



Xerox SEC Fair Fund
Gilardi & Co. LLC
P.O. Box 808003
Petaluma, CA 94975-8003

August 27, 2007

Dear Investor:

You may be eligible to participate in the **Xerox SEC Fair Fund** (the "Fund"). The Fund was created by the settlement of a case brought by the Securities and Exchange Commission (the "SEC") against both Xerox Corporation and certain of its executives and KPMG LLP and certain of its partners. Certain purchases of Xerox common stock may qualify you for payment from the Fund. Information about qualifying purchases can be found in the Notice as well as in the enclosed Proof of Claim Form instructions.

If you qualify and would like to participate, you must submit a claim. Follow the instructions and complete the enclosed Proof of Claim included in this packet. Fill out the Proof of Claim Form completely, sign it, include copies of all required supporting documentation, and return the Proof of Claim Form and supporting documentation in the enclosed envelope.

There is a deadline to submit a claim for payment from the Fund. **You must mail your completed and signed proof of claim on or before October 15, 2007.**

If you need help completing the Proof of Claim Form or if you have any questions about the Settlement, you may obtain assistance via one of the following:

- Visiting our website at www.gilardi.com/xeroxsecfairfund.com
- Calling our toll free number 1-800-708-4103 or
- Sending us an email at classact@gilardi.com

Best Regards,

Gilardi & Co. LLC
Court-Appointed Distribution Agent



Xerox SEC Fair Fund

United States District Court for the Southern District of New York

Notice of Distribution of Xerox SEC Fair Fund

RE: Civil Action Nos. 03 CV 0671 (DLC) & 03 CV 4087

Attn: All Persons or Entities who Held or Purchased Shares of Common Stock of Xerox Corporation at any time as of April 22, 1997 through July 24, 2001

In January 2003, the Securities and Exchange Commission (the "Commission") filed a complaint against KPMG LLP ("KPMG") and certain partners of the firm. KPMG settled this litigation on April 19, 2005 for \$22 million. In June 2003, six Xerox Corporation ("Xerox") executives settled with the Commission and paid \$22 million. Thus, the size of the settlement fund available to compensate harmed investors is approximately \$44 million (plus accrued interest), comprising the \$22 million from the six Xerox executives, and the \$22 million from KPMG.

The SEC complaints against Xerox and KPMG alleged that from at least 1997 through 2000, Xerox defrauded investors through a series of "topside" accounting adjustments that improperly served to accelerate the recognition of over \$3 billion in equipment revenue and to increase reported earnings by approximately \$1.5 billion.

Plan of Allocation

The Xerox SEC Fair Fund shall be distributed to any persons or entities that held or purchased shares of common stock of Xerox at any time as of April 22, 1997 through July 24, 2001, and were harmed thereby. Persons and entities that have entered into settlements with the Commission related to the present matter are excluded. The Xerox SEC Fair Fund will be distributed on a pro rata basis, aggregating all transactions within the class period. Total losses from Artificial Inflated Earnings will be based on the dates of purchases and sales, the number of shares purchased and/or sold, and the estimated amount of artificial inflation resulting from Xerox's alleged false financial reports. It is important to note that due to the nature of the alleged fraud, those who sold Xerox stock in many periods actually benefited from the fraud and are not eligible for recovery. That is because the nature of the scheme was to advance recognition of equipment rental revenues to boost current quarterly earnings. This revenue then was not available in later quarters when it should have been recognized. The later period sellers of Xerox in general qualify for the higher recoveries. See Exhibit A for a detailed matrix of the Estimated Dollar per Share Damage. If the dates you purchased and sold Xerox stock cross at a negative number, you are not entitled to any distribution for those shares.

How to Participate

Submit a completed Proof of Claim form to the distribution agent, Gilardi & Co. LLC, by the **Filing Deadline: October 15, 2007**. A Proof of Claim form is enclosed. Additional information can be obtained via:

- a dedicated website - www.gilardi.com/xeroxsecfairfund
- a toll free number 1-800-708-4103 or
- a postal mailing address: Xerox SEC Fair Fund
c/o Gilardi & Co. LLC
P.O. Box 808003
Petaluma, CA 94975-8003



Exhibit A: Average Estimated Dollar Per Share Damage Using the Four Quarter EPS Valuation Approach

Purchase Date	Sale Date																		
	Before 4/22/1997	From 4/22/1997 to 7/23/1997	From 7/24/1997 to 10/22/1997	From 10/23/1997 to 1/22/1998	From 1/23/1998 to 4/21/1998	From 4/22/1998 to 7/22/1998	From 7/23/1998 to 10/21/1998	From 10/22/1998 to 1/25/1999	From 1/26/1999 to 4/21/1999	From 4/22/1999 to 7/21/1999	From 7/22/1999 to 10/17/1999	From 10/18/1999 to 1/24/2000	From 1/25/2000 to 4/24/2000	From 4/25/2000 to 7/25/2000	From 7/26/2000 to 10/23/2000	From 10/24/2000 to 1/28/2001	From 1/29/2001 to 4/18/2001	From 4/19/2001 to 7/24/2001	7/25/2001 and After
Before 4/22/1997	\$0.00	(\$0.19)	(\$1.66)	(\$3.46)	(\$7.77)	(\$10.46)	(\$9.09)	(\$11.00)	(\$13.96)	(\$14.52)	(\$12.11)	(\$6.24)	(\$5.49)	(\$4.30)	(\$1.81)	(\$0.95)	\$4.55	\$0.00	\$0.00
From 4/22/1997 to 7/23/1997	x	\$0.00	(\$1.47)	(\$3.28)	(\$7.58)	(\$10.27)	(\$8.90)	(\$10.81)	(\$13.77)	(\$14.34)	(\$11.92)	(\$6.05)	(\$5.30)	(\$4.11)	(\$1.62)	(\$0.76)	\$4.74	\$0.19	\$0.19
From 7/24/1997 to 10/22/1997	x	x	\$0.00	(\$1.81)	(\$6.11)	(\$8.80)	(\$7.44)	(\$9.34)	(\$12.30)	(\$12.87)	(\$10.45)	(\$4.58)	(\$3.84)	(\$2.64)	(\$0.15)	\$0.71	\$6.20	\$1.66	\$1.66
From 10/23/1997 to 1/22/1998	x	x	x	\$0.00	(\$4.31)	(\$7.00)	(\$5.63)	(\$7.53)	(\$10.50)	(\$11.06)	(\$8.64)	(\$2.77)	(\$2.03)	(\$0.83)	\$1.65	\$2.51	\$8.01	\$3.46	\$3.46
From 1/23/1998 to 4/21/1998	x	x	x	x	\$0.00	(\$2.69)	(\$1.32)	(\$3.23)	(\$6.19)	(\$6.75)	(\$4.34)	\$1.53	\$2.28	\$3.47	\$5.96	\$6.82	\$12.32	\$7.77	\$7.77
From 4/22/1998 to 7/22/1998	x	x	x	x	x	\$0.00	\$1.37	(\$0.54)	(\$3.50)	(\$4.06)	(\$1.65)	\$4.22	\$4.97	\$6.16	\$8.65	\$9.51	\$15.01	\$10.46	\$10.46
From 7/23/1998 to 10/21/1998	x	x	x	x	x	x	\$0.00	(\$1.90)	(\$4.87)	(\$5.43)	(\$3.01)	\$2.86	\$3.60	\$4.80	\$7.28	\$8.14	\$13.64	\$9.09	\$9.09
From 10/22/1998 to 1/25/1999	x	x	x	x	x	x	x	\$0.00	(\$2.96)	(\$3.53)	(\$1.11)	\$4.76	\$5.50	\$6.70	\$9.19	\$10.05	\$15.54	\$11.00	\$11.00
From 1/26/1999 to 4/21/1999	x	x	x	x	x	x	x	x	\$0.00	(\$0.56)	\$1.85	\$7.72	\$8.47	\$9.67	\$12.15	\$13.01	\$18.51	\$13.96	\$13.96
From 4/22/1999 to 7/21/1999	x	x	x	x	x	x	x	x	x	\$0.00	\$2.42	\$8.29	\$9.03	\$10.23	\$12.71	\$13.57	\$19.07	\$14.52	\$14.52
From 7/22/1999 to 10/17/1999	x	x	x	x	x	x	x	x	x	x	\$0.00	\$5.87	\$6.61	\$7.81	\$10.30	\$11.16	\$16.66	\$12.11	\$12.11
From 10/18/1999 to 1/24/2000	x	x	x	x	x	x	x	x	x	x	x	\$0.00	\$0.74	\$1.94	\$4.43	\$5.29	\$10.79	\$6.24	\$6.24
From 1/25/2000 to 4/24/2000	x	x	x	x	x	x	x	x	x	x	x	x	\$0.00	\$1.20	\$3.68	\$4.54	\$10.04	\$5.49	\$5.49
From 4/25/2000 to 7/25/2000	x	x	x	x	x	x	x	x	x	x	x	x	x	\$0.00	\$2.49	\$3.35	\$6.84	\$4.30	\$4.30
From 7/26/2000 to 10/23/2000	x	x	x	x	x	x	x	x	x	x	x	x	x	x	\$0.00	\$0.86	\$6.36	\$1.81	\$1.81
From 10/24/2000 to 1/28/2001	x	x	x	x	x	x	x	x	x	x	x	x	x	x	x	\$0.00	\$5.50	\$0.95	\$0.95
From 1/29/2001 to 4/18/2001	x	x	x	x	x	x	x	x	x	x	x	x	x	x	x	x	\$0.00	(\$4.55)	(\$4.55)
From 4/19/2001 to 7/24/2001	x	x	x	x	x	x	x	x	x	x	x	x	x	x	x	x	x	\$0.00	\$0.00
From 7/25/2001 and After	x	x	x	x	x	x	x	x	x	x	x	x	x	x	x	x	x	x	\$0.00

Notes:
1) Damages are positive numbers. Numbers in parenthesis indicate that the damages were negative, i.e. the shareholder benefited from the fraud.
2) Estimated damages per share represent the average of the difference between the inflation in place at the time of purchases and the inflation in place at the time of sale for the given time period.



Xerox SEC Fair Fund Frequently Asked Questions

1. Why did I receive this notice package?

You or someone in your family may have purchased, exchanged or otherwise acquired shares of Xerox common stock as of April 22, 1997 through July 24, 2001, and may be entitled to receive payment from the Xerox SEC Fair Fund ("the Fund").

2. Why is there a settlement?

In January of 2003, the U.S. Securities and Exchange Commission (the "SEC") filed a complaint against both Xerox Corporation and certain of its executives and KPMG and certain of its partners, alleging that from at least 1997 through 2000 Xerox defrauded investors through a series of "topside" accounting adjustments that improperly served to accelerate the recognition of over \$3 billion in equipment revenue and to increase reported earnings by approximately \$1.5 billion.

In June of 2003, as part of the resolution of claims by the SEC that Xerox inflated the company's stock prices and misled investors, six Xerox executives settled with the Commission and paid \$22 million. In April of 2005, KPMG settled and paid an additional \$22 million, for a total of \$44 million plus accrued interest to be available for the Fund.

3. How do I know I if I am eligible for compensation?

If you held or purchased Xerox common stock during the participation period (April 22, 1997 through July 24, 2001), you may be eligible to receive damages from the Fund.

4. What are the exceptions to being eligible?

Persons or entities who have entered into settlements with the Commission related to the present matter are excluded from filing.

5. Does receipt of this notice package mean that I am guaranteed payment from the Xerox SEC fair fund?

No, not necessarily. You received a notice package because you may be entitled to payment. After the Fund Administrator has received your Proof of Claim, your pro-rata share, if any, will be determined by the Court-Approved Artificial Inflation Matrix as identified in the Plan of Allocation and Exhibit A.

6. What do I have to do in order to participate?

You must complete and sign a Proof of Claim form, attach supporting documentation, and submit it to the Distribution Agent. It must be **postmarked by October 15, 2007**.

7. I traded shares of Xerox outside of the specified class period but I believe I was damaged by Xerox's fraudulent conduct. Am I still eligible to receive damages from the Fund?

No, in order to be eligible for payment from the Fund, you must have held or purchased Xerox common stock during the participation period (April 22, 1997 through July 24, 2001).

8. I traded Xerox bonds. Are the damages incurred due to bond trading eligible to receive payment from the Fund?

No, in order to be eligible for payment from the Fund, you must have held or purchased Xerox common stock during the participation period, April 22, 1997 through July 24, 2001.

9. Is this a class action? What rights am I giving up by agreeing to this by submitting a claim?

No, this is not a class action. This Fair Fund is a result of claims brought against Xerox by the SEC. You may still participate in any class action against Xerox, independent from this Fair Fund.