

JUDGE GRIFFIN

DUGAN W.E. BLISS
blissd@sec.gov
FRANK D. GOLDMAN
goldmanf@sec.gov
SECURITIES AND EXCHANGE COMMISSION
1961 Stout Street, 17th Floor
Denver, Colorado 80294
(303) 844-1000

UNITED STATES DISTRICT COURT
SOUTHERN DISTRICT OF NEW YORK

SECURITIES AND EXCHANGE COMMISSION,

Plaintiff,

- against -

ZHICHEN ZHOU AND YANNAN LIU,

Defendants.

15 CV 8796

15 Civ. ()

COMPLAINT AND JURY
DEMAND

ECF CASE

Plaintiff Securities and Exchange Commission (the “Commission”), for its Complaint against Defendants Zhichen Zhou (“Zhou”) and Yannan Liu (“Liu”) (collectively, “Defendants”), states:

SUMMARY

1. This is an insider trading case involving repeated highly suspicious and highly profitable trading by Zhou, a Chinese citizen residing in Beijing, China, in the securities of MedAssets, Inc. (“MedAssets”) and Chindex International Inc. (“Chindex”), both currently or formerly traded on NASDAQ, ahead of public announcements that the companies would be acquired by certain private equity firms. In the case of both acquisitions, one of the bidders was TPG Capital LP (“TPG Capital”), a global private equity investment firm with \$74.3 billion

under management, which is headquartered in the United States and has offices in Beijing.

Zhou's cousin Liu worked at TPG Capital. He is now CEO of Yooli.com, a Chinese web-based peer-to-peer lending platform, and President of Fuscent, a crowd-funding online platform.

2. On November 2, 2015, Pamplona Capital Management ("Pamplona Capital"), a London and New York-based specialist investment manager, and MedAssets publicly announced that Pamplona Capital would acquire MedAssets for approximately \$2.7 billion or \$31.35 per share, representing a 32% premium to MedAsset's closing price on October 30, 2015. The stock closed on Monday November 2, 2015 at \$30.85, up \$7.32, or 30.91%, from Friday's close. Prior to entering into the agreement with Pamplona Capital, MedAssets had received bids from several bidders, including TPG Capital.

3. In the days leading up to the acquisition announcement, Zhou made highly suspicious purchases of MedAssets common stock. Between October 22 and October 26, 2015, Zhou purchased 38,479 shares of MedAssets for \$885,377.94, which comprised virtually all of the money in his account. The bulk of these purchases were funded by a wire transfer from Liu, Zhou's cousin who worked for TPG Capital. Following the acquisition announcement, on November 2, 2015, Zhou sold all 38,479 shares and realized net profits of \$299,425.21. Zhou opened the account where he purchased and sold MedAssets stock just three weeks prior to his trading in MedAssets, and the stock purchases represented more than four times his stated net worth.

4. Zhou also traded profitably in advance of an earlier acquisition that involved TPG Capital. On February 17, 2014, Chindex, a healthcare company formerly headquartered in the United States, announced that it would be acquired by an affiliate of a private equity consortium

that included TPG Capital. The consortium agreed to pay \$369 million or \$19.50 per share in cash, representing a premium of approximately 14% to Chindex stock's closing price on February 14, 2014. Following the announcement, the stock opened on February 18, 2014—the next possible trading day—at \$19.00, up \$2.26, or 13.5%. Leading up to the acquisition announcement, on December 24, 2013 and January 14, 2014, Zhou purchased a total 3,350 shares of CHDX stock. One week after the public announcement, on February 25, 2014, Zhou sold his entire position for \$19.17 per share and realized net profits of approximately \$7,504.38.

5. These facts demonstrate that there is strong circumstantial evidence of insider trading by Zhou and Liu. Zhou opened his brokerage account just weeks prior to the announcement of the MedAssets acquisition, funded the account through his cousin Liu, and invested virtually all of the money in that account – representing more than four times his stated net worth – in the company's stock, and generated profits of more than \$300,000. Zhou made similar trades in connection with the Chindex acquisition, and both acquisitions involved TPG Capital – Liu's former employer – as a bidder. Liu's association with TPG Capital put him in a position to obtain material, nonpublic information about the acquisitions.

NATURE OF THE PROCEEDINGS AND REQUESTED RELIEF

6. The Commission brings this action pursuant to the authority conferred upon it by Section 21(d) of the Securities Exchange Act of 1934 (“Exchange Act”) [15 U.S.C. § 78u(d)]. The Commission seeks permanent injunctions against both of the Defendants, enjoining them from engaging in the transactions, acts, practices, and courses of business alleged in this Complaint, disgorgement of all ill-gotten gains from the unlawful insider trading activity set forth in this Complaint, together with prejudgment interest, and civil penalties pursuant to

Section 21A of the Exchange Act [15 U.S.C. § 78u-1]. The Commission seeks any other relief the Court may deem appropriate pursuant to Section 21(d)(5) of the Exchange Act [15 U.S.C. § 78u(d)(5)].

JURISDICTION AND VENUE

7. This Court has jurisdiction over this action pursuant to Sections 21(d), 21(e), and 27 of the Exchange Act [15 U.S.C. § 78u(d), 78u(e), and 78aa].

8. Venue lies in this Court pursuant to Section 21(d), 21A, and 27 of the Exchange Act [15 U.S.C. § 78u(d), 78u-1, and 78aa]. Certain of the acts, practices, transactions, and courses of business alleged in this Complaint occurred within the Southern District of New York and elsewhere, and were effected, directly or indirectly, by making use of means or instrumentalities of transportation or communication in interstate commerce, or the mails, or the facilities of a national securities exchange. MedAssets stock is listed and traded on NASDAQ and Chindex stock was listed traded on NASDAQ, which is headquartered in the Southern District of New York. Furthermore, pursuant to 28 U.S.C. Section 1391(c)(3), a defendant not resident in the United States may be sued in any judicial district.

DEFENDANTS

9. **Zhichen Zhou** (“Zhou”) is a Chinese citizen and resident of Beijing, China. According to Zhou’s account opening documents, he works for MeLeee.com, which appears to be an online shopping company established in December 2009 and located in Changsha of Hunan Province, China. Zhou is also employed as a webpage administrator by Yooli.com, a web-based peer-to-peer lending platform founded by Liu, Zhou’s cousin, and by Fuscent, a company for which Liu serves as the President.

10. **Yannan Liu** (“Liu”) is a Chinese citizen and a resident of Hong Kong. According to publicly available information, Liu is the founder and CEO of Yooli.com, a web-based peer-to-peer lending platform, founded in July 2012. Liu is also the President of Fuscent, a crowd-funding online platform, founded in 2012 and based in Beijing, China. From approximately June 2008 through approximately August 2011, Liu worked as an investment banker at Bank of America Merrill Lynch in London and Hong Kong, specializing in mergers and acquisitions. From approximately August 1, 2011 through May 11, 2012, Liu worked as a venture capital and private equity associate at TPG Capital, a global private equity firm, focusing on private equity investment in China. Liu maintains a personal relationship with at least one private equity professional who works at TPG Capital in the Beijing office. In March 2014, Forbes China listed Liu as one of its “30 Under 30.”

RELEVANT COMPANIES AND SECURITIES

11. **MedAssets, Inc.** (“MedAssets”) (NASDAQ:MDAS) is a healthcare performance improvement company and is a Delaware corporation headquartered in Alpharetta, Georgia. MedAssets common stock is registered with the Commission pursuant to Section 12(b) of the Exchange Act, and it files periodic reports, including Forms 10-K and 10-Q, with the Commission pursuant to Section 13(a) of the Exchange Act and related rules thereunder. MedAssets common stock is listed and traded on NASDAQ.

12. **Pamplona Capital Management, LLP** (“Pamplona Capital”) is a London and New York based specialist investment manager established in 2005 that provides an alternative investment platform across private equity, fund of hedge funds, and single manager hedge fund

investments. Pamplona Capital manages more than \$10 billion in assets and files quarterly 13F reports with the Commission.

13. **Chindex International Inc.** (“Chindex”) (formerly NASDAQ:CHDX) is a healthcare company in Asia, providing healthcare services in China and Mongolia through the operations of United Family Healthcare. On September 30, 2014, Chindex announced the completion of its acquisition by Healthy Harmony Holdings, L.P. (“Healthy Holdings”), an affiliate of TPG Capital, Shanghai Fosun Pharmaceutical Group Co. (“Fosun”), and Roberta Lipson, the CEO of Chindex. Prior to the acquisition, Chindex was headquartered in Bethesda, Maryland and its stock was listed on NASDAQ. Chindex terminated its securities registration on October 10, 2014.

14. **TPG Capital, LP** (“TPG Capital”) is one of the largest global private equity investment firms, with \$74.3 billion under management. TPG Capital is headquartered in Fort Worth, Texas and San Francisco, California and has worldwide offices, including in Beijing, China. TPG Capital files quarterly 13F reports with the Commission.

FACTS

The MedAssets Acquisition

15. On Monday, November 2, 2015, Pamplona Capital, a London and New York-based specialist investment manager, and MedAssets, a healthcare performance improvement company, publicly announced that Pamplona Capital would acquire MedAssets for approximately \$2.7 billion or \$31.35 per share, representing a 32% premium to MedAsset’s closing price on Friday, October 30, 2015. The stock closed on November 2, 2015 at \$31.00, up \$7.32, or 30.91%, from the previous trading day’s close.

16. Prior to the November 2, 2015 public announcement, MedAssets entertained a number of potential suitors, including TPG Capital.

17. On August 31, 2015, MedAssets retained Goldman Sachs and Deutsche Bank to serve as its investment bankers/financial advisors. Shortly thereafter, Goldman Sachs and Deutsche Bank contacted 11 potential buyers on behalf of MedAssets.

18. The potential buyers signed confidentiality agreements in September 2015, and seven of them submitted bids on September 29, 2015.

19. Pamplona Capital and TPG Capital were the only two bidders to proceed beyond the first round of bids.

20. On October 26, 2015, MedAssets received a bid from Pamplona Capital and another indication of interest from TPG Capital. Shortly thereafter, MedAssets decided to move forward with Pamplona Capital, not TPG Capital.

Zhou and Liu's Funding of a New Brokerage Account and Purchase of MedAssets Stock

21. Zhou submitted an online application to open a brokerage account with DriveWealth, LLC ("DriveWealth") on September 30, 2015, the day after TPG Capital and other potential buyers submitted their initial bids for MedAssets.

22. Zhou's account opening documents state that he is a Chinese citizen residing in Beijing. Zhou listed his total net worth as between \$100,000 and \$199,000 and stated that he had limited investment experience. Zhou identified his employer as MeLeee.com, an online shopping company located in Changsha of Hunan Province, China. However, publicly available documents show that Zhou works as a website administrator for Yooli.com, a web-based peer-to-

peer lending platform founded by Liu, his cousin, and for Fuscent, a company for which Liu serves as the President.

23. On October 9, 2015, Zhou initially funded the account with a deposit of \$100. Almost two weeks later, on October 21, 2015, Zhou wired \$6,984 into the account. The next day, on October 22, 2015, Zhou paid \$7,057.70, or \$23.14 per share, to purchase 305 shares of MDAS. Later that day, Zhou wired an additional \$7,784.00 into the account.

24. On October 23, 2015, Liu wired \$837,682.84 to Zhou's brokerage account. Later that day, Zhou wired \$32,516.32 into the account.

25. On Monday, October 26, 2015, Zhou purchased an additional 38,174 MDAS shares. This is also the date that MedAssets received a further round of bids from TPG Capital and Pamplona Capital.

26. In total, Zhou paid approximately \$885,377.94 at an average price of \$23.68 per share to acquire 38,479 MDAS shares. After purchasing the MDAS shares, Zhou had a balance of -469.63 in his account.

27. On Monday, November 2, 2015—the day of the public announcement—Zhou sold all 38,479 shares and generated profits of \$299,425.21. Zhou made no trades in this account other than the MDAS purchases.

28. Zhou also used a Scottrade, Inc. ("Scottrade") account to purchase MDAS shares, which he previously used to purchase CHDX shares as described below. On October 6, 2015, Zhou paid \$115 (including a \$7 commission) to buy 5 MDAS shares. Zhou has not yet sold the shares, and he has unrealized profits of approximately \$40.00.

The Chindex Acquisition

29. On Monday, February 17, 2014, Chindex, an American healthcare company providing services in China through the operations of United Family Healthcare, announced that it had entered into a definitive merger agreement with Healthy Holdings, an affiliate of a private equity consortium comprising TPG Capital, Fosun, and Roberta Lipson, the CEO of Chindex. The consortium agreed to pay \$369 million or \$19.50 per share in cash, representing a premium of approximately 14% to Chindex stock's closing price on Friday, February 14, 2014. Following the announcement, the stock opened on Tuesday, February 18, 2014—the next possible trading day—at \$19.00, up \$2.26, or 13.5%, from Friday's close. Prior to the acquisition, Chindex was headquartered in Bethesda, Maryland, and its stock was listed on NASDAQ. Chindex terminated its securities registration on October 10, 2014.

Zhou's Chindex Trades

30. Zhou opened a Scottrade online brokerage account on September 1, 2013. For the next few months, there was no activity in the account. On December 19, 2013, Zhou wired \$39,888.00 into the brokerage account.

31. On December 24, 2013, Zhou exceeded the available funds in the Scottrade account and paid \$39,903, or \$16.98 per share, to purchase 2,350 shares of CHDX stock.

32. On January 13, 2014, Zhou wired \$17,488 into the Scottrade account. The next day, Zhou paid \$16,790, or \$16.79 per share, to buy 1,000 more CHDX shares.

33. On February 25, 2014, one week after the acquisition announcement, Zhou sold all 3,350 shares for \$19.17 per share and realized net profits of \$7,504.38.

34. Eight months later, on October 27, 2014, Zhou wired his entire account balance of \$64,844.72 out of the country to his bank account at Standard Chartered Bank (China) Limited, located in Beijing, China.

Zhou's Failed Trades While Not in Possession of Material Nonpublic Information

35. Three weeks after wiring his CHDX proceeds and entire Scottrade account balance to China, Zhou wired \$97,679.98 into the account. On November 17 and 18, 2014, Zhou purchased 6,291 shares of Mindray Medical International Ltd. (NYSE:MR), China's largest medical equipment manufacturer. Over the next six months, Zhou sold all 6,291 MR shares and suffered a net loss of \$24,654.15. In June 2015, Zhou wired the majority of his account balance to his bank account in China, except for approximately \$200, which he then used to purchase the MDAS shares on October 6, 2015. Id. Other than MedAssets and Chindex, MR was the only other stock traded in Defendant Zhou's accounts. Id. There is no indication that Zhou possessed material nonpublic information about MR. Id.

Zhou's Highly Suspicious Trading

36. In summary, Zhou's trading was highly unusual and suspicious for at least the following reasons:

- a. Zhou opened his DriveWealth account only weeks before the MedAssets acquisition was announced and traded only MedAssets shares in that account.
- b. Zhou opened his Scottrade account and did not trade in it until shortly before the Chindex acquisition was announced.
- c. Zhou funded his DriveWealth account primarily through a wire transfer from his cousin Liu.

- d. Zhou invested virtually all of the money in both his DriveWealth and Scottrade accounts – representing more than four times his stated net worth – in the MedAssets stock, and generated profits of more than \$300,000 through well-timed trades around an acquisition announcement.
- e. Zhou also profited by making similarly well-timed trades in connection with the Chindex acquisition, and both acquisitions involved TPG Capital – Liu’s former employer – as a bidder.
- f. Liu’s association with TPG Capital put him in a position to obtain material, nonpublic information about the acquisitions. Liu maintains a personal relationship with at least one private equity professional who works at TPG Capital in the Beijing office. Zhou knew or should have known of Liu’s access to TPG Capital material nonpublic information.
- g. Zhou’s trading when not in possession of material nonpublic information was a failure.

Defendants’ Possession of, and Trading on, Material Nonpublic Information

37. Upon information and belief, at the time Zhou purchased both MedAssets and Chindex stock, as alleged above, he was in possession of material, nonpublic information about both companies’ respective upcoming acquisitions, which information was provided to him by his cousin Liu, which he in turn acquired through his affiliation with TPG Capital, which Zhou knew or should have known. Liu maintains a personal relationship with at least one private equity professional who works at TPG Capital in the Beijing office. Given Defendants’ personal

and business relationships, Defendants knew, recklessly disregarded, or should have known, that the material, nonpublic information about the MedAssets and Chindex acquisitions that had been obtained by them or conveyed to them was disclosed or misappropriated in breach of a fiduciary duty, or similar relationship of trust and confidence.

38. Upon information and belief, all material, nonpublic information that Defendants received concerning the MedAssets and Chindex acquisitions that was obtained by them and/or disclosed to them was tipped by a person with the expectation of receiving a benefit, such person did in fact receive a benefit, and Defendants knew or should have known of such benefit.

CLAIM FOR RELIEF

Violations of Exchange Act Section 10(b) and Rule 10b-5 Thereunder (Against All Defendants)

39. The Commission realleges and incorporates by reference paragraphs 1 through 38, as though fully set forth herein.

40. By virtue of the foregoing, Defendants, singly or in concert with others, in connection with the purchase or sale of securities, by the use of the means or instrumentalities of interstate commerce, or of the mails, or a facility of a national securities exchange, directly or indirectly: (a) employed devices, schemes or artifices to defraud; (b) made untrue statements of material fact or omitted to state material facts necessary in order to make the statements made, in the light of the circumstances under which they were made, not misleading; or (c) engaged in acts, practices or courses of business which operated or would have operated as a fraud or deceit upon persons.

41. By virtue of the foregoing, Defendants, directly or indirectly, violated, and unless enjoined, will again violate, Section 10(b) of the Exchange Act [15 U.S.C. § 78j(b)] and Rule 10b-5 thereunder [17 C.F.R. § 240.10b-5].

RELIEF SOUGHT

WHEREFORE, the Commission respectfully requests that this Court enter a show cause order and an order temporarily and preliminary freezing Zhou's assets in the accounts in which the trading described in this Complaint occurred, and enter a Final Judgment:

I.

Permanently restraining and enjoining the Defendants, their officers, agents, servants, employees, and attorneys, and those persons in active concert or participation with them who receive actual notice of the injunction by personal service or otherwise, and each of them, from violating Section 10(b) of the Exchange Act [15 U.S.C. § 78j(b)] and Rule 10b-5 thereunder [17 C.F.R. § 240.10b-5];

II.

Ordering Defendants to disgorge, with prejudgment interest, all illicit trading profits or other ill-gotten gains received as a result of the conduct alleged in this Complaint;

III.

Ordering Defendants to pay civil monetary penalties pursuant to Section 21A of the Exchange Act [15 U.S.C. §§ 78u(d)(3), 78u-1]; and

IV.

Granting such other and further relief as this Court may deem just and proper.

JURY DEMAND

The Commission demands a trial by jury on all claims so triable.

Dated: November 9, 2015



Dugan W.E. Bliss (*pro hac* admission pending)
Senior Trial Counsel
Frank D. Goldman (SDNY No. FG9921)
Senior Counsel
Attorneys for Plaintiff
SECURITIES AND EXCHANGE COMMISSION
1961 Stout Street, 17th Floor
Denver, Colorado 80294
(303) 844-1000
blissd@sec.gov
goldmanf@sec.gov