

**UNITED STATES DISTRICT COURT
FOR THE SOUTHERN DISTRICT OF FLORIDA**

_____, Individually and on Behalf of)
All Others Similarly Situated,)

Plaintiff,)

v.)

KLX INC., AMIN J. KHOURY, and MICHAEL)
F. SENFT,)

Defendants.)

C.A. No.:

CLASS ACTION

COMPLAINT FOR VIOLATION OF
FEDERAL SECURITIES LAWS

DEMAND FOR JURY TRIAL

Plaintiff _____ (“Plaintiff”), by his attorneys, except for his own acts, which are alleged on knowledge, alleges the following based upon the investigation of counsel, which included a review of United States Securities and Exchange Commission (“SEC”) filings by KLX Inc. (“KLX” or the “Company”), as well as regulatory filings and reports, securities analyst reports and advisories by KLX, press releases and other public statements issued by KLX, and media reports about KLX. Plaintiff believes that additional evidentiary support will exist for the allegations set forth herein after a reasonable opportunity for discovery.

NATURE OF THE ACTION

1. This is a securities class action on behalf of all persons who purchased KLX common stock between March 9, 2015 and November 11, 2015, inclusive (the “Class Period”), seeking remedies under the Securities Exchange Act of 1934 (the “Exchange Act”). Plaintiff’s claims are asserted against KLX and certain of KLX’s executive officers and directors.

2. KLX is the world’s leading provider of aerospace fasteners, consumables, and logistics services globally as KLX Aerospace Solutions. It also provides oilfield services and associated rental equipment across North America as KLX’s Energy Services Group (“ESG”).

3. Throughout most of 2015, KLX and certain of its current and former executive officers and directors have materially misrepresented the value of the Company’s assets. Specifically, KLX misrepresented the value of the identifiable intangible assets and goodwill associated with ESG, as well as its policies and methodology related to the calculation of risk, goodwill, and asset impairment.

4. On November 12, 2015, before the stock market opened, KLX announced preliminary financial results for the quarter ended November 30, 2015. In the press release, the Company disclosed that “[d]uring the third quarter of 2015, the Company performed an interim asset impairment test.” Based on that asset impairment test, KLX stated, “the company expects

to recognize a non-cash, after-tax asset impairment charge of approximately \$435 million related to its Energy Services Group.”

5. As a result of the news, the trading price of KLX’s common stock plunged from a closing price of \$39.00 on November 11, 2015 to close at \$32.11 on November 12, 2015, a single-day loss of approximately 16%.

JURISDICTION AND VENUE

6. The federal law claims asserted herein arise under §§ 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, as well as under the common law.

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

8. This Court has jurisdiction over each Defendant named herein because each Defendant is an individual who has sufficient minimum contacts with this District so as to render the exercise of jurisdiction by the District Court permissible under traditional notions of fair play and substantial justice.

9. Venue is proper in this Court pursuant to 28 U.S.C. § 1391(b) and § 27 of the Exchange Act because KLX resides in this District—KLX’s principal executive offices are located at 1300 Corporate Center Way, Wellington, FL 33414.

PARTIES

10. Plaintiff purchased KLX’s stock during the Class Period as set forth herein and in his certification filed herewith.

11. KLX is a corporation organized and existing under the laws the State of Delaware. The Company maintains its principal executive offices at 1300 Corporate Center

Way, Wellington, FL 33414. KLX's common stock trades on the Nasdaq Global Select Market ("NasdaqGS") under the ticker symbol "KLXI."

12. Defendant Amin J. Khoury ("Khoury") has been Chairman and Chief Executive Officer of KLX since 2014.

13. Defendant Michael F. Senft ("Senft") has been Chief Financial Officer and Treasurer of KLX since 2014.

14. Khoury and Senft are collectively referred to herein as the "Individual Defendants."

15. KLX and the Individual Defendants are collectively referred to herein as "Defendants."

CONTROL PERSON ALLEGATIONS

16. By reason of the Individual Defendants' positions with the Company as executive officers (and, in Defendant Khoury's case, as a director as well), the Individual Defendants possessed the power and authority to control the contents of KLX's annual and quarterly reports, 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 with the Company, and their access to material, non-public information available to them but not to the public, 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 being made were then materially false and misleading. The Individual Defendants are liable for the false statements pleaded herein.

FURTHER SUBSTANTIVE ALLEGATIONS

Background

17. KLX was formed by B/E Aerospace in 2014, which transferred its consumables management segment to KLX. On December 17, 2014, B/E Aerospace announced the completion of the KLX spin-off, which began to trade as a separate entity.

18. KLX, through its two operating segments, provides mission critical products and complex logistical solutions to support its customers' high value assets. KLX serves its customers in demanding environments that face high cost of downtime and require dependable, high quality just-in-time customer support. The Aerospace Solutions Group is the world's leading distributor and value added service provider of aerospace fasteners and consumables offering the broadest range of aerospace hardware and consumables and inventory management services worldwide. The ESG provides vital services and products to the oil and gas industry on an episodic, 24/7 basis.

The Material Misrepresentations and Omissions

19. On March 6, 2015, 2015 the Company filed with the SEC its annual report on Form 10-K (the "2014 10-K"). In the 2014 10-K, KLX represented that the net value of its goodwill, intangible, and other assets was \$1,815.3 million as of December 31, 2014. KLX further represented that the value of its goodwill was \$1,069.8 million as of December 31, 2013 and \$1,328.7 million as of December 31, 2014. The Company also represented the following in the 2014 10-K:

[I]n accordance with ASC 350, goodwill is not amortized but is subject to an annual impairment test. As of December 31, 2013 and 2012, the Company completed step one of the impairment test and fair value analysis for goodwill, and no impairment loss was recorded during the years ended December 31, 2014, 2013, or 2012. The accumulated goodwill impairment loss (incurred in 2008) was \$290,700,000 as of December 31, 2014. The changes in the carrying amount of goodwill for the years ended December 31, 2014 and 2013 are as follows:

Balance as of December 31, 2012	\$	1,005.8
Acquisitions		42.1
Effect of foreign currency translation		21.9
Balance as of December 31, 2013		1,069.8
Acquisitions		296.6
Effect of foreign currency translation		(37.7)
Balance as of December 31, 2014	\$	1,328.7

20. The 2014 10-K also contained information about the Company’s purported compliance with ASC 350’s requirements relating to the timing of impairment tests and the value of the Company’s ESG assets, despite its recognition of the decline in oil prices:

Long-Lived Assets and Goodwill

To conduct our global business operations and execute our strategy, we acquire tangible and intangible assets, which affect the amount of future period amortization expense and possible impairment expense that we may incur. The determination of the value of such intangible assets requires management to make estimates and assumptions that affect our consolidated and combined financial statements. In accordance with ASC 350, Intangibles—Goodwill and Other (“ASC 350”), we assess potential impairment to goodwill of a reporting unit and to indefinite-lived intangible assets on an annual basis, ***or between annual tests if an event occurs or circumstances change that would more likely than not reduce the fair value of a reporting unit or indefinite-lived intangible asset below its carrying amount.*** In accordance with ASC 360, Property, Plant, and Equipment, we assess potential impairment to long-lived assets (property and equipment and amortized intangible assets) when there is evidence that events or changes in circumstances indicate that the carrying amount of an asset may not be recovered. Our judgment regarding the existence of impairment indicators and future cash flows related to intangible assets is based on operational performance of our acquired businesses, expected changes in the global economy, aerospace industry projections, discount rates and other judgmental factors. Future events could cause us to conclude that impairment indicators exist and that goodwill or other acquired tangible or intangible assets associated with our acquired businesses are impaired. Any resulting impairment loss could have an adverse impact on our results of operations. As of December 31, 2014 and 2013, our management believes the estimated fair value of each of our reporting units with goodwill balances, our indefinite-lived intangible assets and each of our long-lived assets were in excess of their carrying values. There were no indicators of goodwill or intangible asset impairment at December 31, 2014 or 2013.

The fair value of the ESG reporting unit exceeds the carrying value by approximately 28% as of December 31, 2014, and approximately \$342.4 million of goodwill has been allocated to the ESG reporting unit. The recent precipitous drop in oil and gas commodity prices during the second half of 2014 is likely to

have a negative impact on ESG's business in 2015. Cutbacks to the capital expenditure budgets of ESG's oil and gas customers has led to a rapid reduction in the active drilling rig count in the onshore North American market. This reduction in current and planned drilling activity has resulted in both cost and capacity utilization pressures on companies within the oilfield service industry. Our ESG business has begun to experience some of these pressures, particularly in the form of price reduction requests from our customers. In response to these evolving industry conditions, our approach is to first ensure that we manage our ESG business prudently by closely monitoring costs while positioning our resources in those activities and regions which we believe will maximize our revenue opportunities. Secondly, our strategy is to maintain sufficient liquidity to take advantage of opportunities that will present themselves. We will also focus on operational excellence and continuous improvement initiatives. Finally, we will work hard to uncover high return acquisition opportunities over the next 18-24 months. However, there can be no assurance such measures will prevent our ESG business from suffering an operating loss from reduction in the volume and/or pricing of its services. ESG's cash flow projections are a significant input into the December 31, 2014 fair value. If the ESG business is unable to achieve projected results or long-term projections are adjusted downward, it could negatively impact future valuations of the ESG reporting unit.

(Emphasis in paragraphs added.)

21. In addition, the 2014 10-K contained signed certifications pursuant to the Sarbanes-Oxley Act of 2002 ("SOX Certifications") by Defendants Khoury and Senft, who certified:

1. I have reviewed this annual report on Form 10-K of KLX Inc.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) for the registrant and have:

- a. designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - b. [omitted pursuant to Exchange Act Rules 13a-14(a) and 15d-15(a)];
 - c. evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - d. disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
- a. all significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - b. any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

22. On May 28, 2015, the Company filed its quarterly report on Form 10-Q for the quarter ended April 30, 2015 (the "May 10-Q"). In the May 10-Q, KLX represented the value of its identifiable intangible assets was \$457.3 million as of January 31, 2015 and \$450.5 million as of April 30, 2015. The Company explained that KLX incurred amortization expense associated with identifiable intangible assets of approximately \$6.6 million during the quarter. KLX further represented the value of its goodwill as \$1,286.5 million as of January 31, 2015 and \$1,284.8

million as of April 31, 2015. The Company explained that as of April 30, 2015, goodwill decreased by \$1.7 million from January 31, 2015 as a result of the purchase price allocation adjustments and foreign currency translations and by \$43.9 million as compared to December 31, 2014, as a result of purchase price allocation adjustments associated with the acquisition in 2014 of several energy services-related assets and foreign currency translations.

23. The May 10-Q also contained the following commentary on the value of the Company's ESG assets, despite its recognition of the decline in oil prices:

The fair value of the ESG reporting unit exceeded the carrying value by approximately 28% as of December 31, 2014, and approximately \$319.5 million of goodwill has been allocated to the ESG reporting unit as of April 30, 2015. The precipitous decline in oil and gas prices, which began in late 2014 and which has resulted in significant cut backs in capital expenditures by our oil and gas customers, continued into the first quarter of 2015. The approximately 50% year-over-year decline in onshore rig count has led to a reduction in our customers' capital expenditures and has negatively impacted our business in the form of volume declines and pricing concessions across many of the service lines and geographies in which we operate. In response to these evolving industry conditions, our approach is to first ensure that we manage our ESG business prudently by closely monitoring costs while positioning our resources in those activities and regions, which we believe will maximize our revenue opportunities. Secondly, our strategy is to maintain sufficient liquidity to take advantage of opportunities that will present themselves. We will also focus on operational excellence and continuous improvement initiatives. Finally, we will work hard to uncover high return acquisition opportunities over the next 18-24 months. However, there can be no assurance such measures will prevent our ESG business from suffering continued operating losses from reduction in the volume and/or pricing of its services. ESG's cash flow projections were a significant input into the December 31, 2014 fair value. If the ESG business continues to be unable to achieve projected results or long-term projections are adjusted downward, it could negatively impact future valuations of the ESG reporting unit and result in a material impairment charge.

24. In addition, the May 10-Q contained SOX Certifications signed by defendants Khoury and Senft.

25. Then, on August 28, 2015, KLX filed with the SEC its quarterly report on Form 10-Q for the period ending July 31, 2015 (the "August 10-Q"). In the August 10-Q, the Company represented that the value of its identifiable intangible assets was \$452.0 million as of July 31,

2015. The Company further represented that the value of its goodwill was \$1,271.2 million.

More specifically, according to the August 10-Q:

The fair value of the ESG reporting unit exceeded the carrying value by approximately 28% as of December 31, 2014, and approximately \$310.4 million of goodwill has been allocated to the ESG reporting unit as of July 31, 2015. The precipitous decline in oil and gas prices, which began in late 2014 and which has resulted in significant cut backs in capital expenditures by our oil and gas customers continued into the second quarter of 2015. The nearly 60% year-over-year decline in North American onshore rig count has led to a reduction in our customers' capital expenditures and has negatively impacted our business in the form of volume declines and pricing concessions across many of the service lines and geographies in which we operate. In response to these evolving industry conditions, our approach is to first ensure that we manage our ESG business prudently by closely monitoring costs while positioning our resources in those activities and regions which we believe will maximize our revenue opportunities. Secondly, our strategy is to maintain sufficient liquidity to take advantage of opportunities that will present themselves. We will also focus on operational excellence and continuous improvement initiatives. Finally, we will work hard to uncover high return acquisition opportunities over the next 18-24 months. However, there can be no assurance such measures will prevent our ESG business from suffering continued operating losses from reduction in the volume and/or pricing of its services. ESG's cash flow projections were a significant input into the December 31, 2014 fair value. If the ESG business continues to be unable to achieve projected results or long-term projections are adjusted downward, it could negatively impact future valuations of the ESG reporting unit and result in a material impairment charge.

26. The August 10-Q also contained SOX Certifications signed by Defendants Khoury and Senft.

27. On August 25, 2015, KLX held a conference call to discuss their second quarter 2015 results. Khoury again acknowledged that "ESG's financial performance reflects a 60% decrease in the price of oil, the nearly 60% decrease in the number of onshore drilling rigs and the resulting significant cut backs in CapEx by our oil and gas customers. In addition, pricing pressures throughout the energy services sector contributed significantly to the decline in ESG's quarterly financial performance. On a GAAP basis, ESG operating loss was \$26 million."

28. Despite KLX's acknowledgement of the deterioration in the oil market and its effects on the Company's business, KLX continuously represented the value of the goodwill

associated with the ESG assets as worth more than \$300 million and that the value of the Company's identifiable intangible assets was more than \$450 million.

The Truth Emerges

29. On November 12, 2015, KLX announced that the Company expected to recognize a non-cash, after-tax asset impairment charge of approximately \$435 million related to its ESG. The press release stated, "the Company expects to recognize a non-cash, after-tax asset impairment charge of approximately \$435 million related to ESG. The impairment charge is subject to the finalization of the Company's interim goodwill impairment analysis, and reflects a decline in the imputed valuation of the Company's ESG assets." In the press release, Defendant Khoury stated,

During the third quarter of 2015, the Company performed an interim asset impairment test. The continuing downturn in the oil and gas industry, including the approximate 60 percent decrease in the price of oil, the more than 60 percent decrease in the number of onshore drilling rigs, and the resulting significant cutbacks in capital expenditures by our oil and gas customers, has resulted in a decrease in both volume and pricing for oil field services. As a result, during the third quarter of 2015, the Company determined that the carrying value of ESG's assets has been impaired. KLX therefore expects to record a non-cash, after-tax impairment charge of approximately \$435 million.

30. As a result of the news, the trading price of KLX's common stock plunged from a closing price of \$39.00 on November 11, 2015 to close at \$32.11 on November 12, 2015, a single-day loss of approximately 18%.

31. On December 3, 2015, KLX filed its quarterly report on form 10-Q for the period ending October 31, 2015 (the "December 10-Q"). In the 10-Q, KLX disclosed its goodwill as \$960.6 million, compared to the \$1,328.7 million as of December 31, 2014 disclosed in the 2014 10-K. Specifically, The December 10-Q explained the impairment of the Company's ESG assets:

Note 5. Goodwill and Long-lived Assets

Goodwill and indefinite life intangible assets are tested for impairment annually or on an interim basis if events or circumstances indicate that the fair value of the asset has decreased below its carrying value. The continued downturn in the oil and gas industry, including the approximate 60 percent decrease in the price of oil, the approximate 60 percent decrease in the number of onshore drilling rigs and the resulting significant cut backs in the capital expenditures of our customers, represented a significant adverse change in the business climate, which indicated that the ESG reporting unit's goodwill may be impaired and ESG asset group's long-lived assets may not be recoverable. As a result, during the three months ended October 31, 2015, the Company performed an interim goodwill impairment test and a long-lived asset recoverability test.

The valuation of the ESG reporting unit goodwill step one impairment test was estimated using the guideline public company analysis and the discounted cash flow analysis, which were equally weighted in the fair value analysis. See "Note 9 – Fair Value Measurements" for additional information regarding the fair value determination. The results of the first step of the goodwill impairment test as of August 31, 2015, indicated that goodwill was impaired because the carrying value of the reporting unit exceeded the fair value of the first step test. Accordingly, the Company is in the process of finalizing the second step goodwill impairment test of the ESG reporting unit, which preliminarily resulted in a \$310.4 goodwill impairment charge, which is included in the goodwill impairment expense in the condensed consolidated and combined statement of earnings and comprehensive (loss) income for the three and nine months ended October 31, 2015.

Long-lived assets, such as property and equipment and purchased intangibles subject to amortization are tested for impairment when there is evidence that events or changes in circumstances indicate that the carrying amount of an asset may not be recovered. An impairment loss is recognized when the undiscounted cash flows expected to be generated by an asset (or group of assets) is less than its carrying amount. Any required impairment loss is measured as the amount by which the asset's carrying value exceeds its fair value and is recorded as a reduction in the carrying value of the related asset and a charge to operating results. Based on the impairment indicators above, we performed a long-lived asset impairment analysis and concluded the carrying amount of the long-lived assets exceeded the undiscounted cash flows of the ESG asset group. As a result, we are in the process of completing a long-lived asset impairment test and have recorded a preliminary \$329.8 long-lived asset impairment charge, \$177.8 related to identified intangible assets and \$152.0 related to property and equipment, which is included in the long-lived asset impairment expense in the condensed consolidated and combined statement of earnings and comprehensive (loss) income for the three and nine months ended October 31, 2015.

LOSS CAUSATION

32. During the Class Period, as detailed herein, Defendants made false and misleading statements and engaged in a scheme to deceive the market and a course of conduct that artificially inflated the price of KLX's common stock and operated as a fraud or deceit on Class Period purchasers of KLX common stock by materially misleading the investing public. Later, when Defendants' prior misrepresentations and fraudulent conduct became apparent to the market, the trading price of KLX's common stock fell precipitously, as the prior artificial inflation came out of the price over time. As a result of their purchases of KLX's common stock during the Class Period, Plaintiff and other members of the Class suffered economic loss, *i.e.*, damages, under the federal securities laws.

FRAUD-ON-THE-MARKET DOCTRINE

33. At all relevant times, the market for KLX's common stock was an efficient market for the following reasons, among others:

- a) KLX common stock met the requirements for listing, and was listed and actively traded on the NASDAQ Global Select Market ("NasdaqGS"), a highly efficient and automated stock market;
- b) KLX filed periodic public reports with the SEC and the NasdaqGS; and
- c) KLX regularly communicated with public investors via established market communication mechanisms, including regular disseminations of press releases on the national circuits of major newswire services and other wide-ranging public disclosures, such as communications with the financial press and other similar reporting services.

34. As a result of the foregoing, the market for KLX's common stock promptly digested current information regarding KLX from all publicly available sources and reflected such information in the prices of the securities. Under these circumstances, all purchasers of

KLX common stock during the Class Period suffered similar injury through their purchase of KLX common stock at artificially inflated prices and a presumption of reliance applies.

NO SAFE HARBOR

35. 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 KLX who knew that the statement was false when made.

CLASS ACTION ALLEGATIONS

36. Plaintiff brings this action as a class action pursuant to Rule 23 of the Federal Rules of Civil Procedure on behalf of all persons who purchased or otherwise acquired KLX common stock during the Class Period (the “Class”). Excluded from the Class are Defendants and their families, 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.

37. The members of the Class are so numerous that joinder of all members is impracticable, since KLX has millions of shares of stock outstanding and because the Company's shares were actively traded on the NasdaqGS. As of November 30, 2015, KLX had more than 52 million shares issued and outstanding. 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 thousands of members in the proposed Class and that they are geographically dispersed.

38. There is a well-defined community of interest in the questions of law and fact involved in this case. Questions of law and fact common to the members of the Class which predominate over questions which may affect individual Class members, including:

- (a) whether the Exchange Act was violated by Defendants;
 - (b) whether Defendants omitted and/or misrepresented material facts in their publicly disseminated reports, press releases, and statements during the Class Period;
 - (c) whether Defendants' statements omitted material facts necessary to make the statements made, in light of the circumstances under which they were made, not misleading;
 - (d) whether Defendants participated and pursued the fraudulent scheme or course of business complained of herein;
 - (e) whether Defendants acted willfully, with knowledge or recklessly in omitting and/or misrepresenting material facts;
 - (f) whether the price of KLX common stock was artificially inflated during the Class Period as a result of the material nondisclosures and/or misrepresentations complained of herein;
- and

(g) whether the members of the Class have sustained damages as a result of the decline in value of KLX's common stock when the truth was revealed, and if so, what is the appropriate measure of damages.

39. Plaintiff's claims are typical of those of the Class because Plaintiff and the Class sustained damages from Defendants' wrongful conduct in a substantially identical manner.

40. Plaintiff will adequately protect the interests of the Class and has retained counsel who are experienced in class action securities litigation. Plaintiff has no interests which conflict with those of the Class.

41. A class action is superior to other available methods for the fair and efficient adjudication of this controversy.

CLAIMS FOR RELIEF

COUNT I

Violation of Section 10(b) of the Exchange Act and SEC Rule 10b-5 (Against All Defendants)

42. Plaintiff incorporates by reference each and every preceding paragraph as though fully set forth herein.

43. This Count is asserted by Plaintiff on behalf of themselves and the Class against all the Defendants and is based upon Section 10(b) of the Exchange Act, 15 U.S.C. § 78j(b), and Rule 10b-5, 17 C.F.R. C 240.10b-5, promulgated thereunder.

44. During the Class Period, Defendants carried out a plan, scheme, and course of conduct that was intended to and, throughout the Class Period, did: (i) deceive the investing public, including Plaintiff and other Class members, as alleged herein; (ii) artificially inflate and maintain the market price of KLX's common stock; and (iii) cause Plaintiff and other members of the Class to purchase or otherwise acquire KLX's common stock at artificially inflated prices.

In furtherance of this unlawful scheme, plan, and course of conduct, the Defendants, and each of them, took the actions set forth herein.

45. Defendants, by the use of means and instrumentalities of interstate commerce: (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 made not misleading; and (iii) engaged in acts, practices, and a course of business that operated as a fraud and deceit upon the purchasers and acquirers of the Company's common stock in an effort to maintain artificially high market prices for KLX's common stock in violation of Section 10(b) of the Exchange Act and Rule 10-5.

46. As a result of their making and/or their substantial participation in the creation of affirmative statements and reports to the investing public, Defendants had a duty to promptly disseminate truthful information that would be material to investors in compliance with the integrated disclosure provisions of the SEC, as embodied in SEC Regulation S-K (17 C.F.R. § 229.10, et seq.) and other SEC regulations, including accurate and truthful information with respect to the Company's operations and performance so that the market prices of the Company's publicly traded securities would be based on truthful, complete, and accurate information. Defendants' material misrepresentations and omissions as set forth herein violated that duty.

47. Defendants engaged in the fraudulent activity described above knowingly and intentionally or in such a reckless manner as to constitute willful deceit and fraud upon Plaintiff and the Class. Defendants knowingly or recklessly caused their reports and statements to contain misstatements and omissions of material fact as alleged herein.

48. As a result of Defendants' fraudulent activity, the market price of KLX common stock was artificially inflated during the Class Period.

49. In ignorance of the true financial condition of KLX, Plaintiff and other members of the Class, relying on the integrity of the market and/or on the statements and reports of KLX containing the misleading information, purchased or otherwise acquired KLX's common stock at artificially inflated prices during the Class Period.

50. Plaintiff and the Class's losses were proximately caused by Defendants' active and primary participation in KLX's scheme to defraud the investing public by, among other things, failing to fully and accurately disclose to investors adverse material information regarding the Company. Plaintiff and other members of the Class purchased KLX's common stock in reliance on the integrity of the market price of those shares, and Defendants manipulated the trading price of KLX's common stock through their misconduct as described herein. Plaintiff's and the Class's losses were a direct and foreseeable consequence of Defendants' concealment of the true financial condition of KLX.

51. Throughout the Class Period, Defendants were aware of material non-public information concerning KLX's fraudulent conduct (including the false and misleading statements described herein). Throughout the Class Period, Defendants willfully and knowingly concealed this adverse information, and Plaintiff's and the Class's losses were the foreseeable consequence of Defendants' concealment of this information.

52. As a direct and proximate cause of the Defendants' wrongful conduct, Plaintiff and other members of the Class suffered damages in connection with their respective purchases and sales of KLX common stock during the Class Period.

COUNT II
Violation of Section 20(a) of the Exchange Act
(Against the Individual Defendants)

53. Plaintiff incorporates by reference and realleges each and every allegation above as though fully set forth herein.

54. During the Class Period, the Individual Defendants were privy to non-public information concerning the Company and its business and operations via access to internal corporate documents, conversations and connections with other corporate officers and employees, attendance at management and Board of Directors meetings and committees thereof and via reports and other information provided to them in connection therewith. Because of their possession of such information, the Individual Defendants knew or recklessly disregarded the fact that adverse facts specified herein had not been disclosed to, and were being concealed from, the investing public. Plaintiff and other members of the Class had no access to such information, which was, and remains solely under the control of the Defendants.

55. The Individual Defendants were involved in drafting, producing, reviewing and/or disseminating the materially false and misleading statements complained of herein. The Individual Defendants were aware (or recklessly disregarded) that materially false and misleading statements were being issued by the Company and nevertheless approved, ratified and/or failed to correct those statements, in violation of federal securities laws. Throughout the Class Period, the Individual Defendants were able to, and did, control the contents of the Company's SEC filings, reports, press releases, and other public statements. The Individual Defendants were provided with copies of, reviewed and approved, and/or signed such filings, reports, releases and other statements prior to or shortly after their issuance and had the ability or opportunity to prevent their issuance or to cause them to be corrected.

56. The Individual Defendants also were able to, and did, directly or indirectly, control the conduct of KLX's business, the information contained in its filings with the SEC, and its public statements. Moreover, the Individual Defendants made or directed the making of affirmative statements to securities analysts and the investing public at large, and participated in meetings and discussions concerning such statements. Because of their positions and access to

material non-public information available to them but not the public, 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 that were being made were false and misleading. As a result, the Individual Defendants are responsible for the accuracy of KLX's corporate releases detailed herein and is therefore responsible and liable for the misrepresentations contained herein.

57. The Individual Defendants acted as controlling persons of KLX within the meaning of Section 20(a) of the Exchange Act. By reason of their position with the Company, the Individual Defendants had the power and authority to cause KLX to engage in the wrongful conduct complained of herein. The Individual Defendants controlled KLX and all of its employees. As alleged above, KLX is a primary violator of Section 10(b) of the Exchange Act and SEC Rule 10b-5. By reason of their conduct, the Individual Defendants are liable pursuant to section 20(a) of the Exchange Act.

58. As a direct and proximate result of the wrongful conduct of KLX and the Individual Defendants, Plaintiff and members of the Class suffered damages in connection with their respective purchases and sales of the Company's common stock during the Class Period.

PRAYER FOR RELIEF

WHEREFORE, Plaintiff demands judgment as follows:

(A) Declaring this action to be a class action pursuant to Rule 23 of the Federal Rules of Civil Procedure and certifying Plaintiff as a representative of the Class and his counsel as Class counsel;

(B) Awarding Plaintiff and the members of the Class damages, including interest;

(C) Awarding Plaintiff and the Class their reasonable costs and expenses incurred in this action, including and attorneys' fees; and

(D) Awarding such equitable/injunctive or other relief as the Court may deem just and proper

JURY DEMAND

Plaintiff demands a trial by jury.