UNITED STATES DISTRICT COURT
NORTHERN DISTRICT OF ILLINOIS

TRIBHUWAN K. BISHT, Individually and On Behalf of All Others Similarly Situated, Plaintiff, v. THE BOEING COMPANY, DENNIS A. MUILENBURG, and GREGORY D. SMITH, Defendants.	Case No. COMPLAINT FOR VIOLATION OF THE FEDERAL SECURITIES LAWS <u>DEMAND FOR JURY TRIAL</u>

<u>CLASS ACTION COMPLAINT</u>

Plaintiff Tribhuwan K. Bisht ("Plaintiff"), individually and on behalf of all other persons similarly situated, by his undersigned attorneys, for his complaint against defendants, alleges the following based upon personal knowledge as to himself and his own acts, and information and belief as to all other matters, based upon, *inter alia*, the investigation conducted by and through his attorneys, which included, among other things, a review of the defendants' public documents, conference calls and announcements made by defendants, United States Securities and Exchange Commission ("SEC") filings, wire and press releases published by and regarding The Boeing Company ("Boeing" or the "Company"), analysts' reports and advisories about the Company, and information readily obtainable on the Internet. Plaintiff believes that substantial 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 other than defendants who purchased or otherwise acquired Boeing securities between February 9, 2012 and February 11, 2016, 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. Boeing, together with its subsidiaries, designs, develops, manufactures, sells, services, and supports commercial jetliners, military aircraft, satellites, missile defense, human space flight, and launch systems and services worldwide. The company operates in five principal segments: Commercial Airplanes, Boeing Military Aircraft, Network & Space Systems, Global Services & Support, and Boeing Capital.

3. Boeing was founded in 1916 and is based in Chicago, Illinois. The Company's shares trade on the NYSE under the ticker symbol "BA."

4. Boeing's Commercial Airplanes segment develops, produces and markets commercial jet aircraft and provides related support services, principally to the commercial airline industry worldwide. A leading producer of commercial aircraft, Boeing offers a family of commercial jetliners designed to meet a broad spectrum of global passenger and cargo requirements of airlines. Boeing's commercial jet aircraft in production includes the 737 narrow-body model and the 747, 767, 777 and 787 wide-body models.

5. Since 2003, Boeing's Commercial Airplanes segment has employed the program accounting method, in which the Company does not attribute costs for producing a unit to that same unit, but rather divides those costs over an entire jetliner program, essentially allowing

Boeing to average out costs and anticipated profits over the duration of the "program" for a specific jet, a period that can last decades and encompass hundreds or even thousands of aircraft.

6. Throughout the Class Period, defendants made materially false and misleading statements regarding the Company's business, operational and compliance policies. Specifically, defendants made false and/or misleading statements and/or failed to disclose that: (i) Boeing's use of program accounting for the Company's 787 Dreamliner and/or 747 jumbo aircrafts relied on inflated sales forecasts; (ii) Boeing's use of program accounting for the Company's 787 Dreamliner and/or 747 jumbo aircrafts relied on understated estimates of production costs; and (iii) as a result of the foregoing, Boeing's public statements were materially false and misleading at all relevant times.

7. On February 11, 2016, *Bloomberg News* reported that the SEC is investigating whether Boeing properly accounted for the costs and expected sales of its 787 Dreamliner and 747 jumbo aircraft. The *Bloomberg News* article stated, in part:

> Underlying the SEC review is a financial reporting method known as program accounting that allows Boeing to spread the enormous upfront costs of manufacturing planes over many years. While the SEC has broadly blessed its use in the aerospace industry, ***critics have said the system can give too much leeway to smooth earnings and obscure potential losses.***
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> . . .
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> As part of the investigation, ***SEC enforcement attorneys are examining whether Boeing's financial statements relied on sales forecasts that might be too optimistic***, one person said. Another avenue of inquiry is ***whether Boeing's estimates for declining production costs will come to fruition***, the person said.
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> A whistleblower has given SEC officials internal documents and data about Boeing's accounting, according to the people. The tipster first raised concerns with the regulator more than a year ago, one person said. SEC policy is to not reveal the identities of whistleblowers.
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> . . .

> The SEC investigation "is potentially material and now a key focus for us," Seth Seifman, an analyst at JPMorgan Chase & Co., said in a note to clients.
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> "If the issue here is whether Boeing should have already booked a 787 charge that many believe inevitable, that will be less damaging to the stock," he said. "If there is any impact on our 787 cash flow forecasts for the coming years, this would be more significant."

8. On this news, Boeing shares fell $7.92, or 6.8%, to close at $108.44 on February 11, 2016.

9. 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

10. The claims asserted herein arise under and pursuant to §§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).

11. This Court has jurisdiction over the subject matter of this action pursuant to 28 U.S.C. §§ 1331 and 1337, and Section 27 of the Exchange Act, 15 U.S.C. § 78aa.

12. Venue is proper in this District pursuant to §27 of the Exchange Act and 28 U.S.C. §1391(b), as the Company is headquartered within this District.

13. In connection with the acts, conduct and other wrongs alleged in this Complaint, defendants, directly or indirectly, used the means and instrumentalities of interstate commerce, including but not limited to, the United States mail, interstate telephone communications and the facilities of the national securities exchange.

PARTIES

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

15. Defendant Boeing is incorporated in Delaware, and the Company's principal executive offices are located at 100 North Riverside, Chicago, Illinois 60606.

16. Defendant Dennis A. Muilenburg ("Muilenburg") has served as the Company's Chief Executive Officer ("CEO") since July 2015.

17. Defendant Gregory D. Smith ("Smith") has served at all relevant times as the Company's Chief Financial Officer.

18. Defendant W. James McNerney, Jr. ("McNerney") served as the Company's CEO between July 2005 and July 2015.

19. The defendants described in ¶¶ 16-18 are sometimes hereinafter referred to as the "Individual Defendants."

SUBSTANTIVE ALLEGATIONS

Background

20. Boeing, together with its subsidiaries, designs, develops, manufactures, sells, services, and supports commercial jetliners, military aircraft, satellites, missile defense, human space flight, and launch systems and services worldwide. The company operates in five segments: Commercial Airplanes, Boeing Military Aircraft, Network & Space Systems, Global Services & Support, and Boeing Capital.

21. Since 2003, Boeing's Commercial Airplanes segment has employed the program accounting method, in which the Company does not attribute costs for producing a unit to that

same unit, but rather divides those costs over an entire jetliner program, essentially allowing Boeing to average out costs and anticipated profits over the duration of the "program" for a specific jet, a period that can last decades and encompass hundreds or even thousands of aircraft.

Materially False and Misleading Statements Issued During the Class Period

22. The Class Period begins on February 9, 2012, when Boeing filed an annual report on Form 10-K with the SEC announcing the Company's financial and operating results for the quarter and year ended December 31, 2011 (the "2011 10-K"). For the quarter, Boeing reported net income of $1.39 billion, or $1.84 per diluted share, on revenue of $19.56 billion, compared to net income of $1.16 billion, or $1.56 per diluted share, on revenue of $16.55 billion for the same period in the prior year. For 2011, Boeing reported net income of $4.02 billion, or $5.34 per diluted share, on revenue of $68.74 billion, compared to net income of $3.31 billion, or $4.45 per diluted share, on revenue of $64.31 billion for 2010.

23. In the 2011 10-K, Boeing stated, in part:

> **Program Accounting**
> Program accounting requires the demonstrated ability to reliably estimate the relationship of sales to costs for the defined program accounting quantity. A program consists of the estimated number of units (accounting quantity) of a product to be produced in a continuing, long-term production effort for delivery under existing and anticipated contracts. The determination of the accounting quantity is limited by the ability to make reasonably dependable estimates of the revenue and cost of existing and anticipated contracts. For each program, the amount reported as cost of sales is determined by applying the estimated cost of sales percentage for the total remaining program to the amount of sales recognized for airplanes delivered and accepted by the customer.
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> Factors that must be estimated include program accounting quantity, sales price, labor and employee benefit costs, material costs, procured part costs, major component costs, overhead costs, program tooling and other non-recurring costs, and routine warranty costs. . . .
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> ***To ensure reliability in our estimates, we employ a rigorous estimating process that is reviewed and updated on a quarterly basis.*** Changes in estimates are normally recognized on a prospective basis; when estimated costs to complete a program exceed estimated revenues from undelivered units in the accounting

> quantity, a loss provision is recorded in the current period for the estimated loss on all undelivered units in the accounting quantity.
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> The program method of accounting allocates tooling and other non-recurring and production costs over the accounting quantity for each program. Because of the higher unit production costs experienced at the beginning of a new program and substantial investment required for initial tooling and other non-recurring costs, new commercial aircraft programs, such as the 787 program, typically have lower margins than established programs.
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> Due to the significance of judgment in the estimation process described above, it is likely that materially different cost of sales amounts could be recorded if we used different assumptions, or if the underlying circumstances were to change. Changes in underlying assumptions/estimates, supplier performance, or other circumstances may adversely or positively affect financial performance in future periods. If combined cost of sales percentages for commercial airplane programs, excluding the 747 and 787 programs, for all of 2011 had been estimated to be higher or lower by 1%, it would have increased or decreased pre-tax income for the year by approximately $276 million.
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> The 747 program is in a reach-forward loss position having recorded a total of $2,037 million of reach-forward losses in 2009 and 2008. Absent changes in the estimated revenues or costs, subsequent deliveries are recorded at zero margin. Reductions to the estimated loss in subsequent periods are spread over all undelivered units in the accounting quantity, whereas increases to the estimated loss are recorded immediately. Any such increases could result in additional charges.
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> The 787 program has a low single digit profit margin. The cumulative impacts of the production challenges, schedule delays and customer and supplier impacts continue to place significant pressure on revenues, costs and the profitability of the 787 program. The scale and duration of the 787 program is such that relatively minor changes in assumptions or variables could have a material effect on our reported results in any period if the program is determined to have a reach-forward loss.

24. The 2011 10-K contained signed certifications pursuant to the Sarbanes-Oxley Act of 2002 ("SOX") by defendants McNerney and Smith, stating that the financial information contained in the 2011 10-K was accurate and disclosed any material changes to the Company's internal control over financial reporting.

25. On April 25, 2012, Boeing filed a quarterly report on Form 10-Q with the SEC announcing the Company's financial and operating results for the quarter ended March 31, 2012

(the "Q1 2012 10-Q"). For the quarter, Boeing reported net income of $923 million, or $1.22 per diluted share, on revenue of $19.38 billion, compared to net income of $586 million, or $0.78 per diluted share, on revenue of $14.91 billion for the same period in the prior year.

26. In the Q1 2012 10-Q, Boeing stated, in part:

> **Commercial Aircraft Programs**
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> At March 31, 2012 and December 31, 2011, commercial aircraft programs inventory included the following amounts related to the 787 program: $17,727[1] and $16,098 of work in process (including deferred production costs of $11,949 and $10,753), $1,827 and $1,770 of supplier advances, and $1,997 and $1,914 of unamortized tooling and other non-recurring costs. At March 31, 2012, $9,744 of 787 deferred production costs, unamortized tooling and other non-recurring costs are expected to be recovered from units included in the program accounting quantity that have firm orders and $4,202 is expected to be recovered from units included in the program accounting quantity that represent expected future orders.
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> At March 31, 2012 and December 31, 2011, commercial aircraft programs inventory included the following amounts related to the 747 program: $736 and $448 of deferred production costs, net of previously recorded reach-forward losses, and $805 and $852 of unamortized tooling. At March 31, 2012, $1,045 of 747 deferred production costs, unamortized tooling and other non-recurring costs are expected to be recovered from units included in the program accounting quantity that have firm orders and $496 is expected to be recovered from units included in the program accounting quantity that represent expected future orders.

27. The Q1 2012 10-Q contained signed certifications pursuant to SOX by defendants McNerney and Smith, stating that the financial information contained in the Q1 2012 10-Q was accurate and disclosed any material changes to the Company's internal control over financial reporting.

28. On July 25, 2012, Boeing filed a quarterly report on Form 10-Q with the SEC announcing the Company's financial and operating results for the quarter ended June 30, 2012 (the "Q2 2012 10-Q"). For the quarter, Boeing reported net income of $967 million, or $1.27 per

[1] In quotations from Boeing's quarterly reports on Form 10-Q, all dollar figures are in millions.

diluted share, on revenue of $20.01 billion, compared to net income of $941 million, or $1.25 per diluted share, on revenue of $16.54 billion for the same period in the prior year.

29. In the Q2 2012 10-Q, Boeing stated, in part:

> **Commercial Aircraft Programs**
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> At June 30, 2012 and December 31, 2011, commercial aircraft programs inventory included the following amounts related to the 787 program: $19,494 and $16,098 of work in process (including deferred production costs of $13,184 and $10,753), $1,852 and $1,770 of supplier advances, and $2,145 and $1,914 of unamortized tooling and other non-recurring costs. At June 30, 2012, $10,925 of 787 deferred production costs, unamortized tooling and other non-recurring costs are expected to be recovered from units included in the program accounting quantity that have firm orders and $4,404 is expected to be recovered from units included in the program accounting quantity that represent expected future orders.
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> At June 30, 2012 and December 31, 2011, commercial aircraft programs inventory included the following amounts related to the 747 program: $765 and $448 of deferred production costs, net of previously recorded reach-forward losses, and $778 and $852 of unamortized tooling. At June 30, 2012, $916 of 747 deferred production costs and unamortized tooling costs are expected to be recovered from units included in the program accounting quantity that have firm orders and $627is expected to be recovered from units included in the program accounting quantity that represent expected future orders.

30. The Q2 2012 10-Q contained signed certifications pursuant to SOX by defendants McNerney and Smith, stating that the financial information contained in the Q2 2012 10-Q was accurate and disclosed any material changes to the Company's internal control over financial reporting.

31. On October 24, 2012, Boeing filed a quarterly report on Form 10-Q with the SEC announcing the Company's financial and operating results for the quarter ended September 30, 2012 (the "Q3 2012 10-Q"). For the quarter, Boeing reported net income of $1.03 billion, or $1.35 per diluted share, on revenue of $20.01 billion, compared to net income of $1.1 billion, or $1.46 per diluted share, on revenue of $17.73 billion for the same period in the prior year.

32. In the Q3 2012 10-Q, Boeing stated, in part:

Commercial Aircraft Programs

> At September 30, 2012 and December 31, 2011, commercial aircraft programs inventory included the following amounts related to the 787 program: $20,728 and $16,098 of work in process (including deferred production costs of $14,275 and $10,753), $1,862 and $1,770 of supplier advances, and $2,229 and $1,914 of unamortized tooling and other non-recurring costs. At September 30, 2012, $11,387 of 787 deferred production costs, unamortized tooling and other non-recurring costs are expected to be recovered from units included in the program accounting quantity that have firm orders and $5,117 is expected to be recovered from units included in the program accounting quantity that represent expected future orders.
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> At September 30, 2012 and December 31, 2011, commercial aircraft programs inventory included the following amounts related to the 747 program: $1,018 and $448 of deferred production costs, net of previously recorded reach-forward losses, and $737 and $852 of unamortized tooling. At September 30, 2012, $1,067 of 747 deferred production costs and unamortized tooling costs are expected to be recovered from units included in the program accounting quantity that have firm orders and $688 is expected to be recovered from units included in the program accounting quantity that represent expected future orders.

33. The Q3 2012 10-Q contained signed certifications pursuant to SOX by defendants McNerney and Smith, stating that the financial information contained in the Q3 2012 10-Q was accurate and disclosed any material changes to the Company's internal control over financial reporting.

34. On February 11, 2013, Boeing filed an annual report on Form 10-K with the SEC announcing the Company's financial and operating results for the quarter and year ended December 31, 2012 (the "2012 10-K"). For the quarter, Boeing reported net income of $978 million, or $1.28 per diluted share, on revenue of $22.3 billion, compared to net income of $1.39 billion, or $1.84 per diluted share, on revenue of $19.56 billion for the same period in the prior year. For 2012, Boeing reported net income of $3.9 billion, or $5.11 per diluted share, on revenue of $81.70 billion, compared to net income of $4.02 billion, or $5.34 per diluted share, on revenue of $68.74 billion for 2011.

35. In the 2012 10-K, Boeing stated, in part:

Program Accounting

Program accounting requires the demonstrated ability to reliably estimate the relationship of sales to costs for the defined program accounting quantity. A program consists of the estimated number of units (accounting quantity) of a product to be produced in a continuing, long-term production effort for delivery under existing and anticipated contracts. The determination of the accounting quantity is limited by the ability to make reasonably dependable estimates of the revenue and cost of existing and anticipated contracts. For each program, the amount reported as cost of sales is determined by applying the estimated cost of sales percentage for the total remaining program to the amount of sales recognized for airplanes delivered and accepted by the customer.

Factors that must be estimated include program accounting quantity, sales price, labor and employee benefit costs, material costs, procured part costs, major component costs, overhead costs, program tooling and other non-recurring costs, and warranty costs. . . .

To ensure reliability in our estimates, we employ a rigorous estimating process that is reviewed and updated on a quarterly basis. Changes in estimates are normally recognized on a prospective basis; when estimated costs to complete a program exceed estimated revenues from undelivered units in the accounting quantity, a loss provision is recorded in the current period for the estimated loss on all undelivered units in the accounting quantity.

The program method of accounting allocates tooling and other non-recurring and production costs over the accounting quantity for each program. Because of the higher unit production costs experienced at the beginning of a new program and substantial investment required for initial tooling and other non-recurring costs, new commercial aircraft programs, such as the 787 program, typically have lower margins than established programs.

Due to the significance of judgment in the estimation process described above, it is likely that materially different cost of sales amounts could be recorded if we used different assumptions, or if the underlying circumstances were to change. Changes in underlying assumptions/estimates, supplier performance, or other circumstances may adversely or positively affect financial performance in future periods. If combined cost of sales percentages for commercial airplane programs for all of 2012 had been estimated to be lower by 1%, it would have increased pre-tax income for the year by approximately $420 million. If the combined cost of sales percentages for commercial airplane programs for all of 2012 (excluding the 747 and 787 programs which have gross margins that are breakeven or near breakeven at December 31, 2012) had been estimated to be higher by 1%, it would have decreased pre-tax income for the year by approximately $324 million. If we are

> unable to mitigate risks associated with the 747 and 787 programs, or if we are required to change one or more of our pricing, cost or other assumptions related to these programs, we could be required to record reach forward losses which could have a material effect on our reported results.

36. The 2012 10-K contained signed certifications pursuant to SOX by defendants McNerney and Smith, stating that the financial information contained in the 2012 10-K was accurate and disclosed any material changes to the Company's internal control over financial reporting.

37. On April 24, 2013, Boeing filed a quarterly report on Form 10-Q with the SEC announcing the Company's financial and operating results for the quarter ended March 31, 2013 (the "Q1 2013 10-Q"). For the quarter, Boeing reported net income of $1.11 billion, or $1.44 per diluted share, on revenue of $18.89 billion, compared to net income of $923 million, or $1.22 per diluted share, on revenue of $19.38 billion for the same period in the prior year.

38. In the Q1 2013 10-Q, Boeing stated, in part:

> **Commercial Aircraft Programs**
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> At March 31, 2014 and December 31, 2013, commercial aircraft programs inventory included the following amounts related to the 787 program: $30,246 and $27,576 of work in process (including deferred production costs of $23,123 and $21,620), $2,303 and $2,189 of supplier advances, and $3,453 and $3,377 of unamortized tooling and other non-recurring costs. At March 31, 2014, $17,838 of 787 deferred production costs, unamortized tooling and other non-recurring costs are expected to be recovered from units included in the program accounting quantity that have firm orders and $8,737 is expected to be recovered from units included in the program accounting quantity that represent expected future orders.
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> At March 31, 2014 and December 31, 2013, commercial aircraft programs inventory included the following amounts related to the 747 program: $1,649 and $1,554 of deferred production costs, net of previously recorded reach-forward losses, and $552 and $563 of unamortized tooling costs. At March 31, 2014, $1,189 of 747 deferred production costs and unamortized tooling are expected to be recovered from units included in the program accounting quantity that have firm orders and $1,012 is expected to be recovered from units included in the program accounting quantity that represent expected future orders.

39. The Q1 2013 10-Q contained signed certifications pursuant to SOX by defendants McNerney and Smith, stating that the financial information contained in the Q1 2013 10-Q was accurate and disclosed any material changes to the Company's internal control over financial reporting.

40. On July 24, 2013, Boeing filed a quarterly report on Form 10-Q with the SEC announcing the Company's financial and operating results for the quarter ended June 30, 2013 (the "Q2 2013 10-Q"). For the quarter, Boeing reported net income of $1.09 billion, or $1.41 per diluted share, on revenue of $21.82 billion, compared to net income of $967 million, or $1.27 per diluted share, on revenue of $20.01 billion for the same period in the prior year.

41. In the Q2 2013 10-Q, Boeing stated, in part:

> **Commercial Aircraft Programs**
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> At June 30, 2013 and December 31, 2012, commercial aircraft programs inventory included the following amounts related to the 787 program: $25,697 and $21,289 of work in process (including deferred production costs of $18,733 and$15,929), $1,977 and $1,908 of supplier advances, and $2,620 and $2,339 of unamortized tooling and other non-recurring costs. At June 30, 2013, $15,674 of 787 deferred production costs, unamortized tooling and other non-recurring costs are expected to be recovered from units included in the program accounting quantity that have firm orders and $5,679 is expected to be recovered from units included in the program accounting quantity that represent expected future orders.
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> At June 30, 2013 and December 31, 2012, commercial aircraft programs inventory included the following amounts related to the 747 program: $1,374 and $1,292 of deferred production costs, net of previously recorded reach-forward losses, and $627 and $683 of unamortized tooling costs. At June 30, 2013, $971 of 747 deferred production costs and unamortized tooling are expected to be recovered from units included in the program accounting quantity that have firm orders and $1,030 is expected to be recovered from units included in the program accounting quantity that represent expected future orders.

42. The Q2 2013 10-Q contained signed certifications pursuant to SOX by defendants McNerney and Smith, stating that the financial information contained in the Q2 2013 10-Q was

accurate and disclosed any material changes to the Company's internal control over financial reporting.

43. On October 23, 2013, Boeing filed a quarterly report on Form 10-Q with the SEC announcing the Company's financial and operating results for the quarter ended September 30, 2013 (the "Q3 2013 10-Q"). For the quarter, Boeing reported net income of $1.16 billion, or $1.51 per diluted share, on revenue of $22.13 billion, compared to net income of $1.03 billion, or $1.35 per diluted share, on revenue of $20.01 billion for the same period in the prior year.

44. In the Q3 2013 10-Q, Boeing stated, in part:

> **Commercial Aircraft Programs**
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> At September 30, 2013 and December 31, 2012, commercial aircraft programs inventory included the following amounts related to the 787 program: $26,453 and $21,289 of work in process (including deferred production costs of $20,189 and $15,929), $2,143 and $1,908 of supplier advances, and $2,862 and $2,339 of unamortized tooling and other non-recurring costs. At September 30, 2013, $14,657 of 787 deferred production costs, unamortized tooling and other non-recurring costs are expected to be recovered from units included in the program accounting quantity that have firm orders and $8,394 is expected to be recovered from units included in the program accounting quantity that represent expected future orders.
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> At September 30, 2013 and December 31, 2012, commercial aircraft programs inventory included the following amounts related to the 747 program: $1,237 and $1,292 of deferred production costs, net of previously recorded reach-forward losses, and $611 and $683 of unamortized tooling costs. At September 30, 2013, $859 of 747 deferred production costs and unamortized tooling are expected to be recovered from units included in the program accounting quantity that have firm orders and $989 is expected to be recovered from units included in the program accounting quantity that represent expected future orders.

45. The Q3 2013 10-Q contained signed certifications pursuant to SOX by defendants McNerney and Smith, stating that the financial information contained in the Q3 2013 10-Q was accurate and disclosed any material changes to the Company's internal control over financial reporting.

46. On February 14, 2014, Boeing filed an annual report on Form 10-K with the SEC announcing the Company's financial and operating results for the quarter and year ended December 31, 2013 (the "2013 10-K"). For the quarter, Boeing reported net income of $1.23 billion, or $1.61 per diluted share, on revenue of $23.79 billion, compared to net income of $978 million, or $1.28 per diluted share, on revenue of $22.3 billion for the same period in the prior year. For 2013, Boeing reported net income of $4.59 billion, or $5.96 per diluted share, on revenue of $86.62 billion, compared to net income of $3.9 billion, or $5.11 per diluted share, on revenue of $81.7 billion for 2012.

47. In the 2013 10-K, Boeing stated, in part:

> **Program Accounting**
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> Program accounting requires the demonstrated ability to reliably estimate the relationship of sales to costs for the defined program accounting quantity. A program consists of the estimated number of units (accounting quantity) of a product to be produced in a continuing, long-term production effort for delivery under existing and anticipated contracts. The determination of the accounting quantity is limited by the ability to make reasonably dependable estimates of the revenue and cost of existing and anticipated contracts. For each program, the amount reported as cost of sales is determined by applying the estimated cost of sales percentage for the total remaining program to the amount of sales recognized for airplanes delivered and accepted by the customer.
>
> Factors that must be estimated include program accounting quantity, sales price, labor and employee benefit costs, material costs, procured part costs, major component costs, overhead costs, program tooling and other non-recurring costs, and warranty costs. . . .
>
> ***To ensure reliability in our estimates, we employ a rigorous estimating process that is reviewed and updated on a quarterly basis.*** Changes in estimates are normally recognized on a prospective basis; when estimated costs to complete a program exceed estimated revenues from undelivered units in the accounting quantity, a loss provision is recorded in the current period for the estimated loss on all undelivered units in the accounting quantity.
>
> The program method of accounting allocates tooling and other non-recurring and production costs over the accounting quantity for each program. Because of the higher unit production costs experienced at the beginning of a new program and

> substantial investment required for initial tooling and other non-recurring costs, new commercial aircraft programs, such as the 787 program, typically have lower margins than established programs.
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> Due to the significance of judgment in the estimation process described above, it is likely that materially different cost of sales amounts could be recorded if we used different assumptions, or if the underlying circumstances were to change. Changes in underlying assumptions/estimates, supplier performance, or other circumstances may adversely or positively affect financial performance in future periods. If combined cost of sales percentages for commercial airplane programs for all of 2013 had been estimated to be lower by 1%, it would have increased pre-tax income for the year by approximately $460 million. If the combined cost of sales percentages for commercial airplane programs for all of 2013 (excluding the 747 and 787 programs which had gross margins that were breakeven or near breakeven during 2013) had been estimated to be higher by 1%, it would have decreased pre-tax income for the year by approximately $354 million. If we are unable to mitigate risks associated with the 747 and 787 programs, or if we are required to change one or more of our pricing, cost or other assumptions related to these programs, we could be required to record reach forward losses which could have a material effect on our reported results.

48. The 2013 10-K contained signed certifications pursuant to SOX by defendants McNerney and Smith, stating that the financial information contained in the 2013 10-K was accurate and disclosed any material changes to the Company's internal control over financial reporting.

49. On April 23, 2014, Boeing filed a quarterly report on Form 10-Q with the SEC announcing the Company's financial and operating results for the quarter ended March 31, 2014 (the "Q1 2014 10-Q"). For the quarter, Boeing reported net income of $965 million, or $1.28 per diluted share, on revenue of $20.47 billion, compared to net income of $1.11 billion, or $1.44 per diluted share, on revenue of $18.89 billion for the same period in the prior year.

50. In the Q1 2014 10-Q, Boeing stated, in part:

> **Commercial Aircraft Programs**
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> At March 31, 2014 and December 31, 2013, commercial aircraft programs inventory included the following amounts related to the 787 program: $30,246 and $27,576 of work in process (including deferred production

> costs of $23,123 and $21,620), $2,303 and $2,189 of supplier advances, and $3,453 and $3,377 of unamortized tooling and other non-recurring costs. At March 31, 2014, $17,838 of 787 deferred production costs, unamortized tooling and other non-recurring costs are expected to be recovered from units included in the program accounting quantity that have firm orders and $8,737 is expected to be recovered from units included in the program accounting quantity that represent expected future orders.
>
> At March 31, 2014 and December 31, 2013, commercial aircraft programs inventory included the following amounts related to the 747 program: $1,649 and $1,554 of deferred production costs, net of previously recorded reach-forward losses, and $552 and $563 of unamortized tooling costs. At March 31, 2014, $1,189 of 747 deferred production costs and unamortized tooling are expected to be recovered from units included in the program accounting quantity that have firm orders and $1,012 is expected to be recovered from units included in the program accounting quantity that represent expected future orders.

51. The Q1 2014 10-Q contained signed certifications pursuant to SOX by defendants McNerney and Smith, stating that the financial information contained in the Q1 2014 10-Q was accurate and disclosed any material changes to the Company's internal control over financial reporting.

52. On July 23, 2014, Boeing filed a quarterly report on Form 10-Q with the SEC announcing the Company's financial and operating results for the quarter ended June 30, 2014 (the "Q2 2014 10-Q"). For the quarter, Boeing reported net income of $1.65 billion, or $2.24 per diluted share, on revenue of $22.05 billion, compared to net income of $1.09 billion, or $1.41 per diluted share, on revenue of $21.82 billion for the same period in the prior year.

53. In the Q2 2014 10-Q, Boeing stated, in part:

> **Commercial Aircraft Programs**
>
> At June 30, 2014 and December 31, 2013, commercial aircraft programs inventory included the following amounts related to the 787 program: $31,880 and $27,576 of work in process (including deferred production costs of $24,242 and $21,620), $2,320 and $2,189 of supplier advances, and $3,442 and $3,377 of unamortized tooling and other non-recurring costs. At June 30, 2014, $18,367 of 787 deferred production costs, unamortized tooling and other non-recurring costs are expected to be recovered from units included in

> the program accounting quantity that have firm orders and $9,317 is expected to be recovered from units included in the program accounting quantity that represent expected future orders.
>
> At June 30, 2014 and December 31, 2013, commercial aircraft programs inventory included the following amounts related to the 747 program: $1,756 and $1,554 of deferred production costs, net of previously recorded reach-forward losses, and $550 and $563 of unamortized tooling costs. At June 30, 2014, $1,221 of 747 deferred production costs and unamortized tooling are expected to be recovered from units included in the program accounting quantity that have firm orders and$1,085 is expected to be recovered from units included in the program accounting quantity that represent expected future orders.

54. The Q2 2014 10-Q contained signed certifications pursuant to SOX by defendants McNerney and Smith, stating that the financial information contained in the Q2 2014 10-Q was accurate and disclosed any material changes to the Company's internal control over financial reporting.

55. On October 22, 2014, Boeing filed a quarterly report on Form 10-Q with the SEC announcing the Company's financial and operating results for the quarter ended September 30, 2014 (the "Q3 2014 10-Q"). For the quarter, Boeing reported net income of $1.36 billion, or $1.86 per diluted share, on revenue of $23.78 billion, compared to net income of $1.16 billion, or $1.51 per diluted share, on revenue of $22.13 billion for the same period in the prior year.

56. In the Q3 2014 10-Q, Boeing stated, in part:

> **Commercial Aircraft Programs**
>
> At September 30, 2014 and December 31, 2013, commercial aircraft programs inventory included the following amounts related to the 787 program: $32,744 and $27,576 of work in process (including deferred production costs of $25,189 and $21,620), $2,216 and $2,189 of supplier advances, and $3,565 and $3,377 of unamortized tooling and other non-recurring costs. At September 30, 2014, $19,403 of 787 deferred production costs, unamortized tooling and other non-recurring costs are expected to be recovered from units included in the program accounting quantity that have firm orders and $9,351 is expected to be recovered from units included in the program accounting quantity that represent expected future orders.

> At September 30, 2014 and December 31, 2013, commercial aircraft programs inventory included the following amounts related to the 747 program: $1,859 and $1,554 of deferred production costs, net of previously recorded reach-forward losses, and $518 and $563 of unamortized tooling costs. At September 30, 2014, $1,113 of 747 deferred production and unamortized tooling costs are expected to be recovered from units included in the program accounting quantity that have firm orders and $1,264 is expected to be recovered from units included in the program accounting quantity that represent expected future orders.

57. The Q3 2014 10-Q contained signed certifications pursuant to SOX by defendants McNerney and Smith, stating that the financial information contained in the Q3 2014 10-Q was accurate and disclosed any material changes to the Company's internal control over financial reporting.

58. On February 12, 2015, Boeing filed an annual report on Form 10-K with the SEC announcing the Company's financial and operating results for the quarter and year ended December 31, 2014 (the "2014 10-K"). For the quarter, Boeing reported net income of $1.47 billion, or $2.02 per diluted share, on revenue of $24.47 billion, compared to net income of $1.23 billion, or $1.61 per diluted share, on revenue of $23.79 billion for the same period in the prior year. For 2014, Boeing reported net income of $5.45 billion, or $7.38 per diluted share, on revenue of $90.76 billion, compared to net income of $4.59 billion, or $5.96 per diluted share, on revenue of $86.62 billion for 2013.

59. In the 2014 10-K, Boeing stated, in part:

> **Program Accounting**
>
> Program accounting requires the demonstrated ability to reliably estimate the relationship of sales to costs for the defined program accounting quantity. A program consists of the estimated number of units (accounting quantity) of a product to be produced in a continuing, long-term production effort for delivery under existing and anticipated contracts. The determination of the accounting quantity is limited by the ability to make reasonably dependable estimates of the revenue and cost of existing and anticipated contracts. For each program, the amount reported as cost of sales is determined by applying the estimated cost of

sales percentage for the total remaining program to the amount of sales recognized for airplanes delivered and accepted by the customer.

Factors that must be estimated include program accounting quantity, sales price, labor and employee benefit costs, material costs, procured part costs, major component costs, overhead costs, program tooling and other non-recurring costs, and warranty costs. . . .

To ensure reliability in our estimates, we employ a rigorous estimating process that is reviewed and updated on a quarterly basis. Changes in estimates are normally recognized on a prospective basis; when estimated costs to complete a program exceed estimated revenues from undelivered units in the accounting quantity, a loss provision is recorded in the current period for the estimated loss on all undelivered units in the accounting quantity.

The program method of accounting allocates tooling and other non-recurring and production costs over the accounting quantity for each program. Because of the higher unit production costs experienced at the beginning of a new program and substantial investment required for initial tooling and other non-recurring costs, new commercial aircraft programs, such as the 787 program, typically have lower initial margins than established programs.

Due to the significance of judgment in the estimation process described above, it is likely that materially different cost of sales amounts could be recorded if we used different assumptions, or if the underlying circumstances were to change. Changes in underlying assumptions/estimates, supplier performance, or other circumstances may adversely or positively affect financial performance in future periods. If combined cost of sales percentages for commercial airplane programs for all of 2014 had been estimated to be lower by 1%, it would have increased pre-tax income for the year by approximately $520 million. If the combined cost of sales percentages for commercial airplane programs for all of 2014 (excluding the 747 and 787 programs which had gross margins that were breakeven or near breakeven during 2014) had been estimated to be higher by 1%, it would have decreased pre-tax income for the year by approximately $360 million. If we are unable to mitigate risks associated with the 747 and 787 programs, or if we are required to change one or more of our pricing, cost or other assumptions related to these programs, we could be required to record reach-forward losses which could have a material effect on our reported results.

60. The 2014 10-K contained signed certifications pursuant to SOX by defendants McNerney and Smith, stating that the financial information contained in the 2014 10-K was accurate and disclosed any material changes to the Company's internal control over financial reporting.

61. On April 22, 2015, Boeing filed a quarterly report on Form 10-Q with the SEC announcing the Company's financial and operating results for the quarter ended March 31, 2015 (the "Q1 2015 10-Q"). For the quarter, Boeing reported net income of $1.34 billion, or $1.87 per diluted share, on revenue of $22.15 billion, compared to net income of $965 million, or $1.28 per diluted share, on revenue of $20.47 billion for the same period in the prior year.

62. In the Q1 2015 10-Q, Boeing stated, in part:

> At March 31, 2015 and December 31, 2014, commercial aircraft programs inventory included the following amounts related to the 787 program: $34,309 and $33,163 of work in process (including deferred production costs of $26,942 and $26,149), $2,369 and $2,257 of supplier advances, and $3,913 and $3,801 of unamortized tooling and other non-recurring costs. At March 31, 2015, $22,357 of 787 deferred production costs, unamortized tooling and other non-recurring costs are expected to be recovered from units included in the program accounting quantity that have firm orders and $8,498 is expected to be recovered from units included in the program accounting quantity that represent expected future orders.
>
> At March 31, 2015 and December 31, 2014, commercial aircraft programs inventory included the following amounts related to the 747 program: $1,715 and $1,741 of deferred production costs, net of previously recorded reach-forward losses, and $458 and $476 of unamortized tooling costs. At March 31, 2015, $1,054 of 747 deferred production and unamortized tooling costs are expected to be recovered from units included in the program accounting quantity that have firm orders and $1,119 is expected to be recovered from units included in the program accounting quantity that represent expected future orders.

63. The Q1 2015 10-Q contained signed certifications pursuant to SOX by defendants McNerney and Smith, stating that the financial information contained in the Q1 2015 10-Q was accurate and disclosed any material changes to the Company's internal control over financial reporting.

64. On July 22, 2015, Boeing filed a quarterly report on Form 10-Q with the SEC announcing the Company's financial and operating results for the quarter ended June 30, 2015 (the "Q2 2015 10-Q"). For the quarter, Boeing reported net income of $1.11 billion, or $1.59 per

diluted share, on revenue of $24.54 billion, compared to net income of $1.65 billion, or $2.24 per diluted share, on revenue of $22.05 billion for the same period in the prior year.

65. In the Q2 2015 10-Q, Boeing stated, in part:

> At June 30, 2015 and December 31, 2014, commercial aircraft programs inventory included the following amounts related to the 787 program: $35,212 and $33,163 of work in process (including deferred production costs of $27,732 and $26,149), $2,294 and $2,257 of supplier advances, and $3,906 and $3,801 of unamortized tooling and other non-recurring costs. At June 30, 2015, $22,379 of 787 deferred production costs, unamortized tooling and other non-recurring costs are expected to be recovered from units included in the program accounting quantity that have firm orders and $9,259 is expected to be recovered from units included in the program accounting quantity that represent expected future orders.
>
> At June 30, 2015 and December 31, 2014, commercial aircraft programs inventory included the following amounts related to the 747 program: $1,787 and $1,741 of deferred production costs, net of previously recorded reach-forward losses, and $426 and $476 of unamortized tooling costs. At June 30, 2015, $1,019 of 747 deferred production and unamortized tooling costs are expected to be recovered from units included in the program accounting quantity that have firm orders and$1,194 is expected to be recovered from units included in the program accounting quantity that represent expected future orders.

66. The Q2 2015 10-Q contained signed certifications pursuant to SOX by defendants Muilenburg and Smith, stating that the financial information contained in the Q2 2015 10-Q was accurate and disclosed any material changes to the Company's internal control over financial reporting.

67. On October 21, 2015, Boeing filed a quarterly report on Form 10-Q with the SEC announcing the Company's financial and operating results for the quarter ended September 30, 2015 (the "Q3 2015 10-Q"). For the quarter, Boeing reported net income of $1.7 billion, or $2.47 per diluted share, on revenue of $25.85 billion, compared to net income of $1.36 billion, or $1.86 per diluted share, on revenue of $23.78 billion for the same period in the prior year.

68. In the Q3 2015 10-Q, Boeing stated, in part:

> At September 30, 2015 and December 31, 2014, commercial aircraft programs inventory included the following amounts related to the 787 program: $35,282 and $33,163 of work in process (including deferred production costs of $28,309 and $26,149), $2,267 and $2,257 of supplier advances, and $3,908 and $3,801 of unamortized tooling and other non-recurring costs. At September 30, 2015, $22,496 of 787 deferred production costs, unamortized tooling and other non-recurring costs are expected to be recovered from units included in the program accounting quantity that have firm orders and $9,721 is expected to be recovered from units included in the program accounting quantity that represent expected future orders.
>
> At September 30, 2015 and December 31, 2014, commercial aircraft programs inventory included the following amounts related to the 747 program: $1,891 and $1,741 of deferred production costs, net of previously recorded reach-forward losses, and $405 and $476 of unamortized tooling costs. At September 30, 2015, $739 of 747 deferred production and unamortized tooling costs are expected to be recovered from units included in the program accounting quantity that have firm orders and $1,557 is expected to be recovered from units included in the program accounting quantity that represent expected future orders.

69. The Q3 2015 10-K Q contained signed certifications pursuant to SOX by defendants Muilenburg and Smith, stating that the financial information contained in the Q3 2015 10-Q was accurate and disclosed any material changes to the Company's internal control over financial reporting.

70. On February 10, 2016, Boeing filed an annual report on Form 10-K with the SEC announcing the Company's financial and operating results for the quarter and year ended December 31, 2015 (the "2015 10-K"). For the quarter, Boeing reported net income of $1.03 billion, or $1.51 per diluted share, on revenue of $23.57 billion, compared to net income of $1.47 billion, or $2.02 per diluted share, on revenue of $24.47 billion for the same period in the prior year. For 2015, Boeing reported net income of $5.18 billion, or $7.44 per diluted share, on revenue of $96.11 billion, compared to net income of $5.45 billion, or $7.38 per diluted share, on revenue of $90.76 billion for 2014.

71. In the 2015 10-K, Boeing stated, in part:

Program Accounting

Program accounting requires the demonstrated ability to reliably estimate the relationship of sales to costs for the defined program accounting quantity. A program consists of the estimated number of units (accounting quantity) of a product to be produced in a continuing, long-term production effort for delivery under existing and anticipated contracts. The determination of the accounting quantity is limited by the ability to make reasonably dependable estimates of the revenue and cost of existing and anticipated contracts. For each program, the amount reported as cost of sales is determined by applying the estimated cost of sales percentage for the total remaining program to the amount of sales recognized for airplanes delivered and accepted by the customer.

Factors that must be estimated include program accounting quantity, sales price, labor and employee benefit costs, material costs, procured part costs, major component costs, overhead costs, program tooling and other non-recurring costs, and warranty costs. . . .

To ensure reliability in our estimates, we employ a rigorous estimating process that is reviewed and updated on a quarterly basis. Changes in estimates are normally recognized on a prospective basis; when estimated costs to complete a program exceed estimated revenues from undelivered units in the accounting quantity, a loss provision is recorded in the current period for the estimated loss on all undelivered units in the accounting quantity.

The program method of accounting allocates tooling and other non-recurring and production costs over the accounting quantity for each program. Because of the higher unit production costs experienced at the beginning of a new program and substantial investment required for initial tooling and other non-recurring costs, new commercial aircraft programs, such as the 787 program, typically have lower initial margins than established programs. In addition, actual costs incurred for earlier units in excess of the estimated average cost of all units in the program accounting quantity are included within program inventory as deferred production costs. Deferred production, unamortized tooling and other non-recurring costs are expected to be fully recovered when all units in the accounting quantity are delivered as the expected unit cost for later deliveries is below the estimated average cost as learning curve and other improvements are realized.

Due to the significance of judgment in the estimation process described above, it is reasonably possible that changes in underlying circumstances or assumptions could have a material effect on program gross margins. If the combined gross margin percentages for our commercial airplane programs had been estimated to be 1% higher or lower it would have a similar effect on the Commercial Airplane segment's operating margins. For the year-ended December 31, 2015, a 1% increase or decrease in operating margins for our Commercial Airplane segment would have a $650 million impact on operating earnings.

> The 747 is in a reach-forward loss position at December 31, 2015 while the 787 program had near breakeven margins during 2015. Absent changes in estimated revenues or costs, subsequent 747 deliveries are recorded at zero margin. Reductions to the estimated loss in subsequent periods are spread over all undelivered units in the accounting quantity, whereas increases to the estimated loss are recorded immediately as an additional reach-forward loss. If we are unable to mitigate risks associated with the 747 and 787 programs, or if we are required to change one or more of our pricing, cost or other assumptions related to these programs, we could be required to record additional reach-forward losses which could have a material effect on our reported results.

72. The 2015 10-K contained signed certifications pursuant to SOX by defendants Muilenburg and Smith, stating that the financial information contained in the 2015 10-K was accurate and disclosed any material changes to the Company's internal control over financial reporting.

73. The statements referenced in ¶¶ 22-72 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, operational and compliance policies. Specifically, defendants made false and/or misleading statements and/or failed to disclose that: (i) the Company improperly accounted for the costs and expected sales of Boeing's 787 Dreamliner and 747 jumbo aircrafts; and (ii) as a result of the foregoing, Boeing's public statements were materially false and misleading at all relevant times.

The Truth Begins To Emerge

74. On February 11, 2016, *Bloomberg News* reported that the SEC is investigating whether Boeing properly accounted for the costs and expected sales of its 787 Dreamliner and 747 jumbo aircraft. The *Bloomberg News* article stated, in part:

> Underlying the SEC review is a financial reporting method known as program accounting that allows Boeing to spread the enormous upfront costs of manufacturing planes over many years. While the SEC has broadly blessed its use in the aerospace industry, ***critics have said the system can give too much leeway***

> ***to smooth earnings and obscure potential losses.***
>
> . . .
>
> As part of the investigation, ***SEC enforcement attorneys are examining whether Boeing's financial statements relied on sales forecasts that might be too optimistic***, one person said. Another avenue of inquiry is ***whether Boeing's estimates for declining production costs will come to fruition***, the person said.
>
> A whistleblower has given SEC officials internal documents and data about Boeing's accounting, according to the people. The tipster first raised concerns with the regulator more than a year ago, one person said. SEC policy is to not reveal the identities of whistleblowers.
>
> . . .
>
> The SEC investigation "is potentially material and now a key focus for us," Seth Seifman, an analyst at JPMorgan Chase & Co., said in a note to clients.
>
> "If the issue here is whether Boeing should have already booked a 787 charge that many believe inevitable, that will be less damaging to the stock," he said. "If there is any impact on our 787 cash flow forecasts for the coming years, this would be more significant."

75. On this news, Boeing shares fell $7.92, or 6.8%, to close at $108.44 on February 11, 2016.

76. 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

77. 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 Boeing 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.

78. The members of the Class are so numerous that joinder of all members is impracticable. Throughout the Class Period, Boeing 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 Boeing 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.

79. 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.

80. 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.

81. 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 Boeing;

- whether the Individual Defendants caused Boeing 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 Boeing 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.

82. 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.

83. 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;
- Boeing 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 Boeing 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.

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

85. 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

(Against All Defendants For Violations of Section 10(b) And Rule 10b-5 Promulgated Thereunder)

86. Plaintiff repeats and realleges each and every allegation contained above as if fully set forth herein.

87. 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.

88. 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 Boeing securities; and (iii) cause Plaintiff and other members of the Class to purchase or otherwise acquire Boeing

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.

89. 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 Boeing 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 Boeing's finances and business prospects.

90. By virtue of their positions at Boeing, 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.

91. Defendants were personally motivated to make false statements and omit material information necessary to make the statements not misleading in order to personally benefit from the sale of Boeing securities from their personal portfolios.

92. 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 Boeing, the Individual Defendants had knowledge of the details of Boeing's internal affairs.

93. 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 Boeing. 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 Boeing'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 Boeing securities was artificially inflated throughout the Class Period. In ignorance of the adverse facts concerning Boeing's business and financial condition which were concealed by defendants, Plaintiff and the other members of the Class purchased or otherwise acquired Boeing 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.

94. During the Class Period, Boeing 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 Boeing 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 Boeing securities was substantially lower than the prices paid by Plaintiff and the other

members of the Class. The market price of Boeing securities declined sharply upon public disclosure of the facts alleged herein to the injury of Plaintiff and Class members.

95. 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.

96. 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)

97. Plaintiff repeats and realleges each and every allegation contained in the foregoing paragraphs as if fully set forth herein.

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

99. 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 Boeing's financial condition and results of operations, and to correct promptly any public statements issued by Boeing which had become materially false or misleading.

100. 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 Boeing disseminated in the marketplace during the Class Period concerning Boeing's results of operations. Throughout the Class Period, the Individual Defendants exercised their power and authority to cause Boeing to engage in the wrongful acts complained of herein. The Individual Defendants therefore, were "controlling persons" of Boeing 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 Boeing securities.

101. Each of the Individual Defendants, therefore, acted as a controlling person of Boeing. By reason of their senior management positions and/or being directors of Boeing, each of the Individual Defendants had the power to direct the actions of, and exercised the same to cause, Boeing to engage in the unlawful acts and conduct complained of herein. Each of the Individual Defendants exercised control over the general operations of Boeing 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.

102. 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 Boeing.

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.

Dated: February 22, 2016

Respectfully submitted,

/s/ Louis C. Ludwig

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