



SUPERIOR COURT OF CALIFORNIA COUNTY OF SANTA CLARA

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On April 27, 2017, Defendants filed with the SEC on Form F-4 a draft registration

statement, which would register the Maxar shares to be issued and exchanged in the Merger. (SAC, 56.) They filed a final amendment to the registration statement on June 2, and the SEC declared it effective on June 16, 2017. (Id., 57.) On June 22, 2017, Defendants filed a prospectus on Form 424B (collectively with the registration statement and the documents both filings incorporate, the Offering Materials). (Ibid.) On October 5, 2017, Defendants completed the Merger, issuing approximately 21 million shares of Maxar common stock directly to former shareholders of DigitalGlobe common and preferred stock. (Id., 58.) On that date, the market price for Maxar common stock closed at \$54.30 per share. (Ibid.)

Plaintiff alleges that the Offering Materials overstated Maxar's assets, earnings, and other financial results, trends, and metrics by recording property, plant and equipment (PP[&]E), inventory and development assets far in excess of realizable value and thereby inflating earnings. (SAC, 4.) The Offering Materials should have reflected the impairment in the value of Maxar's geosynchronous satellite communications (GeoComm) segment. (Ibid.)

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.

(SAC, 5.) Had Defendants complied with governing 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 PP[&]E. (Id., 6.) Instead, [d]espite knowing that [Maxar's] GeoComm segment was severely impaired, Defendants continued to tout the bullish line of a GEO market recovery just around the corner. (Id., 54.)

A year after the Merger, rather than the profit analysts were led to expect, Maxar announced a \$432 million net loss, largely attributed to impairment losses and inventory obsolescence in its GEO communications satellite business. (SAC, 83.) On this news, Maxar common stock dropped 45 percent, from a close of \$27.07 on October 30, 2018 to a close of \$14.91 on October 31. (Id., 87.) Short seller Spruce Point Capital had predicted this correction when, in August 2018, it accused Maxar of misleadingly inflating its earnings charges which Maxar denied at the time. (Id., 80, 99-100.) In December 2018, Maxar announced the sale of 4.5 acres of Palo Alto real estate (the former home of its SSL satellite design and production engineers), the proceeds of which would be used to pay down debt. (Id., 90.) In January 2019, defendant Howard L. Lance resigned as Maxar's CEO, President, and board member, with former DigitalGlobe president Dan Jablonsky taking his place. (Id., 91.) The chair of Maxar's board stated that this change in leadership occurred [g]iven



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the company's performance in 2018 and the loss of over 90% of our value in the marketplace. (Ibid., emphasis original.) Indeed, 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. (Id., 7.)

Plaintiff Michael McCurdy is a citizen and resident of Alexandria, Minnesota who acquired Maxar common stock via the Merger, in exchange for DigitalGlobe shares. (Amended Complaint, 11.) Based on the allegations summarized above, he initiated this action in October 2019, asserting claims under (1) section 11 of the Securities Act of 1933 (against all defendants), (2) section 12(a)(2) of the Securities Act (against all defendants), and (3) section 15 of the Securities Act (against all defendants) on behalf of a class of all former DigitalGlobe shareholders who received Maxar common stock pursuant to the Offering Materials (SAC, 92).

In August 2021, the parties stipulated to certification of the class and the appointment of Plaintiff as class representative, and the Court entered an order to that effect. On March 22, 2023, after several years of amended pleadings, extensive discovery (including related litigation), consultation with expert witnesses and briefing and oral argument on numerous motions and filings, the parties reached an agreement in principle to settle this action. Plaintiff now moves for an order preliminarily approving this settlement (the Settlement) and setting its requested schedule for settlement proceedings.

II. LEGAL STANDARD FOR SETTLEMENT APPROVAL

Generally, questions whether a [class action] settlement was fair and reasonable, whether notice to the class was adequate, whether certification of the class was proper, and whether the attorney fee award was proper are matters addressed to the trial court's broad discretion. (Wershba v. Apple Computer, Inc. (2001) 91 Cal.App.4th 224, 234-235 (Wershba), disapproved of on other grounds by Hernandez v. Restoration Hardware, Inc. (2018) 4 Cal.5th 260.)

In determining whether a class settlement is fair, adequate and reasonable, the trial court should consider relevant factors, such as the strength of plaintiffs' case, the risk, expense, complexity and likely duration of further litigation, the risk of maintaining class action status through trial, the amount offered in settlement, the extent of discovery completed and the stage of the proceedings, the experience and views of counsel, the presence of a governmental participant, and the reaction of the class members to the proposed settlement.

(Wershba, supra, 91 Cal.App.4th at pp. 244-245, internal citations and quotations omitted.)

In general, the most important factor is the strength of the plaintiffs' case on the merits, balanced against the amount offered in settlement. (See Kullar v. Foot Locker Retail, Inc. (2008) 168 Cal.App.4th 116, 130 (Kullar).) But the trial court is free to engage in a balancing and weighing of factors depending on the circumstances of each case. (Wershba, supra, 91 Cal.App.4th at p. 245.) The trial court must examine the proposed settlement agreement to the extent necessary to reach a reasoned judgment that the agreement is not the product of fraud or overreaching by, or collusion between, the negotiating parties, and that the settlement, taken as a whole, is fair, reasonable and adequate to all concerned. (Ibid., citation and internal quotation marks omitted.)



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The burden is on the proponent of the settlement to show that it is fair and reasonable. However a presumption of fairness exists where: (1) the settlement is reached through arm s-length bargaining; (2) investigation and discovery are sufficient to allow counsel and the court to act intelligently; (3) counsel is experienced in similar litigation; and (4) the percentage of objectors is small.

(Wershba, supra, 91 Cal.App.4th at p. 245, citation omitted.) The presumption does not permit the Court to give rubber-stamp approval to a settlement; in all cases, it must independently and objectively analyze the evidence and circumstances before it in order to determine whether the settlement is in the best interests of those whose claims will be extinguished, based on a sufficiently developed factual record. (Kullar, supra, 168 Cal.App.4th at p. 130.)

III. SETTLEMENT PROCESS

According to Plaintiff and his counsel, their assessment of the Settlement reached on March 22, 2023, after two years of arm s-length negotiations, was informed by years of litigation, an intimate understanding of the strength and weaknesses of the claims, and continued investigation and discovery into Defendants conduct, the impairment and International Financial Reporting Standards accounting standards at issue, and other underlying facts and contentions.

In response to Plaintiff s discovery requests, Defendants produced over 584,000 pages of documents. Plaintiff also sought and obtained discovery from ten non-parties, including from foreign entities by way of letters rogatory, who collectively produced over 41,000 of documents. Class counsel prepared for and took 20 depositions, and Plaintiff was deposed by Defendants. The parties participated in several full-day mediations throughout the case in an effort to reach a resolution, including on March 31, 2021, August 25, 2022, and March 3, 2023. On March 22, 2023, the parties accepted a mediator s proposal from Hon. Layn Phillips (Ret.) and Gregory P. Lindstrom from Phillips ADR for the monetary terms for settlement of this action on a class-wide basis. A detailed term sheet was signed by the parties the following day.

Plaintiff states that he has carefully weighed the benefits, burdens, and risks associated with continued litigation of this action and is well positioned to assess and endorse the propriety of the settlement.

IV. SETTLEMENT PROVISIONS

The non-reversionary gross settlement amount is \$36,500,000, plus accrued interest and minus the costs of administering the notice to the class, attorneys fees and expenses and payment to Plaintiff as class representative. Class counsel will seek attorneys fees and expenses in an amount up to 35% of the total settlement amount (or \$12,775,000), plus payment of expenses not to exceed \$600,000. Plaintiff may seek a payment of up to \$10,000 for his efforts in representing the Class, and Notice and administration expenses are estimated to be \$500,000.

Each member s share of the net settlement amount will depend on the number of valid proofs of claim that class members send in and how many shares of Maxar common stock the member acquired for DigitalGlobe



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common stock pursuant to the registration statement and prospectus issued in connection with Maxar's October 5, 2017 merger with DigitalGlobe, and whether they sold any of those shares and, if so, when and at what price. The formula utilized to determine each member's share is based upon the recognized loss formula described within the Notice, which in turn is based on the formula measuring damage set forth in the Securities Act of 1933, 15 U.S.C. 77k. The proposed plan is designed to distribute a pro rata share of the net settlement to authorized claimants based upon their loss under the plan. In order to qualify for a settlement payment, members are required to submit a Proof of Claim and Release Form within, as suggested in Plaintiff's motion, 90 days after the Notice Date, i.e., when the Claims Administrator completes mailing of the Notice and Proof of Claim to class members. If there is any balance remaining of the net settlement amount, that amount will be reallocated among the authorized claimants by repeated redistributions until the remaining balance is no longer economically feasible to distribute to members. Thereafter, any balance that remains shall be donated to the Legal Aid Society of Santa Clara County.

In exchange for settlement, class members who submit a Proof of Claim will release:

[A]ll claims and causes of action of every nature and description, including Unknown Claims, that were or could have been alleged in the Action, accrued, or unaccrued, fixed or contingent, liquidated or unliquidated, whether arising under federal, state, local, common, or foreign law, or any other law, rule or regulation, whether class or individual in nature, based on, arising out of, in connection with, or reasonably related to: (i) the purchase or acquisition of Maxar common stock pursuant to the Offering Materials issued in connection with Maxar's October 2017 merger and acquisition of DigitalGlobe; or (ii) the allegations, acts, facts, matters, occurrences, disclosures, filings, representations, statements or omissions that were or could have been alleged by Plaintiff and other members of the Class in the Action. Released Claims also includes any and all claims arising out of, relating to, or in connection with the Settlement or resolution of the Action against the Released Parties (including Unknown Claims), except claims to enforce any of the terms of this Stipulation. For avoidance of doubt, Released Claims does not include any claims brought under the federal securities law against Maxar that are unrelated to the allegations, acts, transaction, facts, events, matters, occurrences, statements, representations, misrepresentations, or omissions involved, set forth, alleged, or referred to, in this Action.

The scope of release is appropriately tied to the factual allegations in the Complaint. (See *Amaro v. Anaheim Arena Management, LLC* (2021) 69 Cal.App.5th 521, 538.)

V. FAIRNESS OF SETTLEMENT

All of Plaintiff's claims against Defendants are brought under sections 11, 12(a)(2) and 15 of the Securities Act of 1933 (the Securities Act or the Act), 15 U.S.C. 77a et seq. The Securities Act regulates initial distributions of securities and embraces a fundamental purpose to substitute a philosophy of full disclosure for the philosophy of caveat emptor. (*Affiliated Ute Citizens v. United States* (1972) 406 U.S. 128, 151.) Section 11 of the Act creates an express cause of action against a series of individuals for material misstatements in or omissions of material fact from a registration statement. (15 U.S.C. 77k, subd. (a).) Section 12(a)(2) allows a plaintiff to proceed against any person who offers or sells a security by means of a prospectus or oral communication, which includes an untrue statement of material fact or omits to state a material fact in order to make the statements not misleading. (15 U.S.C. 77l, subd. (a)(2).) Finally, Section 15 permits a plaintiff to proceed against every person who, by or through stock ownership, agency or otherwise controls any persons liable under section 11 or 12 of the Securities Act. (15 U.S.C. 77o.) A



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plaintiff asserting claims under these sections is entitled to recover damages or any injuries sustained as a result of the sale or acquisition of the subject security.

Here, the Settlement was reached after two years of serious, arms length negotiations that relied on extensive investigation and discovery. (Wershba, supra, 91 Cal.App.4th 224 at 245.) During three separate mediations supervised by mediators specializing in the mediation of similar securities actions and other complex matters, the parties, who were represented by experienced securities litigation counsel, prepared, exchanged and provided detailed mediation statements and exhibits setting forth their respective positions on the merits and damages. While no agreement was reached during the full-day mediations, the parties continued to actively negotiate, and ultimately agreed to the mediators proposal for the monetary terms for a settlement of this action on a class-wide basis. Given the foregoing, the fairness of the settlement is presumed. (Ibid.)

The Court agrees that the Settlement does not appear to unfairly favor any class members, with careful exclusion from the Class of all persons related to Defendants and any person who may have benefited from Defendants actions, as well as any former DigitalGlobe shareholders who already released their claims in connection with the DigitalGlobe appraisal actions. Member claimants will receive a pro rata share of the net settlement based upon their losses, and the plan properly accounts for the statutory damages under the Securities Act for claims relating to shares of Maxar common stock acquired in connection with the Merger.

Further, the Court also agrees that Settlement appears to be within the range of reasonableness given the complexities of this action and the substantial risks of continued litigation. Defendants have vigorously argued that Plaintiff cannot demonstrate the falsity or materiality of the challenged statements in the Offering Materials and that the declines in Maxar s stock price were caused in whole or in part by other factors, and defeating these arguments would present significant challenges to the Class prevailing at trial, likely requiring expert testimony that might or might not be credited by the trier of fact. Plaintiff estimates the recovery amount of \$36.5 million represents between 40% to 65% of the Class s recoverable damages, well above the median recovery in Securities Act cases of 8.7% of statutory damages.

Given the risks and expense of continued litigation, the likely appeals and other proceedings that would follow trial, the Court is prepared to find that the Settlement is fair, reasonable, adequate, and in the best interest of the Class.

The Court retains an independent right and responsibility to review the requested attorney fees and award only so much as it determines to be reasonable. (See Garabedian v. Los Angeles Cellular Telephone Co. (2004) 118 Cal.App.4th 123, 127 128.) Counsel shall submit lodestar information prior to the final approval hearing in this matter so the Court can compare the lodestar information with the requested fees. In addition, the Court is currently inclined to grant a 30% attorney fees award, not 35%, but Plaintiff s counsel can submit for the Court s review evidentiary support for a higher award than 30%.

VI. SETTLEMENT CLASS

The following settlement class was certified by stipulation and order of the Court:



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All persons who acquired Maxar common stock in exchange for DigitalGlobe common stock pursuant to Offering Materials in connection with Maxar's October 2017 merger and acquisition of DigitalGlobe. 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. Also excluded from the Class are any former DigitalGlobe shareholders who entered into a release of claims in connection with the DigitalGlobe appraisal actions. See, e.g., *In re Appraisal of DigitalGlobe, Inc. Common Stock and Preferred Stock*, Consol. C.A. No. 2017-0810 (Del. Ch.). Also excluded from the Class are those Persons who would otherwise be Class members but who timely and validly exclude themselves therefrom.

A. Legal Standard for Certifying a Class for Settlement Purposes

Rule 3.769(d) of the California Rules of Court states that [t]he court may make an order approving or denying certification of a provisional settlement class after [a] preliminary settlement hearing. California Code of Civil Procedure Section 382 authorizes certification of a class when the question is one of a common or general interest, of many persons, or when the parties are numerous, and it is impracticable to bring them all before the court.

Section 382 requires the plaintiff to demonstrate by a preponderance of the evidence: (1) an ascertainable class and (2) a well-defined community of interest among the class members. (*Sav-On Drug Stores, Inc. v. Superior Court* (2004) 34 Cal.4th 319, 326, 332 (*Sav-On Drug Stores*)). Other relevant considerations include the probability that each class member will come forward ultimately to prove his or her separate claim to a portion of the total recovery and whether the class approach would actually serve to deter and redress alleged wrongdoing. (*Linder v. Thrifty Oil Co.* (2000) 23 Cal.4th 429, 435.) The plaintiff has the burden of establishing that class treatment will yield substantial benefits to both the litigants and to the court. (*Blue Chip Stamps v. Superior Court* (1976) 18 Cal.3d 381, 385.)

In the settlement context, the court's evaluation of the certification issues is somewhat different from its consideration of certification issues when the class action has not yet settled. (*Luckey v. Superior Court* (2014) 228 Cal.App.4th 81, 93.) As no trial is anticipated in the settlement-only context, the case management issues inherent in the ascertainable class determination need not be confronted, and the court's review is more lenient in this respect. (*Id.* at pp. 93-94.) But considerations designed to protect absentees by blocking unwarranted or overbroad class definitions require heightened scrutiny in the settlement-only class context, since the court will lack the usual opportunity to adjust the class as proceedings unfold. (*Id.* at p. 94.)

B. Ascertainable Class

A class is ascertainable when it is defined in terms of objective characteristics and common transactional facts that make the ultimate identification of class members possible when that identification becomes necessary. (*Noel v. Thrifty Payless, Inc.* (2019) 7 Cal.5th 955, 980 (*Noel*)). A class definition satisfying these requirements



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puts members of the class on notice that their rights may be adjudicated in the proceeding, so they must decide whether to intervene, opt out, or do nothing and live with the consequences. This kind of class definition also advances due process by supplying a concrete basis for determining who will and will not be bound by (or benefit from) any judgment.

(Noel, *supra*, 7 Cal.5th at p. 980, citation omitted.)

As a rule, a representative plaintiff in a class action need not introduce evidence establishing how notice of the action will be communicated to individual class members in order to show an ascertainable class. (Noel, *supra*, 7 Cal.5th at p. 984.) Still, it has long been held that [c]lass members are ascertainable where they may be readily identified by reference to official records. (Rose v. City of Hayward (1981) 126 Cal. App. 3d 926, 932, disapproved of on another ground by Noel, *supra*, 7 Cal.5th 955; see also Cohen v. DIRECTV, Inc. (2009) 178 Cal.App.4th 966, 975-976 [The defined class of all HD Package subscribers is precise, with objective characteristics and transactional parameters, and can be determined by DIRECTV s own account records. No more is needed.].)

Here, the Class is defined by objective, transactional facts- the acquisition of new Maxar common stock in exchange for DigitalGlobe common stock pursuant to the Offering Materials, all by means of a uniform transaction, on a single day, at uniform price, directly in a stock-for-stock plus uniform cash consideration exchange. These facts are identifiable by class members and Defendants records. The Class is also sufficiently numerous, likely consisting of several thousands of former holders of DigitalGlobe common stock across many states.

C. Community of Interest

The community-of-interest requirement encompasses three factors: (1) predominant questions of law or fact, (2) class representatives with claims or defenses typical of the class, and (3) class representatives who can adequately represent the class. (Sav-On Drug Stores, *supra*, 34 Cal.4th at pp. 326, 332.)

For the first community of interest factor, [i]n order to determine whether common questions of fact predominate the trial court must examine the issues framed by the pleadings and the law applicable to the causes of action alleged. (Hicks v. Kaufman & Broad Home Corp. (2001) 89 Cal.App.4th 908, 916 (Hicks).) The court must also examine evidence of any conflict of interest among the proposed class members. (See J.P. Morgan & Co., Inc. v. Superior Court (2003) 113 Cal.App.4th 195, 215.) The ultimate question is whether the issues which may be jointly tried, when compared with those requiring separate adjudication, are so numerous or substantial that the maintenance of a class action would be good for the judicial process and to the litigants. (Lockheed Martin Corp. v. Superior Court (2003) 29 Cal.4th 1096, 1104 1105 (Lockheed Martin).) As a general rule if the defendant s liability can be determined by facts common to all members of the class, a class will be certified even if the members must individually prove their damages. (Hicks, *supra*, 89 Cal.App.4th at p. 916.)

Here, the Class shares a well-defined community of interest, with common questions of law and fact



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concerning whether the Offering Materials contained material misstatements or omissions. Damages are set by statutory formula, which applies the same for each class member given that the subject security, the newly issued Maxar common stock, was sold directly to Plaintiff and class members in the same stock-for-stock plus uniform cash consideration exchange. Given this exchange, Plaintiff's claims are typical of, if not identical to, the claims of other class members and are subject to the same affirmative defenses and challenges by Defendants.

Finally, the Court finds that Plaintiff, the Class Representative, and counsel have to this point adequately represented this class, and will likely continue to do so until the conclusion of this action. Plaintiff's own interests align with those of the Class, as he has asserted the exact same claims.

D. Substantial Benefits of Class Certification

[A] class action should not be certified unless substantial benefits accrue both to litigants and the courts. . . . (Basurco v. 21st Century Ins. (2003) 108 Cal.App.4th 110, 120, internal quotation marks omitted.) The question is whether a class action would be superior to individual lawsuits. (Ibid.) Thus, even if questions of law or fact predominate, the lack of superiority provides an alternative ground to deny class certification. (Ibid.) Generally, a class action is proper where it provides small claimants with a method of obtaining redress and when numerous parties suffer injury of insufficient size to warrant individual action. (Id. at pp. 120 121, internal quotation marks omitted.)

Here, given the makeup of the Class, which consists of thousands of geographically dispersed individual and institutional investors, as well as the predominate questions of law and fact at issue, a class action is not only superior to individual actions, but also the only realistic course. Thus, class certification is the most just and efficient means of resolving this action.

VII. NOTICE

The content of a class notice is subject to court approval. (Cal. Rules of Court, rule 3.769(f).) The notice must contain an explanation of the proposed settlement and procedures for class members to follow in filing written objections to it and in arranging to appear at the settlement hearing and state any objections to the proposed settlement. (Ibid.) In determining the manner of the notice, the court must consider: (1) The interests of the class; (2) The type of relief requested; (3) The stake of the individual class members; (4) The cost of notifying class members; (5) The resources of the parties; (6) The possible prejudice to class members who do not receive notice; and (7) The res judicata effect on class members. (Cal. Rules of Court, rule 3.766(e).)

Here, the notice describes the nature of this action, explains the settlement amount and proposed plan of allocation, and instructs members that they may opt out of the settlement or object. The settlement amounts, including attorney fees and payment to the named plaintiff, are stated. No deadline to request exclusion from the class or submit a written objection to the settlement is specifically listed, but in the motion Plaintiff proposes 60 days after the Notice Date. The notice directs class members that they may appear at the final fairness hearing to make an oral objection without filing a written objection. The Court concludes that the form of notice is adequate.



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Turning to the notice procedure, Plaintiff proposes that the Court appoint A.B. Data Ltd. (A.B. Data) as the Claims Administrator for the Settlement. The Court will do so. The administrator will complete mailing of Notice and Proof of Claim to class members within 21 days of preliminary approval, seven days after Maxar is to provide a list of shareholders to the administrator. The mailed notice will also be supplemented by a Summary Notice published with The Wall Street Journal and a national news service. These notice procedures are appropriate and approved.

VIII. CONCLUSION

Plaintiff's motion for preliminary approval is GRANTED. The final approval hearing shall take place on 1:30 pm on December 7, 2023.

The Court will prepare the order.
