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9 **UNITED STATES DISTRICT COURT**
10 **DISTRICT OF ARIZONA**

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13 SECURITIES AND EXCHANGE
COMMISSION,

14 Plaintiff,

15 vs.

16 QUENTIN LOUIS WILCOX,

17 Defendant.
18

Case No.

COMPLAINT

19
20 Plaintiff Securities and Exchange Commission (“SEC”) alleges:

21 **SUMMARY**

22 1. This case involves insider trading in the securities of Avnet, Inc.
23 (“Avnet” or “AVT”) by one of its former employees, Quentin Wilcox (“Defendant”),
24 between on or about April 25, 2017 and on or about April 27, 2017. Wilcox’s insider
25 trading occurred shortly before Avnet’s April 27, 2017 press release announcing
26 disappointing sales for third quarter 2017 (3Q2017) and earnings guidance for fourth
27 quarter 2017 (4Q2017). Defendant, who was one of the limited number of people
28

1 who had access to this inside information, sold over 2,000 shares of AVT stock
2 “short” and bought approximately 100 AVT “put option” contracts shortly before
3 Avnet made this earnings announcement public. It was the first time Defendant had
4 ever simultaneously sold AVT stock short and bought AVT put options, something
5 an investor typically does when he strongly anticipates the value of a stock will go
6 down. And that is exactly what happened in this case. When news that AVT’s sales
7 were lower than previously expected and were forecasted to continue downward for
8 the remainder of 2017, AVT’s stock price dropped more than 8% in one day and
9 more than 10% in just two days, netting Defendant a trading profit of \$55,154.70.

10 2. At the time Defendant executed these trades, he was working at Avnet as
11 a financial manager for budgeting and forecasting. In fact, throughout March and
12 April 2017, Defendant wrote and received numerous emails as Avnet’s financial
13 manager concerning the upcoming 3Q2017 results and the 4Q2017 earnings
14 guidance. On the day Avnet closed its books for 3Q2017, Defendant received an
15 email from a supervisor stating that Avnet’s operating income for its largest division
16 would be \$20 million lower than expected which represented an 11.3% decline from
17 the forecasted results.

18 3. Defendant knew this was material nonpublic information and that he was
19 prohibited from trading on that information, at least until three days after it had
20 become public. Defendant knew this because he had received extensive training in
21 Avnet’s Code of Conduct, which clearly stated that it was illegal for Avnet
22 employees to trade on material nonpublic information until a “reasonable time” after
23 the information was made public, which Avnet determined to be typically three days.

24 4. Defendant knowingly and willfully violated Avnet’s Code of Conduct
25 and his duty of trust and confidence to that company by selling Avnet’s stock short
26 and by buying Avnet put option contracts, all while in possession of material
27 nonpublic information. It began on April 25, 2017, when Defendant sold short
28 approximately 2,530 shares of Avnet stock. Then, on April 26, 2017, Defendant

1 purchased 100 put option contracts in AVT. The very next day, on April 27, 2018,
2 Avnet publicly announced its 3Q2017 results and its 4Q2017 guidance, which were
3 both lower than expected, causing the value of Avnet's stock to drop more than 8%
4 that day. On April 28, 2017, pursuant to orders Defendant had placed, Defendant's
5 brokerage firm closed out his short position in Avnet's shares and sold all 100 of his
6 put option contracts in Avnet, netting Defendant approximately \$15,154.70 from the
7 short sale and approximately \$40,000 from the put option contracts. In total,
8 Defendant's Avnet trades netted him a profit of approximately \$55,154.70, more than
9 half of his annual salary at Avnet, in just two days.

10 JURISDICTION AND VENUE

11 5. The Court has jurisdiction over this action pursuant to Sections 20(b),
12 20(d)(1) and 22(a) of the Securities Act of 1933 ("Securities Act"), 15 U.S.C. §§
13 77t(b), 77t(d)(1) & 77v(a), and Sections 21(d)(1), 21(d)(3)(A), 21(e) and 27(a) of the
14 Securities Exchange Act of 1934 ("Exchange Act"), 15 U.S.C. §§ 78u(d)(1),
15 78u(d)(3)(A), 78u(e) & 78aa(a).

16 6. Defendant has, directly or indirectly, made use of the means or
17 instrumentalities of interstate commerce, of the mails, or of the facilities of a national
18 securities exchange in connection with the transactions, acts, practices and courses of
19 business alleged in this complaint.

20 7. Venue is proper in this district pursuant to Section 22(a) of the Securities
21 Act, 15 U.S.C. § 77v(a), and Section 27(a) of the Exchange Act, 15 U.S.C. § 78aa(a),
22 because certain of the transactions, acts, practices and courses of conduct constituting
23 violations of the federal securities laws occurred within this district. In addition,
24 venue is proper in this district because Defendant resides in this district.

25 THE DEFENDANT

26 8. **Quentin Louis Wilcox**, age 43, resides in Gilbert, Arizona. He began
27 working at Avnet in January 2006, as a Senior Financial Analyst. In May 2015, he
28 became the financial manager for budgeting and forecasting at Avnet. On October

1 29, 2018, Avnet terminated his employment.

2 **RELEVANT ENTITY**

3 9. **Avnet, Inc.** is a New York corporation headquartered in Phoenix,
4 Arizona. Avnet primarily distributes electronic components, such as semiconductors,
5 for a variety of industries. Avnet is an SEC-reporting company and its common stock
6 is currently being traded on NASDAQ and its option contracts are quoted on the
7 Chicago Board Options Exchange (CBOE).

8 **RELEVANT TERMS**

9 **A. Short Selling**

10 10. Short selling is when an investor sells shares of a security that he does
11 not own by borrowing them from someone else, typically his brokerage firm.
12 Securities are typically sold short when the price of the security is anticipated to drop,
13 so that the short seller can buy back the securities that he borrowed (*i.e.*, “cover” his
14 position) at a lower price than he sold them and pocket the difference less any
15 transaction costs.

16 11. For example, suppose that an investor believes that the stock price of
17 XYZ company, which is trading at \$10 per share, will go down in the coming weeks.
18 The investor can borrow 100 shares of stock that his brokerage firm holds in XYZ
19 company and immediately sell those shares to the market for \$1,000. The investor is
20 now “short” 100 shares of XYZ stock which he must one day return to his brokerage
21 firm.

22 12. If the stock of XYZ company is trading at \$5 per share a week later, the
23 investor can elect to “cover” his position at that time and buy 100 shares of XYZ
24 company for \$500 and return them to his broker. Since he sold the 100 shares of XYZ
25 company for \$1,000 and only paid \$500 to buy them back and return them to his
26 brokerage firm, the investor will have a net profit for the entire trade of \$500 less any
27 transaction costs.

B. Put Options

13. A stock option, commonly referred to as an “option,” gives its purchaser-holder the right to either buy or sell shares of an underlying stock. The two main types of options are call options, which give the purchaser-holder the right to buy the stock at a specified price (the “strike price”) on or before a specified date (the “expiration date”), and put options, which give the purchaser-holder the right to sell the stock at the strike price on or before the expiration date. Options are generally traded as “contracts,” with each option contract giving the holder the opportunity to either buy (call) or sell (put) 100 shares of the underlying stock.

14. Put options are typically purchased when the stock price is anticipated to drop below the strike price (“in-the-money”). If the stock price falls below the strike price, the put option rises in value. For example, suppose an investor believes the stock price of XYZ company will drop in the near term and so he buys 100 put option contracts at \$1.00 per contract with a strike price of \$100 per share. If the stock price of XYZ company has fallen to \$80 per share on or before the expiration date and the put option has risen to, for example, \$22.00 per contract, the investor can simply sell the put options and make money from the difference in the prices of the option, in this example \$21.00 (\$22.00 minus \$1.00) less any transaction costs. In this example, the investor would net \$210,000 (\$21 x 100 contracts x 100 underlying shares per contract), and there would be no need to exchange shares of XYZ company common stock. Alternatively, if the put option is in-the-money on or before the expiration date, the investor could either “exercise” the put options (opt to sell the underlying stock at the strike price) or just continue to hold the put options until expiration date and hope that the contracts remain in-the-money. If the investor does not exercise the options and those options expire in-the-money, then the option will be auto-exercised by the brokerage firm. If, however, the option expires out-of-the-money, then the investor will have lost their initial investment in the put option.

THE ALLEGATIONS

C. Avnet Shares Highly Confidential and Material Nonpublic Information with Defendant

15. In May 2015, Defendant became the financial manager for budgeting and forecasting for Avnet. This position of trust and confidence gave Defendant access to highly confidential and material nonpublic information regarding Avnet's financial information.

16. As the financial manager, Defendant had access to Avnet's financial information through a computer program called SAP Business Explorer. Defendant also worked on confidential weekly reports that contained financial forecasts provided to Avnet's executive board.

17. In March and April 2017, Defendant began receiving a number of emails in his capacity as financial manager at Avnet concerning Avnet's upcoming 3Q2017 financial results and 4Q2017 guidance. Towards the end of April 2017, it had become clear to Defendant and others receiving those emails that Avnet's financial results would be disappointing.

18. For example, on April 24, 2017, Defendant received an email from one of his co-workers at Avnet containing a spreadsheet that showed Avnet's 3Q2017 earnings results, including its sales. That same day, Defendant received another email showing Avnet's most recent 4Q2017 guidance. Both emails revealed that Avnet's 3Q2017 sales and its 4Q2017 guidance would be materially lower than expected.

D. Defendant Breaches his Fiduciary Duty to Avnet by Trading on Material Nonpublic Information

19. On December 21, 2005, Defendant received a copy of Avnet's Code of Conduct, outlining the company's commitment to conducting its business with the highest ethical standards and in compliance with all relevant laws and regulatory requirements.

1 20. On December 21, 2005, Defendant signed a document acknowledging
2 that he had received Avnet’s Code of Conduct and understood that it represented
3 Avnet’s mandatory policies of the organization.

4 21. The Code of Conduct explained, among other things, that Avnet
5 entrusted its employees with confidential and proprietary information so they could
6 perform their duties, but that the information belonged to Avnet and included things
7 such as information about Avnet’s profits and other financial information. It further
8 explained that employees must not attempt to use confidential and proprietary
9 information for their personal gain.

10 22. The Code of Conduct also advised Defendant that he had to abstain from
11 insider trading and tipping. If he had information that was considered material and
12 nonpublic (or material “inside information”), it was illegal for him to trade in Avnet
13 stock or tip others to trade on such information. It explained that information was
14 “material” if it might affect the value of Avnet’s or another company’s securities, or
15 influence anyone’s decision to buy, hold or sell securities, including earnings results,
16 acquisitions, mergers, dividends, new product releases and changes in management.

17 23. The Code of Conduct explicitly stated that if an employee had material
18 inside information about Avnet or other companies with which Avnet had any
19 relationships, the employee “must wait to trade that company’s stock until the
20 information becomes public.” The Code of Conduct continued “After the
21 information is released to the public, you must wait a reasonable period – typically
22 three days – before acting on it.” It explained that trading in Avnet stock included
23 buying or selling any type of Avnet security in the open market, including
24 exchanging traded options as well as common stock.

25 24. Defendant received annual online training regarding these and other
26 aspects of Avnet’s Code of Conduct and acknowledged completing that annual
27 training each year between 2006 and 2010, and between 2012 and 2017. As a result,
28 Defendant knew that Avnet’s Code of Conduct prohibited, among other things,

1 trading on inside information such as company earnings until three days after the
2 information been disclosed to the public.

3 25. On April 25, 2017, Defendant breached Avnet's Code of Conduct and
4 his duty of trust and confidence to that company by trading on inside information
5 relating to Avnet's 3Q2017 earning results and 4Q2017 guidance before that
6 information was adequately disclosed to the public. Specifically, Defendant – for the
7 first time – short sold approximately 2,530 shares of Avnet (or AVT) stock while it
8 was trading at a price of \$44.99 per share, and did so two days before Avnet released
9 its 3Q2017 results and 4Q2017 guidance. Defendant short sold these Avnet shares
10 while he was at work.

11 26. On April 26, 2017, Defendant placed an order to “cover” his short sale
12 of Avnet's stock at \$35 per share, further demonstrating that he anticipated the share
13 price of Avnet to drop below its trading price at the time of \$44 per share.

14 27. On April 26, 2017, Defendant purchased 100 May 19, 2017 put option
15 contracts in AVT with a strike price of \$45 per share at a cost of \$1.10 per contract.
16 That same day, Defendant placed a sell order for all 100 of those put option contracts
17 at a minimum of \$5.00 per contract, demonstrating that he anticipated the share price
18 of Avnet to drop and thus the price of its put option contracts to go up.

19 28. On April 27, 2017, Avnet released its earnings announcement regarding
20 3Q2017 and 4Q2017 guidance, both of which were lower than expected, causing
21 Avnet's stock to decline over 8% that day.

22 29. Just a few hours after Avnet released its earnings announcement to the
23 public, Defendant canceled his April 26, 2017 order to “cover” his short sale of
24 Avnet's stock at \$35 per share, but immediately placed a new order to cover his short
25 sale of Avnet's stock at \$39 per share.

26 30. On April 28, 2017, Defendant's brokerage firm executed his order to
27 cover his short sale of Avnet's stock at \$39 per share, netting defendant a total trading
28 profit of \$15,154.70.

1 31. On April 28, 2017, Defendant's brokerage firm also executed his April
2 26, 2017 order to sell his put contracts, which it sold at \$5.10 per contract, netting
3 Defendant a total trading profit of \$40,000.

4 32. In other words, after his brokerage firm closed out all of his Avnet
5 positions, Defendant netted a combined total trading profit of \$55,154.70, which was
6 at that time approximately half of his annual salary at Avnet.

7 **FIRST CLAIM FOR RELIEF**

8 **Fraud in the Connection with the Purchase and Sale of Securities**

9 **Violations of Section 10(b) of the Exchange Act and Rule 10b-5**

10 **(against Defendant Wilcox)**

11 33. The SEC realleges and incorporates by reference paragraphs 1 through
12 32 above.

13 34. By engaging in the conduct described above, Defendant Wilcox, directly
14 and indirectly, bought and sold securities in Avnet between on or about April 25,
15 2017 and April 27, 2017, while in possession of material, nonpublic information of
16 Avnet regarding its earnings announcement for 3Q2017 and 4Q2017 guidance, which
17 Defendant Wilcox knew, or was reckless in not knowing, was in breach of Avnet's
18 Code of Conduct and his duty of trust and confidence to Avnet, and for Defendant
19 Wilcox's personal benefit.

20 35. By engaging in the conduct described above, Defendant Wilcox, directly
21 or indirectly, in connection with the purchase or sale of a security, by the use of
22 means or instrumentalities of interstate commerce, of the mails, or of the facilities of
23 a national securities exchange: (a) employed devices, schemes, or artifices to
24 defraud; (b) made untrue statements of a material fact or omitted to state a material
25 fact necessary in order to make the statements made, in the light of the circumstances
26 under which they were made, not misleading; and (c) engaged in acts, practices, or
27 courses of business which operated or would operate as a fraud or deceit upon other
28 persons.

1 36. By engaging in the conduct described above, Defendant Wilcox violated,
2 and unless restrained and enjoined will continue to violate, Section 10(b) of the
3 Exchange Act, 15 U.S.C. § 78j(b), and Rules 10b-5(a), 10b-5(b), and 10b-5(c)
4 thereunder, 17 C.F.R. §§ 240.10b-5(a), 240.10b-5(b) & 240.10b-5(c).

5 **SECOND CLAIM FOR RELIEF**

6 **Fraud in the Offer or Sale of Securities**

7 **Violations of Section 17(a) of the Securities Act**

8 **(against Defendant Wilcox)**

9 37. The SEC realleges and incorporates by reference paragraphs 1 through
10 32 above.

11 38. By engaging in the conduct described above, Defendant Wilcox, directly
12 and indirectly, offered and sold securities in Avnet between on or about April 25,
13 2017 and April 27, 2017, while in possession of material, nonpublic information of
14 Avnet regarding its earnings announcement for 3Q2017 and 4Q2017 guidance, which
15 Defendant Wilcox knew, or was reckless in not knowing, was in breach of Avnet's
16 Code of Conduct and his duty of trust and confidence to Avnet, and in so doing
17 obtained money for Defendant Wilcox's personal benefit.

18 39. By engaging in the conduct described above, Defendant Wilcox, and
19 each of them, directly or indirectly, in the offer or sale of securities, and by the use of
20 means or instruments of transportation or communication in interstate commerce or
21 by use of the mails directly or indirectly: (a) employed devices, schemes, or artifices
22 to defraud; (b) obtained money or property by means of untrue statements of a
23 material fact or by omitting to state a material fact necessary in order to make the
24 statements made, in light of the circumstances under which they were made, not
25 misleading; and (c) engaged in transactions, practices, or courses of business which
26 operated or would operate as a fraud or deceit upon the purchaser.

27 40. By engaging in the conduct described above, Defendant Wilcox violated,
28 and unless restrained and enjoined will continue to violate, Sections 17(a)(1),

1 17(a)(2), and 17(a)(3) of the Securities Act, 15 U.S.C. §§ 77q(a)(1), 77q(a)(2), &
2 77q(a)(3).

3 **PRAYER FOR RELIEF**

4 WHEREFORE, the SEC respectfully requests that the Court:

5 **I.**

6 Issue findings of fact and conclusions of law that Defendant committed the
7 alleged violations.

8 **II.**

9 Issue judgments, in forms consistent with Rule 65(d) of the Federal Rules of
10 Civil Procedure, permanently enjoining Defendant Wilcox, and his officers, agents,
11 servants, employees and attorneys, and those persons in active concert or
12 participation with any of them, who receive actual notice of the judgment by personal
13 service or otherwise, and each of them, from violating Section 17(a) of the Securities
14 Act [15 U.S.C. §77q(a)], and Section 10(b) of the Exchange Act [15 U.S.C. §§
15 78j(b)] and Rule 10b-5 thereunder [17 C.F.R. § 240.10b-5].

16 **III.**

17 Order Defendant to disgorge \$55,154.70, plus prejudgment interest of
18 \$3,744.83, representing all funds received from his illegal conduct, together with
19 prejudgment interest thereon.

20 **IV.**

21 Order Defendant to pay a civil penalty of \$55,154.70 under Section 20(d) of
22 the Securities Act [15 U.S.C. § 77t(d)] and Section 21(d)(3) of the Exchange Act [15
23 U.S.C. § 78u(d)(3)].

24 **V.**

25 Retain jurisdiction of this action in accordance with the principles of equity and
26 the Federal Rules of Civil Procedure in order to implement and carry out the terms of
27 all orders and decrees that may be entered, or to entertain any suitable application or
28 motion for additional relief within the jurisdiction of this Court.

VI.

Grant such other and further relief as this Court may determine to be just and necessary.

Dated: April 16, 2019

/s/ Douglas M. Miller

DOUGLAS M. MILLER

Attorney for Plaintiff

Securities and Exchange Commission

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