Xerox's securities relying upon the integrity of the market price of the Company's securities and market information relating to Xerox, and have been damaged thereby.

44. During the Class Period, Defendants materially misled the investing public, thereby inflating the price of Xerox's securities, by publicly issuing false and/or misleading statements and/or omitting to disclose material facts necessary to make Defendants' statements, as set forth herein, not false and/or misleading. The statements and omissions were materially false and/or misleading because they failed to disclose material adverse information and/or misrepresented the truth about Xerox's business, operations, and prospects as alleged herein.

45. At all relevant times, the material misrepresentations and omissions particularized in this Complaint directly or proximately caused or were a substantial contributing cause of the damages sustained by Plaintiff and other members of the Class. As described herein, during the Class Period, Defendants made or caused to be made a series of materially false and/or misleading statements about Xerox's financial well-being and prospects. These material misstatements and/or omissions had the cause and effect of creating in the market an unrealistically positive assessment of the Company and its financial well-being and prospects, thus causing the Company's securities to be overvalued and artificially inflated at all relevant times. Defendants' materially false and/or misleading statements during the Class Period resulted in Plaintiff and other members of the Class purchasing the Company's securities at artificially inflated prices, thus causing the damages complained of herein when the truth was revealed.

LOSS CAUSATION

46. Defendants' wrongful conduct, as alleged herein, directly, and proximately caused the economic loss suffered by Plaintiff and the Class.

47. During the Class Period, Plaintiff and the Class purchased Xerox's securities at artificially inflated prices and were damaged thereby. The price of the Company's securities significantly declined when the misrepresentations made to the market, and/or the information alleged herein to have been concealed from the market, and/or the effects thereof, were revealed, causing investors' losses.

SCIENTER ALLEGATIONS

48. As alleged herein, Defendants acted with scienter since Defendants knew that the public documents and statements issued or disseminated in the name of the Company were materially false and/or misleading; knew that such statements or documents would be issued or disseminated to the investing public; and knowingly and substantially participated or acquiesced in the issuance or dissemination of such statements or documents as primary violations of the federal securities laws. As set forth elsewhere herein in detail, the Individual Defendants, by virtue of their receipt of information reflecting the true facts regarding Xerox, their control over, and/or receipt and/or modification of Xerox's allegedly materially misleading misstatements and/or their associations with the Company which made them privy to confidential proprietary information concerning Xerox, participated in the fraudulent scheme alleged herein.

APPLICABILITY OF PRESUMPTION OF RELIANCE

(FRAUD-ON-THE-MARKET DOCTRINE)

49. The market for Xerox's securities was open, well-developed, and efficient at all relevant times. As a result of the materially false and/or misleading statements and/or failures to disclose, Xerox's securities traded at artificially inflated prices during the Class Period. On January

29, 2024, the Company's stock price closed at a Class Period high of \$19.61 per share. Plaintiff and other members of the Class purchased or otherwise acquired the Company's securities relying upon the integrity of the market price of Xerox's securities and market information relating to Xerox, and have been damaged thereby.

50. During the Class Period, the artificial inflation of Xerox's shares was caused by the material misrepresentations and/or omissions particularized in this Complaint causing the damages sustained by Plaintiff and other members of the Class. As described herein, during the Class Period, Defendants made or caused to be made a series of materially false and/or misleading statements about Xerox's business, prospects, and operations. These material misstatements and/or omissions created an unrealistically positive assessment of Xerox and its business, operations, and prospects, thus causing the price of the Company's securities to be artificially inflated at all relevant times, and when disclosed, negatively affected the value of the Company shares. Defendants' materially false and/or misleading statements during the Class Period resulted in Plaintiff and other members of the Class purchasing the Company's securities at such artificially inflated prices, and each of them has been damaged as a result.

51. At all relevant times, the market for Xerox's securities was an efficient market for the following reasons, among others:

(a) Xerox shares met the requirements for listing, and was listed and actively traded on the NASDAQ, a highly efficient and automated market;

(b) As a regulated issuer, Xerox filed periodic public reports with the SEC and/or the NASDAQ;

(c) Xerox regularly communicated with public investors via established market communication mechanisms, including through regular dissemination of press releases on the

national circuits of major newswire services and through other wide-ranging public disclosures, such as communications with the financial press and other similar reporting services; and/or

(d) Xerox was followed by securities analysts employed by brokerage firms who wrote reports about the Company, and these reports were distributed to the sales force and certain customers of their respective brokerage firms. Each of these reports was publicly available and entered the public marketplace.

52. As a result of the foregoing, the market for Xerox's securities promptly digested current information regarding Xerox from all publicly available sources and reflected such information in Xerox's share price. Under these circumstances, all purchasers of Xerox's securities during the Class Period suffered similar injury through their purchase of Xerox's securities at artificially inflated prices and a presumption of reliance applies.

53. A Class-wide presumption of reliance is also appropriate in this action under the Supreme Court's holding in *Affiliated Ute Citizens of Utah v. United States*, 406 U.S. 128 (1972), because the Class's claims are, in large part, grounded on Defendants' material misstatements and/or omissions. Because this action involves Defendants' failure to disclose material adverse information regarding the Company's business operations and financial prospects—information that Defendants were obligated to disclose—positive proof of reliance is not a prerequisite to recovery. All that is necessary is that the facts withheld be material in the sense that a reasonable investor might have considered them important in making investment decisions. Given the importance of the Class Period material misstatements and omissions set forth above, that requirement is satisfied here.

NO SAFE HARBOR

54. The statutory safe harbor provided for forward-looking statements under certain circumstances does not apply to any of the allegedly false statements pleaded in this Complaint.

The statements alleged to be false and misleading herein all relate to then-existing facts and conditions. In addition, to the extent certain of the statements alleged to be false may be characterized as forward looking, they were not identified as “forward-looking statements” when made and there were no meaningful cautionary statements identifying important factors that could cause actual results to differ materially from those in the purportedly forward-looking statements. In the alternative, to the extent that the statutory safe harbor is determined to apply to any forward-looking statements pleaded herein, Defendants are liable for those false forward-looking statements because at the time each of those forward-looking statements was made, the speaker had actual knowledge that the forward-looking statement was materially false or misleading, and/or the forward-looking statement was authorized or approved by an executive officer of Xerox who knew that the statement was false when made.

FIRST CLAIM

Violation of Section 10(b) of The Exchange Act and

Rule 10b-5 Promulgated Thereunder

Against All Defendants

55. Plaintiff repeats and re-alleges each and every allegation contained above as if fully set forth herein.

56. During the Class Period, Defendants carried out a plan, scheme and course of conduct which was intended to and, throughout the Class Period, did: (i) deceive the investing public, including Plaintiff and other Class members, as alleged herein; and (ii) cause Plaintiff and other members of the Class to purchase Xerox’s securities at artificially inflated prices. In furtherance of this unlawful scheme, plan and course of conduct, Defendants, and each defendant, took the actions set forth herein.

57. Defendants (i) employed devices, schemes, and artifices to defraud; (ii) made untrue statements of material fact and/or omitted to state material facts necessary to make the statements not misleading; and (iii) engaged in acts, practices, and a course of business which operated as a fraud and deceit upon the purchasers of the Company's securities in an effort to maintain artificially high market prices for Xerox's securities in violation of Section 10(b) of the Exchange Act and Rule 10b-5. All Defendants are sued either as primary participants in the wrongful and illegal conduct charged herein or as controlling persons as alleged below.

58. Defendants, individually and in concert, directly and indirectly, by the use, means or instrumentalities of interstate commerce and/or of the mails, engaged and participated in a continuous course of conduct to conceal adverse material information about Xerox's financial well-being and prospects, as specified herein.

59. Defendants employed devices, schemes and artifices to defraud, while in possession of material adverse non-public information and engaged in acts, practices, and a course of conduct as alleged herein in an effort to assure investors of Xerox's value and performance and continued substantial growth, which included the making of, or the participation in the making of, untrue statements of material facts and/or omitting to state material facts necessary in order to make the statements made about Xerox and its business operations and future prospects in light of the circumstances under which they were made, not misleading, as set forth more particularly herein, and engaged in transactions, practices and a course of business which operated as a fraud and deceit upon the purchasers of the Company's securities during the Class Period.

60. Each of the Individual Defendants' primary liability and controlling person liability arises from the following facts: (i) the Individual Defendants were high-level executives and/or directors at the Company during the Class Period and members of the Company's management

team or had control thereof; (ii) each of these defendants, by virtue of their responsibilities and activities as a senior officer and/or director of the Company, was privy to and participated in the creation, development and reporting of the Company's internal budgets, plans, projections and/or reports; (iii) each of these defendants enjoyed significant personal contact and familiarity with the other defendants and was advised of, and had access to, other members of the Company's management team, internal reports and other data and information about the Company's finances, operations, and sales at all relevant times; and (iv) each of these defendants was aware of the Company's dissemination of information to the investing public which they knew and/or recklessly disregarded was materially false and misleading.

61. Defendants had actual knowledge of the misrepresentations and/or omissions of material facts set forth herein, or acted with reckless disregard for the truth in that they failed to ascertain and to disclose such facts, even though such facts were available to them. Such defendants' material misrepresentations and/or omissions were done knowingly or recklessly and for the purpose and effect of concealing Xerox's financial well-being and prospects from the investing public and supporting the artificially inflated price of its securities. As demonstrated by Defendants' overstatements and/or misstatements of the Company's business, operations, financial well-being, and prospects throughout the Class Period, Defendants, if they did not have actual knowledge of the misrepresentations and/or omissions alleged, were reckless in failing to obtain such knowledge by deliberately refraining from taking those steps necessary to discover whether those statements were false or misleading.

62. As a result of the dissemination of the materially false and/or misleading information and/or failure to disclose material facts, as set forth above, the market price of Xerox's securities was artificially inflated during the Class Period. In ignorance of the fact that market

prices of the Company's securities were artificially inflated, and relying directly or indirectly on the false and misleading statements made by Defendants, or upon the integrity of the market in which the securities trades, and/or in the absence of material adverse information that was known to or recklessly disregarded by Defendants, but not disclosed in public statements by Defendants during the Class Period, Plaintiff and the other members of the Class acquired Xerox's securities during the Class Period at artificially high prices and were damaged thereby.

63. At the time of said misrepresentations and/or omissions, Plaintiff and other members of the Class were ignorant of their falsity, and believed them to be true. Had Plaintiff and the other members of the Class and the marketplace known the truth regarding the problems that Xerox was experiencing, which were not disclosed by Defendants, Plaintiff and other members of the Class would not have purchased or otherwise acquired their Xerox securities, or, if they had acquired such securities during the Class Period, they would not have done so at the artificially inflated prices which they paid.

64. By virtue of the foregoing, Defendants violated Section 10(b) of the Exchange Act and Rule 10b-5 promulgated thereunder.

65. As a direct and proximate result of Defendants' wrongful conduct, Plaintiff and the other members of the Class suffered damages in connection with their respective purchases and sales of the Company's securities during the Class Period.

SECOND CLAIM

Violation of Section 20(a) of The Exchange Act

Against the Individual Defendants

66. Plaintiff repeats and re-alleges each and every allegation contained above as if fully set forth herein.

67. Individual Defendants acted as controlling persons of Xerox within the meaning of Section 20(a) of the Exchange Act as alleged herein. By virtue of their high-level positions and their ownership and contractual rights, participation in, and/or awareness of the Company's operations and intimate knowledge of the false financial statements filed by the Company with the SEC and disseminated to the investing public, Individual Defendants had the power to influence and control and did influence and control, directly or indirectly, the decision-making of the Company, including the content and dissemination of the various statements which Plaintiff contends are false and misleading. Individual Defendants were provided with or had unlimited access to copies of the Company's reports, press releases, public filings, and other statements alleged by Plaintiff to be misleading prior to and/or shortly after these statements were issued and had the ability to prevent the issuance of the statements or cause the statements to be corrected.

68. In particular, Individual Defendants had direct and supervisory involvement in the day-to-day operations of the Company and, therefore, had the power to control or influence the particular transactions giving rise to the securities violations as alleged herein, and exercised the same.

69. As set forth above, Xerox and Individual Defendants each violated Section 10(b) and Rule 10b-5 by their acts and omissions as alleged in this Complaint. By virtue of their position as controlling persons, Individual Defendants are liable pursuant to Section 20(a) of the Exchange Act. As a direct and proximate result of Defendants' wrongful conduct, Plaintiff and other members of the Class suffered damages in connection with their purchases of the Company's securities during the Class Period.

PRAYER FOR RELIEF

WHEREFORE, Plaintiff prays for relief and judgment, as follows:

(a) Determining that this action is a proper class action under Rule 23 of the Federal Rules of Civil Procedure;

(b) Awarding compensatory damages in favor of Plaintiff and the other Class members against all defendants, jointly and severally, for all damages sustained as a result of Defendants' wrongdoing, in an amount to be proven at trial, including interest thereon;

(c) Awarding Plaintiff and the Class their reasonable costs and expenses incurred in this action, including counsel fees and expert fees; and

(d) Such other and further relief as the Court may deem just and proper.

JURY TRIAL DEMANDED

Plaintiff hereby demands a trial by

jury. Dated:
