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**SUPERIOR COURT OF THE STATE OF CALIFORNIA**

**COUNTY OF SANTA CLARA**

| | |
|---|---|
| IN RE: MAXAR TECHNOLOGIES, INC. SHAREHOLDER LITIGATION | Lead Case No. 19CV357070 |
| | CLASS ACTION |
| This Document Relates To: ALL ACTIONS | DATE ACTION FILED: 10/21/2019 |
| | DEPT. 1 |
| | JUDGE: HON. BRIAN C. WALSH |
| | **SECOND AMENDED COMPLAINT FOR VIOLATIONS OF THE SECURITIES ACT OF 1933** |
| | DEMAND FOR JURY TRIAL |

## INTRODUCTION

1. Plaintiff Michael McCurdy, individually and on behalf of all others similarly situated, by his undersigned attorneys, alleges the following upon personal knowledge as to himself and his own acts, and upon information and belief as to other matters, based on the investigation conducted by and through Plaintiff's attorneys, which included a review of U.S. Securities and Exchange Commission ("SEC") filings by Maxar Technologies Inc. and Maxar Technologies Ltd. ("Maxar"), MacDonald, Dettwiler and Associates Ltd. ("MDA"),[1] and DigitalGlobe, Inc. ("DigitalGlobe"), as well as media and analyst reports about the Company and Company press releases. Plaintiff believes that substantial additional evidentiary support will exist for the allegations set forth herein.

## SUMMARY OF THE ACTION

2. In October 2017, Maxar, a satellite manufacturer, acquired and merged with DigitalGlobe, a satellite imagery company (the "Merger"). In connection with the Merger, Maxar issued approximately 21.5 million new shares of Maxar common stock directly to DigitalGlobe shareholders, all pursuant to a materially false and misleading F-4 registration statement (the "Registration Statement") and prospectus (collectively, with documents incorporated therein, the "Offering Materials").

3. Plaintiff is a former DigitalGlobe shareholder who received Maxar common stock issued pursuant to the Offering Materials in exchange for his DigitalGlobe shares. On behalf of similarly situated former DigitalGlobe shareholders who received Maxar shares pursuant to the false and misleading Offering Materials, Plaintiff asserts strict-liability claims under §§11, 12, and 15 of the Securities Act of 1933 ("1933 Act" or "Securities Act") against Maxar, certain current and former Maxar officers and directors, and certain former DigitalGlobe officers and directors.

[1] Maxar Technologies Ltd. and MDA are the legal predecessors to Maxar Technologies Inc. MDA became Maxar Technologies Ltd. upon its merger DigitalGlobe in October 2017, and Maxar Technologies Ltd. became Maxar Technologies, Inc. in January 2019. For readability, the name "Maxar" is used for all three of these entities, and includes their predecessors and successors in interest, parents, subsidiaries, and divisions.

4. In violation of the Securities Act, SEC implementing regulations, common law duties, applicable International Financial Reporting Standards ("IFRS"), and Defendants' own express commitments and undertakings, the Offering Materials contained numerous untrue statements of material fact and omitted material facts both required by governing regulations and necessary to make the statements made not misleading. The Offering Materials overstated Maxar's assets, earnings, and other financial results, trends, and metrics by recording property, plant and equipment (PPE), inventory and development assets far in excess of realizable value and thereby inflating earnings. The Offering Materials should have reflected the impairment in the value of Maxar's geosynchronous satellite communications ("GeoComm") segment. Maxar reported artificially inflated earnings in the Offering Materials when Maxar should have reported losses.

5. During the two years preceding the Merger, Maxar's GEO business had collapsed, with demand for satellite broadband Internet falling precipitously as a result of lower-cost terrestrial competition like fiber optic connections and high-speed cellular networks. As the satellite market shrank 45%, Maxar's GeoComm segment revenues dropped 20%, and the future looked even worse, with the number of GeoComm contract awards also falling rapidly. In early 2017, several months ***before the Merger***, the bleak GeoComm market outlook led Maxar to quietly retain management consulting firm Bain & Co. ("Bain") for a "restructuring project" intended to assess the diminished value and prospects for its GeoComm segment and advise whether it was worthwhile for Maxar to even stay in the business at all. On Bain's negative internal assessment of GeoComm's value and prospects, Maxar undertook mass layoffs — firing 334 employees (including 66 critical engineers) between February and June 2017 alone, slashing new business development budgets for GeoComm satellite proposals, and steeply curtailing operations at its GeoComm facility in Palo Alto, all with an eye toward selling off its GeoComm segment or otherwise exiting the market entirely.

6. Each of these glaring indicators of impairment existed and was known to Defendants months before the October 2017 Merger. Yet none were disclosed in the Offering Materials, and none were accounted for in the Maxar financial results, metrics, and trends incorporated into the Offering Materials. Had Defendants complied with governing IFRS accounting standards to timely

and accurately test and accrue impairment (and its own representations that it continuously monitored and tested impairment of intangible assets) and recorded GeoComm segment assets at realizable value, by the time of the Merger Maxar would have already recorded millions of dollars in impairment charges to its reported inventories, intangible assets, and property, plant, and equipment ("PP&E"). Thus, in stark contrast to the inflated asset values, purported earnings, and other false and misleading financial results and metrics touted in the Offering Materials, Maxar in truth had suffered (and was obligated to report) a net loss.

7. With these misrepresentations and omissions in the Offering Materials, Defendants were able to complete the Merger. But the truth ultimately emerged. In late October 2018, after initially downplaying a damaging short-seller report, Maxar was forced to admit to ***over $383 million in impairment losses and inventory obsolescence in its GeoComm segment*** and a consequent ***$432 million net loss***. Investors and analysts were shocked. The price of Maxar stock plummeted. By the commencement of this action, Maxar common stock has traded as low as $3.96 per share, an approximately ***93% decline since the Merger***. Plaintiff and other ordinary shareholders suffered severe losses as a result.

## JURISDICTION AND VENUE

8. This Court has original subject matter jurisdiction under the California Constitution, Article VI, Section 10. Removal is barred by Section 22 of the 1933 Act.

9. This Court has personal jurisdiction, and venue is proper under California Code of Civil Procedure §§ 395 and 410.10, because Defendants and their agents reside, are headquartered, or at all relevant times were headquartered in California; conducted the Merger in California; and affirmatively solicited the subject securities and Registration Statement to investors in California, including during roadshows conducted in California, and those contacts with California have a substantial connection to the claims alleged herein. At all times relevant to the Merger, Maxar's principal executive offices were located in California. The predecessor to Maxar's GeoComm segment is Maxar's Space Systems/Loral LLC ("SSL") subsidiary. SSL was a standalone company and went bankrupt in 2003. After it emerged from bankruptcy, it was acquired by Maxar, becoming Maxar's GeoComm segment. Maxar's GeoComm and related satellite

communications business was at all relevant times headquartered in Palo Alto, California, as are Maxar's satellite manufacturing and R&D operations, including the facilities and business segments central to the misrepresentations and omission alleged herein. As stated in the Registration Statement, as of the Merger, Maxar's California headquarters was also the official mailing address for nearly all the Individual Defendants (as defined below), namely Howard L. Lance, Robert L. Phillips, Dennis H. Chookaszian, Lori B. Garver, Joanne O. Isham, Anil Wirasekara, C. Robert Kehler, Brian G. Kenning, and Eric Zahler. At all relevant times, SSL MDA Holdings, Inc., Maxar's wholly owned subsidiary and a holding company for Maxar operating subsidiaries, was headquartered in California. At all relevant times, Merlin Merger Sub, Inc., the wholly owned subsidiary Maxar formed for the purpose of effecting the Merger (and into which DigitalGlobe was merged to become a wholly owned subsidiary of Maxar), was also headquartered in California. Maxar's authorized representative in the United States, Michelle D. Kley, signed the Registration Statement on behalf of Maxar in California.

## PARTIES

10. Plaintiff Michael McCurdy acquired Maxar common stock pursuant to the Offering Materials, in exchange for his former DigitalGlobe shares via Merger, and was damaged thereby.

11. Defendant Maxar specializes in the manufacture of satellites and provision of satellite-related services. Maxar's common stock trades on the New York Stock Exchange under the ticker symbol "MAXR." At the time of the Merger, Maxar was incorporated under the laws of British Columbia and maintained its principal executive offices in California. In October 2017, in connection with the Merger, Maxar issued approximately 21.5 million shares of Maxar common stock directly to former shareholders of DigitalGlobe common and preferred stock, all pursuant to the Offering Materials.

12. Defendant Howard L. Lance was, at all relevant times, President, Chief Executive Officer, and a Director of Maxar. Defendant Lance reviewed, contributed to, and signed the Registration Statement, and solicited DigitalGobe shareholders to participate in the Merger and exchange their DigitalGlobe shares for new Maxar shares issued pursuant to the Offering Materials.

13. Defendant Anil Wirasekara was, at all relevant times, Executive Vice President and Chief Financial Officer of Maxar. Defendant Wirasekara reviewed, contributed to, and signed the Registration Statement, and solicited DigitalGobe shareholders to participate in the Merger and exchange their DigitalGlobe shares for new Maxar shares issued pursuant to the Offering Materials.

14. Defendant Angela Lau was, at all relevant times, Senior Vice President, Finance and Corporate Secretary of Maxar. Defendant Lau reviewed, contributed to, and signed the Registration Statement, and solicited DigitalGobe shareholders to participate in the Merger and exchange their DigitalGlobe shares for new Maxar shares issued pursuant to the Offering Materials.

15. Defendant Robert L. Phillips was, at all relevant times, Chairman of the Board of Directors of Maxar. Defendant Phillips reviewed, contributed to, and signed the Registration Statement, and solicited DigitalGobe shareholders to participate in the Merger and exchange their DigitalGlobe shares for new Maxar shares issued pursuant to the Offering Materials.

16. Defendant Dennis H. Chookaszian was, at all relevant times, a Director on Maxar's Board. Defendant Chookaszian reviewed, contributed to, and signed the Registration Statement, and solicited DigitalGobe shareholders to participate in the Merger and exchange their DigitalGlobe shares for new Maxar shares issued pursuant to the Offering Materials.

17. Defendant Lori B. Garver was, at all relevant times, a Director on Maxar's Board. Defendant Garver reviewed, contributed to, and signed the Registration Statement, and solicited DigitalGobe shareholders to participate in the Merger and exchange their DigitalGlobe shares for new Maxar shares issued pursuant to the Offering Materials.

18. Defendant Joanne O. Isham was, at all relevant times, a Director on Maxar's Board. Defendant Isham reviewed, contributed to, and signed the Registration Statement, and solicited DigitalGobe shareholders to participate in the Merger and exchange their DigitalGlobe shares for new Maxar shares issued pursuant to the Offering Materials.

19. Defendant C. Robert Kehler was, at all relevant times, a Director on Maxar's Board. Defendant Kehler reviewed, contributed to, and signed the Registration Statement, and solicited DigitalGobe shareholders to participate in the Merger and exchange their DigitalGlobe shares for new Maxar shares issued pursuant to the Offering Materials.

20. Defendant Brian G. Kenning was, at all relevant times, a Director on Maxar's Board. Defendant Kenning reviewed, contributed to, and signed the Registration Statement, and solicited DigitalGobe shareholders to participate in the Merger and exchange their DigitalGlobe shares for new Maxar shares issued pursuant to the Offering Materials.

21. Defendant Eric Zahler was, at all relevant times, a Director on Maxar's Board. Defendant Zahler reviewed, contributed to, and signed the Registration Statement, and solicited DigitalGobe shareholders to participate in the Merger and exchange their DigitalGlobe shares for new Maxar shares issued pursuant to the Offering Materials.

22. Defendant Jeffrey R. Tarr was, at all relevant times, President and Chief Executive Officer of DigitalGlobe. Defendant Tarr reviewed, contributed to, and signed the Registration Statement, and solicited DigitalGobe shareholders to participate in the Merger and exchange their DigitalGlobe shares for new Maxar shares issued pursuant to the Offering Materials

23. The Defendants named in ¶¶ 12-22 are referred to herein as the "Individual Defendants." The Individual Defendants each signed or were identified as incoming officers or directors in the Registration Statement, solicited the purchase securities issued pursuant thereto, planned and contributed to the Merger and Registration Statement, and attended promotions to meet with and present favorable information to Maxar and DigitalGlobe investors, all motivated by their own and the Company's financial interests.

**GOVERNING IFRS PROVISIONS**

24. At all relevant times, Maxar prepared, reported, and certified its consolidated financial statements subject to IFRS. Promulgated by the International Accounting Standards Board ("IASB"), IFRS are the accounting profession's principles, conventions, rules, and procedures that define accepted international accounting practices. Pronouncements issued by IASB's predecessor are designated "International Accounting Standards" ("IAS"), which were adopted by IASB and remain part of IFRS.

25. Relevant IAS standards in place at the time the Offering Materials were issued include the following.

26. **IAS 1: Presentation of Financial Statements**. IAS 1 prescribes the "overall requirements for the presentation of financial statements, guidelines for their structure and minimum requirements for their content," *see* IAS 1.1, which apply to all "general purpose financial statements" prepared and presented "in accordance with International Financial Reporting Standards (IFRSs)." IAS 1.2. "General purpose financial statements . . . are those intended to meet the needs of users who are not in a position to require an entity to prepare reports tailored to their particular information needs." IAS 1.7. "The objective of financial statements is to provide information about the financial position, financial performance, and cash flows of an entity that is useful to a wide range of users in making economic decisions." IAS 1.9.

27. Under these governing standards, a company's "[f]inancial statements ***shall*** present fairly the financial position, financial performance and cash flows of an entity.

> Fair presentation ***requires*** the faithful representation of the effects of transactions, other events and conditions in accordance with the definitions and recognition criteria for assets, liabilities, income and expenses set out in the [Conceptual] Framework [for Financial Reporting]. The application of IFRSs, with additional disclosure when necessary, is presumed to result in financial statements that achieve a fair presentation."

IAS 1.15. "An entity whose financial statements comply with IFRSs ***shall*** make an explicit and unreserved statement of such compliance in the notes. An entity ***shall not*** describe financial statements as complying with IFRSs unless they comply with all the requirements of IFRSs." IAS 1.16.

28. **IAS 36: Impairments of Intangible Assets and Property, Plant, and Equipment.** "The objective of [IAS 36] is to prescribe the procedures that an entity applies to ensure that its assets are carried at no more than their recoverable amount." An asset is carried at more than its recoverable amount if its "carrying amount' ['book value'] exceeds the amount to be recovered through use or sale of the asset ['fair value']. If this is the case, the asset is described as impaired and the Standard ***requires*** the entity to recognise an impairment loss." "An asset is impaired when its carrying amount exceeds its recoverable amount." IAS 36.8. "An entity ***shall*** assess at the end of each reporting period whether there is ***any*** indication that an asset may be impaired." IAS 36.9. "[IAS 36.12 to 36.14] describe some indications that an impairment loss may have occurred. If ***any***

of those indications is present, an entity is ***required*** to make a formal estimate of recoverable amount . . . .”

29. Maxar had both intangible assets and PP&E for which it failed correctly to record impairment. The overwhelming majority of both Maxar’s intangible assets and its PP&E were attributable to its GeoComm segment.

30. The intangible assets attributed to Maxar’s GeoComm segment consisted of technology, software, trade names, and customer relationships. Maxar capitalized intangible assets of $320 million upon acquiring SSL in 2012, and it subsequently recorded additional internal development and external purchases. For example, in 2017 and 2018, Maxar capitalized internally developed technology by approximately $116 million, the “vast majority” of which “relate[d] to projects in the GEO communications satellite line of business, such as digital payload, electric propulsion and roll-out solar array development programs.” As of June 30, 2017, Maxar reported the value of its total intangible assets (the vast majority of which were attributable to its GeoComm segment) at approximately $440 million.[2]

31. The GeoComm segment’s PP&E consisted of land and land improvements, buildings, leasehold improvements, testing equipment, vehicles, computer hardware, and furniture and fixtures. The Company’s acquisition of SSL added approximately $300 million of PP&E to the balance sheet, primarily in the areas of land, buildings, and equipment. As of June 30, 2017, Maxar reported the value of its PP&E (of which the vast majority was attributable to its GeoComm segment) at approximately $475 million.

[2] At all relevant times leading up to the Merger, Maxar reported its financial results in Canadian Dollars. In the quarter following the Merger, the third quarter of 2017 (“3Q17”), Maxar began reporting its financial results in U.S. Dollars, with the exception of dividend payments that remained denominated in Canadian Dollars. And as part of the reorganization following the Merger, the GeoComm cash-generating unit was re-categorized from the “Communications” to “Space Systems” reporting segments. Neither change affected the Company’s accounting and disclosure requirements under IFRS.

32. Maxar's capitalization as of June 30, 2017 of $440 million in intangible assets and $475 million in PP&E was materially misleading because of Maxar's failure to correctly record impairments for these assets, especially those assets attributable to its GeoComm segment.

33. IAS 36.12 states that "[i]n assessing whether there is ***any*** indication that an asset may be impaired, an entity ***shall*** consider, ***as a minimum***, the following indications":

> **External sources of information**
>
> (a) there are observable indications that the asset's value has declined during the period significantly more than would be expected as a result of the passage of time or normal use.
>
> (b) significant changes with an adverse effect on the entity have taken place during the period, or will take place in the near future, in the **technological, market**, economic or legal environment in which the entity operates or in the market to which an asset is dedicated.
>
> ***
>
> **Internal sources of information**
>
> (e) evidence is available of obsolescence or physical damage of an asset.
>
> (f) significant changes with an adverse effect on the entity have taken place during the period, or are expected to take place in the near future, in the extent to which, or manner in which, an asset is used or is expected to be used. These changes include the asset becoming idle, **plans to discontinue or restructure the operation to which an asset belongs**, plans to dispose of an asset before the previously expected date, and reassessing the useful life of an asset as finite rather than indefinite.
>
> (g) evidence is available from internal reporting that indicates that the economic performance of an asset is, or will be, worse than expected.

34. But, as IAS 36.13 prescribes, "[t]he list in paragraph 12 is not exhaustive," for "[a]n entity may identify other indications that an asset may be impaired and these would also ***require*** the entity to determine the asset's recoverable amount." Beyond the "internal" indicators above, IAS 36.14 states that "[e]vidence from internal reporting that indicates that an asset may be impaired includes the existence of":

> (a) cash flows for acquiring the asset, or subsequent cash needs for operating or maintaining it, that are significantly higher than those originally budgeted;
>
> (b) **actual net cash flows or operating profit or loss flowing from the asset that are significantly worse than those budgeted**;

(c) a significant decline in budgeted net cash flows or operating profit, or a significant increase in budgeted loss, flowing from the asset; or

(d) operating losses or net cash outflows for the asset, when current period amounts are aggregated with budgeted amounts for the future.

35. Critically, under IAS 36, ***if any impairment indicator is present***, then an ***entity is required to test for impairment*** by determining an asset's or cash-generating unit's ("CGU") recoverable amount.[3] Under IAS 36.22, if it is not possible to estimate the recoverable amount of an individual asset, the entity must determine the recoverable amount "for the cash-generating unit to which the assets belong."[4]

36. According to Maxar, the GeoComm segment was the level of asset grouping that generated independent cash flows, and thus the GeoComm segment was a CGU for purposes of evaluating indicators of impairment and impairment testing. In contrast, the assets attributed to the Company's small-satellite line of business were grouped in the small satellite ("SmallSat") CGU, and thus treated separately from the GeoComm CGU.

37. Maxar's reported assets, earnings, earnings per share ("EPS"), and other purported financial results and representations in the Offering Materials were false and misleading because Maxar failed to record the impairment losses in the GeoComm CGU as a result of the numerous and glaring impairment indicators described herein. Defendants violated IAS 36 by ignoring impairment indicators and failing to timely account for an impairment loss to Maxar's GeoComm

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[3] Under IAS 36, "recoverable amount" is defined as the higher of an asset's or CGU's "fair value" less costs of disposal (the fair value method) and its "value in use" (the cash flow method). And IAS 36.6 defines "[f]air value" as "the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date." The fair value method determines what the market says the asset or CGU could sell for less costs of disposal. "Value in use" is "the present value of the future cash flows expected to be derived from an asset or cash-generating unit." The value in use method is based on a discounted future cash flows valuation of the asset or CGU. Per IAS 36.55, the discount rate applied to the future cash flows is a pre-tax rate that reflects current market assessments of "(a) the time value of money; and (b) the risks specific to the asset for which the future cash flow estimates have not been adjusted."

[4] Under IAS 36.6, a "CGU" is "the smallest identifiable group of assets that generates cash inflows that are largely independent of the cash inflows from other assets and groups of assets."

assets – including corresponding reductions in earnings and EPS – when the book value of those assets exceeded their respective fair value by hundreds of millions of dollars.

38. **IAS 2: Inventories.** At all relevant times, IAS 2 governed Maxar's accounting treatment and testing of its inventories, including required impairment loss. The inventories of Maxar's GeoComm segment consisted of materials, components, and supplies used in satellite construction.

39. Under IAS 2.9, the value of an entity's inventories "***shall*** be measured at the lower of cost and net realisable value," and under IAS 2.6, "net realisable value" is the "estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale." Per IAS 2.10, "[t]he cost of inventories ***shall*** comprise all costs of purchase, costs of conversion and other costs incurred in bringing the inventories to their present location and condition."

40. Accordingly, each quarter, Maxar was required to assess its GeoComm inventory assets to ensure they were not overstated, *i.e.*, that inventory cost did not exceed "net realisable value." As to "net realisable value," IAS 2.28 explains that "[t]he cost of inventories ***may not*** be recoverable if those inventories are damaged, if they have become wholly or partially obsolete, or if their selling prices have declined," and further that "[t]he practice of writing inventories down below cost to net realisable value is consistent with the view that assets should not be carried in excess of amounts expected to be realised from their sale or use." IAS 2 and IAS 36 are thus consistent in requiring that assets (*e.g.*, intangibles, PP&E, inventories) are not overvalued, are appropriately tested for recoverability on a timely basis, and that "no major difference exists between IAS 2 and the requirements included in IAS 36." *See* IAS 36.

41. IAS 2 also requires that, when determining "[e]stimates of net realisable value," an entity must consider events occurring after a reporting period (*i.e.*, subsequent events) to the extent such events confirm conditions existing at the end of the reporting period. Specifically, IAS 2.30 states:

> Estimates of net realisable value are based on the most reliable evidence available at the time the estimates are made, of the amount the inventories are expected to realise. These estimates take into consideration fluctuations of price or cost directly relating

> to events occurring after the end of the period to the extent that such events confirm conditions existing at the end of the period.

And under IAS 2.34, "[t]he amount of any write-down of inventories to net realisable value and all losses of inventories ***shall*** be recognised as an expense in the period the write-down or loss occurs."

42. Thus, just as Maxar was required to record an impairment loss to GeoComm's intangible assets and PP&E under IAS 36, Maxar was required to timely write down the net realizable value of its impaired GeoComm inventories under IAS 2. By failing to, Maxar also violated IAS 2.

**BEFORE THE MERGER, MAXAR'S BUSINESS WAS ALREADY IMPAIRED**

43. Maxar's GeoComm segment traces back to Maxar's 2012 acquisition of SSL, which was founded in 1957 and has historically specialized in the manufacture of large geostationary communications satellites. These "GEO" satellites are geosynchronous, meaning that their orbit matches the Earth's rotation, causing them to appear stationary to an observer. They orbit thousands of miles from Earth and can relay radio, television, or Internet services to a fixed region of the world over many years. By comparison, satellites in low earth orbit ("LEO") – such as those used in high-resolution imaging – are only a few hundred miles above the Earth and orbit several times a day.

44. With the close of the Cold War, SSL turned away from government and military contracts and toward the commercial market for radio and television. Each commercial GEO satellite contract could earn hundreds of millions of dollars in revenue, but the manufacturing process was capital-intensive, leading to low margins compared to other space industry businesses. To remain viable, SSL's GEO business required a sufficient pipeline of orders and volume of production.

45. The pipeline dried up in 2002, as its annual awards fell to zero, and SSL consequently declared bankruptcy in 2003. According to a *Via Satellite* article titled "Loral Looks Beyond Bankruptcy," the root of SSL's financial difficulties was overcapacity in the global satellite market and declining demand from Internet-related telecommunications providers. SSL would emerge from bankruptcy in 2005, and the GEO market recovered until 2014.

46. Maxar acquired SSL in 2012, and soon thereafter it recorded approximately $300 million in PP&E and $320 million in intangible assets directly related to the GeoComm segment. Immediately following Maxar's acquisition, the company's GEO business appeared profitable; in 2014, Maxar's GeoComm segment secured a significant nine GEO contracts.

47. But 2015 and 2016 saw year-over-year declines in the number of contracts awarded to Maxar's GeoComm segment, down to only five in 2015 and four in 2016. Defendants knew that these declines were indicative of a structural shift in the market for communications technology. Consumers were moving away from satellite-based internet, television, and radio services, and they were turning instead to Internet-based "streaming" services, undergirded by fiber optic connections and high-speed cellular networks. As a result, the satellite market as a whole found itself fully saturated and—in view of declining demand—with excess capacity for satellite manufacturing. To complicate matters, Maxar's GEO satellites in particular fell out of favor as remaining demand refocused on smaller, cheaper, and more flexible LEO satellites.

48. While Maxar acknowledged that global demand had dropped in both 2015 and 2016, Defendant Howard Lance, who had taken over as CEO in May 2016, nevertheless aggressively pushed a Company line that the GEO market would soon recover. For example, on a November 2016 earnings call, Defendant Lance stated that Maxar was "bullish on the long-term health of the satellite industry":

> The overall market remains below historic averages for the second year. The satellite operators delay awards to consider competing technologies and to assess regional excess capacity and their profitability issues. But we remain bullish on the long-term health of the satellite industry, where new orders will include replacement satellites, as well as those to serve increasing customer demands.

49. On the same call, in response to analyst questions, Defendant Lance said: "We see now the second-year in a row where the market is below where it normally is. We think it's going to spring back."

50. Defendant Anil Wirasekara, then CFO, stated on the same call that Maxar expected "satellite order intake levels [to] return to near historical averages":

> Revenues were negatively impacted by the lower number of satellite contracts awarded over the last 18 months, and consequently by the lower number of active

> satellite programs in the higher revenue-generating stage of the program cycle as compared to a year ago. We expect this trend to continue for the next few quarters until satellite order intake levels return to near historical averages.

51. In February 2017, Maxar announced that it was seeking to acquire DigitalGlobe, which used satellites to provide customers with high-resolution images of the earth's surface, in a $2.4 billion debt-financed, stock-and-cash transaction. In contrast to Maxar's declining GEO business that had accounted for a bulk of the company's revenue, the imaging business on which DigitalGlobe was focused was less capital-intensive and provided better margins. Moreover, by contrast to the GEO market, the space imaging market was still growing. As Defendant Lance described it, the acquisition of DigitalGlobe was meant to give Maxar "new legs for growth."

52. But those "new legs" came at a great cost: a massively increased debt load. As a result of the merger, Maxar's total debt would increase 500%—from $600 million before to $3 billion. The dramatic increase in Maxar's debt burden further decreased the likelihood of profitability for Maxar.

53. By the time Maxar announced its acquisition plans in early 2017, the company's internal assessment of its GeoComm prospects was already bleak. In fact, the Company had already retained management consultant Bain & Co. to assess the diminished value and prospects of its GeoComm segment. Bain informed Maxar that it needed to take dramatic and urgent action, and Maxar did—undertaking mass layoffs, slashing budgets, and shrinking operations of its GeoComm facility in Palo Alto. Maxar was thus aware of the impairment of its GeoComm-related assets long before the merger, and company officials were preparing for a fire sale of these assets or even to exit the GEO business entirely.

54. Despite knowing that its GeoComm segment was severely impaired, Defendants continued to tout the bullish line of a GEO market recovery just around the corner. For example, on a May 2017 earnings call, in response to analyst questions regarding the future of the GEO market, Defendant Lance stated: "[W]e've just entered around the last three months of detailed discussions with our customers and are feeling still very positive about the long-term opportunity in the market given that we expect to rebound from a pretty low level."

55. But even as Defendant Lance preached optimism to investors, there was simply no empirical data suggesting a return to normal for the GEO business generally, given the market's growing preference for LEO and terrestrial alternatives, and for Maxar's GeoComm segment in particular, given its excess capacity, lack of new orders, and layoffs—all of which combined to make it less likely each day that Maxar could salvage its GeoComm segment.

## MAXAR'S FALSE AND MISLEADING OFFERING MATERIALS

56. On April 27, 2017, Defendants filed with the SEC on Form F-4 a draft registration statement to register the Maxar shares to be issued and exchanged for DigitalGlobe shares in the Merger. The draft registration statement was amended in response to SEC comments, including comments emphasizing the importance of adequately disclosing material events, uncertainties, and trends and accurate and complete risk factors, as required by SEC Regulation S-K, 17 C.F.R. § 229.303 ("Item 303") and § 229.105 ("Item 105").

57. On June 2, 2017, Defendants filed an amendment to the registration statement. On June 16, 2017, the SEC initially declared the amended Registration Statement effective. On June 22, 2017, Defendants filed a prospectus on Form 424B3 for the Maxar shares issued in the Merger.

58. On October 5, 2017, Defendants completed the Merger, issuing approximately 21.5 million shares of Maxar common stock directly to former shareholders of DigitalGlobe common and preferred stock as follows: each former share of DigitalGlobe common stock and/or Series A convertible preferred stock issued and outstanding immediately before the Merger was converted to 0.3132 shares of newly issued Maxar common stock (plus cash consideration). Each of these new shares of Maxar common stock issued pursuant to the Offering Materials. On October 4, 2017, the market price for Maxar common stock closed at $54.57 per share.

59. The Offering Materials contained untrue statements of material fact and omitted material facts both required to be stated therein and necessary to make the statements therein not misleading. Most significantly, the Offering Materials overstated Maxar's assets, net earnings, net EPS, and other financial results, trends, and metrics by failing to account for the already severely impaired value of Maxar's GeoComm segment.

60. For example, the Offering Materials reported the value of Maxar's total assets as over $3.3 billion, and, for the three-month period ending March 31, 2017 and the year ended December 31, 2016, reported materially overstated net earnings, net EPS, and other false and misleading financial results, metrics, and trends as follows:

| | Three months ended March 31, 2017 | Three months ended March 31, 2016 | Year ended December 31, 2016 |
|---|---|---|---|
| | (in millions of Canadian dollars, except per share amounts) | | |
| Net earnings (attributed to common equity shareholders) | 5.9 | 40.7 | 139.6 |
| Earnings per common share | | | |
| Basic | $ 0.16 | $ 1.12 | $ 3.84 |
| Diluted | 0.15 | 1.10 | 3.74 |
| Dividends declared per common share | 0.37 | 0.37 | 1.48 |

61. The Offering Materials further reported, for the three- and six-month periods ending June 30, 2017, materially overstated net earnings of $31.7 million and overstated net EPS of $0.87, as well as other false and misleading financial results, metrics, and trends as follows:

| | Note | Three months ended June 30, 2017 | Three months ended June 30, 2016 | Six months ended June 30, 2017 | Six months ended June 30, 2016 |
|---|---|---|---|---|---|
| Net earnings | | $ 25,844 | $ 25,289 | $ 31,729 | $ 65,955 |
| Net earnings per common share: | | | | | |
| Basic | 10 | $ 0.71 | $ 0.70 | $ 0.87 | $ 1.82 |
| Diluted | 10 | 0.70 | 0.69 | 0.87 | 1.80 |

62. These representations regarding Maxar's purported assets, net earnings, net EPS, and other financial results, metrics, and trends, were false and misleading because they failed to account for the already severely impaired value of the Company's GeoComm assets. Over the two years preceding the Merger, Maxar's GEO business had collapsed, with demand for satellite broadband Internet falling precipitously in response to lower-cost terrestrial competition like fiber optic connections and high-speed cellular networks. But Maxar continued to report assets at values

in excess of realizable value and capitalized intangible assets at a far higher rate (upwards of 500% higher) than industry peers,[5] and thereby underreported expenses and inflating earnings.

63. As the satellite market shrank 45% in the two years preceding the Merger, GeoComm revenues dropped 20%, and the future looked even worse, with the number of GEO contract awards falling precipitously. The market contraction was not attributable mere seasonality; The last time GEO orders had fallen at this rate, the predecessor of Maxar's GeoComm segment, SSL, had been forced into bankruptcy.

64. Maxar's awareness both of clear industry trends and the implications for its own GeoComm segment led the company in early 2017 to retain management consultant Bain to assess the diminished value and prospects of Maxar's GeoComm segment, and on Bain's negative assessment proceeded to lay off 334 employees (including 66 of the most critical engineers) between February and June 2017, slash new business development budgets for GeoComm satellite proposals, and downsize GeoComm operations—all steps geared towards an ultimate exit from the GeoComm segment.

65. Had Maxar complied with the governing IFRS standards—and its own statements concerning monitoring of business segments and assessment of impairment charges—to evaluate these numerous and glaring indicators of an impairment loss and timely and accurately test and accrue required impairment charges, Maxar would have reported ***not earnings, but rather a net loss*** (and basic loss per share) for the both the three-month period ending March 31, 2017 and the three- and six-month periods ending June 30, 2017.

66. The Offering Materials also misrepresented that Maxar had recorded "all assets, liabilities and contingent liabilities acquired or assumed . . . at their fair values at the date of acquisition," and further that "the Company performs a goodwill impairment test . . . **whenever there is an indication of impairment**" and "tests intangible assets for impairment when events or

[5] For example, while industry peers Orbital ATK (n/k/a Northrup Grumman) and the Boeing Company respectively capitalized technology and R&D at a rate of 6% and 13% of gross intangibles, Maxar capitalized its own technology and in process R&D at ***over 50%*** of gross intangibles.

changes in circumstances indicate that an asset might be impaired." Further, the Offering Materials misrepresented that internally developed technologies met the accounting criteria to be capitalized:

> MDA continues to face strong competition, particularly in the communications satellite market. To successfully compete in this market, MDA conducts extensive MDA-funded research and development activities. Costs associated with these activities may either be capitalized as internally developed technologies or expensed as incurred depending on certain accounting criteria. For the year ended December 31, 2016, a higher portion of these costs met the accounting criteria to be capitalized, thereby increasing adjusted operating EBITDA when comparing year over year.
>
> ***
>
> Investments in technology and software were higher in the three months ended March 31, 2017 as MDA capitalized higher levels of costs relating to the internal development of key technologies, including the digital payload program.
>
> ***
>
> For the three months ended March 31, 2017, MDA capitalized development of technology and software of $23.7 million. For the years ended December 31, 2016, December 31, 2015 and December 31, 2014, MDA capitalized development of technology and software of $81.2 million, $48.7 million and $34.7 million, respectively. Investments in technology and software were higher in the three months ended March 31, 2017 and fiscal year 2016 as MDA capitalized higher levels of costs relating to the internal development of key technologies, including its digital payload program.
>
> ***
>
> Research costs are expensed in the period incurred. Development costs are capitalized and recorded as an intangible asset if technical feasibility has been established and it is considered probable that the Company will generate future economic benefits from the asset created on completion of development. The costs capitalized include materials, direct labour, directly attributable overhead expenditures and borrowing costs on qualifying assets. Other development costs are expensed in the period incurred.

67. These representations were false and misleading because: (1) Maxar's GeoComm segment assets were recorded at far in excess of realizable value; (2) Maxar had capitalized intangible assets at a far higher rate than industry peers, in order to inflate earnings and thereby inflate its stock price; (3) Maxar had repeatedly failed to perform impairment tests despite the existence of numerous and glaring external and internal indicators of impairment; and (4) even

though Maxar's GeoComm segment was already severely impaired, the company had failed to account for the negative financial results, metrics, and trends incorporated into the Offering Materials. Indeed, had Defendants adhered to their commitment in the Offering Materials to perform impairment tests "whenever there is an indication of impairment," consistent with governing IFRS accounting standards to timely and accurately test and record impairment losses, Maxar would have, by the time of the Merger, recorded hundreds of millions of dollars in impairment losses to its reported inventories, intangible assets, and PP&E. The result would have been a reported ***net loss*** rather than the profits Maxar reported instead.

68. The Offering Materials also misrepresented that Maxar's incorporated "financial statements [were] prepared in accordance with IFRS," and that Maxar had not applied any changes in "methods of accounting, except in accordance with changes in IFRS."

69. These representations were false and misleading because, as detailed above, Maxar's incorporated financial statements were not prepared in accordance with IFRS. Rather, Maxar's reported assets, earnings, EPS, and other purported financial results and representations failed to account for numerous and glaring impairment indicators. Maxar violated IAS 36 by ignoring impairment indicators and failing to timely account for an impairment charge to Maxar's GeoComm assets – including corresponding reductions in earnings and EPS – when the book value of those assets exceeded their fair value by hundreds of millions of dollars. And just as Maxar was required to take an impairment charge to GeoComm's intangible assets and PP&E under IAS 36, Maxar was required to timely write-down the net realizable value of its impaired GeoComm inventories under IAS 2. By failing to do so, Maxar also violated IAS 2. Thus, contrary to its representations in the Offering Materials, Maxar's incorporated financial statements violated IFRS.

70. The Offering Materials also purported to warn of numerous risks that, "***if***" occurring, "***may***" or "***could***" adversely affect the Company—all while failing to disclose that these very "risks" had in fact already materialized at the time of the Merger. For example, the Offering materials stated as follows:

- "[Maxar]'s financial performance is dependent on its ability to generate a sustainable order rate for its satellite manufacturing operations. . . . The cyclical nature of the commercial satellite market ***could negatively impact*** [Maxar]'s ability to accurately forecast customer demand. The markets that [Maxar] serves ***may not grow*** in the future and [Maxar] may not be able to maintain adequate gross margins or profits in these markets. . . . If [Maxar] fails to anticipate such changes in demand, its business, results of operations and financial position ***could be adversely affected***."

- "Changes in the estimates and assumptions used ***could have a material impact*** on the amount of goodwill recorded and the amount of depreciation and amortization expense recognized in earnings for depreciable assets in future periods."

- "The unaudited pro forma condensed combined financial information of DigitalGlobe and [Maxar] . . . ***may not be indicative*** of the results of operations or financial condition of [Maxar] following the merger."

71. The Offering Materials further represented as follows:

> The undersigned registrant hereby undertakes:
>
> ***
>
> To reflect in the prospectus any facts or events arising after the effective date of the registration statement . . . which, individually or in the aggregate, represent a fundamental change in the information set forth in the registration statement . . .

72. These representations, commitments, undertakings, and risk disclosures were false and misleading because the so-called "risks" that purportedly "could" or "may" occur had in fact already occurred at the time of the Merger. Maxar had over-capitalized intangible assets (at a rate upwards of 500% higher than industry peers) to inflate earnings. Further, over the two years preceding the Merger, Maxar's GEO business had already collapsed. Demand for satellite broadband Internet had fallen precipitously in response to lower-cost terrestrial competition. The satellite market had already declined 45%, GeoComm revenues had already dropped 20%, and the number of GEO contract awards had already fallen at a rate not seen since SSL filed for bankruptcy thirteen years earlier. Maxar already had in hand Bain's negative internal assessment of the GeoComm segment diminished value and prospects. The bleak writing was already on the wall,

and Maxar had already responded in early 2017 with its "restructuring project" of layoffs and other cuts.

73. Maxar's GeoComm segment was thus already severely impaired. Yet Maxar failed to account for the impairment loss in its financial statements, metrics, and trends incorporated into the Offering Materials, and thus Maxar violated the governing IFRS standards. Had Maxar complied with accounting standards (as well as its own affirmative commitments in the Offering Materials) to timely and accurately test and record required impairment losses, Maxar would have reported ***not earnings, but rather a net loss*** (and basic loss per share) for the both the three and six month periods ending March 31, 2017 and June 30, 2017. As such, the financial information touted in the Offering Materials was materially false and misleading.

74. Defendants were required to disclose this materially adverse information in the Offering Materials for at least five independent reasons. First, Defendants had affirmative duties to speak truthfully and completely and to disclose all information necessary to ensure the statements made in the Offering Materials were not misleading. Defendants' failure to disclose and account for the numerous and glaring external and internal indicators of GeoComm's impairment losses rendered the incorporated representations of Maxar's purported assets, earnings, and other financial results, metrics, and trends—as well as the numerous other positive affirmations of Maxar's GeoComm segment, finances, impairment testing, and financial prospects contained in the Offering Materials—incomplete, inaccurate, and materially misleading.

75. Second, Item 303 required disclosure of any known events or uncertainties that had caused or were reasonably likely to cause Maxar's disclosed financial information not to be indicative of future operating results. Maxar's overcapitalization of assets and artificially inflated reported earnings, the collapse of Maxar's GEO business, the already severe yet unaccounted-for impairment losses of Maxar's GeoComm segment, Bain's negative internal assessment of the GeoComm segment's value and prospects, the mass layoffs, reduced spending and other undisclosed "restructuring" efforts Maxar had implemented in response, including its undisclosed plan to sell off the GeoComm segment and exit the GEO business entirely, and the existing

decimation of the GEO market, had all in fact already materially and adversely affected Maxar's current and future financial results.

76. Third, Item 105 required, in the "Risk Factor" section of the Offering Materials, a discussion of the most significant factors that make the offering risky or speculative, and that each risk factor adequately describe the risk. Maxar's discussions of risk factors did not even mention, much less adequately describe, the risks posed by the numerous undisclosed external and internal indicators of impairment losses in Maxar's GeoComm segment; Maxar's longstanding overcapitalization of intangible assets to artificially inflate reported earnings; the collapse of Maxar's GEO business and its market; the severe impairment of Maxar's GeoComm segment; Bain's negative internal assessment of the GeoComm segment's value and prospects; the resulting mass layoffs, reduced spending, and other "restructuring" efforts Maxar had already instituted; Maxar's undisclosed plan to sell off its GeoComm segment and exit the GEO business entirely; the resulting negative financial consequences for Maxar's financial results; or the likely and consequent material adverse effects on the Company's future financial results and prospects.

77. Fourth, Defendants' failure to disclose the foregoing material information rendered false and misleading the Offering Materials' many references to known risks that "***if***" occurring "***may***" or "***could***" affect the Company. These "risks" were not mere possibilities. They had already materialized by the time of the Merger.

78. Fifth, Defendants' failure to disclose and account for the numerous external and internal indicators of GeoComm's impairment losses rendered the Offering Materials materially misleading and violated Maxar's duty to update, including violating the Offering Materials' express commitment that Maxar would update the prospectus to reflect any facts or events arising after the initial effective date of the registration statement that, individually or in the aggregate, represented a fundamental change in the information set forth in the Offering Materials. The undisclosed and unaccounted-for impairment losses of Maxar's GeoComm segment represented a fundamental change from the overstated assets, earnings, and other Maxar financial results, metrics, and trends set forth in the Offering Materials. Indeed, contrary to the purported "earnings" set forth in the Offering Materials, Maxar had suffered (and should have reported) a net loss.

## THE FALSE AND MISLEADING STATEMENTS AND OMSSIONS WERE MATERIAL

79. With the foregoing misrepresentations and omissions in the Offering Materials, Defendants were able to complete the Merger. But by the commencement of this action, the price of Maxar common stock had suffered sharp declines, having traded as low as $3.96 per share, A ***93% decline since the Merger***. Plaintiff and other ordinary shareholders suffered severe losses as a result of Defendants' misconduct.

80. On August 7, 2018, short seller Spruce Point Capital accused Maxar of having misleadingly inflated its earnings. Later that same day, Maxar responded with a press release titled "Maxar Technologies Responds to Misleading Short Sell Report," which forcefully disputed Spruce Point's analysis:

> The report on Maxar Technologies Ltd. . . . released today by Spruce Point Capital Management ***contains a number of inaccurate claims and misleading statements***. Maxar believes ***it is a direct attempt by a short-seller to profit, at the expense of Maxar shareholders, by manipulating Maxar's stock price.***
>
> Maxar continues to execute against its strategy, and recently reaffirmed its full year 2018 guidance for revenue and cash flow from operations, while increasing its full-year adjusted EPS outlook. Maxar believes that the Company remains positioned for future growth. Management and the Board of Directors are focused on delivering enhanced value for all Maxar shareholders.
>
> Maxar continues to be fully committed to transparency in all of its investor presentations and financial reports. Please refer to the Company's disclosure materials filed with Canadian and U.S. securities regulatory authorities, which are available online under the Company's SEDAR profile at www.sedar.com, under the Company's EDGAR profile at www.sec.gov or on the Company's website at www.maxar.com, for more information.

81. Maxar's August 7, 2018 press release also underscored that Maxar had "recently reaffirmed its full-year 2018 guidance for revenue and cash flow from operations, while increasing its full-year adjusted EPS outlook," and further touted that Maxar "continues to execute on its strategy" and "remains positioned for future growth." Yet, Maxar's press release failed to disclose that the Spruce Point report had in fact already resulted in both (1) the firing of Maxar's prior certified public accountant and (2) the opening of an internal investigation into the alleged

accounting improprieties by the Company's Audit Committee – which would be assisted by the Maxar's newly hired certified public accountants and "independent" third-party consultants.

82. On August 24, 2018, Maxar issued another press release titled "Maxar Technologies Provides Comprehensive Response to Shareholders Following Misleading Short-Seller Campaign by Hedge Fund." Maxar's purported "Comprehensive Response" came after the Audit Committee's internal (and still undisclosed) investigation into Spruce Point's allegations had commenced and after Maxar had fired its prior certified public accountant. In this press release, among other things, Maxar continued to dispute much of the Spruce Point analysis. And while it acknowledged the possible impairment of its GeoComm segment in the future, it downplayed the mere "possibility" as one that "might" or "could" occur under "certain [] scenarios" that were far from certain and still only under "consideration." Maxar also reassured investors that its previously issued financial statements remained valid:

> In response to the accounting claims made in the report, the audit committee of the Board of Directors undertook a review of the elements of the Company's financial statements and disclosures associated with Spruce Point's claims and found no material errors in the previously issued financial statements and disclosures under IFRS.

As such, Maxar continued to misleadingly portray impairment as a mere possibility, when in truth Maxar's GeoComm segment was already impaired and had been for at least months before the Merger.

83. Then, on October 31, 2018, Defendants shocked the market with Maxar's severely disappointing 3Q18 financial and operational results. Rather than a profit, as market analysts were led to expect, Maxar announced a ***$432 million net loss***, largely ***attributed to impairment losses and inventory obsolescence in its GeoComm segment***. Even without the impairment, Maxar still lost more than $49 million. In an accompanying press release that day, Maxar revealed GeoComm-related impairment and inventory charges totaling $383.6 million, as follows:

> "We recognized impairment losses of $345.9 million and an inventory obsolescence charge of $37.7 million related to the GEO Comsat business this quarter. This non-cash charge reflects the decline in the business and our decision to evaluate strategic alternatives for GEO Comsat." [quoting CFO Biggs Porter]

***

> During the three months ended September 30, 2018 the Company recognized impairment losses of $345.9 million and inventory obsolescence of $37.7 million related to the GeoComm business.

And in its 3Q18 Management's Discussion and Analysis ("MD&A"), Maxar further described the GeoComm impairment and inventory charges as follows:

> **Impairment of Non-Financial Assets**
>
> Non-financial assets are tested annually for impairment in the fourth quarter or whenever there is an indication that an asset may be impaired. Non-financial assets that do not generate independent cash flows are grouped together into a cash generating unit ("CGU"), which represent the level at which largely independent cash flows are generated. An impairment loss is recognized in earnings to the extent that the carrying value of an asset, CGU or group of CGUs exceeds its recoverable amount. Impairment is first evaluated by management at the CGU level, absent allocated goodwill.
>
> The Company considers whether any indicators of impairment exist each quarter. The GeoComm business, a CGU within the Space Systems segment, forecasted it would have a significantly different mix of programs at the beginning of the year. Additionally, the GeoComm business predicted it would be awarded approximately three to four contracts for geocomm satellites, or approximately thirty percent of the overall 2018 industry awards. During Q1 2018, the Company was awarded a contract to provide the B-SAT satellite, and it was also selected to build the AMOS-8 satellite, a key program with the Israeli government. By the end of Q2 2018, the Company was still confident in its prediction of three to four geocomm satellite builds. For the three months ended March 31, 2018 and six months ended June 30, 2018, the Company concluded that no indicators of impairment were present.
>
> In the third quarter of 2018, it became clear that industry and macroeconomic factors had declined substantially from earlier forecasts. By August 2018, there were only five winnable programs across the industry for the entire year, and two to three other satellites from the total industry outlook of eight to twelve awards were delayed. In addition, in Q3 2018 it became apparent that the Israeli government intended to use an Israeli satellite manufacturer in place of SSL to build AMOS 8. ***The Company does not expect the long-term outlook for the GeoComm business to rebound significantly from current year award levels. Lower award volumes also contribute to reduced profitability from under-absorbed fixed indirect overhead costs, as the Company's facilities in Palo Alto, CA are significantly over-sized for today's business volume***. As a result of these and other factors, the Company commenced an effort in the third quarter of 2018 to assess strategic alternatives for its GeoComm business, including a potential sale, and implemented a major restructuring initiative to right size the GeoComm business for its current environment.

> The aggregation of the above factors resulted in an impairment trigger being identified as at August 31, 2018 at the GeoComm CGU. The Company first performed an impairment test of the GeoComm CGU. The impairment test of the GeoComm CGU evaluated the non-financial assets held by the Company based on an asset group level, absent allocated goodwill. Assets were aggregated to the level in which independent cash flows could be generated for their respective groupings. The carrying values of these asset groups were compared against their fair value less costs of disposal for possible impairment and an impairment loss of $345.9 million related to property, plant and equipment and intangible assets was recorded for the three months ended September 30, 2018.
>
> ***
>
> **Inventory Obsolescence**
>
> . . . The Company was previously holding inventory on hand in anticipation of awards to be won during the second half of 2018 and for the AMOS 8 program. The impacts from the loss of AMOS 8 and inability to obtain the forecasted awards culminated during the third quarter of 2018. These factors compelled the Company to re-evaluate its inventory reserves for inventory that was previously pegged to forecasted usage.
>
> All GeoComm inventory subject to discernment over future use based on forecasts was assessed for possible obsolescence. The result of the re-assessment of future usage of the on-hand inventory was an incremental inventory obsolescence reserve of $37.7 million for the three months ended September 30, 2018.

84. That same day, Maxar held a conference call with analysts and investors, during which Defendant Lance stated as follows:

> Market trends at the U.S. and international government levels remain very positive, with growing budgets to fund increased space investments. The global threat environment is persistent, and that's driving higher spending levels in key areas that we can address. All of our business segments will benefit from the trends noted on this slide.
>
> The legacy GEO Comsat market, of course, is an exception, and it remains weak, with industry orders at the lowest level in recent history. The severity and persistence of this market downturn led us to announce the pursuit of strategic alternatives for the GEO product line at the end of July. We are in active discussions, continue to expect to announce a definitive direction for this business by the end of the year.

85. On the same call, Maxar's then-CFO Biggs Porter ("Porter") stated that Maxar had incurred year-over-year losses as a direct result of the impairment and inventory charges:

> IFRS EPS was a loss of $7.31 versus a gain of $0.34 in the third quarter of 2017, ***driven largely by the $384 million in noncash impairment inventory obsolescence***

> ***charges related to the GEO Comsat business***. As Howard mentioned earlier, the current state of this market, together with other factors, necessitated an analysis of the carrying value of the GEO Comsat assets on our balance sheet. This led to an impairment loss of $346 million related to property, plant and equipment and intangible assets and an inventory obsolescence reserve of $38 million during this quarter.
>
> ***
>
> On an IFRS basis, we posted a loss of $7.29 year-to-date versus a gain of $0.98 in 2017. Again, ***the major driver of the decline was the impairment and inventory charges*** I mentioned earlier.

86. Later on the call, an analyst with RBC Capital Markets asked Defendant Lance: "First off, related to the – your current thinking on the review of the GEO business. Just wondering if you can elaborate any more – offer any more color on the items under consideration. What's looking most interesting?" Defendant Lance responded:

> Steve, I can't be specific, but I can tell you we're in a number of discussions, and ***our primary path remains to sell the business***. So we have multiple interested parties. We are in discussions and we're still hopeful to have an answer that we can announce between now and the end of the year.

And when asked about the negative impact GeoComm had had on Maxar's earnings, Defendant Lance responded:

> ***It's significantly negative***. I think we can certainly say that . . . But I've said now for a few quarters that we are now trending in GEO toward a loss. ***We are trending and now having the impact of pretty significant negative cash flows***.

87. In response, the price of Maxar common stock ***immediately plummeted 45%***, from a close of $27.07 on October 30, 2018 down to close of $14.91 per share on October 31, 2018, on unusually high trading volume.

88. In sum, while it was only in late October 2018 that Maxar finally came clean, in truth, Maxar's GeoComm segment was already severely impaired, and each of the individual indicators of that impairment was already known to Maxar, well before the Merger:

| | |
|---|---|
| **Market Factors** | "[F]alling satellite-based broadband pricing, and alternative LEO and MEO technologies have negatively impacted the Company's GEO communications satellite line of business." (8/24/18) |

| | |
|---|---|
| | "Non-cash write- downs or an impairment of assets could occur as a result of . . . industry outlook. . . ." (8/24/18)<br><br>"[T]he GeoComm business predicted it would be awarded approximately three to four contracts for geocomm satellites, or approximately thirty percent of the overall 2018 industry awards. . . . By August 2018, there were only five winnable programs across the industry for the entire year. . . ." (10/31/18)<br><br>"The legacy GEO Comsat market, of course, is an exception, and it remains weak, with industry orders at the lowest level in recent history. The severity and persistence of this market downturn. . . ." (10/31/18)<br><br>"[T]he current state of this market, together with other factors, necessitated an analysis of the carrying value of the GEO Comsat assets on our balance sheet." (10/31/18) |
| **Restructuring / Layoffs** | "[T]he reorganization as part of its U.S. Access Plan . . ." (8/24/2018)<br><br>"The Company . . . has continuously implemented actions to right size the business." (8/24/18)<br><br>"[C]ash costs for certain employee severance. . . ." (8/24/18)<br><br>"[T]he Company commenced an effort in the third quarter of 2018 to assess strategic alternatives for its GeoComm business, including a potential sale, and implemented a major restructuring initiative to right size the GeoComm business." (10/31/18) |
| **Reduced Orders** | "[T]he continued decline in the GEO communications satellite business. . . ." (8/24/18)<br><br>"The Company does not expect the long-term outlook for the GeoComm business to rebound significantly from current year award levels." (10/31/18)<br><br>"Lower award volumes. . . ." (10/31/18) |
| **Strategic Alternatives / Departure from Market Segment** | "The Company is exploring strategic alternatives regarding the future of its GEO communications satellite. . . ." (8/24/18)<br><br>"The strategic alternatives under consideration include partnering with another satellite manufacturer to gain scale benefits, the sale of the GEO satellite line of business, or the exit of the GEO satellite line of business. . . ." (8/24/18) |

| | |
|---|---|
| | "[T]he Company commenced an effort in the third quarter of 2018 to assess strategic alternatives for its GeoComm business, including a potential sale. . . ." (10/31/18)<br><br>"The severity and persistence of this market downturn led us to announce the pursuit of strategic alternatives for the GEO product line at the end of July. We are in active discussions, continue to expect to announce a definitive direction for this business by the end of the year." (10/31/18) |
| **Sale of Assets** | "The monetization of the Company's real estate assets. . . ." (8/24/18) |
| **Problems with Cash Flow** | "[U]nder-absorbed overhead costs have contributed to reduced profitability and negative cash flows in the Space Systems segment." (8/24/2018)<br><br>"[N]on-cash write- downs or an impairment of assets could occur as a result of lower future revenue expectations. . . ." (8/24/18)<br><br>"But I've said now for a few quarters that we are now trending in GEO toward a loss. We are trending and now having the impact of pretty significant negative cash flows." (10/31/18) |
| **Overcapacity** | "The Company's facilities in Palo Alto, CA are significantly over-sized for today's market. . . ." (8/24/18)<br><br>"Lower award volumes also contribute to reduced profitability from under-absorbed fixed indirect overhead costs, as the Company's facilities in Palo Alto, CA are significantly over-sized for today's business volume." (10/31/18) |
| **Impairment Loss and Inventory Obsolescence** | "All GeoComm inventory subject to discernment over future use based on forecasts was assessed for possible obsolescence." (10/31/18) |

89. In a November 1, 2018 article, analysts with the Globe and Mail (Canada) summarized the revelation and market reaction as follows:

> Maxar Technologies Ltd., the former MacDonald Dettwiler & Associates Inc., ***saw its share price collapse*** on Wednesday on an earnings miss and ***a writedown that was an acknowledgment that one of its satellite businesses may never recover***.
>
> Maxar shares declined almost 45 per cent to close at $19.68, trading at record lows in the session. It is now almost 80 per cent below its 52-week high of $86.67.
>
> The ***investor reaction threatens to immolate the promise of the 2017 merger*** that combined the storied Canadian defence firm Macdonald Dettwiler with DigitalGlobe, a Colorado imagery business.

. . .

> ***The writedown also validates the attack by U.S. short-selling firm Spruce Point Capital Management*** . . .
>
> Spruce Point took on Maxar on Aug. 7, after the shares closed at $57.25. The firm suggested the company's preferred profit measures and the accounting choices made to arrive at them obscured weak cash flow that threatened the company's dividend and even its solvency. ***It suggested an impairment charge was likely***.
>
> In a detailed response later in the summer, Maxar said it had conducted a review of its accounting, found no errors and was confident in its future—but would review its businesses for potential impairment, a process that resulted in Wednesday's charge.
>
> ***Maxar lost US$432.5-million***, or US$7.31 a share, ***in large part owing to US$383.6-million in impairment charges as it wrote down the value of its GeoComm satellite business***. But even on profit numbers that exclude the bad stuff, the company greatly disappointed: Its adjusted earnings per share of 75 US cents missed analyst consensus by nearly 30 per cent, and its sales of US$508.2-million were nearly 10 per cent below consensus.
>
> The writedown came, Maxar said in a securities filing, when it lost confidence . . . Now, Maxar "***does not expect the longterm outlook for the GeoComm business to rebound*** significantly from current year award levels."
>
> Unfortunately, it has ***fixed costs from a major complex in Palo Alto, Calif., that are weighing it down as satellite sales fall***. The company is trying to sell both the real estate and the entire GeoComm business. . .

90. In December 2018, Maxar further announced the sale of 4.5 acres of Palo Alto real estate (the former home of its GeoComm satellite design and production engineers), the proceeds of which CFO Porter claimed would be used to "***pay down Maxar debt***."

91. Then, in January 2019, Defendant Lance resigned as CEO, President, and member of the Board of Directors, with former DigitalGlobe president Dan Jablonsky taking his place. According to Howard Estes, Chair of the Board of Directors, Defendant Lance had to go, "[g]iven the company's performance in 2018 and ***the loss of over 90% of our value*** in the marketplace."

## CLASS ACTION ALLEGATIONS

92. Plaintiff brings this putative class action on behalf of all former DigitalGlobe shareholders who received Maxar common stock pursuant to the Offering Materials (the "Class"). Excluded from the Class are Defendants and their families, the officers and directors and affiliates of Defendants, 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.

93. The members of the Class are so numerous that joinder of all members is impracticable. 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 likely thousands of members in the proposed Class. Record owners and other members of the Class may be identified from records maintained by Maxar, DigitalGlobe, or their transfer agents 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.

94. 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.

95. 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.

96. 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 Defendants violated the Securities Act;

(b) whether the Offering Materials contained untrue statements of material fact and omitted material information required to be stated therein; and

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

97. 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 make 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.

## TIMELINESS OF PLAINTIFF'S CLAIMS

98. Exercising reasonable diligence, Plaintiff could not have discovered that Maxar made material misrepresentations and omissions in violation of the law any earlier than October 31, 2018. On that date, Maxar released its 3Q18 financial and operational results and an accompanying press release reporting a $432 million net loss largely attributable to impairment losses and inventory obsolescence in its GeoGomm segment. Maxar also announced that it did not expect "the long-term outlook for the GeoComm business to rebound significantly from current year award levels." Maxar common stock immediately declined 45% on the news, from a close of $27.07 on October 30, 2018 down to close of $14.91 per share on October 31, 2018. Until October 31, 2018, Defendants had exclusive knowledge that Maxar's GeoComm business was severely impaired, that disclosure of the extent of the impairment would impact the trading price of Maxar common stock, and suppressed and concealed the information relevant to impairment and the impact of full disclosure known to it.

99. On August 7, 2018, short seller Spruce Capital accused Maxar of inflating earnings. Maxar responded immediately, issuing a press release the same day dismissing the report as "misleading," "inaccurate," and "a direct attempt by a short-seller to profit, at the expense of shareholders, by manipulating Maxar's stock price." In the same press release, Maxar touted its prospects, "reaffirmed its full year 2018 guidance for revenue and cash flow from operations," and stated it was "positioned for future growth."

100. Maxar followed up on August 24, 2018 with a second press release titled "Comprehensive Response to Shareholders Following Misleading Short-Seller Campaign by Hedge Fund." In the "Comprehensive Response" Maxar further refuted the Spruce allegations, downplaying the risk of GeoComm impairment as a "possibility" that "might" or "could" occur based on a variety of factors that had yet to manifest. The Company also stated that it had conducted an investigation and reassured investors that there were "no material errors in the previously issued financial statements and disclosures under IFRS."

101. Prior to the publication of Maxar's 3Q18 financial and operational results and press release, Plaintiff did not discover, and could not reasonably have discovered, the factual bases for these claims for relief.

102. On October 21, 2019, Plaintiff filed a complaint in this Court.

103. In consequence of the foregoing, all claims asserted in this complaint are timely.

## FIRST CAUSE OF ACTION

### For Violation of § 11 of the Securities Act
### Against All Defendants

104. Plaintiff incorporates all the foregoing by reference.

105. This Cause of Action is brought pursuant to § 11 of the Securities Act, 15 U.S.C. § 77k, on behalf of the Class, against all Defendants.

106. The Registration Statement contained untrue statements of material fact, omitted to state other facts necessary to make the statements made not misleading, and omitted to state material facts required to be stated therein.

107. Defendants are strictly liable to Plaintiff and the Class for the misstatements and omissions.

108. None of the Defendants named herein made a reasonable investigation or possessed reasonable grounds for the belief that the statements contained in the Registration Statement were true and without omissions of any material facts and were not misleading.

109. By reason of the conduct herein alleged, each Defendant violated, or controlled an employee or other person who violated, § 11 of the Securities Act.

110. Plaintiff acquired Maxar shares pursuant to the Registration Statement.

111. Plaintiff and the Class have sustained damages. The value of Maxar common stock has declined substantially subsequent to and due to Defendants' violations.

112. At the time of their acquisition of Maxar shares, Plaintiff and other members of the Class were without knowledge of the facts concerning the wrongful conduct alleged herein and could not have reasonably discovered those facts prior to the disclosures herein. Less than one year has elapsed from the time that Plaintiff discovered or reasonably could have discovered the facts

upon which this Complaint is based to the time that Plaintiff commenced this action. Less than three years has elapsed between the time that the securities upon which this Cause of Action is brought were offered to the public and the time Plaintiff commenced this action.

## SECOND CAUSE OF ACTION

### For Violation of § 12(a)(2) of the Securities Act
### Against All Defendants

113. Plaintiff incorporates all the foregoing by reference.

114. By means of the defective Prospectus, Defendants promoted and sold Maxar shares to Plaintiff and other members of the Class.

115. The prospectus contained untrue statements of material fact, and concealed and failed to disclose material facts, as detailed above. Defendants owed Plaintiff and the other members of the Class who purchased Maxar shares pursuant to the prospectus the duty to make a reasonable and diligent investigation of the statements contained in the Prospectus to ensure that such statements were true and that there was no failure to state a material fact required to be stated in order to make the statements contained therein not misleading. Defendants, in the exercise of reasonable care, should have known of the misstatements and omissions contained in the prospectus as set forth above.

116. Plaintiff did not know, nor in the exercise of reasonable diligence could he have known, of the untruths and omissions contained in the prospectus at the time Plaintiff acquired Maxar shares.

117. By reason of the conduct alleged herein, Defendants violated § 12(a)(2) of the Securities Act. As a direct and proximate result of such violations, Plaintiff and the other members of the Class who purchased Maxar shares pursuant to the prospectus sustained substantial damages in connection with their purchases of the shares. Accordingly, Plaintiff and the other members of the Class who hold the common stock offered pursuant to the Prospectus have the right to rescind and recover the consideration paid for their shares, and hereby tender their shares to Defendants sued herein. Class members who have sold their shares seek damages to the extent permitted by law.

## THIRD CAUSE OF ACTION

**For Violation of § 15 of the Securities Act**
**Against All Defendants**

118. Plaintiff incorporates all the foregoing by reference.

119. This Cause of Action is brought pursuant to § 15 of the Securities Act against the Defendants.

120. The Individual Defendants were controlling persons of Maxar by virtue of their positions as directors or senior officers of Maxar and DigitalGlobe. The Individual Defendants each had a series of direct or indirect business or personal relationships with other directors or officers or major shareholders of Maxar and DigitalGlobe. The Company controlled the Individual Defendants and all of Maxar and DigitalGlobe's employees.

## PRAYER FOR RELIEF

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

A. Certifying this class action, appointing Plaintiff as a Class Representative, and appointing Lead Counsel Hedin Hall LLP and Girard Sharp LLP as Class Counsel on behalf of the Class;

B. Awarding damages in favor of Plaintiff and the Class against all Defendants, jointly and severally, 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;

D. Awarding rescission, disgorgement, or such other equitable or injunctive relief as deemed appropriate by the Court.

## JURY DEMAND

Plaintiff demands trial by jury.

DATED: April 30, 2020

Respectfully submitted,

/s/ *Daniel C. Girard*

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