AMENDED THIS Dec 27/12 PURSUANT TO
MODIFIÉ CE CONFORMÉMENT À
☑ RULE/LA RÈGLE 26.02 (A)
☐ THE ORDER OF
L'ORDONNANCE DU
DATED / FAIT LE

LOCAL REGISTRAR GREFFIER LOCAL
SUPERIOR COURT OF JUSTICE COUR SUPÉRIEURE DE JUSTICE

Court File No. CV-11-424069-00CP

ONTARIO
SUPERIOR COURT OF JUSTICE

BETWEEN:

TRUSTEES OF THE MILLWRIGHT REGIONAL COUNCIL
OF ONTARIO PENSION TRUST FUND

Plaintiffs

- and -

CELESTICA INC., STEPHEN W. DELANEY and ANTHONY P. PUPPI

Defendants

AND BETWEEN:

NABIL BERZI

Plaintiff

- and -

CELESTICA INC., STEPHEN W. DELANEY and ANTHONY P. PUPPI

Defendants

AND BETWEEN:

HUACHENG XING

Plaintiff

- and -

CELESTICA INC., STEPHEN W. DELANEY and ANTHONY P. PUPPI

Defendants

Proceeding under the *Class Proceedings Act, 1992*

<u>AMENDED</u> FRESH AS AMENDED STATEMENT OF CLAIM

TO THE DEFENDANTS

A LEGAL PROCEEDING HAS BEEN COMMENCED AGAINST YOU by the plaintiff. The claim made against you is set out in the following pages.

IF YOU WISH TO DEFEND THIS PROCEEDING, you or an Ontario lawyer acting for you must prepare a statement of defence in Form 18A prescribed by the Rules of Civil Procedure, serve it on the plaintiff's lawyer or, where the plaintiff does not have a lawyer, serve it on the plaintiff, and file it, with proof of service, in this court office, WITHIN TWENTY DAYS after this statement of claim is served on you, if you are served in Ontario.

If you are served in another province or territory of Canada or in the United States of America, the period for serving and filing your statement of defence is forty days. If you are served outside Canada and the United States of America, the period is sixty days.

Instead of serving and filing a statement of defence, you may serve and file a notice of intent to defend in Form 18B prescribed by the Rules of Civil Procedure. This will entitle you to ten more days within which to serve and file your statement of defence.

IF YOU FAIL TO DEFEND THIS PROCEEDING, JUDGMENT MAY BE GIVEN AGAINST YOU IN YOUR ABSENCE AND WITHOUT FURTHER NOTICE TO YOU. IF YOU WISH TO DEFEND THIS PROCEEDING BUT ARE UNABLE TO PAY LEGAL FEES, LEGAL AID MAY BE AVAILABLE TO YOU BY CONTACTING A LOCAL LEGAL AID OFFICE.

Date April 8/2011

Issued by Y Grant
Local registrar

Address of court office
393 University Avenue
10^{th} Floor
Toronto, ON M5G 1E6
416-326-4230

TO: Celestica Inc.
844 Don Mills Road
Toronto, Ontario M3C 1V7

AND TO: Stephen W. Delaney
844 Don Mills Road
Toronto, Ontario M3C 1V7

AND TO: Anthony P. Puppi
844 Don Mills Road
Toronto, Ontario M3C 1V7

CLAIM

1. The plaintiffs, on behalf of the Class (defined below), claim:

(a) an order certifying this action as a class proceeding and appointing the plaintiffs as representative plaintiffs for the Class;

(b) a declaration that the defendants failed to make timely disclosure of materially adverse changes and made misrepresentations (as defined for the purposes of Part XXIII.1 of the *Securities Act*, R.S.O. 1990, c. S. 5 (the "*OSA*") ~~and Other Securities Legislation (defined below))~~ pertaining to the business and affairs of Celestica Inc. ("Celestica");

(c) an order granting leave to pursue claims for statutory misrepresentation under Part XXIII.1 of the *OSA* ~~or alternatively Other Securities Legislation~~;

(d) damages for negligent misrepresentation and statutory misrepresentation (as set out in Part XXIII.1 of the *OSA*~~) or alternatively Other Securities Legislation)~~ in the amount of $300 million, or such other sum as this Honourable Court may find appropriate;

(e) a declaration that the defendant Celestica is vicariously liable for the acts and omissions of the individual defendants;

(f) prejudgement and postjudgement interest pursuant to the *Courts of Justice Act*, R.S.O. 1990, c. C.43;

(g) costs of the action on a substantial indemnity basis or in amount that provides full indemnity;

(h) pursuant to section 26 of the *Class Proceedings Act, 1992*, S. 1992, c. 6, the costs of notice and of administering the plan of distribution of the recovery in this action, plus applicable taxes; and

(i) such further and other relief as to this Honourable Court may seem just and appropriate in all the circumstances.

Overview

2. In January 2005, the defendants announced a $225 to $275 million restructuring plan for Celestica that they claimed would see substantial improvements in its operating margins by December 2006. This news had an immediate positive impact for Celestica; its share price increased by almost 6%. The restructuring was viewed as a positive move for Celestica based on the defendants' representations, which were false.

3. Over the next two years, the defendants continued to falsely report positively about the progress of the restructuring, Celestica's financial position and its inventory control. These reports were materially misleading. The defendants were representing publicly that the restructuring was proceeding according to plan, which it was not. The truth was that the restructuring was facing intractable obstacles and exorbitant costs. The restructuring centred around a significant transfer of manufacturing operations to its already overburdened facility in Monterrey, Mexico. At the time the restructuring was announced, the Monterrey facility was suffering from significant inventory and production problems. Contrary to the defendants' representations, the Monterrey facility was not equipped to handle the transfer of operations. The defendants failed to disclose material facts and provided investors with a false picture of the restructuring which was destined to fail to achieve its objectives from the outset.

4. The defendants also wrongly provided a false view of Celestica's financial circumstances to its investors during the Class Period (defined below). They wrongly treated obsolete inventory as current inventory, recorded revenue for sales Celestica did not make, delayed recording new inventory until after reporting periods and physically removed inventory from Celestica's facilities so it could claim lower inventory levels.

5. In October 2006, the defendants announced that restructuring costs were higher than previously forecasted to investors and that Celestica wrote down $6 million in inventory. Notwithstanding these facts, the defendants continued to falsely report to investors that there would be no more restructuring costs, that the restructuring would be completed by the end of 2006 and that the write down was an isolated incident.

6. Contrary to the defendants' representations, investors learned the truth in January 2007, which included among other things, that (i) the timing and cost of the restructuring was

falsely understated, (ii) the restructuring and its implementation had not succeeded as previously claimed, (iii) the Monterrey facility did not have the capacity to accommodate the transfer of operations that the restructuring involved, (iv) Celestica was losing customers, and (v) inventory had not been properly recorded during the Class Period. These revelations resulted in a significant decline in the value of Celestica's shares.

Parties

7. The plaintiffs are the trustees of the Millwright Regional Council Of Ontario Pension Trust Fund, Nabil Berzi and Huacheng Xing. The plaintiffs made the following trades of Celestica shares during the Class Period:

Date	Trade	Shares	Cost
Trustees of Millwright Pension Trust Fund			
September 30, 2005	Purchase	15,200	$198,052.96
October 7, 2005	Purchase	13,700	$178,965.84
October 13, 2005	Purchase	800	$9,987.60
October 24, 2005	Purchase	2,700	$29,692.98
October 25, 2005	Purchase	3,900	$42,908.58
April 10, 2006	Sale	6,300	$81,459.00
November 28, 2006	Purchase	9,600	$103,425.60
November 28, 2006	Purchase	3,100	$33,657.01
Nabil Berzi			
Balance on January 27, 2005		1,400	
July 22, 2005	Purchase	400	$5,968.00
October 12, 2005	Purchase	250	$3,100.00
January 12, 2006	Sale	650	$9,087.00
January 27, 2006	Purchase	500	$5,680.00
February 16, 2006	Sale	750	$9,307.50
May 10, 2006	Purchase	200	$2,404.00
May 17, 2006	Purchase	300	$3,252.00
August 10, 2006	Purchase	500	$4,905.00
August 17, 2006	Sale	1,150	$12,132.50

Huacheng Xing			
August 4, 2006	Purchase	500	$5,259.50
August 4, 2006	Purchase	500	$5,259.50

8. The defendant Celestica Inc. is a corporation incorporated under the laws of Ontario and is headquartered in Toronto, Ontario. Celestica is a reporting issuer whose shares trade on the Toronto Stock Exchange and the New York Stock Exchange. Celestica carries on business in electronics manufacturer services (EMS) and supply chain management services. Its customers are primarily in the computer and telecommunications industries.

9. The defendant Stephen W. Delaney was Celestica's chief executive officer from January 2004 until his resignation and replacement on November 27, 2006. Mr. Delaney was succeeded by Craig H. Muhlhauser.

10. The defendant Anthony P. Puppi was Celestica's chief financial officer from 1994 until his retirement on April 1, 2007. He had also been executive vice president from October 1999.

11. The individual defendants, as senior officers of Celestica, had actual, implied or apparent authority to act and speak on behalf of Celestica, and did so in making the misrepresentations described below.

12. The plaintiffs bring this action pursuant to the *Class Proceedings Act*, *1992* on their own behalf and on behalf of all Class Members.

13. <u>The Class Members are all persons, other than Excluded Persons, who acquired Celestica shares during the period from January 27, 2005 through and including January 30, 2007 (the "Class Period") by either a primary distribution in Canada or an acquisition on the Toronto Stock Exchange or other secondary market in Canada and who held some or all of those shares at the close of trading on the Toronto Stock Exchange on January 30, 2007. Excluded from the Class are Celestica's past and present subsidiaries, affiliates, officers, directors, employees, legal representatives, heirs, predecessors, successors and assigns, and any member of the individual defendants' families, and any entity in which they have or had</u>

during the Class Period any legal or de facto controlling interest, as well as Onex Corporation and past and present subsidiaries, affiliates, officers, directors, employees, legal representatives, heirs, predecessors, successors and assigns (the "Excluded Persons").

~~14. The Class Members are all persons or entities, other than Excluded Persons, who purchased or otherwise acquired Celestica shares during the period from January 27, 2005 through and including January 30, 2007 ("Class Period") by either a primary distribution in Canada or an acquisition on the Toronto Stock Exchange or other secondary market in Canada (the "Class Members"). Excluded from the Class are the defendants, the officers and directors of Celestica during all relevant times, members of their immediate families and their legal representatives, heirs, successors or assigns and any entity in which the defendants have or had a controlling interest (the "Excluded Persons").~~

The Importance of Inventory and Key Customers to Celestica's Business

15. The level of Celestica's inventory and Celestica's ability to use up its inventory in finished goods sold to customers (the "inventory turnover ratio"[1]) were key metrics by which the investing public and analysts would measure Celestica's current and future performance. Throughout the Class Period, inventory levels were also a significant measure of the success of Celestica's restructuring efforts.

16. Inventory was Celestica's single largest asset and its ability to control its inventory was critical to the success of its business. Celestica's production lifecycle was very short. The components it was manufacturing were unique to its customers and their particular products. Once a customer needed a different component, there would no longer be any customer for the earlier component; it would become obsolete. Accordingly, Celestica needed to ensure it strictly controlled its supply management and inventory levels. It needed to balance the ability to deliver components to its customers in a timely manner while ensuring it did not build-up excess inventory of its raw materials, work-in-progress and finished components.

17. Customer relationships were also critical to Celestica's business. Celestica's annual reports for 2004 and 2005 stated that it was "dependent" on continued revenue from its top

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[1] The inventory turnover ratio is equal to the costs of goods sold divided by its inventory. It reflected the proportion of Celestica's inventory that it was able to sell as goods to its customers.

customers and that any material decrease in revenue from its major customers could have a "material adverse effect" on Celestica's results of operations. Celestica's core-client base was at all material times made up of large technology companies such as Cisco Systems, IBM, Motorola, Lucent, Dell and Avaya. Its largest customers represented a majority of its revenue.

Celestica's History of Restructuring

18. From 2001 to 2003, the electronics manufacturing services (EMS) industry suffered from a decline in customer demand, particularly from computing and communications companies. Celestica's business was concentrated on these customers and the decline in demand adversely affected its revenues. This decline also created excess capacity in the industry requiring restructuring and pressure to reduce prices. There was pressure to move production to lower-cost regions.

19. In response, Celestica undertook several restructurings to "rebalance" its global manufacturing network and reduce capacity. Celestica announced its first restructuring in 2001 and as the decline continued it announced additional restructuring plans over the years. These restructuring plans focused on consolidating facilities and increasing production in lower-cost regions. Many of its restructuring efforts did not succeed.

20. Delaney and Puppi played a central role in Celestica's restructurings. For example, Celestica undertook a restructuring in 2004. In announcing the restructuring, Delaney stated that he was personally overseeing its implementation.

Celestica's New Restructuring

21. On January 27, 2005 (the start of the Class Period), Celestica released its Q4 2004 results and announced a new restructuring plan. The defendants issued a press release which stated that Celestica planned to further restructuring its operations and for that purpose expected to incur "restructuring charges in the range of $225- $275 million".

22. The restructuring involved the closure of its facilities in high-cost regions such as Europe and the United States and a transfer of much of its manufacturer activities to its facility in Monterrey, Mexico. The press release provided that the restructuring charges were to be recorded over the following 15 months. The press release also provided a justification for the new restructuring plan and what Celestica expected to achieve:

> While we have substantially strengthened our operations, further improvement is needed. We have spent the past nine months carefully reviewing the business and assessing our operating footprint and, as a result, we have made the decision to further consolidate operations, largely in the higher cost geographies. This initiative will allow us to reduce underutilized assets throughout our organization. In the future, we believe we can generate satisfactory returns while providing our customers with exceptional service.

23. The same day, Delaney outlined the new restructuring plan in an earnings call with investors and securities analysts. He touted the “hard benefits” achieved in the previous restructurings and the expected benefits from the new restructuring:

> … after evaluating the needs of our customers and assessing the best roadmap to get back to sustainable and acceptable levels of profitability, we have made the decision to significantly reduce the amount of excess capacity in our system through a new restructuring program that will bring utilization rates higher and accelerate margin expansion.
>
> In the fourth quarter, our capacity utilization returned to just over 60 percent for the first time in two and half years. At the completion of this major initiative, we would expect our EMS production utilization to get to the 70 percent range. At this level, the Company will be able to earn its cost of capital on a more consistent basis while still giving customers the flexibility for upside growth.
>
> In the past year, we have delivered hard benefits from our recent restructuring activities. And upon the completion of this new initiative, we believe Celestica will have the highest proportion of capacity in the infrastructure and low-cost geographies among the Tier 1 EMS providers, while still having the necessary capacity and capability in the high-cost regions in order to offer broad-based outsourcing solutions to our customers.

24. Delaney announced during the call that Celestica’s intention was to consolidate its operations, particularly in higher cost regions. He stated that Celestica would transition its workforce so that 85% of it was in the low-cost regions of Asia, Mexico and Central Europe.

25. The defendants' representations in respect of the new restructuring were made with an implied assertion that they were objectively reasonable. Investors relied on such statements which provided false reassurances about the restructuring, driving Celestica's share price up by nearly 6% in the days following the announcement.

26. However, the defendants misled the Class Members by giving a significant underestimate of restructuring timing and costs and an incorrect assessment of its feasibility or likelihood of success. Delaney and Puppi knew, or ought reasonably to have known, that inventory problems plagued the U.S. and Mexican facilities at the beginning and during the restructuring, but they failed to disclose this.

27. At the time the defendants announced the restructuring, Celestica's Monterrey facility – which was central to the restructuring's success – was suffering from major performance issues, inventory and supply chain issues, manufacturing delays, customer dissatisfaction and weak internal controls. It already had excess and obsolete inventory. This facility could not accommodate the massive transfer of operations. It was wholly unsuitable for the increase in customers.

28. The defendants were aware of these significant obstacles to the new restructuring, but failed to disclose them to the Class Members. The defendants knew there were inventory issues that had persisted since 2003. The Monterrey facility in particular had always had excess or obsolete inventory and its problems were exacerbated by its use of two inventory management systems. The defendants knew or ought to have known that the Monterrey facility was ill-suited to be the focal point of the restructuring plan. Celestica was simply not equipped to effectively manage the rapid influx of consumer units from the U.S. facilities into Monterrey. The defendants knew, or ought to have known, that the transfer of operations to the Monterrey facility would only result, and did result, in additional disruptions to production schedules and delays for its customers.

Celestica's Manipulation of its Inventory and Earnings During the Class Period

29. Over the course of the Class Period, the defendants manipulated the recording of Celestica's inventory and earnings, creating a materially misleading view of its financial circumstances.

Celestica's Obsolete Inventory

30. Celestica did not properly account for its obsolete inventory. Instead, it valued this inventory as if it was still saleable and failed to write it off.

31. Obsolete inventory is inventory whose value has declined to below its cost. Celestica's obsolete inventory included inventory for old customer contracts and customers who no longer had any dealings with Celestica.

32. Celestica held millions of dollars of obsolete inventory as current inventory. Some of this obsolete inventory was so old that the customer to which it related no longer had contracts with Celestica.

Celestica's Level of Inventory

33. The defendants distorted the level of inventory in the public disclosure and for the purposes of its public inventory turnover ratio. Celestica reported falsely low levels of inventory, delayed recording new inventory of raw materials and physically removed inventory from its facility so it could avoid accounting for it.

34. Celestica's inventory management was in shambles. It used different systems for tracking inventory in different facilities and sometimes even within the same facility; the Monterrey facility had two such systems. This allowed for manipulation within the internal accounting system in order to meet the demands of senior management to control inventory levels.

35. Celestica also delayed recording of new inventory of raw materials until after quarter-end reporting periods even though Celestica had already received delivery of that inventory. To circumvent the required reporting of this inventory, Celestica would hold the raw materials off-site or in the parking lots of its facilities. The Monterrey facility had "tens" of trucks and trailers in its parking lot with raw materials inventory from its suppliers, waiting for the end of a particular quarter. The defendants used this method to understate its inventory levels, contrary to generally accepted accounting principles.

36. In addition, Celestica would ship inventory off-site in order to avoid accounting for it and thus artificially reducing its inventory levels. Much or all of this hidden inventory was

obsolete inventory that Celestica had failed to write down. Not only did the defendants not disclose the full extent of its inventory, but they made misrepresentations about the nature of its inventory. In an October 20, 2005 earnings call with investors and analysts, Puppi responded to an analyst question stating "this inventory buildup [in the third quarter of 2005] … occurred because the demand fell out in front of us. It didn't become obsolete … [and] it's expected to be used in the reasonably near future." This statement was false.

False Sales and Delayed Expenses

37. Celestica manipulated its revenues and supplier expenses in order to falsely overstate Celestica's earnings.

38. Celestica would claim revenue from goods shipped to customers who did not order them, knowing the customers would reject them and return the goods during the next quarter.

39. In addition, Celestica would postpone paying expenses in order to falsely overstate its earnings. This created issues with suppliers that led to production delays, which eventually affected Celestica's customers. Suppliers were putting credit-holds on Celestica and refusing to deliver raw materials until bills were paid. The defendants were aware or, ought reasonably to have been aware, that Celestica was often overdue in paying invoices.

The Picture for the Public

40. Each of Celestica's Q1 2005, Q2 2005, Q3 2005, Q4 2005, Q1 2006, Q2 2006 and Q3 2006 quarterly reports (including management discussion and analysis) and its 2004 and 2005 annual reports falsely stated that its financial statements conformed with Canadian generally accepted accounting principles. This was untrue.

41. Each quarterly and annual report included misrepresentations as to Celestica's earnings, inventory levels, inventory turnover ratio and its restructuring charges. In addition to revenue and earnings, Celestica disclosed the net realizable value of its inventory, its "days in inventory"[2] as a performance indicator and write down charges relating to obsolete inventory.

[2] Celestica defined Days in Inventory as the average inventory for the quarter divided by the average daily cost of sales.

This disclosure was inaccurate and materially misleading due to the manipulation of Celestica's earnings and inventory levels.

42. The defendants repeatedly made misrepresentations throughout the Class Period with respect to the future success of the restructuring and the time and costs involved to complete the restructuring. These representations were made with an implied assertion that they were objectively reasonable.

43. Celestica also failed to disclose the full extent of restructuring charges in each quarter from 2005 to the end of 2006.

44. Further, the quarterly and annual reports emphasized the importance of Celestica's major customers, but failed to disclose the loss of major customer contracts. Throughout the Class Period, there were persistent production delays in the Monterrey facility that were getting worse as a result of the significant transfer of operations to Mexico. The defendants were aware, or ought reasonably to have been aware, of these customer issues as they were taking place, but failed to disclose them.

45. In addition to the quarterly and annual reports, the defendants made misrepresentations in press releases, earnings conference calls and public presentations, as set out below. These misrepresentations, including those made during conference calls, were readily available to the public. Members of the public could participate in or attend any such calls and could review the transcript of such calls afterwards.

The Public was Told the Restructuring was Succeeding

46. On March 7, 2005, the defendants participated in a conference at Morgan Stanley. Delaney stated publicly that the restructuring would see savings of $120 to $150 million in operating costs:

> So our intention is [that the restructuring] will get us to really the strategic footprint that we want to have in place, and with it of course it generates savings as well in the $120 to $150 million range of savings associated with this. And I think the restructuring program we said was 225 to 275 million. And so that process is underway. … So that plan is pretty much on track. So what that really means to you guys is that we have

> still some additional benefits to get in this quarter and next from last year's restructuring program. This current restructuring probably doesn't really take effect until second half of this year is really when you're going to start seeing most of those benefits will flow through the first half of next year in terms of the incremental benefits of that restructuring.

47. Delaney also stated that Celestica would not lose business as a result of the restructuring:

> …we rarely lose business as a result of [a restructuring], and I expect that to be the case going forward as well. So these restructuring announcements generally improve our value proposition with our customers and don't cause them to deteriorate. I mean especially in the case of major customers…

48. Delaney stated that Celestica's customer relationship over the previous year had "improved dramatically and [had] not deteriorated in any way." This was false. Its customers, including Lucent, Cisco Systems, Motorola, Teradyne and AMD were seriously concerned with Celestica's performance, its manufacturing delays and inventory problems. Celestica was losing major customers contracts and the inevitable productions delays in transferring operations to Monterrey would only further undermine Celestica's customer relationships.

49. Delaney also falsely stated with respect to the excess investor problem that "[t]here are no big glowing spots on the radar screen in terms of problem spots for anything else that I can see at this point. … I think in general at least compared to third quarter it feels like there is less inventory…".

50. On March 21, 2005, Celestica released its 2004 annual report, which included a discussion of the new restructuring. It repeated that the restructuring would take 15 months to complete and would involve "restructuring charges in the range of $225 million to $275 million".

51. On April 21, 2005, the defendants issued a press release announcing its Q1 2005 results. It announced that there had been $31.9 million in restructuring charges for the quarter. In the press release, Delaney stated that "[r]esults for the quarter were as expected and demonstrate the steady progress being made at Celestica". The notes to the financial statements repeated that "we expect to complete these restructuring actions throughout 2005

and into 2006" and that "we expect to incur restructuring charges of between $225.0 and $275.0 [million] to be recorded throughout 2005 and into the first quarter of 2006." This was also repeated in the management discussion and analysis, which stated that "[w]e expect to incur restructuring charges in the range of $225 million to $275 million during the next 15 months."

52. In an earnings call with investors and analysts the same day, Delaney described the "excellent manufacturing" at its Monterrey, Mexico facility. He falsely stated that "restructuring is also progressing as planned with cost reductions expected to show up in the second half of this year."

53. Analysts inquired during the call if Celestica was still on target to limit restructuring costs to $225 to $275 million, given that it had already incurred $30 million in restructuring costs in Q1 2005. Puppi stated there would be no change in the estimate and that Celestica was "still in that range". However, this was false. The defendants knew, or ought to have known, the restructuring estimates were too low due to the problems at Celestica's facilities and that the promised benefit for revenues was going to be offset by inventory issues, particularly at the Monterrey facility.

54. On July 21, 2005, Celestica announced its financial results for Q2 2005. The defendants issued a press release which attributed these results to the success of the restructuring: "[o]ur second quarter results continue to show the benefits from reducing excess capacity and implementing efficiency initiatives across the organization". Celestica disclosed that as of June 30, 2005, Celestica had recorded restructuring charges totalling $63.9 million. As before, the notes to the financial statements falsely stated that "[w]e expect to complete these restructuring actions throughout 2005 and into 2006" and that "[w]e expect to incur restructuring charges of between $225.0 and $275.0 [million] to be recorded throughout 2005 and into the first quarter of 2006." The management discussion and analysis in the Q2 2005 report again falsely stated that "[w]e expect to incur restructuring charges in the range of $225 million to $275 million through the first quarter of 2006."

55. Delaney continued to falsely described the success of Celestica's restructuring in an earnings call with investors and analysts the same day: [o]ur restructuring activities are under

way and the organization is doing an effective job at taking good care of our customers during the transfer process." He also claimed that Celestica would "start seeing some of the benefits flowing mostly from the Americas, as some of the Americas reduction in the second half of this year. And then the Europe savings will be flowing a little bit later. So more towards the first quarter next year with probably full benefits second quarter".

56. Puppi also participated in the July conference call and updated analysts on the restructuring "benefits". He stated that "[w]e anticipate that most of the Americas activities will be completed by the end of 2005" and the "European activities to be expected to be completed in early 2006." He repeated the expectation to remove $125 to $150 million in annual costs: "As these activities are completed, these actions should drive robust margin expansion for these regions. In total, we are expecting to remove $125 to $150 million in annual costs. There is really no change in this expectation."

57. Another analyst asked Puppi about his claim that there would be substantial margin improvements in the coming year given that management previously advised the full benefits of the restructuring were not going to be recognized until 2006. Puppi responded that the margin improvements would flow from "further efficient Americas operations."

58. On September 13, 2005, Celestica participated in the BMO Nesbitt Burns 2005 Media & Telecom Conference. Delaney was asked about Celestica's strategy if pricing remained soft. Delaney stated that Celestica was working "really hard" to get back-office costs to lower levels and referred to low-cost regions. He stated Celestica has been making its execution stand apart over the past 18 months and it has a "terrific reputation" with its customers: "it has been improving every quarter".

59. On October 20, 2005, Celestica released its Q3 2005 financial results. It disclosed $41 million in charges in the quarter relating to its restructuring. Its press release quotes Delaney as stating that,

> … I am very pleased with our new program wins, the customers we have added and the opportunities ahead of us. We expect these wins to improve our end market diversification and to translate into revenue growth in 2006. As these new programs ramp, we will focus on completing our restructuring activities

> and aggressively managing our costs to ensure margins are maintained and improved in the coming quarters.

60. The notes to the financial statement maintained that the restructuring will be completed in 2006 and the costs would be limited to between $225 to $275 million: "[w]e expect to complete these restructuring actions throughout 2005 and into 2006" and "[w]e expect to incur restructuring charges of between $225.0 and $275.0 to be recorded throughout 2005 and 2006." This was echoed in the management discussion and analysis: "[w]e expect to incur restructuring charges in the range of $225 million to $275 million through to 2006."

61. Delaney and Puppi participated in an earnings call with investors and analysts the same day. Delaney continued to provide a misleading picture of Celestica for the upcoming year: "[d]espite a tumultuous demand environment we've been executing well, generating good customer satisfaction from our efforts while making dramatic improvements in our costs."

62. Puppi provided an update on the restructuring efforts and indicated it was still on track. He stated that the defendants "anticipated that most of the Americas' activity should be completed by the end of 2005" and "European activities are expected to be completed in mid 2006." Puppi stated that,

> We announced our program at the beginning of the year, and estimated restructuring charges of $225 to $275 million… we expect the majority of the program to be completed by March 2006, though this could extend by about a quarter as I just mentioned. ….
>
> When completed, we continue to remain comfortable that we will remove $125 to $150 million in annual costs and other utilization factors and margins will expand as a result $105 million of charges have been recorded so far in 2005 with about $90 million of cash costs being paid out this year.

63. One analyst asked Delaney about inventory build-up during Q3 2005 and if Celestica's customers were responsible for inventory issues. Delaney conceded there was some excess inventory, but he said it was not obsolete and Celestica was still going to use it in the "reasonably near future". Delaney stated that the excess inventory related to a drop in

customer demand: “[v]irtually all of the [inventory overages] was [a result] of a decline in stated customer demand”.

64. With respect to the restructuring, Delaney stated that the plant closures and transferring orders was not having a significant effect in the second half of 2005. He stated there were only a few small customers that did not want production to move to lower-cost regions. Delaney also blamed its suppliers for manufacturing delays. He stated that “the product races through our plants in very little time generally, but the problem is a 14-week lead time often times on some of the components coming in.” Delaney did not disclose that much of its supplier delays related to Celestica`s credit problems and the late payment of invoices.

65. On January 26, 2006, Celestica issued a press release announcing its Q4 2005 results, including $57 million in restructuring charges.

66. The notes to financial statement stated that “[w]e expect to complete these restructuring actions in 2006” and [w]e expected total restructuring charges of between $225.0 and $275.0 to be recorded in 2005 and 2006, with the majority of these to be employee termination costs.”

67. In an earnings call with investors and analysts later that day, Delaney and Puppi admitted there were difficulties in the Monterrey facility in the previous quarter. They stated that there were higher costs in the Americas region to support the major program transfers. However, they assured analysts that the situation had been remedied and that the “biggest challenges are behind the Company”. For Europe, Delaney explained that the completion of the restructuring over Q1 and Q2 2006 would bring operations to positive operating profits later in the year. He stated that Celestica expected to “continue to make steady progress on margin improvement, particularly in the second half of the year as restructuring is completed and new programs start to contribute to our top line”.

68. Puppi echoed this misleading report. He stated that Celestica continued to “target operating margins of 3.5% as we exit 2006”. He stated that [w]e believe this is a realistic goal, and a necessary result supported by the achievement of approximately $150 million in

annualized cost savings upon completion of the restructuring." He stated that there were $160 million in restructuring charges for 2005 and that the balance of the $275 million restructuring costs would be incurred in 2006. He stated that three plants in the Americas were closed and the last three plants would close by the end of Q2 2006.

69. An analyst asked Delaney if the transfers in the Americas had impacted customer relationships. Delaney responded that Celestica had committed "lots of time, money, and energy" to the transfer to execute them well and that he did not expect any "adverse effects" with its customers.

70. Contrary to these assertions, the problems at the Monterrey facility were not isolated incidents relating to the restructuring transfers. The Monterrey facility suffered from significant inventory management and operational issues that could not be repaired in only one quarter. Further, contrary to the defendants' misrepresentations, there were adverse effects in Celestica's customer relationships. Customers were already expressing dissatisfaction and Celestica was losing customer contracts.

71. On March 14, 2006, Celestica participated in the Deutsche Bank Securities Technology Conference. Puppi falsely described the success of Celestica's restructuring:

> We feel very strongly that this is our last kick at the cat, actually, and we have, probably, the most meaningful restructuring underway. We're about a third of the way through in terms of kind of benefit realization. So there has been some flow from what I would call largely an Americas-based restructuring set of actions that have been taken to date.
>
> We've announced closures, as well, in Continental Europe that will effect themselves through the course of the first three quarters and I then I think you'll get the completion of the program by then and the full swing of the cost reduction that we anticipate. And just for – as a reminder, those costs reductions should amount to around $150 million a year when all told. So that's between $35 and $40 million a quarter sort of improvement and we're about a third of the way through there.
>
> So I think that's kind of a – and you'll see the charges get effected through the course of the year, as well. We did about $120 or so million of charges last year, but our belief is that this

> is the last round. We will have, at the end of this, one of the most competitive footprints in the industry. We will have north of 80% of our capacity in – the low-cost geographies. So when we look at the sustainability of that other 20%, we feel extremely good that it's the right stuff for the right markets and the right customers.

72. An analyst asked Puppi about customer issues that may have arisen from the transfer of business to lower-cost regions, and in particular issues with Avaya. Puppi responded that the transfer of productions to lower-cost regions had not affected customer loyalty. He falsely stated "that has not been an issue" and that Celestica expected its relationship with Avaya to "continue in the same size and magnitude and degree of robustness" as it had in the past. Another analyst asked Puppi about inventory issues at the Monterrey facility. Puppi falsely stated that inventory levels were reasonable.

73. On March 21, 2006, Celestica filed its 2005 annual report, which Delaney and Puppi certified as accurate. The annual report states that "our focus for 2005 and into 2006 is to complete our restructuring" and Celestica will "restructure the remaining underutilized facilities by the end of 2006".

74. The annual report stated that there were $160.1 million in restructuring charges for 2005 and repeated that the previously announced restructuring would incur charges of between $225 and $275 million, to be recorded throughout 2005 and 2006.

75. In his "Letter to Shareholders", Delaney stated that Celestica had commenced a $275 million restructuring in 2005 and repeatedly and falsely stated that it would be complete by the end of 2006:

> This is one of the most aggressive restructuring programs in our industry and, upon completion, will reduce our annual cost base by approximately $150 million. By the end of 2005, nine plants were either closed or in the process of winding down, and we were recognizing approximately one-third of these cost savings on an annual run-rate basis. We anticipate this work should be completed later this year with the full cost benefits being achieved by the end of 2006 and leaving us with one of the most competitive footprints in the industry.
>
> …

> After several years of significant change, we enter 2006 with a renewed optimism as our major transformation activities are nearing completion and we are focused on growth and profitability in an exciting and dynamic technology industry.
>
> …
>
> **We will continue to deliver cost reductions in 2006** associated with the completion of our restructuring activities. These activities are expected to be completed by the end of 2006, resulting in improved operating margins and returns on capital.

76. On April 27, 2006, Celestica announced its results for Q1 2006, which included net losses of $17.4 million, of which $17 million were for restructuring charges. In the press release, Delaney attributed the results to "the impact of a seasonal revenue decline from the fourth quarter as well as substantial investments being made to support our major new program launches and growth in our low-cost facilities." He falsely provided an unrealistic assessment on the future: [a]s our new programs ramp, material flows stabilize and restructuring activities continue as planned, we expect to show improvements in our operating results in the coming quarters." He did not disclose the problems facing the Monterrey facility.

77. The notes to the financial statements were also misleading: "[w]e expect to complete the major components of these restructuring actions by the end of 2006" and "[w]e expect total restructuring charges of approximately $250 to $275 to be recorded in 2005 and 2006, with the majority of these charges to be employee termination costs."

78. The management discussion and analysis in the Q1 2006 report disclosed $160 million in restructuring charges in 2005, $17 million in Q1 2006 and stated that "[w]e expect to incur further charges of between $75 million and $100 million to complete these actions". It further stated that "[o]ur focus for 2006 is to complete our restructuring actions" and it will "restructure the remaining underutilized facilities by the end of 2006".

79. The management discussion and analysis disclosed that there were transition costs, particularly in Mexico, but that Celestica "will continue to deploy significant resources to manage our transitions and to stabilize our operational performance." It stated that "as the

ramps and transitions are completed in the coming months, we expect operating margins to improve."

80. The same day, April 27, 2006, Celestica held an earnings call with investors and analysts. Delaney and Puppi attributed the first quarter results to weak customer demand and restructuring costs, but did not mention the extent of the problems at the Monterrey facility. Delaney explained that Celestica was in the "final phases of [its] very aggressive restructuring program". Delaney provided a false outlook for the remainder of the year. He stated that they expected in Q2 2006 to "more than double" revenue at the Monterrey facility from its Q3 2005 revenue.

81. On being asked about problems at the Monterrey facility, Delaney attributed them to isolated incidents relating to the restructuring and the transfer of manufacturing to that facility. He did not explain that inventory issues were systemic at the Monterrey facility and could not be fixed in one quarter.

82. An analyst asked if Delaney believed this would be Celestica's final restructuring. Delaney responded positively stating that: "[w]e think this footprint is a pretty solid footprint for us."

83. On July 27, 2006, Celestica released its Q2 2006 financial results, which included $20 million in restructuring charges. The press release provided that Celestica anticipated revenues for the third quarter to be in the range of $2.15 to $2.35 billion and adjusted earnings per share ranging from $0.12 to $0.20. It provided that "[t]he anticipated improvement in adjusted earnings is being driven by continued benefits from our restructuring activities and increased efficiencies in our Mexico and European operations." Delaney is quoted in the press release as saying "[w]ith a backdrop of stable end markets, improved efficiencies in our high growth facilities, ramping new programs, and the completion of our restructuring activities, we are confident in continued revenue growth and stronger margins throughout 2006."

84. The notes to the financial statements stated that "[w]e expect to complete the major components of these restructuring actions by the end of 2006" and "we expect total

restructuring charges of approximately $250 to $275 to be recorded in 2005 and 2006, with the majority of these charges to be employee termination costs."

85. Celestica's management discussion and analysis in the Q2006 report repeated, as it had in earlier quarters that, "our focus for 2006 is to complete our restructuring actions…" and "we will…restructure the remaining underutilized facilities by the end of 2006". It also stated it had completed the transfer to the Monterrey facility and that despite some production issues for the short-term, Celestica anticipated "improved cost performance" going forward.

86. The management discussion and analysis in the Q2006 report continued to falsely report restructuring costs at between $250 and $275 million. It stated that "we have recorded $160.1 million in 2005 and $37.2 million in the first half of 2006. We expect to incur further charges of between $50 million and $75 million to complete these actions."

87. In an earnings call with investors and analysts later that day, Delaney reported that the restructuring was entering its final phase and that Celestica was confident that it would be completed by year-end 2006:

> In terms of restructuring, we're entering an important final phase of our major program that we launched a year and a half ago. …. We believe we're undertaking the most aggressive restructuring program in our industry. And while this ambitious plan came with execution risks we're confident we'll achieve the [end to date] that we planned with over 80% of our capacity in low-cost regions.

88. An analyst asked Delaney about guidance for the upcoming quarter. Delaney responded that there would be "some residual restructuring charges in the fourth quarter, but we expect to get the lion's share of the benefits by the fourth quarter." This report was false.

89. An analyst asked Delaney whether the increased volume of inventory at the Monterrey facility would continue to create operational issues in Q4 2006. Delaney responded that he was confident the Monterrey operations were repaired and the facility would deliver: "[t]he issues that we had in Mexico have been related to the amount of change that we were creating in there, building… has done quite a good job recently of executing the volumes, but it's been a change, some branded consumer stuff in there that it's new to the site, so there is some

recent investments in that area. So I am quite confident that our team in Mexico can deliver the fourth quarter as needed."

90. This was false. The defendants knew, or ought to have known, of Monterrey's severe operational problems, its weak internal controls, poor inventory management and excess and obsolete inventory. The defendants knew, or ought to have known, that the facility required additional restructuring to repair it. The defendants wrongly failed to disclose these material facts.

The Truth Begins to Emerge

91. On October 26, 2006, Celestica released its Q3 2006 results. It showed an increase in revenues, but losses were greater during the quarter than the same quarter a year earlier. It stated that the losses included $82 million in restructuring charges as compared to $41 million in 2005. The restructuring charges for the quarter were more than double the restructuring charges for the first two quarters of 2006. Based on this disclosure of increased restructuring costs (to $300 million), the stock price dropped from $11.74 to $10.16.

92. However, the notes to the financial statement continued to falsely assert that "[w]e expect to complete the major components of these restructuring actions by the end of 2006". It also falsely forecasted its restructuring cost. Celestica had already incurred $280 million in restructuring costs (exceeding its prior claims that it would be between $225 and $275 million), but claimed it would only incur $15 million more: "As of September 30, 2006, we have recorded restructuring charges totaling [*sic*] $160.1 in 2005 and $119.6 in the first nine months of 2006 [in other words, $280 million]. We expect to incur further charges of approximately $15 to complete these actions."

93. The management discussion and analysis in the Q3 2006 report persisted in suggesting the restructuring would end in 2006: "[o]ur focus for 2006 is to complete our restructuring actions" and "[w]e will restructure the remaining underutilized facilities by the end of 2006".

94. In the earnings call with investors and analysts the same day, Delaney told investors that the restructuring should help improve profitability in Q4 2006 and that Celestica was "entering the important final phases" of its restructuring. He stated that there were still

problems at the Monterrey facility, but things were improving and that he expected the levels of inventory "to go down over the next few quarters". He did not disclose the pervasiveness of the fundamental problems existing at the Monterrey facility:

> We made improvements in Mexico's operational performance, but we continue to experience efficiency shortfalls caused by the growth and complexity introduced there. Our team is methodically improving the processes to ensure that we get strong execution for our customers as the first priority. Stabilize first, then optimize for efficiency. I see this taking place over the next few quarters.
>
> Restructuring should help improve profitability in the fourth quarter, and our efforts over the next several quarters are focused on bringing more growth to the region, which is now highly concentrated with an excellent offering in low-cost eastern Europe. In terms of restructuring, we're entering the important final phases of a major program that we announced in January 2005.

95. Delaney falsely stated that "Mexico is getting better every day" and that Celestica was making sure its customers were satisfied.

96. Delaney also falsely described the level of inventory at Celestica's facilities in the Americas. He stated that he expected inventory to "go down over the next few quarters" and he hoped for "meaningful progress this quarter".

97. Puppi also participated in the call and mentioned issues at the Monterrey facility, but he did not disclose the extent of them. He stated that investors should expect Celestica to improve its performance in Mexico "over the next few quarters". He disclosed that earnings were adversely impacted by a $6 million inventory charge (write down) at one of its facilities in the Americas, but he described this as an isolated occurrence; he stated that Celestica had made "various process and systems changes to mitigate reoccurrence, and should finalize corrective actions this quarter."

98. Delaney also explained, falsely, that this was an isolated occurrence, and that Celestica did not expect to have any more inventory write-down charges similar to the $6 million write-down:

> We don't foresee taking any more of those charges. We've certainly taken a lot of actions to prevent reoccurrence. But in essence, we had a particular site ramping some new business with inadequate inventory controls, and so we have corrected that. We have made series of changes. We have got a few more changes to fully affect this quarter, and we don't anticipate any further charges in that department.

99. In answer to another analyst question Delaney stated that, " we won't have another inventory charge – or certainly I pray we don't…" He also reassured the analysts that the restructuring benefits were going to improve margins: "[w]e've got the restructuring benefits that are largely going to hit that line. So we expect more than all of the improvement, sequential basis in margin to come at that line". This was not correct. The defendants failed to disclose that there was an addition $60 to $80 million of restructuring costs that were still required to complete the plan.

100. On November 27, 2006, Celestica announced Delaney was resigning as CEO to pursue other business interests. He was replaced by Craig H. Muhlhauser.

101. On December 12, 2006, Celestica issued a pre-announcement press release warning it would not be meeting the operational targets for the fourth quarter as stated in its Q3 2006 press release. It explained that lower than estimated revenues and earnings per share was due to recent demand reductions from several customers. It also explained that the lowered adjusted net earnings included a net charge of $0.08 to $0.12 resulting "predominantly from an increase in inventory provisions at the Monterrey, Mexico facility."

102. Celestica held an earnings call with investors and analysts later that day. Mr. Muhlhauser explained that Celestica would not meet its fourth quarter targets as a result of a reduction of business from top customers and an inventory write-down from the Monterrey facility. Puppi falsely stated that the $30 million write-down in the quarter did not relate to the $6 million write-down in the previous quarter. Celestica's share price fell by 12.1% as a result of this announcement, from $9.37 per share on December 11, 2006 to $8.23 per share on December 12, 2006.

103. Celestica had still not disclosed the full extent of the restructuring failures and the problems at the Mexico facility. In reality, the transfer of operations to Mexico had not succeeded and was still unfinished.

The Truth is Finally Revealed

104. On January 30, 2007, Celestica issued a press release announcing the retirement of Puppi as chief financial officer and Celestica's Q4 2006 results. The results were dismal. Celestica's net loss for the quarter, $150.6 million, was more than triple the net loss for the same quarter in 2005. Mr. Mulhauser attributed these results to problems at the Monterrey facility and warned there would be additional charges. He stated that higher than expected demand reductions from key customers and the impact of inventory charges at the Monterrey facility "significantly impacted operating margins". He stated that Celestica was taking aggressive actions to improve performance at that facility. These actions would result in an additional "$60 to $80 million of restructuring charges, $40 million of which has been recorded in the fourth quarter, with the remaining charges to be incurred during 2007." He explained that $30 million of the $40 million in charges related to the "increased inventory provision" at the Monterrey facility.

105. There were $314 million in restructuring charges to the end of 2006, $57 million of which was recorded in Q4 2006. This was almost four times the defendants' representation on October 26, 2006 that it would require only $15 million to complete the restructuring. Celestica fully revealed that there would be an additional $20 to $40 million in restructuring charges for 2007, bringing the total to between $334 and $354 million. This was almost $100 million more than the originally disclosed restructuring costs.

106. The restructuring was not completed in 2006 as repeatedly promised. Instead, it would not be completed until the end of 2007.:

107. Muhlhauser subsequently confirmed that the Monterrey facility could not possibly have sustained the massive influx of customers from other facilities and the restructuring, which involved an attempt to implement an accelerated transfer plan, was a "perfect storm" from its beginning. The restructuring had required the "transfer of over 16 customers to Mexico, which required over 50 SMT lines with multiple SMT platforms from various North

American facilities, over 6,000 people in an 18-month period into a facility with two ERP systems." He concluded that the "[d]esire to move rapidly to Mexico and drive the required cost productivity into the Americas has come at great cost to our Company and our shareholders."

108. The Mexican facility was wrought with inventory management problems and production delays leading to loss of material customers such as Lucent, Nortel and Motorola. On the earnings call, Muhlhauser stated that:

> The impact of CMX in Mexico has hurt this Company very badly. The reality of the situation is that our operational execution issues in Mexico over the past 12 months have resulted in over $75 million of losses for EBIT losses for 2006 and $46 million for the fourth quarter from this one site. A loss of customer confidence and the need to get this situation under control quickly has resulted in disengagement with some customers. The failure to deliver timely resolution of the issues and deliver the projected operational and financial results quarter after quarter have undermined our credibility and eroded shareholder value in the Company.

109. Muhlhauser explained that the decline in Celestica's margins was "largely driven by previously announced $30 million net charge related to the inventory provision taken at our Monterrey, Mexico facility. This charge was simply unacceptable."

110. These revelations corrected the earlier misrepresentations. It was finally disclosed that (i) the timing and cost of the restructuring was falsely understated, (ii) the restructuring and its implementation had not succeeded as previously claimed, (iii) the Monterrey facility did not have the capacity to accommodate the transfer of operations that the restructuring involved, (iv) Celestica was losing customers, and (v) inventory had not been properly recorded during the Class Period.

The Share Price Plummets

111. In response to this information, which was not previously disclosed, Celestica's shares fell 23%, from $7.73 on January 30, 2007 to $5.96 on January 31, 2007.

112. Overall, from October 26, 2006 to January 31, 2007, Celestica's share price dropped from $11.74 to $5.96, a nearly 50% drop, wiping out more than $1.3 billion in market capitalization. These losses resulted from the defendants' misrepresentations.

The Defendants' Misrepresentations

113. The defendants made, authorized or acquiesced in the making of the following misrepresentations, all of which were false, inaccurate or misleading:

(a) They stated Celestica's financial reporting complied with generally accepted accounting principles, which it did not;

(b) They recorded obsolete inventory as current inventory, falsely overstating the value of Celestica's inventory;

(c) They failed to record charges to income (write down) relating to Celestica's excess and obsolete inventory (which there was little or no chance of selling), in accordance with generally accepted accounting principles and which ought to have reflected a loss in Celestica's earnings;

(d) They falsely underreported Celestica's level of inventory by,

(i) failing to record inventory;

(ii) delaying the recording of new inventory until after quarter-end reporting periods so that it would not appear as part of the earlier quarter's financial disclosure;

(iii) not recording inventory that Celestica owned, but which it had physically removed from its facilities;

(e) They falsely recorded revenues Celestica never received, reflecting sales that it had not yet or would never make;

(f) They delayed and manipulated the payment of expenses in order to show a falsely overstated picture of earnings;

(g) They announced a comprehensive restructuring, which they claimed would be completed within a certain time and within a range of costs, when they knew or ought to have known, the restructuring would not be completed in the disclosed time or at that cost;

(h) They falsely stated that Celestica's restructuring was proceeding according to plan, understating the time they knew or ought to have known it would take to complete and the costs involved;

(i) they falsely stated that the restructuring would succeed and was succeeding when it was not objectively reasonable in light of the significant and known inventory issues at the Monterrey facility;

(j) They falsely stated that the restructuring would provide $125 to $150 million in costs savings for Celestica;

(k) They failed to disclose the true restructuring costs;

(l) They falsely stated that the restructuring was not adversely or significantly affecting its customer relationships, and failed to report significant customer dissatisfaction and the loss of major production contracts with key customers such as Lucent, Cisco, Motorola and AMD.

114. The defendants knew or ought to have known that Celestica had excessive amounts of obsolete inventory and that it was not writing off obsolete inventory as it should have.

115. The defendants knew or ought to have known that inventory levels were distorted by failing to properly record inventory including new inventory and holding substantial inventory off site.

116. The defendants knew or ought to have known that Celestica was falsely recording revenues and that it was delaying the payment of expenses in order to inflate earnings.

117. The defendants knew or ought to have known that the restructuring was not proceeding according to the plan they had disclosed, that its costs were far in excess of those disclosed and that it would not be completed in the time repeatedly promised. From the beginning of the Class Period (in January 2005), the defendants knew the Monterrey facility was suffering from significant inventory and production problems. They knew or ought to have known that it was unsuitable as a focal point for a massive restructuring involving

multiple facilities across North America. The defendants' representations with respect to the time it would take to complete restructuring activities, the costs involved and its successful implementation were not objectively reasonable in the circumstances.

118. Celestica's quarterly and annual reports, management discussion and analysis, press releases and other public statements created a materially misleading and distorted picture of Celestica's revenue, expenses, the nature of its inventory, its inventory levels, its inventory turnover ratio and the success of its restructuring. The defendants' manipulation of how Celestica's inventory was recorded allowed Celestica to show a better picture of Celestica's financial circumstances during the Class Period. Given the significance of inventory control to Celestica's business, this manipulation was materially misleading.

119. Further, the defendants' misrepresentations about its restructuring were material. Celestica's restructuring was critical to its future and its ability to retain customers and generate earnings.

The Efficient Market Absorbed the Misrepresentations

120. The defendants' misrepresentations relating to its inventory, its revenues, its restructuring and the loss of major customers directly affected the price at which Celestica's shares traded and caused Celestica's share price to plummet. Celestica's quarterly and annual reports, press releases and other disclosure documents were publicly disseminated to the financial press, financial analysts, the mandatory securities regulators disclosure database (SEDAR) and Celestica's public website. The defendants regularly provided press releases that were disseminated to Canadian and other news sources. Analysts also based their recommendations about Celestica's shares on publicly disclosed information. Analysts prepared reports that incorporated the information in these misrepresentations.

121. Celestica's shares were traded on the Toronto Stock Exchange, which is an efficient market. Celestica shares were highly liquid at all material times with a trading volume of millions of shares daily. The trading price of its shares incorporated material information as it was disclosed by Celestica almost instantaneously. The price of Celestica's shares at all times reflected the publicly disclosed statements from Celestica, including all misrepresentations.

The Misrepresentations Constituted Common Law Misrepresentations

122. Celestica owed a duty to investors to ensure the accuracy of public statements. It had an obligation to make full, true and accurate disclosure of material facts and changes with respect to its business and affairs, which included ensuring the accuracy of statements about it the restructuring.

123. The individual defendants, by virtue of their positions as officers of Celestica, also owed a duty to investors to ensure that public statements on behalf of Celestica were not untrue, inaccurate or misleading. They owed a duty to ensure that material events, such as a significant increase in restructuring costs or the loss of major customer contracts, were disclosed to investors in a timely manner and that there were no material omissions in quarterly and annual reports. The continuous disclosure requirements in Canadian securities law mandated Celestica to provide material change reports and quarterly and annual reports. These reports were meant to be read by investors in the secondary market and to be relied on in making investment decisions. These reports and other public disclosure were prepared to attract investment in Celestica and the defendants intended that Class Members would rely on public disclosure for that purpose. Further, the individual defendants had similar statutory obligations under Canadian securities law to ensure the accuracy of these disclosure documents. Delaney and Puppi each signed the 2004 and 2005 annual report and certified that the quarterly reports from Q1 2005 to Q3 2006 quarterly reports and the 2004 and 2005 annual reports did not contain any untrue statement of material fact or omit to state a material fact necessary to make the statements made not misleading. They each also certified that the financial statements and other financial information fairly presented Celestica's financial condition, results of operations and cash flows.

124. The defendants breached these duties by making the misrepresentations to the Class Members as described in paragraphs 112-116 above. The defendants' conduct constituted negligent misrepresentation and they are liable to the Class Members.

125. The defendants knew or ought to have known of Celestica's mischaracterization of obsolete inventory, its manipulation of inventory levels, the significant problems in its restructuring and the loss of major customers. They knew or ought to have known that these misrepresentations would distort the publicly disclosed picture of Celestica's inventory

controls and future financial health. The defendants made these misrepresentations with the intent that investors would rely on them.

126. The plaintiffs and Class Members relied on these misrepresentations to their detriment by the act of purchasing or acquiring Celestica's shares. They also relied on the defendants' obligation to make timely disclosure of all material facts, to comply with securities law and to prepare quarterly and annual reports in accordance with generally accepted accounting principles. The defendants flagrantly violated these obligations.

127. In particular, the Trustees of the Millwright Regional Council of Ontario Pension Trust Fund plead that they retained the services of professional investment managers, Foiston Gordon Payne ("FGP") for the purposes of providing professional investment services, including, but not limited to, purchasing, acquiring and managing investments on their behalf. FGP invested in Celestica shares at the market price in reliance upon the defendants' obligation to make timely disclosure of all material facts, to comply with securities law and to prepare quarterly and annual reports in accordance with generally accepted accounting principles, which obligations the defendants violated. As a result of the Trustees' reliance on the market price for Celestica shares, the Trustees were therefore relying upon the misrepresentations set out above, to their detriment, resulting in damages to the Trustees and the plaintiffs as particularized below.

The Misrepresentations Constituted Statutory Misrepresentations

128. The *OSA* ~~and the securities legislation in other provinces~~ imposed an obligation on the defendants to ensure full, true and plain disclosure of all material facts and material changes to the business and affairs of Celestica. The defendants were statutorily required to ensure the accuracy of documents released as part of Celestica's continuous disclosure, including quarterly and annual reports, and to ensure the accuracy of all public oral and written statements.

129. As a result of their misrepresentations to the Class Members as described in paragraphs 112-116 above, the defendants are liable for statutory misrepresentations in accordance with Part XXIII.1 of the *OSA* ~~or, alternatively, the following securities legislation:~~

> ~~Part 16. 1 of *Securities Act*, R.S.B.C. 1996, c.418; Part 17.01 of *Securities Act*, R.S.A. 2000, c. S-4; Part XVIII.1 of *Securities Act, 1988*, S.S. 1988-89, c. S-42-2; Part XVIII of *Securities Act*, C.C.S.M. c.S50; Division II of Title VIII, Chapter II of *Securities Act*, R.S.Q., c. V-1.1; Part 11.1 of *Securities Act*, S.N.B. 2004, c. S-5.5; Sections 146A to 146N of *Securities Act*, R.S.N.S. 1989, c. 418; Part XXII.1 of *Securities Act*, R.S.N.L. 1990, c. S-13; Part 14 of *Securities Act*, R.S.P.E.I. 1988, c. S-3.1 (collectively the "Other Securities Legislation").~~

130. The defendants released documents that contained misrepresentations (as defined for the purposes of Part XXIII.1 of the *OSA* ~~and the Other Securities Legislation~~) relating to Celestica's inventory levels and inventory controls, the success of its restructuring and its ability to retain major customers.

131. Celestica's Q1 2005, Q2 2005, Q3 2005, Q4 2005, Q1 2006, Q2 2006 and Q3 2006 quarterly reports, its 2004 and 2005 annual reports, its management discussion and analysis and its material change reports contained misrepresentations and were core documents within the meaning of Part XXIII.1 of the *OSA*, ~~Other Securities Legislation~~ or rules or regulation thereunder. Celestica also released non-core documents that contained misrepresentations.

132. Each of Delaney and Puppi were officers at the time Celestica released these documents and authorized, permitted or acquiesced in their release. In particular, without limitation, Delaney and Puppi each signed the 2004 and 2005 annual report and certified that the Q1 2005, Q2 2005, Q3 2005, Q4 2005, Q1 2006, Q2 2006 and Q3 2006 quarterly reports and the 2004 and 2005 annual reports did not contain any untrue statement of material fact or omit to state a material fact necessary to make the statements made not misleading. They each also certified that the financial statements and other financial information fairly presented Celestica's financial condition, results of operations and cash flows.

133. In addition, the defendants released documents and made public oral statements that contained misrepresentations (as defined for the purposes of Part XXIII.1 of the *OSA*~~) and the Other Securities Legislation)~~ relating to Celestica's inventory levels and inventory controls, the success of its restructuring and its ability to retain major customers. Delaney and Puppi

did so with actual, implied or apparent authority to release such documents and to make such statements on Celestica's behalf.

134. The defendants knew, at the time these documents were released and the public oral statements were made, that the documents and public statements contained misrepresentations or that they deliberately avoided acquiring such knowledge or were guilty of gross misconduct in connection with the release of the documents and making the public oral statements.

135. The defendants also failed to make timely disclosure of material changes and in particular, without limitation, material changes relating to the costs, timing and implementation of the restructuring and the loss of major customers. Delaney and Puppi authorized, permitted or acquiesced in the failure to make timely disclosure of material changes.

Damages

136. The plaintiff and each Class Member suffered damages as a result of relying on these misrepresentations, which include losses suffered when the price of Celestica's shares dropped to their true value as the truth of its financial circumstances was revealed.

137. The Class Members suffered damages equivalent to the drop in share price as the true state of affairs was disclosed. If the defendants had not made the misrepresentations described above, the price of Celestica's shares would not have traded at an artificially high level and the Class Members, who acquired the shares during the Class Period, would not have suffered the losses when the truth about the restructuring began to emerge over the fall of 2006 and the misrepresentations were finally corrected in January 2007.

Vicarious Liability

138. Delaney and Puppi prepared the documents and made the oral statements referenced above in the exercise of their duties as officers and managers of Celestica. They were employees of Celestica and made these representations in the course of their employment. Their duties as officers included an obligation to review, approve and make public statements with respect to Celestica's financial condition and the state of its affairs.

139. Accordingly, in addition to its direct liability for negligent misrepresentation, as Delaney and Puppi's employer, Celestica is vicariously liable for the acts and omissions of Delaney and Puppi as set out above, including, without limitation, misrepresentations made negligently.

140. This action is commenced pursuant to the *Class Proceedings Act, 1992.*

141. The trial of the action should take place in Toronto.

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Plaintiffs

and

Celestica Inc., et al.
Defendants

Court File No: CV-11-424069-00CP

ONTARIO
SUPERIOR COURT OF JUSTICE

Proceeding under the *Class Proceedings Act, 1992*

Proceeding commenced at Toronto

AMENDED FRESH AS AMENDED STATEMENT OF CLAIM

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