

UNITED STATES OF AMERICA
Before the
SECURITIES AND EXCHANGE COMMISSION

SECURITIES ACT OF 1933

Release No. 11241 / September 25, 2023

SECURITIES EXCHANGE ACT OF 1934

Release No. 98491 / September 25, 2023

AAER Release No. 4459 / September 25, 2023

ADMINISTRATIVE PROCEEDING

File No. 3-21708

In the Matter of

GTT Communications, Inc.

Respondent.

**ORDER INSTITUTING CEASE-AND-
DESIST PROCEEDINGS PURSUANT TO
SECTION 8A OF THE SECURITIES ACT
OF 1933 AND SECTION 21C OF THE
SECURITIES EXCHANGE ACT OF 1934,
MAKING FINDINGS, AND IMPOSING A
CEASE-AND-DESIST ORDER**

I.

The Securities and Exchange Commission (“Commission”) deems it appropriate that cease-and-desist proceedings be, and hereby are, instituted pursuant to Section 8A of the Securities Act of 1933 (“Securities Act”) and Section 21C of the Securities Exchange Act of 1934 (“Exchange Act”), against GTT Communications, Inc. (“GTT” or “Respondent”).

II.

In anticipation of the institution of these proceedings, Respondent has submitted an Offer of Settlement (the “Offer”) which the Commission has determined to accept. Solely for the purpose of these proceedings and any other proceedings brought by or on behalf of the Commission, or to which the Commission is a party, and without admitting or denying the findings herein, except as to the Commission’s jurisdiction over it and the subject matter of these proceedings, which are admitted, Respondent consents to the entry of this Order Instituting Cease-and-Desist Proceedings Pursuant to Section 8A of the Securities Act of 1933 and Section 21C of the Securities Exchange Act of 1934, Making Findings, and Imposing a Cease-and-Desist Order (“Order”), as set forth below.

III.

On the basis of this Order and Respondent's Offer, the Commission finds¹ that:

Summary

1. GTT made materially misleading statements and omissions relating to Cost-of-Revenue ("COR") in certain 2019 and 2020 Exchange Act annual, quarterly, and current reports. COR, referred to by GTT in public filings as Cost of Telecommunications Services, represents direct costs incurred by GTT in providing telecommunications services to its customers and is GTT's largest operating expense.

2. GTT grew rapidly through a series of acquisitions in 2017 and 2018, but struggled to integrate the newly-acquired companies into GTT's systems. As a result, two key operational systems – GTT's Client Management Database ("CMD") and its third-party bill processing system (the "BPS") – started to show a persistent and growing discrepancy between actual invoices received through the BPS that related to COR and GTT's expectation of what COR should be based on underlying supplier contracts in CMD. This discrepancy, which was widely known within GTT, was a clear sign that GTT's COR accounting methodology was not working properly and that GTT had data integrity issues.

3. GTT's accountants and operations staff investigated the cause of the discrepancy, but there was no effective way to compare the data in the two systems. Further, given the volume of transactions following the acquisitions, GTT did not have the resources to review its COR invoices manually for proper classification and validity. By at least mid-2018, GTT knew that it did not have sufficient information systems or resources to record and report COR accurately and fairly following the 2017 and 2018 acquisitions. Despite that knowledge, GTT failed to implement and maintain policies and procedures designed to provide reasonable assurance that the COR reflected in GTT's financial statements was based on reasonable support. There also was a knowledge disconnect between GTT's operations employees, who managed the company's COR-related data, and the accounting employees, who used that data to record and report COR. Both groups were confused as to the other's role: operations did not fully appreciate how accounting used the data they provided, and accounting did not fully understand what the data reflected and its limitations. Consequently, GTT's conduct fell below the standard of care of a reasonable, similarly situated company.

4. As a result, GTT failed to disclose material facts concerning certain unsupported adjustments to COR, which caused the statements that GTT made concerning COR to be misleading in light of the circumstances. These adjustments concerned COR-In-Advance (*i.e.*, pre-paid expense) and COR vendor disputes and were reported in GTT's Forms 10-Q for the quarters ended September 30, 2019, and March 31, 2020, and in GTT's Form 10-K for the fiscal year ended December 31, 2019, and in related earnings releases on Forms 8-K. GTT also made material

¹ The findings herein are made pursuant to Respondent's Offer of Settlement and are not binding on any other person or entity in this or any other proceeding.

omissions in its 2019 Form 10-K concerning uncertainties involving certain receivables from vendors subject to disputes that were recorded in its financial statements that rendered statements it made misleading. Consequently, and as described in more detail below, GTT violated Sections 17(a)(2) and (3) of the Securities Act. GTT also violated Sections 13(a), 13(b)(2)(A) and 13(b)(2)(B) of the Exchange Act and Rules 12b-20, 13a-1, 13a-11, 13a-13, and 13a-15(a) thereunder.

Respondent

5. GTT Communications, Inc., a Delaware corporation headquartered in Virginia, was a publicly traded multinational telecommunications and internet service provider at all relevant times. GTT's stock was registered under Section 12(b) of the Exchange Act and was listed on the New York Stock Exchange ("NYSE") until July 21, 2021, when it was delisted. On November 9, 2021, GTT filed a Form 15 terminating its registration under Section 12(g) of the Exchange Act and notifying the Commission that its duty to file reports under Section 15(d)(1) of the Exchange Act had been suspended for that fiscal year because it had fewer than 300 holders of record of each class of securities registered under the Exchange Act. GTT and certain of its affiliates filed prepackaged Chapter 11 bankruptcy cases on October 31, 2021, and GTT emerged as a private company on December 30, 2022.

Facts

Following Several Acquisitions, Two GTT Operating Systems Used to Account for COR Showed a Persistent Discrepancy Between Expected and Actual Expense

6. GTT grew rapidly between 2017 and 2018, completing eight acquisitions that more than doubled GTT's revenue and expense. Many of the acquired companies were private, distressed companies located outside the United States that used different operating and accounting systems than GTT and that lacked robust internal controls. GTT's employees were overwhelmed by the increased volume of data and transactions following the acquisitions and they struggled to successfully integrate certain of these newly acquired companies into GTT's systems, including CMD and its BPS.

7. CMD was an internally developed platform that GTT used to manage its contracts with networks, clients, and suppliers. GTT used CMD to bill customers for services provided, to manage the inventory necessary to provide the contracted-for services, and to estimate the expenses associated with providing the services. CMD contained estimates of GTT's anticipated COR derived from information about third-party vendor inventory used to fulfill services to its customers.

8. GTT used its BPS, which was specifically designed for the telecommunications industry, to process vendor invoices that underlay COR. The BPS received the majority of invoices electronically directly from the telecommunications vendors. The BPS processed the vendor invoices and pulled information, such as the service period and underlying charge type, into a useable format for GTT operations employees to review and approve or reject in summary form.

For purposes of recording and reporting COR, the BPS contained GTT's expenses as reflected in the invoices received from the vendors.

9. By the close of the second quarter 2018, a persistent and growing discrepancy existed between the amounts GTT was routinely paying in invoices as reflected in the BPS and the expected costs that were reflected in CMD. This discrepancy between CMD and the BPS indicated that GTT's accounting methodology was not working correctly and that its systems had data integrity issues.

10. At various points in time, GTT's accountants and operations employees investigated the cause of the discrepancy, but there was no effective way to compare the data in the two systems, which by 2019 were processing more than 600,000 COR transactions on a monthly basis. Additionally, given the volume of data, GTT did not have the resources to review the invoices manually.

GTT Failed to Implement and Maintain Policies and Procedures Designed to Provide Reasonable Assurance that COR Expense Adjustments Were Based on Reasonable Support

11. After the discovery of the discrepancy between CMD and the BPS, GTT never resolved which data source should be used to record and report COR or which was more accurate. Certain members of GTT's management favored CMD because it was GTT's database of record and they believed it to be more accurate than the BPS. Certain members of GTT's accounting staff did not fully trust the accuracy of either CMD or the BPS.

12. Additionally, there was an information disconnect between the operations and accounting staff. There was a lack of understanding as to the other's role, and the two groups did not effectively communicate concerning COR and the issues they were seeing. Operations was responsible for maintaining the data in CMD and the BPS, while accounting was responsible for recording and reporting COR based on the data maintained by operations. Accounting could not resolve the data discrepancy problem without the help of operations. Further, operations did not fully appreciate how accounting used the data they provided, and accounting did not fully understand what the data reflected and its limitations.

13. By mid-2019, GTT accountants and operations employees, as well as some members of senior management, knew that the only way to determine GTT's actual COR was to link the data between CMD and the BPS at a granular level. Until that exercise was completed and the systems were updated, they knew that GTT did not have a reliable data source on which to base the COR being recorded in the financial statements.

14. Thus, it was widely understood within GTT that it did not have sufficient systems and resources to accurately record and report COR following its acquisitions. Yet, despite knowing that it lacked both a reliable data source and the resources to manually review COR, GTT failed to implement and maintain policies and procedures designed to provide reasonable assurance that COR adjustments were based on reasonable support. Rather, GTT's operations and accounting employees continued to communicate ineffectively concerning COR, and GTT

continued to record adjustments to COR that lacked reasonable support, which fell below the standard of care of a reasonable, similarly situated company.

GTT Made Unsupported Accounting Adjustments to COR in 2019 and 2020, Resulting in Materially Misleading Statements and Omissions in Its Public Filings

15. As a result of GTT's lack of policies and procedures to provide reasonable assurance that COR adjustments were based on reasonable support as well as the information disconnect between GTT's operations and accounting employees regarding COR, GTT failed to disclose material facts concerning certain unsupported and highly uncertain adjustments to COR during the third quarter of 2019, fourth quarter of 2019 and the first quarter of 2020. This rendered the disclosures made concerning COR and vendor disputes materially misleading in light of the circumstances.

Third Quarter 2019 COR-In-Advance Adjustment

16. First, in the third quarter of 2019, GTT accountants moved \$5.6 million of expense from the income statement to COR-In-Advance (*i.e.*, prepaid expense) on the balance sheet without reasonable support. The adjustment increased prepaid expense and decreased COR on the financial statements reported in GTT's Form 10-Q for the third quarter of 2019. It was also included in the financial information reported in an earnings release furnished with GTT's November 11, 2019, Form 8-K. By that time, GTT accounting and operations employees were investigating, but had not determined the cause of, the discrepancy in COR reflected between CMD and the BPS. Although they suspected the BPS was not properly processing certain invoices that covered future service periods and was thus potentially overstating COR, they had no reasonable basis to quantify the impact of this suspected shortcoming prior to the closing of the books for the third quarter of 2019. GTT's decision to record the \$5.6 million adjustment was motivated by a desire to keep expenses consistent with CMD while it continued to investigate. Given the circumstances, GTT's failure to disclose material facts concerning this unsupported adjustment, including that GTT could not confirm the validity or quantification of this adjustment prior to the close of the quarter, caused GTT's disclosures concerning COR to be materially misleading. The COR-In-Advance adjustment amount had a material impact on GTT's third quarter financial statements by increasing GTT's operating income by approximately 23% and decreasing its third quarter net loss before income taxes by approximately 17%.

Fourth Quarter 2019 Bulk Disputes Adjustment

17. Second, in the fourth quarter of 2019, GTT failed to disclose material facts concerning an unsupported \$16 million vendor dispute adjustment, which rendered GTT's disclosures concerning COR and vendor disputes materially misleading in light of the circumstances. The adjustment reduced COR and was reflected in GTT's 2019 Form 10-K, and in the related earnings release furnished with the March 2, 2020, Form 8-K.

18. The adjustment lacked reasonable support because, as discussed below, it was based on unverified data. During the fourth quarter of 2019, GTT undertook a massive project to link as many of the invoices in the BPS as possible to CMD and to dispute any invoices that could

not be linked with the vendors. These disputes came to be known internally as “Bulk Disputes,” and they differed from GTT’s normal course disputes (*e.g.*, disputes based on specific vendor billing errors identified during GTT’s bill verification procedures), in volume, timing and rationale.

19. GTT accountants calculated the \$16 million adjustment based on preliminary invoice data and estimated “win rates” (*i.e.*, the percentage of disputes that GTT expected to win) provided by operations. Because GTT had no history with Bulk Disputes prior to the fourth quarter of 2019, GTT operations employees developed different estimated win rates for several sub-categories of the Bulk Disputes (*e.g.*, services marked “disconnected” were assigned an estimated win rate of 68%, whereas services that could not be linked and required more research were assigned a win rate of 15%). By contrast, GTT generally applied a single win rate based on historical results to all normal course disputes. The adjustment was made before the actual filing of the Bulk Disputes.

20. Following the booking of the \$16 million adjustment, but prior to the filing of the 2019 Form 10-K, the operations team provided the accounting team with updated data that reflected the actual disputes filed with the vendors, which was a smaller pool of invoices than the set of invoices upon which the adjustment was based. When the GTT accountants applied the same estimated win rates to the updated data, the calculation yielded an adjustment amount of approximately \$9.1 million as compared to the \$16 million adjustment recorded in mid-January using the preliminary invoice data. Although GTT had no prior experience with vendor disputes of this volume or nature, the employees believed that the win rate would rise as GTT exhausted efforts to link the invoices in the BPS to CMD. The theory was that any remaining unlinked invoices were more likely to be erroneous given that GTT appeared to have no record of them. GTT employees did not think they had time to update the win rates to apply to the updated data prior to the filing of the Form 10-K. Thus, although the accounting function knew or should have known that the \$16 million entry was based on unverified data, that more accurate data was available, and that the fourth quarter financials had not yet been finalized, the \$16 million adjustment was not updated to reflect the more accurate and up-to-date data reflected in the later calculation.

21. Additionally, the 2019 Form 10-K included no meaningful disclosure regarding the Bulk Disputes adjustment. Rather, GTT included its standard “Disputed Supplier Expenses” disclosure for normal course vendor disputes, which did not describe the \$16 million adjustment amount or contain any disclosure concerning the Bulk Disputes. The Bulk Disputes process differed from the normal course vendor disputes process in material ways and involved several subjective assumptions that were highly uncertain: (1) most of the invoices making up the Bulk Disputes had already been paid, requiring reimbursement or credit in the event of a win, whereas those in the normal course disputes process had not yet been paid; (2) many of the Bulk Disputes were being disputed simply because the underlying invoices in the BPS could not be linked to CMD, whereas the normal course disputes were based on some specifically identified flaw in the invoice; (3) these disputes were submitted using a “bulk” back-end process rather than through individual submissions entered by GTT personnel; and (4) GTT had no history on which to base the Bulk Disputes win rates whereas the normal course disputes were based on historical average win rates for that type of dispute. Part of the Bulk Disputes adjustment was included as a \$10.7 million receivable from suppliers (under Prepaid Expenses and Other Current Assets), which

reflected GTT's assumption at that time that two-thirds of the total Bulk Disputes were paid disputes, without identifying that amount as part of its "Disputed Supplier Expenses" disclosure.

22. GTT's failure to disclose material facts concerning the Bulk Disputes adjustment, including that the adjustment did not reflect the actual disputes filed or the most accurate and up-to-date data available prior to the filing of the Form 10-K and that the Bulk Disputes process differed in several material ways from the normal course disputes as described above, rendered GTT's disclosures concerning vendor disputes and COR materially misleading in light of the circumstances. The Bulk Disputes adjustment amount had a material impact on GTT's financial statements by increasing GTT's 2019 operating income by approximately 15% and decreasing GTT's net loss before income taxes by approximately 13%.

23. Further, GTT failed to include any disclosure in its 2019 Form 10-K concerning the material implications of the uncertainties associated with the methods, assumptions, and estimates underlying the Bulk Disputes adjustment, as required by Item 303 of Regulation S-K. Among other things, Item 303(a)(3)(ii) required disclosure of "any known ... uncertainties that have had or that the registrant reasonably expects will have a material favorable or unfavorable impact on net sales, revenues or income from continuing operations...." GTT was required to objectively evaluate whether it reasonably expected uncertainties in the Bulk Disputes adjustment to have a material impact on the company's liquidity, capital resources or results of operations and provide disclosure about that uncertainty if the impact is material.² GTT failed to disclose that the assumptions it used to determine the Bulk Disputes adjustment, such as the win rates and the pool of invoices disputed (*e.g.*, a large number of invoices were disputed simply because GTT could not find a record of them in CMD), were highly uncertain and it was reasonably likely the estimate could change because they had no historical experience upon which to rely to evaluate whether they would be successful in winning this type of dispute.

First Quarter 2020 Bulk Disputes

24. Finally, in the first quarter of 2020, GTT failed to disclose material facts concerning two unsupported adjustments totaling \$19 million relating to a reassessment of the Bulk Disputes recorded in the fourth quarter of 2019 and additional disputes that had not been entered for the first

² The Commission has articulated a two-part test for determining whether a known trend or uncertainty requires disclosure. "Where a trend, demand, commitment, event or uncertainty is known, management must make two assessments: (1) Is the known trend, demand, commitment, event or uncertainty likely to come to fruition? If management determines that it is not reasonably likely to occur, no disclosure is required. (2) If management cannot make that determination, it must evaluate objectively the consequences of the known trend, demand, commitment, event or uncertainty, on the assumption that it will come to fruition. Disclosure is then required unless management determines that a material effect on the registrant's financial condition or results of operations is not reasonably likely to occur." Management's Discussion and Analysis of Financial Condition and Results of Operations, Securities Act Release No. 6835, 43 S.E.C. Docket 1330, 1989 WL 1092885, at *6 (May 18, 1989). This test was reiterated in the 2003 MD&A release (Release No. 33-8350) and in the 2020 MD&A release (Release No. 33-10890).

quarter of 2020, which rendered GTT's first quarter 2020 disclosures concerning COR and vendor disputes materially misleading in light of the circumstances. The \$19 million in adjustments reduced COR and were reflected in GTT's Form 10-Q for the first quarter of 2020, and in the related earnings release furnished with the May 8, 2020, Form 8-K.

25. By the end of the first quarter of 2020, very few of the Bulk Disputes had been resolved. Therefore, GTT reassessed the amount still outstanding for the Bulk Disputes recorded in the fourth quarter. Continuing to believe, despite having no reasonable basis, that the win rate would rise as the pool of unlinked invoices shrunk, GTT accounting employees increased the Bulk Disputes win rate several times over a short period in connection with updating the calculation for the first quarter of 2020. Ultimately, the accounting team booked a reaccrual for the fourth quarter 2019 Bulk Disputes of approximately \$17 million, which was a \$1 million increase over the original fourth quarter 2019 adjustment.

26. In connection with calculating the reaccrual of the fourth quarter 2019 Bulk Disputes adjustment in the first quarter of 2020, GTT initially raised the win rates for certain sub-categories of Bulk Disputes based on GTT's exhaustive linking efforts. However, the next day accounting decided GTT should apply the higher normal course disputes win rate of 62% to all the Bulk Disputes, regardless of sub-category, given that GTT had been pursuing the Bulk Disputes for a few months by that point, which again increased the adjustment amount. Then, one day later, after consulting with an operations employee, accounting raised the win rate to 75% based on GTT's linking efforts.

27. A few days later, the same operations employee informed accounting that he thought they had agreed to use a 25% win rate for the Bulk Disputes, not 75%. After further consideration, accounting changed the Bulk Disputes win rate back to the normal course disputes win rate of 62%, which resulted in an updated Bulk Disputes adjustment amount of approximately \$17 million, or \$1 million more than the fourth quarter 2019 estimate. Despite continuing to believe that the best operational estimate for the Bulk Disputes win rate was 25%, the operations employee did not protest the use of the normal course disputes win rate because he believed it to be an accounting judgment and outside of his area of expertise.

28. Separately, GTT also recorded a Bulk Disputes adjustment for the first quarter of 2020. GTT believed that many of the billing issues identified in the fourth quarter of 2019 continued in the first quarter of 2020. GTT attempted to identify the same charges during the first quarter of 2020 that had not otherwise been disputed through the BPS for that period. GTT's accounting staff recorded an incremental adjustment to account for their estimate of those disputes using a 75% win rate. This resulted in a reduction of COR of approximately \$18 million in the first quarter of 2020.

29. There was no reasonable basis to apply the normal course disputes win rate or higher to the Bulk Disputes: (1) there were numerous differences between the Bulk Disputes and the normal course disputes; and (2) GTT had not received enough results to provide any guidance that the win rate for the Bulk Disputes, many of which concerned invoices that had already been paid, would be similar to the normal course disputes, most of which had not yet been paid. GTT's failure to disclose material facts concerning these adjustments, including that GTT applied the

normal disputes win rate or higher despite having no results history to support such a win rate and despite the material differences between these disputes and the normal course disputes, rendered the disclosures made concerning COR and vendor disputes in the first quarter of 2020 materially misleading.

30. The \$19 million in Bulk Disputes reassessment and additional amount for disputes not yet entered in the first quarter of 2020 had a material impact on GTT's first quarter 2020 financial statements by increasing GTT's operating income by almost 200% and decreasing GTT's net loss before income taxes by 18%.

December 2020 Restatement Announcement

31. On December 22, 2020, GTT disclosed in a Form 8-K that its previously issued consolidated financial statements for the years ended December 31, 2019, 2018 and 2017, and the quarter ended March 31, 2020, should no longer be relied upon and that it intended to file restated consolidated financial statements. In connection with closing its books for the second quarter of 2020, GTT identified several issues related to the recording and reporting of COR and commenced an internal investigation. GTT also disclosed that it was evaluating the impact of the identified errors on GTT's internal control over financial reporting and disclosure controls and procedures and that the company expected to report a material weakness in internal control over financial reporting and report that its disclosure controls and procedures were ineffective.

32. GTT subsequently spent more than a year and tens of millions of dollars in an attempt to correct its filings, but ultimately suspended its efforts to restate due in part to the complexity of reconciling the two operational systems that were producing inconsistent information relevant to the calculation of COR. When GTT emerged from bankruptcy on December 30, 2022 as a private company owned by certain of its former creditors, GTT used "Fresh-Start Reporting," which allows companies to present their assets, liabilities, and equity as a new entity on the day the company emerges from bankruptcy under Chapter 11 of the United States Bankruptcy Code.

Materiality

33. Reasonable investors would have considered the misleading statements and omissions described above to be important in making investment decisions concerning GTT's securities during the relevant period.

GTT Offered and Sold Securities During the Relevant Period

34. GTT offered and sold securities through its employee stock purchase plan, which transactions were registered on Form S-8, during the relevant period, and received proceeds from such sales.

GTT's Disclosure Controls and Procedures and Internal Control Over Financial Reporting Failures

35. Rule 13a-15(a) under the Exchange Act requires issuers such as GTT to maintain disclosure controls and procedures, as defined in Rule 13a-15(e), and internal control over financial reporting, as defined in Rule 13a-15(f). Rule 13a-15(e) defines “disclosure controls and procedures” to include “controls and other procedures of an issuer that are designed to ensure that information required to be disclosed ... is recorded, processed, summarized and reported” within the time periods specified in the Commission’s rules and forms. Rule 13a-15(f) defines “internal control over financial reporting” as a process to “provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements” in accordance with GAAP, and includes policies and procedures that provide reasonable assurance that transactions are recorded as necessary to permit the preparation of the financial statements in accordance with GAAP.

36. As described above, GTT lacked controls and procedures designed to ensure that GTT’s COR adjustments – especially the Bulk Disputes adjustments, which involved a new and highly uncertain process – were based on reasonable support and that material information concerning those adjustments was reported in GTT’s Exchange Act reports. GTT also lacked controls or procedures designed to provide reasonable assurance that COR was recorded and reported in the proper periods. Further, GTT failed to maintain internal control over financial reporting because, with respect to its COR adjustments, GTT lacked a process to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements, as well as lacked policies and procedures that provided reasonable assurance that its COR adjustments were recorded as necessary to permit the preparation of financial statements in accordance with GAAP.

Violations

37. As a result of the conduct described above, GTT violated Sections 17(a)(2) and 17(a)(3) of the Securities Act. Section 17(a)(2) prohibits any person from obtaining money or property in the offer or sale of securities by means of any untrue statement of a material fact or any omission to state a material fact necessary in order to make the statements made, in light of the circumstances in which they were made, not misleading. Section 17(a)(3) of the Securities Act prohibits any person from engaging in any transaction, practice, or course of business which operates or would operate as a fraud or deceit upon the purchaser. Negligence is sufficient to establish violations of Sections 17(a)(2) and 17(a)(3). *Aaron v. SEC*, 446 U.S. 680, 697 (1980).

38. As a result of the conduct described above, GTT violated Section 13(a) of the Exchange Act and Rules 13a-1, 13a-11, 13a-13, and 12b-20 thereunder, which require every issuer of a security registered pursuant to Section 12 of the Exchange Act to file with the Commission annual, current, and quarterly reports as the Commission may require, and mandate that Exchange Act reports contain such further material information as may be necessary to make the required statements not misleading.

39. As a result of the conduct described above, GTT violated Sections 13(b)(2)(A) and 13(b)(2)(B) of the Exchange Act. Section 13(b)(2)(A) of the Exchange Act requires issuers with a security registered pursuant to Section 12 of the Exchange Act to make and keep books, records, and accounts which, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the issuer, and Section 13(b)(2)(B) of the Exchange Act requires such issuers to, among other things, devise and maintain a system of internal accounting controls sufficient to provide reasonable assurances that transactions are recorded as necessary to permit preparation of financial statements in accordance with GAAP.

40. As a result of the conduct described above, GTT violated Rule 13a-15(a) under the Exchange Act, which requires that every issuer of a security registered pursuant to Section 12 of the Exchange Act maintain disclosure controls and procedures as defined in Rule 13a-15(e) under the Exchange Act and that such issuers maintain internal control over financial reporting as defined in Rule 13a-15(f) under the Exchange Act.

GTT's Cooperation and Remedial Efforts

41. In determining to accept the Offer, the Commission considered remedial acts promptly undertaken by Respondent and cooperation afforded the Commission staff.

42. GTT promptly self-reported to the Commission and provided substantial cooperation, including by, among other things, providing multiple presentations concerning the findings from its internal investigation, including presentations made before it had reached final conclusions about the nature and scope of the relevant issues; identifying key documents and witnesses; promptly making documents and witnesses available; and facilitating testimony from former employees.

43. Further, GTT voluntarily undertook affirmative remedial measures in response to the issues discovered, which included attempting to rebuild its COR accounts, replacing certain members of management, its board of directors, and its auditor, and overhauling its accounting function, including its policies and procedures relating to COR.

IV.

In view of the foregoing, the Commission deems it appropriate to impose the sanctions agreed to in Respondent's Offer.

Accordingly, it is hereby ORDERED that:

A. Pursuant to Section 8A of the Securities Act and Section 21C of the Exchange Act, Respondent GTT cease and desist from committing or causing any violations and any future violations of Sections 17(a)(2) and (3) of the Securities Act and of Sections 13(a), 13(b)(2)(A), 13(b)(2)(B) of the Exchange Act, and Rules 12b-20, 13a-1, 13a-11, 13a-13, and 13a-15(a) thereunder.

B. Respondent acknowledges that the Commission is not imposing a civil penalty in part based upon its cooperation in a Commission investigation and/or related enforcement action. If at any time following the entry of the Order, the Division of Enforcement (“Division”) obtains information indicating that Respondent knowingly provided materially false or misleading information or materials to the Commission, or in a related proceeding, the Division may, at its sole discretion and with prior notice to the Respondent, petition the Commission to reopen this matter and seek an order directing that the Respondent pay a civil money penalty. Respondent may contest by way of defense in any resulting administrative proceeding whether it knowingly provided materially false or misleading information, but may not: (1) contest the findings in the Order; or (2) assert any defense to liability or remedy, including, but not limited to, any statute of limitations defense.

By the Commission.

Vanessa A. Countryman
Secretary