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9 UNITED STATES DISTRICT COURT
10 CENTRAL DISTRICT OF CALIFORNIA

11 FRANK ROTH BETEILIGUNGS
12 GmbH, Individually and on behalf of
13 all others similarly situated,

14 Plaintiff,

15 v.

16 GTT COMMUNICATIONS, INC.,
17 RICHARD D. CALDER, JR., ERNIE
18 ORTEGA, MICHAEL T. SICOLI,
19 DANIEL M. FRASER, and STEVEN
20 BERNS,

21 Defendants.

No.

22 **CLASS ACTION COMPLAINT**
23 **FOR VIOLATIONS OF THE**
24 **FEDERAL SECURITIES LAWS**

25 CLASS ACTION

26 JURY TRIAL DEMANDED

1 Plaintiff Frank Roth Beteiligungs GmbH (“Plaintiff”) alleges the following
2 upon personal knowledge as to allegations specifically pertaining to Plaintiff and,
3 as to all other matters, upon the investigation of counsel, which included: (a)
4 review and analysis of public filings with the United States Securities and
5 Exchange Commission (“SEC”) made by GTT Communications, Inc. (“GTT” or
6 the “Company”) and related parties; (b) review and analysis of press releases and
7 other publications disseminated by GTT and related parties; (c) review and
8 analysis of shareholder communications, conference calls and postings on GTT’s
9 website concerning the Company’s public statements; (d) review and analysis of
10 news articles concerning GTT and related parties; and (e) review of other
11 publicly available information concerning GTT, related parties, and/or the
12 Individual Defendants (as defined below).

13 **NATURE OF THE ACTION**

14 1. This is a federal securities class action brought on behalf of all
15 persons or entities that purchased or otherwise acquired GTT publicly traded
16 securities from May 5, 2016 through November 9, 2020, inclusive (the “Class
17 Period”), seeking to pursue remedies under the Securities Exchange Act of 1934
18 (the “Exchange Act”). Plaintiff alleges that Defendants violated the Exchange
19 Act by publishing false and misleading statements to artificially inflate the
20 Company’s stock price.

21 2. GTT operates a global communications network, providing
22 telecommunications services to large, multinational enterprises, carriers, and
23 governments across five continents. Throughout the Class Period, GTT stated
24 that its internal controls over financial reporting were “effective” and provided
25 “reasonable assurance” that all required information was being disclosed.
26

27
28

1 17. Defendant Michael T. Sicoli (“Sicoli”) was the Company’s Chief
2 Financial Officer (“CFO”) from the start of the Class Period to September 2019.

3 18. Defendant Daniel M. Fraser (“Fraser”) was the Company’s interim
4 CFO from September 2019 to April 6, 2020.

5 19. Defendant Steven Berns (“Berns”) was the Company’s CFO from
6 April 6, 2020 through the end of the Class Period.

7 20. Defendants Calder, Ortega, Sicoli, Fraser and Berns are collectively
8 referred to herein as the “Individual Defendants.”

9 21. Each of the Individual Defendants:

- 10 (a) directly participated in the management of the Company;
11 (b) was directly involved in the day-to-day operations of the
12 Company at the highest levels;
13 (c) was privy to confidential proprietary information concerning
14 the Company and its business and operations;
15 (d) was directly or indirectly involved in drafting, producing,
16 reviewing and/or disseminating the false and misleading
17 statements and information alleged herein;
18 (e) was directly or indirectly involved in the oversight or
19 implementation of the Company’s internal controls;
20 (f) was aware of or recklessly disregarded the fact that the false
21 and misleading statements were being issued concerning the
22 Company; and/or
23 (g) approved or ratified these statements in violation of the federal
24 securities laws.
25

26 22. The Company is liable for the acts of the Individual Defendants and
27 its employees under the doctrine of *respondeat superior* and common law
28

1 principles of agency because all of the wrongful acts complained of herein were
2 carried out within the scope of their employment.

3 23. The scienter of the Individual Defendants and other employees and
4 agents of the Company is similarly imputed to the Company under *respondeat*
5 *superior* and agency principles.

6 24. The Company and the Individual Defendants are referred to herein,
7 collectively, as the “Defendants.”

8 **SUBSTANTIVE ALLEGATIONS**

9 **Materially False and Misleading** 10 **Statements Issued During the Class Period**

11 25. On May 5, 2016, GTT filed a Form 10-Q for the fiscal quarter ended
12 March 31, 2016 (the “1Q 2016 10-Q”). Attached to the 1Q 2016 10-Q were
13 certifications pursuant to the Sarbanes-Oxley Act of 2002 (“SOX”) signed by
14 Defendants Calder and Sicoli attesting to the accuracy of financial reporting, the
15 disclosure of any material changes to the Company’s internal control over
16 financial reporting and the disclosure of all fraud.

17 26. The 1Q 2016 10-Q stated the following, in pertinent part, regarding
18 GTT’s internal controls:

19 **Evaluation of Disclosure Controls and Procedures**

20
21 *Our management carried out an evaluation required by Rule*
22 *13a-15 under the Securities Exchange Act of 1934, as amended*
23 *(the “Exchange Act”), under the supervision of and with the*
24 *participation of our Chief Executive Officer (“CEO”) and Chief*
25 *Financial Officer (“CFO”), of the effectiveness of our disclosure*
26 *controls and procedures as defined in Rule 13a-15 and 15d-15*
27 *under the Exchange Act (“Disclosure Controls”). Based on our*
28 *evaluation, our CEO and CFO concluded that our disclosure controls*
and procedures are designed at a reasonable assurance level and are
effective to provide reasonable assurance that information we are

1 required to disclose in reports that we file or submit under the
2 Exchange Act is recorded, processed, summarized and reported
3 within the time periods specified in Securities and Exchange
4 Commission rules and forms and that such information is
5 accumulated and communicated to our management, including our
6 CEO and CFO, as appropriate, to allow timely decisions regarding
7 required disclosure. *The CEO and the CFO, with assistance from
8 other members of management, have reviewed the effectiveness of
9 our disclosure controls and procedures as of March 31, 2016, and
10 based on their evaluation, have concluded that the disclosure
11 controls and procedures were effective as of such date.*

12 **Changes in Internal Control over Financial Reporting**

13 *There were no changes in our internal control over financial
14 reporting, as defined in Rules 13a-15(f) and 15d-15(f) of the
15 Securities Exchange Act of 1934, that occurred during the period
16 ended March 31, 2016 that have materially affected, or are
17 reasonably likely to materially affect, our internal control over
18 financial reporting.*

19 (Emphasis added.)

20 27. The 1Q 2016 10-Q also stated the following, in relevant part,
21 regarding GTT's Cost of Telecommunications Services Provided:

22 **Cost of Telecommunications Services Provided**

23 *Cost of telecommunication services provided increased by
24 \$28.5 million, or 75.6%, from \$37.7 million for the three months
25 ended March 31, 2015 to \$66.2 million for the three months ended
26 March 31, 2016.* Consistent with our increase in revenue, the
27 increase in cost of telecommunication services provided was
28 principally driven by the acquisitions of MegaPath and One Source.

On a constant currency basis using the average exchange rates
in effect during the three months ended March 31, 2015, cost of
telecommunication services provided would have been higher by
\$0.2 million for the three months ended March 31, 2016.

1 (Emphasis added.)

2 28. On August 8, 2016, the Company filed a Form 10-Q for the fiscal
3 quarter ended June 30, 2016 (the “2Q 2016 10-Q”). Attached to the 2Q 2016 10-Q
4 were SOX certifications signed by Defendants Calder and Sicoli attesting to the
5 accuracy of financial reporting, the disclosure of any material changes to the
6 Company’s internal control over financial reporting and the disclosure of all fraud.

7 29. The 2Q 2016 10-Q stated, in relevant part, the following regarding
8 GTT’s internal controls:

9 **Evaluation of Disclosure Controls and Procedures**

10
11 *Our management carried out an evaluation required by Rule*
12 *13a-15 under the Securities Exchange Act of 1934, as amended*
13 *(the “Exchange Act”), under the supervision of and with the*
14 *participation of our Chief Executive Officer (“CEO”) and Chief*
15 *Financial Officer (“CFO”), of the effectiveness of our disclosure*
16 *controls and procedures as defined in Rule 13a-15 and 15d-15*
17 *under the Exchange Act (“Disclosure Controls”). Based on our*
18 *evaluation, our CEO and CFO concluded that our disclosure controls*
19 *and procedures are designed at a reasonable assurance level and are*
20 *effective to provide reasonable assurance that information we are*
21 *required to disclose in reports that we file or submit under the*
22 *Exchange Act is recorded, processed, summarized and reported*
23 *within the time periods specified in Securities and Exchange*
24 *Commission rules and forms and that such information is*
25 *accumulated and communicated to our management, including our*
26 *CEO and CFO, as appropriate, to allow timely decisions regarding*
27 *required disclosure. The CEO and the CFO, with assistance from*
28 *other members of management, have reviewed the effectiveness of*
our disclosure controls and procedures as of June 30, 2016, and
based on their evaluation, have concluded that the disclosure
controls and procedures were effective as of such date.

Changes in Internal Control over Financial Reporting

During the three months ended June 30, 2016, we implemented

1 a new financial accounting system. In connection with the
2 implementation of this new system, we updated many of the
3 processes and procedures related to our internal control over financial
4 reporting, as needed. *We do not believe the implementation of the*
5 *new system or the corresponding changes in processes and*
6 *procedures has had or will have a material or adverse effect on our*
7 *internal control over financing reporting.* Except as otherwise
8 described above, there have been no other changes in our internal
9 control over financial reporting (as defined in Rules 13a-15(f) and
10 15d-15(f) under the Exchange Act) as of June 30, 2016, that has
11 materially affected, or is reasonably likely to materially affect our
12 internal control over financial reporting.

13 (Emphasis added.)

14 30. The 2Q 2016 10-Q also stated, in relevant part, the following
15 regarding GTT's Cost of Telecommunications Services Provided:

16 **Cost of Telecommunications Services Provided**

17 *Cost of telecommunications services provided increased by*
18 *\$16.8 million, or 32.7%, from \$51.5 million for the three months*
19 *ended June 30, 2015 to \$68.3 million for the three months ended*
20 *June 30, 2016.* Consistent with our increase in revenue, the increase
21 in cost of telecommunications services provided was principally
22 driven by the acquisitions of OSN and Telnes, as well as organic
23 growth.

24 On a constant currency basis using the average exchange rates
25 in effect during the three months ended June 30, 2015, cost of
26 telecommunications services provided would have been higher by
27 \$0.1 million for the three months ended June 30, 2016.

28 (Emphasis added.)

31. On November 9, 2016, the Company filed a Form 10-Q for the fiscal
quarter ended September 30, 2016 (the "3Q 2016 10-Q"). Attached to the 3Q
2016 10-Q were SOX certifications signed by Defendants Calder and Sicoli
attesting to the accuracy of financial reporting, the disclosure of any material

1 changes to the Company’s internal control over financial reporting and the
2 disclosure of all fraud.

3 32. The 3Q 2016 10-Q stated, in relevant part, the following regarding
4 GTT’s internal controls:

5 **Evaluation of Disclosure Controls and Procedures**

6 *Our management carried out an evaluation required by Rule*
7 *13a-15 under the Securities Exchange Act of 1934, as amended*
8 *(the “Exchange Act”), under the supervision of and with the*
9 *participation of our Chief Executive Officer (“CEO”) and Chief*
10 *Financial Officer (“CFO”), of the effectiveness of our disclosure*
11 *controls and procedures as defined in Rule 13a-15 and 15d-15*
12 *under the Exchange Act (“Disclosure Controls”). Based on our*
13 *evaluation, our CEO and CFO concluded that our disclosure controls*
14 *and procedures are designed at a reasonable assurance level and are*
15 *effective to provide reasonable assurance that information we are*
16 *required to disclose in reports that we file or submit under the*
17 *Exchange Act is recorded, processed, summarized and reported*
18 *within the time periods specified in Securities and Exchange*
19 *Commission rules and forms and that such information is*
20 *accumulated and communicated to our management, including our*
21 *CEO and CFO, as appropriate, to allow timely decisions regarding*
22 *required disclosure. The CEO and the CFO, with assistance from*
23 *other members of management, have reviewed the effectiveness of*
24 *our disclosure controls and procedures as of September 30, 2016,*
25 *and based on their evaluation, have concluded that the disclosure*
26 *controls and procedures were effective as of such date.*

27 **Changes in Internal Control over Financial Reporting**

28 *There were no changes in our internal control over financial*
reporting (as defined in Rules 13a-15(f) and 15d-15(f) under the
Exchange Act) as of September 30, 2016, that has materially
affected, or is reasonably likely to materially affect our internal
control over financial reporting.

(Emphasis added.)

1 33. The 3Q 2016 10-Q also stated the following, in pertinent part,
2 regarding GTT's Cost of Telecommunications Services Provided:

3 **Cost of Telecommunications Services Provided**
4

5 *Cost of telecommunications services provided increased by*
6 *\$14.8 million, or 27.8%, from \$53.4 million for the three months*
7 *ended September 30, 2015 to \$68.2 million for the three months*
8 *ended September 30, 2016.* Consistent with our increase in revenue,
9 the increase in cost of telecommunications services provided was
principally driven by the acquisitions of OSN and Telnes, as well as
organic growth.

10 On a constant currency basis using the average exchange rates
11 in effect during the three months ended September 30, 2015, cost of
12 telecommunications services provided would have been higher by
\$0.5 million for the three months ended September 30, 2016.

13 (Emphasis added.)
14

15 34. On March 8, 2017, the Company filed a Form 10-K for the fiscal
16 year ended December 31, 2016 (the "2016 10-K"). Attached to the 2016 10-K
17 were SOX certifications signed by Defendants Calder and Sicoli attesting to the
18 accuracy of financial reporting, the disclosure of any material changes to the
19 Company's internal control over financial reporting and the disclosure of all fraud.

20 35. The 2016 10-K stated, in relevant part, the following regarding
21 GTT's internal controls:

22 **Management's Report on Internal Control over Financial**
23 **Reporting and Attestation Report of the Registered Public**
24 **Accounting Firm**

25 Our management is responsible for establishing and
26 maintaining adequate internal control over financial reporting (as
27 defined in Rule 13a-15(f) under the Exchange Act). *Management*
28 *conducted an assessment of the effectiveness of our internal control*
over financial reporting based on the criteria set forth in Internal

1 Control - Integrated Framework issued by the Committee of
2 Sponsoring Organizations of the Treadway Commission (2013
3 framework). *Based on the assessment, management has concluded*
4 *that its internal control over financial reporting was effective as of*
5 *December 31, 2016, to provide reasonable assurance regarding the*
6 *reliability of financial reporting and the preparation of financial*
7 *statements in accordance with U.S. GAAP.* The effectiveness of our
8 internal control over financial reporting as of December 31, 2016, has
9 been audited by CohnReznick LLP, an independent registered public
10 accounting firm, as stated in their report, which appears herein.

8 **Changes in Internal Control Over Financial Reporting**

9 During the year ended December 31, 2016, we implemented a
10 new financial accounting system. In connection with the
11 implementation of this new system, we updated many of the
12 processes and procedures related to our internal control over financial
13 reporting, as needed. *We do not believe the implementation of the*
14 *new system or the corresponding changes in processes and*
15 *procedures has had or will have a material or adverse effect on our*
16 *internal control over financing reporting. Except as otherwise*
17 *described above, there were no other changes in our internal*
18 *control over financial reporting (as defined in Rules 13a-15(f) and*
19 *15d-15(f) under the Exchange Act) during the quarter ended*
20 *December 31, 2016, that has materially affected, or is reasonably*
21 *likely to materially affect our internal control over financial*
22 *reporting.*

23 (Emphasis added.)

24 36. The 2016 10-K also stated the following, in pertinent part, regarding
25 GTT's Cost of Telecommunications Services Provided:

26 **Cost of Telecommunications Services Provided**

27 *Cost of telecommunications services provided increased by*
28 *\$69.6 million, or 34.0%, from \$204.5 million for the year ended*
December 31, 2015 to \$274.0 million for the year ended December
31, 2016. Consistent with our increase in revenue, the increase in cost
of telecommunications services provided was principally driven by
the Acquisitions, as well as organic growth and the purchase of

1 certain customer contracts.

2 On a constant currency basis using the average exchange rates
3 in effect during the year ended December 31, 2015, cost of
4 telecommunications services provided would have been higher by
5 \$1.0 million for the year ended December 31, 2016.

(Emphasis added.)

6 37. On March 1, 2018, the Company filed a Form 10-K for the fiscal
7 year ended December 31, 2017 (the “2017 10-K”). Attached to the 2017 10-K
8 were SOX certifications signed by Defendants Calder and Sicoli attesting to the
9 accuracy of financial reporting, the disclosure of any material changes to the
10 Company’s internal control over financial reporting and the disclosure of all fraud.

11 38. The 2017 10-K stated, in pertinent part, the following regarding
12 GTT’s internal controls:

13 **Management’s Report on Internal Control over Financial**
14 **Reporting and Attestation Report of the Registered Public**
15 **Accounting Firm**

16 Our management is responsible for establishing and
17 maintaining adequate internal control over financial reporting (as
18 defined in Rule 13a-15(f) under the Exchange Act). *Management*
19 *conducted an assessment of the effectiveness of our internal control*
20 *over financial reporting* based on the criteria set forth in Internal
21 Control - Integrated Framework issued by the Committee of
22 Sponsoring Organizations of the Treadway Commission (2013
23 framework). *Based on the assessment, management has concluded*
24 *that its internal control over financial reporting was effective as of*
25 *December 31, 2017, to provide reasonable assurance regarding the*
26 *reliability of financial reporting and the preparation of financial*
statements in accordance with U.S. GAAP. The effectiveness of our
internal control over financial reporting as of December 31, 2017, has
been audited by CohnReznick LLP, an independent registered public
accounting firm, as stated in their report, which appears herein.

27 **Changes in Internal Control Over Financial Reporting**
28

1 *Except for the implementation of certain internal controls*
2 *related to the adoption of the new revenue recognition standard*
3 *(Topic 606), there were no changes in our internal control over*
4 *financial reporting* (as defined in Rules 13a-15(f) and 15d-15(f)
5 *under the Exchange Act) during the year ended December 31, 2017,*
6 *that materially affected, or are reasonably likely to materially*
7 *affect, our internal control over financial reporting.* The Company
8 implemented new controls as part of its effort to adopt Topic 606.
9 The adoption of Topic 606 required the implementation of new
10 accounting processes, which changed the Company's internal controls
11 over revenue recognition and financial reporting. We implemented
12 these internal controls to ensure we adequately evaluated our
13 contracts and properly assessed the impact of Topic 606 on our
14 financial statements to facilitate its adoption in 2018.

(Emphasis added.)

39. The 2017 10-K also stated the following, in pertinent part, regarding
GTT's Cost of Telecommunications Services Provided:

Cost of Telecommunications Services Provided

15 *Cost of telecommunications services provided increased by*
16 *\$152.5 million, or 54.5%, from \$279.6 million for the year ended*
17 *December 31, 2016 to \$432.1 million for the year ended December*
18 *31, 2017.* Consistent with our increase in revenue, the increase in cost
19 of telecommunications services provided was principally driven by
20 2017 Acquisitions and the purchase of certain customer contracts.

21 On a constant currency basis using the average exchange rates
22 in effect during the year ended December 31, 2016, cost of
23 telecommunications services provided would have been higher by
24 \$1.0 million for the year ended December 31, 2017.

(Emphasis added.)

40. On March 1, 2019, the Company filed a Form 10-K for the fiscal
year ended December 31, 2018 (the "2018 10-K"). Attached to the 2018 10-K
were SOX certifications signed by Defendants Calder and Sicoli attesting to the

1 accuracy of financial reporting, the disclosure of any material changes to the
2 Company's internal control over financial reporting and the disclosure of all fraud.

3 41. The 2018 10-K stated, in pertinent part, the following regarding
4 GTT's internal controls:

5 **Management's Report on Internal Control over Financial**
6 **Reporting and Audit Report of the Registered Public Accounting**
7 **Firm**

8 Our management is responsible for establishing and
9 maintaining adequate internal control over financial reporting (as
10 defined in Rule 13a-15(f) under the Exchange Act). *Management*
11 *conducted an assessment of the effectiveness of our internal control*
12 *over financial reporting* based on the criteria set forth in Internal
13 Control - Integrated Framework issued by the Committee of
14 Sponsoring Organizations of the Treadway Commission (2013).
15 *Based on the assessment, management has concluded that its*
16 *internal control over financial reporting was effective as of*
17 *December 31, 2018, to provide reasonable assurance regarding the*
18 *reliability of financial reporting and the preparation of financial*
19 *statements in accordance with U.S. GAAP.* The effectiveness of our
20 internal control over financial reporting as of December 31, 2018, has
21 been audited by CohnReznick LLP, an independent registered public
22 accounting firm, as stated in their report, which appears herein.

23 **Changes in Internal Control Over Financial Reporting**

24 *Except for the 1) Company's design and implementation of*
25 *new and enhanced controls to remediate the material weakness*
26 *described above, and 2) the implementation of certain internal*
27 *controls related to the adoption of the new leasing standard (Topic*
28 *842), there were no changes in our internal control over financial*
reporting (as defined in Rules 13a-15(f) and 15d-15(f) under the
Exchange Act) *during the three months ended December 31, 2018,*
that materially affected, or are reasonably likely to materially
affect, our internal control over financial reporting. The Company
implemented new controls as part of its effort to adopt Topic 842.
The adoption of Topic 842 required the implementation of new
accounting processes, which changed the Company's internal controls

1 over lease accounting. We implemented these internal controls to
2 ensure we adequately evaluated our leases and properly assessed the
3 impact of Topic 842 on our financial statements to facilitate its
adoption in 2019.

4 (Emphasis added.)

5 42. The 2018 10-K also stated, in relevant part, the following regarding
6 GTT's Cost of Telecommunications Services:

7 **Cost of Telecommunications Services**

8 *Cost of telecommunications services increased by \$387.3*
9 *million, or 89.6%, from \$432.1 million for the year ended*
10 *December 31, 2017 to \$819.4 million for the year ended December*
11 *31, 2018.* Recurring cost of telecommunications services was
12 approximately 94% and 95% of total cost of telecommunications
13 services for the year ended December 31, 2018 and 2017,
14 respectively. Consistent with our increase in revenue, the increase in
cost of telecommunications services was principally driven by the
2017 Acquisitions and 2018 Acquisitions.

15 On a constant currency basis using the average exchange rates
16 in effect during the year ended December 31, 2017, cost of
telecommunications services would have been lower by \$12.2
17 million for the year ended December 31, 2018.

18 (Emphasis added.)

19
20 43. On March 2, 2020, the Company filed a Form 10-K for the fiscal
21 year ended December 31, 2019 (the "2019 10-K"). Attached to the 2019 10-K
22 were SOX certifications signed by Defendants Calder and Fraser attesting to the
23 accuracy of financial reporting, the disclosure of any material changes to the
24 Company's internal control over financial reporting and the disclosure of all fraud.

25 44. The 2019 10-K stated the following, in relevant part, about GTT's
26 internal controls:

27 **Management's Annual Report on Internal Control over**
28 **Financial Reporting**

1 Our management is responsible for establishing and
2 maintaining adequate internal control over financial reporting (as
3 defined in Rule 13a-15(f) under the Exchange Act). *Management*
4 *conducted an assessment of the effectiveness of our internal control*
5 *over financial reporting* based on the criteria set forth in Internal
6 Control - Integrated Framework (2013) issued by the Committee of
7 Sponsoring Organizations of the Treadway Commission. *Based on*
8 *the assessment, management has concluded that our internal*
9 *control over financial reporting was effective as of December 31,*
10 *2019, to provide reasonable assurance regarding the reliability of*
11 *financial reporting and the preparation of financial statements in*
12 *accordance with U.S. GAAP.* The effectiveness of our internal
13 control over financial reporting as of December 31, 2019, has been
14 audited by CohnReznick LLP, an independent registered public
15 accounting firm, as stated in its report, which appears herein.

12 **Changes in Internal Control Over Financial Reporting**

13 *Except for the Company's design and implementation of*
14 *certain controls related to the adoption of the new leases standard*
15 *(ASC 842), there were no changes in our internal control over*
16 *financial reporting* (as defined in Rules 13a-15(f) and 15d-15(f)
17 under the Exchange Act) *during the year ended December 31, 2019,*
18 *that have materially affected, or are reasonably likely to materially*
19 *affect our internal control over financial reporting.* The Company
20 implemented new controls as part of its effort to adopt Topic 842.
21 The adoption of Topic 842 required the implementation of new
22 accounting processes, which changed the Company's internal controls
23 over lease accounting. We implemented these internal controls to
24 ensure we adequately evaluated our leases and properly assessed the
25 impact of Topic 842 on our financial statements to facilitate its
26 adoption in 2019.

23 (Emphasis added.)

24 45. The 2019 10-K stated the following, in pertinent part, about GTT's
25 Cost of Telecommunications Services:

26 **Cost of Telecommunications Services**

1 *Cost of telecommunications services increased by \$122.5*
2 *million, or 14.9%, from \$819.4 million for the year ended*
3 *December 31, 2018 to \$941.9 million for the year ended December*
4 *31, 2019.* Recurring cost of telecommunications services was
5 approximately 93% and 94% of total cost of telecommunications
6 services for the years ended December 31, 2019 and 2018,
7 respectively. Consistent with our increase in revenue, the increase in
8 cost of telecommunications services was principally driven by the
9 2018 Acquisitions.

10 On a constant currency basis using the average exchange rates
11 in effect during the year ended December 31, 2018, cost of
12 telecommunications services would have been higher by \$21.6
13 million for the year ended December 31, 2019.

14 (Emphasis added.)

15 46. The above statements in paragraphs 25-45 were materially false
16 and/or misleading and failed to disclose material adverse facts about the
17 Company's business, operations, and prospects. Specifically, Defendants failed to
18 disclose that: (1) the Company's internal controls suffered from issues related to
19 the recording and reporting of Cost of Telecommunications Services; (2) the
20 Company's previously reported Cost of Telecommunications was inaccurate or
21 accounted for unsupported adjustments; (3) inadequate internal controls would
22 result in delays in the Company's 10-Q quarterly reports; and (4) as a result of the
23 foregoing, Defendants' public statements were materially false and/or misleading
24 and/or lacked a reasonable basis.

25 **THE TRUTH EMERGES**

26 47. On August 10, 2020, after market hours, GTT filed a NT 10-Q
27 notification of inability to timely file Form 10-Q for the quarter ended June 30,
28 2020 ("2Q NT 10-Q").

 48. The 2Q NT 10-Q stated, in relevant part, the following regarding the
 delay in the quarterly report:

1 GTT Communications, Inc. (the “Company”) is unable to file
2 its Quarterly Report on Form 10-Q for the quarter ended June 30,
3 2020 (the “Form 10-Q”) within the prescribed time period without
4 unreasonable effort or expense. *In the course of closing the*
5 *Company’s books for the quarter ended June 30, 2020, the*
6 *Company identified certain issues related to the recording and*
7 *reporting of Cost of Telecommunications Services and related*
8 *internal controls.*

9 Upon identifying these issues, the Company informed the
10 Audit Committee of the Board of Directors (the “Audit Committee”)
11 and CohnReznick LLP, the Company’s independent registered public
12 accounting firm (the “Independent Auditor”). *The Company’s*
13 *management and the Audit Committee, with assistance from*
14 *outside counsel and consultants, are reviewing (the “Review”)*
15 *these issues and assessing the effect, if any, on the Company’s*
16 *financial statements for the quarter ended June 30, 2020 and*
17 *previously issued financial statements, as well as whether there are*
18 *any material weaknesses in the Company’s internal controls.*

19 At this time, the Company does not know whether the Review
20 will identify any issues other than those described above. Although
21 the Company plans to file the Form 10-Q as soon as possible after the
22 completion of the Review, the Company does not anticipate filing the
23 Form 10-Q on or before August 17, 2020, the extended period
24 provided for the filing under Rule 12b-25(b) of the Securities
25 Exchange Act of 1934, as amended. The Company is unable to
26 predict a specific filing date at this time due to the early stage of the
27 Review.

28 (Emphasis added.)

49. On this news, GTT shares fell by \$0.65, or over 11%, from closing
at \$5.61 on August 10, 2020 to close at \$4.96 on August 11, 2020.

50. On November 9, 2020, GTT filed a NT 10-Q notification of inability
to timely file Form 10-Q for the quarter ended September 30, 2020 (“3Q NT 10-
Q”). GTT had yet to file a 10-Q for its second quarter.

51. The 3Q NT 10-Q stated, in relevant part, the following regarding the

1 delay in the quarterly report:

2 As reported by the Company in its prior filings with the
3 Securities and Exchange Commission (the “SEC”), *in the course of*
4 *closing the Company’s books for the quarter ended June 30, 2020,*
5 *the Company identified certain issues related to the recording and*
6 *reporting of Cost of Telecommunications Services and related*
7 *internal controls.* The Company’s management and the Audit
8 Committee (the “Audit Committee”) of the Company’s Board of
9 Directors (the “Board”), with assistance from outside counsel and
10 consultants, commenced a review (the “Review”) with respect to
11 these issues and are assessing the effect, if any, on the Company’s
12 unissued and previously issued financial statements, as well as
13 whether there are any material weaknesses in the Company’s internal
14 controls.

15 In addition, as previously disclosed, *the Review is examining*
16 *the accounting for Cost of Telecommunications Services and has*
17 *identified a number of issues in connection with the Company’s*
18 *previously issued financial statements, including: (i) adjustments*
19 *made without adequate support to Cost of Telecommunications*
20 *Services during the year ended December 31, 2019 and the three*
21 *months ended March 31, 2020* that had the effect of removing
22 expenses from the Company’s income statement at quarter-end and
23 then recognizing certain of those expenses in subsequent quarters;
24 and *(ii) failures during the years ended December 31, 2018 and*
25 *2017 to recognize certain expenses on the Company’s income*
26 *statement by recording such expenses to goodwill* and thereby
27 attributing such expenses to pre-acquisition accruals, without
28 adequate support, for companies that had been acquired. In addition,
the Review is also examining: (x) certain intercompany
transactions recorded during the years ended December 31, 2019,
2018, 2017 and 2016, and each of the quarters during the years
ended December 31, 2019, 2018, 2017 and 2016; (y) accounting for
bad debt expense during the year ended December 31, 2019; and (z)
accounting for credits issued to customers during the years ended
December 31, 2019 and 2018 and the three months ended March 31,
2020.

Furthermore, as disclosed in prior filings with the SEC, *the*

1 *Company is also reassessing its previous conclusions regarding the*
2 *effectiveness of its internal control over financial reporting.* At the
3 conclusion of the Review, the Company expects the Review to
4 identify material weaknesses in the Company’s internal control over
5 financial reporting, and the Company intends to continue to evaluate
6 and implement remedial measures to address any such material
7 weaknesses.

8 At this time, the Company has not concluded its Review and
9 there is no assurance that additional items will not be identified. *The*
10 *Company’s management and the Audit Committee, with assistance*
11 *from outside counsel and consultants, are continuing to assess the*
12 *effect of the matters described above on the Company’s financial*
13 *statements for the years ended December 31, 2019, 2018, 2017 and*
14 *2016, each of the quarters during the years ended December 31,*
15 *2019, 2018, 2017 and 2016 and the quarter ended March 31, 2020.*
16 As of the date of filing this Form 12b-25, the Company is unable to
17 estimate the total potential impact of the issues described herein on
18 its previously issued financial statements.

19 (Emphasis added.)

20 52. On this news, GTT shares fell by \$0.04, or 1%, from opening at
21 \$4.00 on November 9, 2020 to close at \$3.96.

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

25 **PLAINTIFF’S CLASS ACTION ALLEGATIONS**

26 54. Plaintiff brings this action as a class action pursuant to Federal Rule
27 of Civil Procedure 23(a) and (b)(3) on behalf of a class consisting of all persons
28 other than defendants who acquired GTT securities publicly traded on the NYSE
during the Class Period, and who were damaged thereby (the “Class”). Excluded
from the Class are Defendants, the officers and directors of GTT and its
subsidiaries, members of the Individual Defendants’ immediate families and their

1 legal representatives, heirs, successors or assigns and any entity in which
2 Defendants have or had a controlling interest.

3 55. The members of the Class are so numerous that joinder of all
4 members is impracticable. Throughout the Class Period, GTT securities were
5 actively traded on the NYSE. While the exact number of Class members is
6 unknown to Plaintiff at this time and can be ascertained only through appropriate
7 discovery, Plaintiff believes that there are hundreds, if not thousands of members
8 in the proposed Class.

9 56. Plaintiff's claims are typical of the claims of the members of the
10 Class as all members of the Class are similarly affected by defendants' wrongful
11 conduct in violation of federal law that is complained of herein.

12 57. Plaintiff will fairly and adequately protect the interests of the
13 members of the Class and has retained counsel competent and experienced in
14 class and securities litigation. Plaintiff has no interests antagonistic to or in
15 conflict with those of the Class.

16 58. Common questions of law and fact exist as to all members of the
17 Class and predominate over any questions solely affecting individual members of
18 the Class. Among the questions of law and fact common to the Class are:

- 19
- 20 • whether the Exchange Act was violated by Defendants' acts as
21 alleged herein;
 - 22 • whether statements made by Defendants to the investing public
23 during the Class Period misrepresented material facts about the
24 financial condition and business of GTT;
 - 25 • whether Defendants' public statements to the investing public during
26 the Class Period omitted material facts necessary to make the
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statements made, in light of the circumstances under which they were made, not misleading;

- whether the Defendants caused GTT to issue false and misleading filings during the Class Period;
- whether Defendants acted knowingly or recklessly in issuing false filings;
- whether the prices of GTT 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.

59. 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.

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

- GTT shares met the requirements for listing, and were listed and actively traded on the NYSE, an efficient market;
- As a public issuer, GTT filed periodic public reports;
- GTT regularly communicated with public investors via established market communication mechanisms, including through the regular dissemination of press releases via major newswire services and

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through other wide-ranging public disclosures, such as communications with the financial press and other similar reporting services;

- GTT’s securities were liquid and traded with sufficient volume during the Class Period; and
- GTT was followed by a number of securities analysts employed by major brokerage firms who wrote reports that were widely distributed and publicly available.

61. Based on the foregoing, the market for GTT securities promptly digested current information regarding GTT from all publicly available sources and reflected such information in the prices of the securities, and Plaintiff and the members of the Class are entitled to a presumption of reliance upon the integrity of the market.

62. 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 (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

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

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

64. This Count is asserted against Defendants 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.

1 65. During the Class Period, Defendants, individually and in concert,
2 directly or indirectly, disseminated or approved the false statements specified
3 above, which they knew or deliberately disregarded were misleading in that they
4 contained misrepresentations and failed to disclose material facts necessary in
5 order to make the statements made, in light of the circumstances under which
6 they were made, not misleading.

7 66. Defendants violated §10(b) of the 1934 Act and Rule 10b-5 in that
8 they:

- 9 • employed devices, schemes and artifices to defraud;
- 10 • made untrue statements of material facts or omitted to state
11 material facts necessary in order to make the statements made,
12 in light of the circumstances under which they were made, not
13 misleading; or
- 14 • engaged in acts, practices and a course of business that
15 operated as a fraud or deceit upon plaintiff and others similarly
16 situated in connection with their purchases of GTT securities
17 during the Class Period.

18 67. Defendants acted with scienter in that they knew that the public
19 documents and statements issued or disseminated in the name of GTT were
20 materially false and misleading; knew that such statements or documents would
21 be issued or disseminated to the investing public; and knowingly and
22 substantially participated, or acquiesced in the issuance or dissemination of such
23 statements or documents as primary violations of the securities laws. These
24 Defendants by virtue of their receipt of information reflecting the true facts of
25 GTT, their control over, and/or receipt and/or modification of GTT's allegedly
26 materially misleading statements, and/or their associations with the Company
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1 which made them privy to confidential proprietary information concerning GTT,
2 participated in the fraudulent scheme alleged herein.

3 68. Individual Defendants, who are the senior officers and/or directors
4 of the Company, had actual knowledge of the material omissions and/or the
5 falsity of the material statements set forth above, and intended to deceive Plaintiff
6 and the other members of the Class, or, in the alternative, acted with reckless
7 disregard for the truth when they failed to ascertain and disclose the true facts in
8 the statements made by them or other GTT personnel to members of the investing
9 public, including Plaintiff and the Class.

10 69. As a result of the foregoing, the market price of GTT securities was
11 artificially inflated during the Class Period. In ignorance of the falsity of
12 Defendants' statements, Plaintiff and the other members of the Class relied on the
13 statements described above and/or the integrity of the market price of GTT
14 securities during the Class Period in purchasing GTT securities at prices that were
15 artificially inflated as a result of Defendants' false and misleading statements.

16 70. Had Plaintiff and the other members of the Class been aware that the
17 market price of GTT securities had been artificially and falsely inflated by
18 Defendants' misleading statements and by the material adverse information
19 which Defendants did not disclose, they would not have purchased GTT
20 securities at the artificially inflated prices that they did, or at all.

21 71. As a result of the wrongful conduct alleged herein, Plaintiff and
22 other members of the Class have suffered damages in an amount to be established
23 at trial.

24 72. By reason of the foregoing, Defendants have violated Section 10(b)
25 of the 1934 Act and Rule 10b-5 promulgated thereunder and are liable to the
26 plaintiff and the other members of the Class for substantial damages which they
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1 suffered in connection with their purchase of GTT securities during the Class
2 Period.

3 **COUNT II**

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

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

8 74. During the Class Period, the Individual Defendants participated in
9 the operation and management of GTT, and conducted and participated, directly
10 and indirectly, in the conduct of GTT's business affairs. Because of their senior
11 positions, they knew the adverse non-public information about GTT's
12 misstatement of revenue and profit and false financial statements.

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

18 76. Because of their positions of control and authority as senior officers,
19 the Individual Defendants were able to, and did, control the contents of the
20 various reports, press releases and public filings which GTT disseminated in the
21 marketplace during the Class Period concerning GTT's results of operations.
22 Throughout the Class Period, the Individual Defendants exercised their power
23 and authority to cause GTT to engage in the wrongful acts complained of herein.
24 The Individual Defendants therefore, were "controlling persons" of GTT within
25 the meaning of Section 20(a) of the Exchange Act. In this capacity, they
26 participated in the unlawful conduct alleged which artificially inflated the market
27 price of GTT securities.
28

1 77. By reason of the above conduct, the Individual Defendants are liable
2 pursuant to Section 20(a) of the Exchange Act for the violations committed by
3 GTT.

4 **PRAYER FOR RELIEF**

5 **WHEREFORE**, Plaintiff, on behalf of himself and the Class, prays for
6 judgment and relief as follows:

7 (a) declaring this action to be a proper class action, designating plaintiff
8 as Lead Plaintiff and certifying plaintiff as a class representative under Rule 23 of
9 the Federal Rules of Civil Procedure and designating plaintiff's counsel as Lead
10 Counsel;

11 (b) awarding damages in favor of plaintiff and the other Class members
12 against all defendants, jointly and severally, together with interest thereon;

13 awarding plaintiff and the Class reasonable costs and expenses incurred in
14 this action, including counsel fees and expert fees; and

15 (d) awarding plaintiff and other members of the Class such other and
16 further relief as the Court may deem just and proper.

17 **JURY TRIAL DEMANDED**

18 Plaintiff hereby demands a trial by jury.

19
20
21 Dated: January 12, 2021

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