

UNITED STATES DISTRICT COURT
EASTERN DISTRICT OF NEW YORK

PLAINTIFF, Individually and On
Behalf of All Others Similarly Situated,

Plaintiff,

v.

VIRGIN GALACTIC HOLDINGS, INC.,
MICHAEL A. COLGLAZIER, GEORGE
WHITESIDES, DOUG AHRENS, and JON
CAMPAGNA,

Defendants.

Case No.

CLASS ACTION COMPLAINT

JURY TRIAL DEMANDED

Plaintiff, individually and on behalf of all others similarly situated, by Plaintiff's undersigned attorneys, for Plaintiff's complaint against Defendants, alleges the following based upon personal knowledge as to Plaintiff and Plaintiff's own acts, and information and belief as to all other matters, based upon, *inter alia*, the investigation conducted by and through Plaintiff's attorneys, which included, among other things, a review of the Defendants' public documents, conference calls and announcements made by Defendants, United States ("U.S.") Securities and Exchange Commission ("SEC") filings, wire and press releases published by and regarding Virgin Galactic Holdings, Inc. ("Virgin Galactic" or the "Company"), analysts' reports and advisories about the Company, and information readily obtainable on the Internet. Plaintiff believes that substantial additional evidentiary support will exist for the allegations set forth herein after a reasonable opportunity for discovery.

NATURE OF THE ACTION

1. This is a federal securities class action on behalf of a class consisting of all persons and entities other than Defendants that purchased or otherwise acquired Virgin Galactic securities

between October 26, 2019 and April 30, 2021, both dates inclusive (the “Class Period”), seeking to recover damages caused by Defendants’ violations of the federal securities laws and to pursue remedies under Sections 10(b) and 20(a) of the Securities Exchange Act of 1934 (the “Exchange Act”) and Rule 10b-5 promulgated thereunder, against the Company and certain of its top officials.

2. Virgin Galactic is an integrated aerospace company that develops human spaceflight for private individuals and researchers in the U.S.

3. On October 25, 2019, post-market, Virgin Galactic was formed via a business combination between Social Capital Hedosophia Holdings Corp. (“SCH”), a special purpose acquisition company (“SPAC”),¹ and the Company’s then-private predecessor (“Legacy Virgin Galactic”), after which SCH changed its name to “Virgin Galactic Holdings, Inc.” and its ticker symbol to “SPCE” (the “Business Combination”).

4. On April 12, 2021, the SEC issued guidance advising that SPAC warrants, which are instruments that allow investors to buy additional shares at a fixed price, may need to be classified as liabilities rather than equity for many SPAC transactions, which had previously been accounted for as equity in these deals.

5. Throughout the Class Period, Defendants made materially false and misleading statements regarding the Company’s business, operations, and compliance policies. Specifically, Defendants made false and/or misleading statements and/or failed to disclose that: (i) for accounting purposes, SCH’s warrants were required to be treated as liabilities rather than equities; (ii) Virgin Galactic had deficient disclosure controls and procedures and internal control over financial reporting; (iii) as a result, the Company improperly accounted for SCH warrants that

¹ An SPAC, also referred to as a blank check company, is a development stage company that has no specific business plan or purpose or has indicated its business plan is to engage in a merger or acquisition with an unidentified company or companies, other entity, or person.

were outstanding at the time of the Business Combination; and (iv) as a result, the Company's public statements were materially false and misleading at all relevant times.

6. On April 30, 2021, post-market, Virgin Galactic announced "that it has rescheduled the reporting of its financial results for the first quarter 2021 to following the close of the U.S. markets on Monday, May 10, 2021. Virgin Galactic will now host a conference call to discuss the results and provide a business update that day at 2:00 p.m., Pacific Time (5:00 p.m., Eastern Time). The Company is rescheduling its reporting due to the recent statement issued by the [SEC] on April 12, 2021 relating to the accounting treatment of warrants issued by special purpose acquisition companies (the 'SEC Statement')." The press release further advised that "following its review of the SEC Statement and consulting with its advisors, the Company will restate its consolidated financial statements included in its Annual Report on Form 10-K for the fiscal year ended December 31, 2020. The restatement is due solely to the accounting treatment for the warrants of Social Capital Hedosophia Holdings Corp. that were outstanding at the time of the Company's business combination on October 25, 2019. The Company expects to file the restated financials prior to the new conference call date and estimates that it will recognize incremental non-operating, non-cash expense for each of the fiscal years ended December 31, 2020 and December 31, 2019."

7. On this news, Virgin Galactic's stock price fell \$2.01 per share, or 9.07%, to close at \$20.14 per share on May 3, 2021.

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

JURISDICTION AND VENUE

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

10. This Court has jurisdiction over the subject matter of this action pursuant to 28 U.S.C. § 1331 and Section 27 of the Exchange Act.

11. Venue is proper in this Judicial District pursuant to Section 27 of the Exchange Act (15 U.S.C. § 78aa) and 28 U.S.C. § 1391(b). Pursuant to the Virgin Galactic's most recently filed Quarterly Report, as of May 5, 2021, there were 240,712,527 shares of the Company's common stock outstanding. Virgin Galactic's securities trade on the New York Stock Exchange ("NYSE"). Accordingly, there are presumably hundreds, if not thousands of investors in Virgin Galactic securities, some of whom undoubtedly reside in this Judicial District.

12. In connection with the acts alleged in this complaint, Defendants, directly or indirectly, used the means and instrumentalities of interstate commerce, including, but not limited to, the mails, interstate telephone communications, and the facilities of the national securities markets.

PARTIES

13. Plaintiff, as set forth in the attached Certification, acquired Virgin Galactic securities at artificially inflated prices during the Class Period and was damaged upon the revelation of the alleged corrective disclosures.

14. Defendant Virgin Galactic is a Delaware corporation with principal executive offices located at 166 North Roadrunner Parkway, Suite 1C, Las Cruces, New Mexico. The

Company's common stock trades in an efficient market on the NYSE under the ticker symbol "SPCE."

15. Defendant Michael A. Colglazier ("Colglazier") has served as Virgin Galactic's Chief Executive Officer ("CEO") and President since July 20, 2020.

16. Defendant George Whitesides ("Whitesides") served as Virgin Galactic's CEO and President from before the start of the Class Period to July 20, 2020. Whitesides thereafter served as the Company's Chief Space Officer until on or around March 5, 2021.

17. Defendant Doug Ahrens ("Ahrens") has served as Virgin Galactic's Chief Financial Officer ("CFO") since March 1, 2021.

18. Defendant Jon Campagna ("Campagna") served as Virgin Galactic's CFO from before the start of the Class Period to March 1, 2021.

19. Defendants Colglazier, Whitesides, Ahrens, and Campagna are sometimes referred to herein as the "Individual Defendants."

20. The Individual Defendants possessed the power and authority to control the contents of Virgin Galactic's SEC filings, press releases, and other market communications. The Individual Defendants were provided with copies of Virgin Galactic's SEC filings and press releases alleged herein to be misleading prior to or shortly after their issuance and had the ability and opportunity to prevent their issuance or to cause them to be corrected. Because of their positions with Virgin Galactic, and their access to material information available to them but not to the public, the Individual Defendants knew that the adverse facts specified herein had not been disclosed to and were being concealed from the public, and that the positive representations being made were then materially false and misleading. The Individual Defendants are liable for the false statements and omissions pleaded herein.

21. Virgin Galactic and the Individual Defendants are collectively referred to herein as “Defendants.”

SUBSTANTIVE ALLEGATIONS

Background

22. Virgin Galactic is an integrated aerospace company that develops human spaceflight for private individuals and researchers in the U.S.

23. On October 25, 2019, post-market, Virgin Galactic was formed via a business combination between SCH, an SPAC, and Legacy Virgin Galactic, after which SCH changed its name to “Virgin Galactic Holdings, Inc.” and its ticker symbol to “SPCE.”

24. On April 12, 2021, the SEC issued guidance advising that SPAC warrants, which are instruments that allow investors to buy additional shares at a fixed price, may need to be classified as liabilities rather than equity for many SPAC transactions, which had previously been generally considered equity in these deals.

Materially False and Misleading Statements Issued During the Class Period

25. The Class Period begins on October 26, 2019, the day after SCH and Legacy Virgin Galactic issued a joint press release announcing the completion of the Business Combination. That press release stated, in relevant part:

Virgin Galactic (“VG”), a vertically integrated aerospace company, and Social Capital Hedosophia (“SCH”), a public investment vehicle, today announced the completion of their previously announced business combination. The resulting company is named Virgin Galactic Holdings, Inc. (“VGH”) and its common stock, units and warrants are expected to commence trading on the New York Stock Exchange under the new ticker symbol “SPCE”, ”SPCE.U” and “SPCE WS”, respectively, on October 28, 2019.

* * *

As a result of this transaction, Virgin Galactic has received over \$450m of primary proceeds and as at market close on Friday 25th October, the business has a market

capitalization of \$2.3bn. Going forward, existing Virgin Galactic shareholders will own nearly 59%.

26. On November 12, 2019, Virgin Galactic filed a Quarterly Report on Form 10-Q with the SEC, reporting the Company's financial and operating results for the quarter ended September 30, 2019 (the "Q3 2019 10-Q"). The Q3 2019 10-Q stated, in relevant part:

Evaluation of Disclosure Controls and Procedures

As required by Rules 13a-15 and 15d-15 under the Exchange Act, our Chief Executive Officer and Chief Financial Officer carried out an evaluation of the effectiveness of the design and operation of our disclosure controls and procedures as of September 30, 2019. Based upon their evaluation, our Chief Executive Officer and Chief Financial Officer concluded that our disclosure controls and procedures (as defined in Rules 13a-15 (e) and 15d-15 (e) under the Exchange Act) were effective.

27. Appended to the Q3 2019 10-Q as exhibits were signed certifications pursuant to the Sarbanes-Oxley Act of 2002 ("SOX") by Defendants Whitesides and Campagna, attesting that "[t]he information contained in the Q3 2019 10-Q fairly presents, in all material respects, the financial condition and results of operations of the Company as of and for the period covered by the Q3 2019 10-Q."

28. On February 25, 2020, Virgin Galactic hosted an earnings call with investors and analysts to discuss the Company's Q4 and full year 2019 results (the "Q4 2019 Earnings Call"). During the scripted portion of the Q4 2019 Earnings Call, Defendant Campagna stated, in relevant part:

On October 25, 2019, we completed our merger with Social Capital Hedosophia, creating the world's first and only publicly traded company focused on commercial spaceflight. This transaction provided us with \$452 million of cash on our balance sheet and put us in a strong cash position as we continue to progress towards commercial launch.

We recently filed our amended S-1 registration statement for the purpose of registering the shares issuable upon exercise of approximately 31 million outstanding warrants. We are working closely with the SEC to make that registration statement effective as quickly as possible.

While we have not yet met requirements to mandatorily redeem the outstanding public warrants and have not made any decisions as to whether we would redeem the warrants if we meet such requirements, our current intention is to wait until the S-1 is effective before making such decision.

29. On February 28, 2020, Virgin Galactic filed an Annual Report on Form 10-K with the SEC, reporting the Company's financial and operating results for the year ended December 31, 2019 (the "2019 10-K"). The 2019 10-K stated, in relevant part:

Background and Remediation of Material Weakness

In connection with the audit of our consolidated financial statements as of and for the years ended December 31, 2019 and 2018, we identified two material weaknesses in our internal control over financial reporting. A material weakness is a deficiency, or a combination of deficiencies, in internal control over financial reporting such that there is a reasonable possibility that a material misstatement of our annual or interim financial statements will not be prevented or detected on a timely basis.

The first material weakness is related to the lack of a sufficient number of personnel to execute, review and approve all aspects of the financial statement close and reporting process. This material weakness may not allow for us to have proper segregation of duties and the ability to close our books and records and report our results, including required disclosures, on a timely basis. The second material weakness arises from the need to augment our information technology and application controls in our financial reporting.

We have begun the process of, and we are focused on, designing and implementing effective internal controls measures to improve our internal control over financial reporting and remediate the material weaknesses. Our efforts include a number of actions:

- We are designing and implementing additional review procedures within our accounting and finance department to provide more robust and comprehensive internal controls over financial reporting that address the relative financial statement assertions and risks of material misstatement within our business processes.

- We are actively recruiting additional personnel, in addition to engaging and utilizing third party consultants and specialists to supplement our internal resources and segregate key functions within our business processes, if appropriate.
- We are designing and implementing information technology and application controls in our financially significant systems to address our relative information processing objectives.
- We are enhancing our system's role based access and implementing automated controls to help improve the reliability of our process and reporting.
- We are designing and implementing additional integration in our financially significant systems to provide that our information technology processes alongside efforts in our business processes, are supporting our internal control over financial reporting.
- Finally, we hired an executive in charge of our Sarbanes-Oxley compliance efforts and are actively recruiting additional personnel, in addition to engaging and utilizing third party consultants and specialists to supplement our internal resources and segregate key functions within our business processes, if appropriate.

While these actions and planned actions are subject to ongoing management evaluation and will require validation and testing of the design and operating effectiveness of internal controls over a sustained period of financial reporting cycles, we are committed to the continuous improvement of our internal control over financial reporting and will continue to diligently review our internal control over financial reporting.

Evaluation of Disclosure Controls and Procedures

Our management, with the participation of our chief executive officer and chief financial officer, has evaluated the effectiveness of our disclosure controls and procedures (as defined in Rules 13a-15(e) and 15d-15(e) under the Exchange Act) as of the end of the period covered by this Annual Report on Form 10-K. Based on this evaluation, our chief executive officer and chief financial officer concluded that, as of December 31, 2019, our disclosure controls and procedures were effective.

However, after giving full consideration to these material weaknesses, and the additional analyses and other procedures that we performed to ensure that our consolidated financial statements included in this Annual Report on Form 10-K

were prepared in accordance with U.S. GAAP, our management has concluded that our consolidated financial statements present fairly, in all material respects, our financial position, results of operations and cash flows for the periods disclosed in conformity with U.S. GAAP.

30. Appended to the 2019 10-K were substantively the same SOX certifications as referenced, *supra*, in ¶ 27, signed by Defendants Whitesides and Campagna.

31. On May 6, 2020, Virgin Galactic filed a Quarterly Report on Form 10-Q with the SEC, reporting the Company's financial and operating results for the quarter ended March 31, 2020 (the "Q1 2020 10-Q"). The Q1 2020 10-Q contained a substantively similar description of the background and purported remediation of certain of the Company's material weaknesses as referenced, *supra*, in ¶ 29. In addition, the Q1 2020 10-Q stated, in relevant part:

Evaluation of Disclosure Controls and Procedures

Our management, with the participation of our chief executive officer and chief financial officer, has evaluated the effectiveness of our disclosure controls and procedures (as defined in Rules 13a-15(e) and 15d-15(e) under the Exchange Act) as of the end of the period covered by this Quarterly Report on Form 10-Q. Based on this evaluation, our chief executive officer and chief financial officer concluded that, as of March 31, 2020, our disclosure controls and procedures were effective.

However, after giving full consideration to the material weaknesses referenced above, and the additional analyses and other procedures that we performed to ensure that our condensed consolidated financial statements included in this Quarterly Report on Form 10-Q were prepared in accordance with U.S. GAAP, our management has concluded that our condensed consolidated financial statements present fairly, in all material respects, our financial position, results of operations and cash flows for the periods disclosed in conformity with U.S. GAAP.

32. Appended to the Q1 2020 10-Q were substantively the same SOX certifications as referenced, *supra*, in ¶ 27, signed by Defendants Whitesides and Campagna.

33. On August 3, 2020, Virgin Galactic filed a Quarterly Report on Form 10-Q with the SEC, reporting the Company's financial and operating results for the quarter ended June 30, 2020 (the "Q2 2020 10-Q"). The Q2 2020 10-Q contained a substantively similar description of

the background and purported remediation of certain of the Company's material weaknesses as referenced, *supra*, in ¶ 29. In addition, the Q2 2020 10-Q stated, in relevant part:

Evaluation of Disclosure Controls and Procedures

Our management, with the participation of our chief executive officer and chief financial officer, has evaluated the effectiveness of our disclosure controls and procedures (as defined in Rules 13a-15(e) and 15d-15(e) under the Exchange Act) as of the end of the period covered by this Quarterly Report on Form 10-Q. Based on this evaluation, our chief executive officer and chief financial officer concluded that, as of June 30, 2020, our disclosure controls and procedures were effective.

However, after giving full consideration to the material weaknesses referenced above, and the additional analyses and other procedures that we performed to ensure that our condensed consolidated financial statements included in this Quarterly Report on Form 10-Q were prepared in accordance with U.S. GAAP, our management has concluded that our condensed consolidated financial statements present fairly, in all material respects, our financial position, results of operations and cash flows for the periods disclosed in conformity with U.S. GAAP.

34. Appended to the Q2 2020 10-Q were substantively the same SOX certifications as referenced, *supra*, in ¶ 27, signed by Defendants Colglazier and Campagna.

35. On November 6, 2020, Virgin Galactic filed a Quarterly Report on Form 10-Q with the SEC, reporting the Company's financial and operating results for the quarter ended September 30, 2020 (the "Q3 2020 10-Q"). The Q3 2020 10-Q contained a substantively similar description of the background and purported remediation of certain of the Company's material weaknesses as referenced, *supra*, in ¶ 29. In addition, the Q3 2020 10-Q stated, in relevant part:

Evaluation of Disclosure Controls and Procedures

Our management, with the participation of our chief executive officer and chief financial officer, has evaluated the effectiveness of our disclosure controls and procedures as of the end of the period covered by this Quarterly Report on Form 10-Q. Based on this evaluation, our chief executive officer and chief financial officer concluded that, as of September 30, 2020, our disclosure controls and procedures were effective at the reasonable assurance level.

However, after giving full consideration to the material weaknesses referenced above, and the additional analyses and other procedures that we performed to ensure that our condensed consolidated financial statements included in this Quarterly Report on Form 10-Q were prepared in accordance with U.S. GAAP, our management has concluded that our condensed consolidated financial statements present fairly, in all material respects, our financial position, results of operations and cash flows for the periods disclosed in conformity with U.S. GAAP.

36. Appended to the Q3 2020 10-Q were substantively the same SOX certifications as referenced, *supra*, in ¶ 27, signed by Defendants Colglazier and Campagna.

37. On March 1, 2021, Virgin Galactic filed an annual report on Form 10-K with the SEC, reporting the Company's financial and operating results for the quarter and year ended December 31, 2020 (the "2020 10-K"). The 2020 10-K contained a substantively similar description of the background and purported remediation of certain of the Company's material weaknesses as referenced, *supra*, in ¶ 29. In addition, the 2020 10-K stated, in relevant part:

Evaluation of Disclosure Controls and Procedures

Our management, with the participation of our chief executive officer and chief financial officer, has evaluated the effectiveness of our disclosure controls and procedures (as defined in Rules 13a-15(e) and 15d-15(e) under the Exchange Act) as of the end of the period covered by this Annual Report on Form 10-K. Based on this evaluation, our chief executive officer and chief financial officer concluded that, as of December 31, 2020, our disclosure controls and procedures were effective at the reasonable assurance level.

Management's Report on Internal Controls Over Financial Reporting

Management is responsible for establishing and maintaining adequate internal control over financial reporting for the Company. Under the supervision and with the participation of our management, we conducted an evaluation of the effectiveness of our internal control over financial reporting based upon criteria established in Internal Control – Integrated Framework (2013) by the Committee of Sponsoring Organizations of the Treadway Commission. Based on that evaluation, our management concluded that our internal control over financial reporting was effective as of December 31, 2020.

38. Appended to the 2020 10-K were substantively the same SOX certifications as referenced, *supra*, in ¶ 27, signed by Defendants Colglazier and Campagna.

39. The statements referenced in ¶¶ 25-38 were materially false and misleading because Defendants made false and/or misleading statements, as well as failed to disclose material adverse facts about the Company's business, operations, and compliance policies. Specifically, Defendants made false and/or misleading statements and/or failed to disclose that: (i) for accounting purposes, SCH's warrants were required to be treated as liabilities rather than equities; (ii) Virgin Galactic had deficient disclosure controls and procedures and internal control over financial reporting; (iii) as a result, the Company improperly accounted for SCH warrants that were outstanding at the time of the Business Combination; and (iv) as a result, the Company's public statements were materially false and misleading at all relevant times.

The Truth Emerges

40. On April 30, 2021, post-market, Virgin Galactic issued a press release announcing that the Company has:

rescheduled the reporting of its financial results for the first quarter 2021 to following the close of the U.S. markets on Monday, May 10, 2021. Virgin Galactic will now host a conference call to discuss the results and provide a business update that day at 2:00 p.m., Pacific Time (5:00 p.m., Eastern Time). The Company is rescheduling its reporting due to the recent statement issued by the [SEC] on April 12, 2021 relating to the accounting treatment of warrants issued by special purpose acquisition companies (the 'SEC Statement').

Specifically, the press release advised that, "following its review of the SEC Statement and consulting with its advisors, the Company will restate its consolidated financial statements included in its Annual Report on Form 10-K for the fiscal year ended December 31, 2020." In explaining this decision, the press release stated:

The restatement is due solely to the accounting treatment for the warrants of Social Capital Hedosophia Holdings Corp. that were outstanding at the time of the Company's business combination on October 25, 2019. The Company expects to file the restated financials prior to the new conference call date and estimates that it will recognize incremental non-operating, non-cash expense for each of the fiscal years ended December 31, 2020 and December 31, 2019.

41. On this news, Virgin Galactic's stock price fell \$2.01 per share, or 9.07%, to close at \$20.14 per share on May 3, 2021.

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

PLAINTIFF'S CLASS ACTION ALLEGATIONS

43. Plaintiff brings this action as a class action pursuant to Federal Rule of Civil Procedure 23(a) and (b)(3) on behalf of a Class, consisting of all those who purchased or otherwise acquired Virgin Galactic securities during the Class Period (the "Class"); and were damaged upon the revelation of the alleged corrective disclosures. Excluded from the Class are Defendants herein, the officers and directors of the Company, at all relevant times, members of their immediate families and their legal representatives, heirs, successors or assigns and any entity in which Defendants have or had a controlling interest.

44. The members of the Class are so numerous that joinder of all members is impracticable. Throughout the Class Period, Virgin Galactic securities were actively traded on the NYSE. While the exact number of Class members is unknown to Plaintiff at this time and can be ascertained only through appropriate discovery, Plaintiff believes that there are hundreds or thousands of members in the proposed Class. Record owners and other members of the Class may be identified from records maintained by Virgin Galactic or its transfer agent and may be notified of the pendency of this action by mail, using the form of notice similar to that customarily used in securities class actions.

45. 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.

46. 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. Plaintiff has no interests antagonistic to or in conflict with those of the Class.

47. 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:

- whether the federal securities laws were violated by Defendants' acts as alleged herein;
- whether statements made by Defendants to the investing public during the Class Period misrepresented material facts about the business, operations and management of Virgin Galactic;
- whether the Individual Defendants caused Virgin Galactic to issue false and misleading financial statements during the Class Period;
- whether Defendants acted knowingly or recklessly in issuing false and misleading financial statements;
- whether the prices of Virgin Galactic securities during the Class Period were artificially inflated because of the Defendants' conduct complained of herein; and
- whether the members of the Class have sustained damages and, if so, what is the proper measure of damages.

48. 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.

49. Plaintiff will rely, in part, upon the presumption of reliance established by the fraud-on-the-market doctrine in that:

- Defendants made public misrepresentations or failed to disclose material facts during the Class Period;
- the omissions and misrepresentations were material;
- Virgin Galactic securities are traded in an efficient market;
- the Company's shares were liquid and traded with moderate to heavy volume during the Class Period;
- the Company traded on the NYSE and was covered by multiple analysts;
- the misrepresentations and omissions alleged would tend to induce a reasonable investor to misjudge the value of the Company's securities; and
- Plaintiff and members of the Class purchased, acquired and/or sold Virgin Galactic securities between the time the Defendants failed to disclose or misrepresented material facts and the time the true facts were disclosed, without knowledge of the omitted or misrepresented facts.

50. Based upon the foregoing, Plaintiff and the members of the Class are entitled to a presumption of reliance upon the integrity of the market.

51. Alternatively, Plaintiff and the members of the Class are entitled to the presumption of reliance established by the Supreme Court in *Affiliated Ute Citizens of the State of Utah v. United States*, 406 U.S. 128, 92 S. Ct. 2430 (1972), as Defendants omitted material information in their Class Period statements in violation of a duty to disclose such information, as detailed above.

COUNT I

(Violations of Section 10(b) of the Exchange Act and Rule 10b-5 Promulgated Thereunder Against All Defendants)

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

53. This Count is asserted against Defendants and is based upon Section 10(b) of the Exchange Act, 15 U.S.C. § 78j(b), and Rule 10b-5 promulgated thereunder by the SEC.

54. During the Class Period, Defendants engaged in a plan, scheme, conspiracy and course of conduct, pursuant to which they knowingly or recklessly engaged in acts, transactions, practices and courses of business which operated as a fraud and deceit upon Plaintiff and the other members of the Class; made various untrue statements of material facts and omitted to state material facts necessary in order to make the statements made, in light of the circumstances under which they were made, not misleading; and employed devices, schemes and artifices to defraud in connection with the purchase and sale of securities. Such scheme was intended to, and, throughout the Class Period, did: (i) deceive the investing public, including Plaintiff and other Class members, as alleged herein; (ii) artificially inflate and maintain the market price of Virgin Galactic securities; and (iii) cause Plaintiff and other members of the Class to purchase or otherwise acquire Virgin Galactic securities and options at artificially inflated prices. In furtherance of this unlawful scheme, plan and course of conduct, Defendants, and each of them, took the actions set forth herein.

55. Pursuant to the above plan, scheme, conspiracy and course of conduct, each of the Defendants participated directly or indirectly in the preparation and/or issuance of the quarterly and annual reports, SEC filings, press releases and other statements and documents described above, including statements made to securities analysts and the media that were designed to influence the market for Virgin Galactic securities. Such reports, filings, releases and statements were materially false and misleading in that they failed to disclose material adverse information and misrepresented the truth about Virgin Galactic's finances and business prospects.

56. By virtue of their positions at Virgin Galactic, Defendants had actual knowledge of the materially false and misleading statements and material omissions alleged herein and intended thereby to deceive Plaintiff and the other members of the Class, or, in the alternative, Defendants acted with reckless disregard for the truth in that they failed or refused to ascertain and disclose such facts as would reveal the materially false and misleading nature of the statements made, although such facts were readily available to Defendants. Said acts and omissions of Defendants were committed willfully or with reckless disregard for the truth. In addition, each Defendant knew or recklessly disregarded that material facts were being misrepresented or omitted as described above.

57. Information showing that Defendants acted knowingly or with reckless disregard for the truth is peculiarly within Defendants' knowledge and control. As the senior managers and/or directors of Virgin Galactic, the Individual Defendants had knowledge of the details of Virgin Galactic's internal affairs.

58. The Individual Defendants are liable both directly and indirectly for the wrongs complained of herein. Because of their positions of control and authority, the Individual Defendants were able to and did, directly or indirectly, control the content of the statements of Virgin Galactic. As officers and/or directors of a publicly-held company, the Individual Defendants had a duty to disseminate timely, accurate, and truthful information with respect to Virgin Galactic's businesses, operations, future financial condition and future prospects. As a result of the dissemination of the aforementioned false and misleading reports, releases and public statements, the market price of Virgin Galactic securities was artificially inflated throughout the Class Period. In ignorance of the adverse facts concerning Virgin Galactic's business and financial condition which were concealed by Defendants, Plaintiff and the other members of the Class

purchased or otherwise acquired Virgin Galactic securities at artificially inflated prices and relied upon the price of the securities, the integrity of the market for the securities and/or upon statements disseminated by Defendants, and were damaged thereby.

59. During the Class Period, Virgin Galactic securities were traded on an active and efficient market. Plaintiff and the other members of the Class, relying on the materially false and misleading statements described herein, which the Defendants made, issued or caused to be disseminated, or relying upon the integrity of the market, purchased or otherwise acquired shares of Virgin Galactic securities at prices artificially inflated by Defendants' wrongful conduct. Had Plaintiff and the other members of the Class known the truth, they would not have purchased or otherwise acquired said securities, or would not have purchased or otherwise acquired them at the inflated prices that were paid. At the time of the purchases and/or acquisitions by Plaintiff and the Class, the true value of Virgin Galactic securities was substantially lower than the prices paid by Plaintiff and the other members of the Class. The market price of Virgin Galactic securities declined sharply upon public disclosure of the facts alleged herein to the injury of Plaintiff and Class members.

60. By reason of the conduct alleged herein, Defendants knowingly or recklessly, directly or indirectly, have violated Section 10(b) of the Exchange Act and Rule 10b-5 promulgated thereunder.

61. As a direct and proximate result of Defendants' wrongful conduct, Plaintiff and the other members of the Class suffered damages in connection with their respective purchases, acquisitions and sales of the Company's securities during the Class Period, upon the disclosure that the Company had been disseminating misrepresented financial statements to the investing public.

COUNT II

(Violations of Section 20(a) of the Exchange Act Against the Individual Defendants)

62. Plaintiff repeats and re-alleges each and every allegation contained in the foregoing paragraphs as if fully set forth herein.

63. During the Class Period, the Individual Defendants participated in the operation and management of Virgin Galactic, and conducted and participated, directly and indirectly, in the conduct of Virgin Galactic's business affairs. Because of their senior positions, they knew the adverse non-public information about Virgin Galactic's misstatement of income and expenses and false financial statements.

64. As officers and/or directors of a publicly owned company, the Individual Defendants had a duty to disseminate accurate and truthful information with respect to Virgin Galactic's financial condition and results of operations, and to correct promptly any public statements issued by Virgin Galactic which had become materially false or misleading.

65. Because of their positions of control and authority as senior officers, the Individual Defendants were able to, and did, control the contents of the various reports, press releases and public filings which Virgin Galactic disseminated in the marketplace during the Class Period concerning Virgin Galactic's results of operations. Throughout the Class Period, the Individual Defendants exercised their power and authority to cause Virgin Galactic to engage in the wrongful acts complained of herein. The Individual Defendants, therefore, were "controlling persons" of Virgin Galactic within the meaning of Section 20(a) of the Exchange Act. In this capacity, they participated in the unlawful conduct alleged which artificially inflated the market price of Virgin Galactic securities.

66. Each of the Individual Defendants, therefore, acted as a controlling person of Virgin Galactic. By reason of their senior management positions and/or being directors of Virgin Galactic, each of the Individual Defendants had the power to direct the actions of, and exercised the same to cause, Virgin Galactic to engage in the unlawful acts and conduct complained of herein. Each of the Individual Defendants exercised control over the general operations of Virgin Galactic and possessed the power to control the specific activities which comprise the primary violations about which Plaintiff and the other members of the Class complain.

67. By reason of the above conduct, the Individual Defendants are liable pursuant to Section 20(a) of the Exchange Act for the violations committed by Virgin Galactic.

PRAYER FOR RELIEF

WHEREFORE, Plaintiff demands judgment against Defendants as follows:

- A. Determining that the instant action may be maintained as a class action under Rule 23 of the Federal Rules of Civil Procedure, and certifying Plaintiff as the Class representative;
- B. Requiring Defendants to pay damages sustained by Plaintiff and the Class by reason of the acts and transactions alleged herein;
- C. Awarding Plaintiff and the other members of the Class prejudgment and post-judgment interest, as well as their reasonable attorneys' fees, expert fees and other costs; and
- D. Awarding such other and further relief as this Court may deem just and proper.

DEMAND FOR TRIAL BY JURY

Plaintiff hereby demands a trial by jury.