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**UNITED STATES DISTRICT COURT
DISTRICT OF NEW JERSEY**

	:	
UNITED STATES SECURITIES AND EXCHANGE COMMISSION,	:	Case No. 2:17-cv-00875-JLL-JAD
	:	
Plaintiff,	:	
vs.	:	
	:	
YU-CHENG LIN, a/k/a BELIEVE LIN,	:	
	:	JURY TRIAL DEMANDED
Defendant.	:	
	:	

FIRST AMENDED COMPLAINT

Plaintiff United States Securities and Exchange Commission (the “Commission”), 100 F Street, N.E., Washington, DC 20549, alleges as follows against Defendant Yu-Cheng Lin, also known as Believe Lin, whose last known contact information is as follows: *Residential Address*, No. 53, XinYuan Road, QiPan Village, KuKung Township, YunLin County, Taiwan 646; *Postal Address*, 9F No. 32, Lane 22, GuangFu South Road, SongShan Dist., Taipei City 105, Taiwan.

SUMMARY

1. This civil action involves serial insider trading by the defendant, Yu-Cheng Lin (“Lin”), in advance of earnings announcements by Ubiquiti Networks Inc. (“Ubiquiti” or “company”), a publicly-traded technology company headquartered in San Jose, California. Lin was

employed by Ubiquiti in Taiwan from approximately March 2011 until June 2015. Lin continues to work and reside in Taiwan.

2. Lin engaged in at least two separate periods of insider trading in Ubiquiti securities, one series of trades in 2014 while he worked for Ubiquiti and another in 2016-2017.

3. In 2014, Lin either tipped material nonpublic information regarding Ubiquiti or personally directed or controlled trading in Ubiquiti common stock using a brokerage account located in the United States. The account was, ostensibly, owned by a close associate of Lin (the “Associate Trader”), but, on information and belief, Lin directed her trades. Between January 27, 2014, and September 2, 2014, the Associate Trader’s account traded in advance of record earnings announcements by Ubiquiti on February 6, May 8, and August 7, 2014. For twelve days in March 2014, Lin’s Associate Trader also shorted Ubiquiti stock, and the price of Ubiquiti’s stock dropped precipitously during this period.

4. As a result of trading during this period, the Associate Trader, who had been either directed or tipped by Lin, earned approximately \$135,483 in illegal profits.

5. In 2016 and 2017, after Lin had left Ubiquiti, Lin traded in advance of quarterly earnings announcements by Ubiquiti on May 5, August 4, November 3, 2016, and February 9, 2017, this time in accounts held in his own name. Lin did so by purchasing Ubiquiti common stock, call options, and contracts-for-differences (“CFDs”) in brokerage accounts located in the United States and overseas. In each instance, the trading pattern was essentially the same: Lin purchased Ubiquiti securities shortly before Ubiquiti’s quarterly earnings announcements and then sold his Ubiquiti securities shortly thereafter. Lin’s Associate Trader also took highly leveraged positions in Ubiquiti CFDs prior to the November 2016 and February 2017 announcements. The Associate Trader’s trades mirrored Lin’s and often occurred within minutes of Lin’s trades and were executed on either the same computer or two computers utilizing the same IP address.

6. In each of the three announcements during the 2016 calendar year, Ubiquiti announced, after the close of the market, record revenues and other positive financial news. When trading resumed, Ubiquiti's stock price rose. Lin sold his positions, and his profits from his trading activity in 2016 are approximately \$1,656,353:

Event	Stock	Options	CFDs	Total
May 5	\$ 96,518.81			\$ 96,518.81
Aug. 4	\$ 36,385.36	\$ 262,939.13	\$ 420,605.00	\$ 719,929.49
Nov. 3	\$ 111,898.09	\$ 322,755.89	\$ 405,250.79	\$ 839,904.77
Total	\$ 244,802.26	\$ 585,695.02	\$ 825,855.79	\$ 1,656,353.07

7. On February 9, 2017, Ubiquiti again announced record revenues for the preceding quarter. However, the company's announcement also included some negative results, including a drop in gross margin. When trading resumed, Ubiquiti's stock price dropped. Lin tried to sell all of his positions and did sell most.

8. Upon information and belief, given the facts set forth below and the reasonable inferences drawn from such facts, Lin has been directly and indirectly trading, and unless enjoined will continue to trade, Ubiquiti securities on the basis of material, nonpublic information about the company's quarterly financial results. These facts and inferences include, but are not limited to, (i) Lin's status as an employee and former employee of the company; (ii) the timeliness of the suspicious trading by the Associate Trader in 2014; (iii) Lin's continued communication with at least one Ubiquiti employee possessing material, nonpublic information about the company; (iv) the timeliness of Lin's suspicious trading activity around positive earnings announcements in 2016 and 2017; (v) the profitability of his trades; (vi) the size of the transactions in relation to his reported income and net worth; (vii) the highly leveraged nature of his positions; (viii) his being the dominant – and often the only – purchaser of certain series of call options; (ix) the fact that, with only minor exceptions, Lin did not trade other securities during the relevant period in the identified accounts,

and (x) similar and apparently coordinated, highly aggressive trading in Ubiquiti CFDs in 2016 and 2017 by Lin's Associate Trader who, like Lin, reported very modest annual income.

9. By knowingly or recklessly engaging in the conduct described in this First Amended Complaint, Lin violated, and unless enjoined will continue to violate, the federal securities laws.

JURISDICTION AND VENUE

10. The Commission brings this action pursuant to Sections 21(d) and 21A of the Securities Exchange Act of 1934 [15 U.S.C. §§ 78u(d) and 78u-1] to enjoin such transactions, acts, practices, and courses of business, and to obtain disgorgement, prejudgment interest, civil money penalties, and such other and further relief as the Court may deem just and appropriate.

11. This Court has jurisdiction over this action pursuant to Sections 21(d) and (e), 21A and 27 of the Exchange Act [15 U.S.C. §§ 78u(d) and (e), 78u-1 and 78aa].

12. Venue in this District is proper pursuant to Section 27 of the Exchange Act [15 U.S.C. § 78aa]. Certain of the transactions, acts, practices, and courses of business constituting the violations alleged herein occurred within the District of New Jersey and elsewhere, and were affected, directly or indirectly, by making use of the means or instruments or instrumentalities of transportation or communication in interstate commerce, or of the mails, or the facilities of a national securities exchange.

13. Securities transactions related to this matter were executed on servers located in New Jersey, including Direct Edge-EDGX and BATS in Secaucus, NYSE Arca in Mahwah, and NASDAQ in Carteret.

DEFENDANT

14. **Yu-Cheng Lin ("Lin")**, also known as Believe Lin, is 39 years old and resides in Taipei, Taiwan. From approximately March 2011 until June 2015, Lin was an employee of Ubiquiti, working in Ubiquiti's Taipei office. Lin currently lives and works in Taiwan for a different company.

15. Lin has a domestic brokerage account at Scottrade, Inc. (“Scottrade”) with an account number that ends in *0866 (the “Scottrade Account”). Lin used that account to trade Ubiquiti’s shares and call options. As discussed below, Lin funded the Scottrade Account from two foreign bank accounts and has transferred \$300,000 from the Scottrade Account to one of those accounts.

16. Lin has an overseas brokerage account at Saxo Bank A/S (“Saxo Bank”) and its subsidiary Saxo Capital Markets HK Ltd. (“Saxo HK”) with a “client ID” that ends in *078 and an account number that ends in *282 (the “Saxo Account”). Lin used that account to trade Ubiquiti’s shares and CFDs that reference Ubiquiti’s shares.

17. Lin has an overseas bank account at Taishin International Bank with an account number that ends in *7268 (the “Taishin Account”). Lin transferred money between the Taishin Account and his brokerage accounts.

18. Lin has an overseas bank account at HSBC Bank (Taiwan) Ltd. with an account number that ends in *3821 (the “HSBC Account”). Lin transferred money between the HSBC Account and his brokerage accounts.

19. Lin uses an email address that begins and ends with mit#####@yahoo.com.tw (“Lin’s Yahoo Email Account”) (redacted) and communicated with Scottrade and Saxo Bank using that account. Lin also uses an email address that begins and ends with bel#####@gmail.com (“Lin’s Gmail Email Account”) (redacted) and communicated with Saxo Bank with that account.

OTHER INDIVIDUALS AND ENTITIES DISCUSSED IN THIS COMPLAINT

20. **Ubiquiti Networks, Inc.** (“Ubiquiti”) is a corporation headquartered in San Jose, California that develops networking technology for service providers and enterprises. Ubiquiti’s shares of common stock are traded on the NASDAQ Global Select Market under the symbol “UBNT.” Transactions in Ubiquiti shares occur, *inter alia*, on servers located in New Jersey,

including Direct Edge-EDGX and BATS in Secaucus, NYSE Arca in Mahwah, and NASDAQ in Carteret.

21. **“The Associate Trader,”** whose identity is known to the Commission, is a 34-year-old woman residing in Taipei, Taiwan. Based on account opening documents, the Associate Trader had an annual income of less than \$30,000 in 2014, and €50,000 to €100,000 in 2016; she is a part-time hair designer. The Associate Trader had accounts at E*TRADE Securities LLC in 2014 and Saxo Bank in 2016 and 2017. In 2016 and 2017, the Associate Trader and Lin traded in parallel, often within minutes or seconds of each other and often from either the same computer or two computers utilizing the same IP address. On information and belief, Lin directed or controlled the trading in the Associate Trader’s accounts.

22. **Scottrade, Inc.** (“Scottrade”) is a brokerage firm headquartered in St. Louis, Missouri that provides financial services to individual investors through an online platform and branch network. It has been registered with the Commission as a broker-dealer since 1980.

23. **E*TRADE Securities LLC** (“E*TRADE”) is a brokerage firm headquartered in New York, New York that provides financial services to individual investors through an online platform. It has been registered with the Commission as a broker-dealer since 1991.

24. **Saxo Bank A/S** (“Saxo Bank”) is a Danish company headquartered in Copenhagen. **Saxo Capital Markets HK Ltd.** (“Saxo HK”) is a broker-dealer located in Hong Kong and regulated by the Securities and Futures Commission of Hong Kong. Saxo HK is a subsidiary of Saxo Bank.

25. **Taishin International Bank Co. Ltd.** (“Taishin”) is an international bank with headquarters in Taiwan with operations in Hong Kong, Singapore and other countries. Taishin offers retail banking, securities investments, life insurance and other products.

26. **HSBC Bank (Taiwan) Ltd.** (“HSBC Taiwan”) is a subsidiary of HSBC Holdings plc, an international bank with headquarters in London and operations in 71 countries and territories, including the United States. In Taiwan, HSBC offers retail banking and other products.

TERMS USED IN THIS COMPLAINT

Options

27. A stock option gives its purchaser-holder the option to buy or sell shares of an underlying stock at a specified price (the “strike” price) at a later date. Options are generally sold in “contracts,” which give the option holder the opportunity to buy or sell 100 shares of an underlying stock.

28. A “call” option gives the purchaser-holder of the option the right, but not the obligation, to purchase the underlying security at the specified strike price within a specific time period. Generally, the buyer of a call option anticipates that the price of the underlying security will increase during a specified amount of time.

29. A stock option is often described by the underlying stock, strike price, and the period for which it is operative. For example, a call option that gives the purchaser-holder the option to buy Ubiquiti shares at \$38 that expires in August 2016 can be abbreviated as “UBNT 38 August 2016 call options.”

Margin

30. “Margin,” when used in connection with a brokerage account, is typically defined as borrowed money that is used to purchase securities. This practice is referred to as “buying on margin.”

31. Buying with borrowed money can be extremely risky because both gains and losses are amplified. That is, while the potential for greater profit exists, there is a corresponding potential for

greater losses. Buying on margin also subjects a trader to additional costs such as an interest payment for use of the borrowed money.

CFDs

32. A “CFD” is a stock derivative that is an agreement between two parties to exchange the difference in value of an underlying stock between the time the contract is opened and the time at which it is closed. If the share price increases for the underlying security, the seller pays the difference to the buyer. If the share price declines, the buyer must pay the seller.

33. “Notional value” refers to the cash value of the positions in an underlying stock.

34. “Leverage” refers to the difference between the amount of money a trader has on deposit at a CFD firm and the notional value of the underlying securities traded.

Where traders use leverage, a trader can obtain positions with a notional value far larger than the amount of money the trader has on deposit at the CFD Firm. For example, Lin took CFD positions in late July and early August 2016 that had a notional value of more than \$3 million, while he had a balance of only approximately \$700,000 with the firm.

IP Addresses

35. Every computer or device on an electronic network has a unique numeric identifier. Computers use these unique identifiers to send data to specific computers on a network. Most networks today, including all computers on the Internet, use the TCP/IP protocol as the standard for how to communicate on the network. In the TCP/IP protocol, the unique identifier for a computer is called its “IP address.”

36. These unique IP addresses can be used to identify a specific computer or device and the geographic location where the computer or device accessed the Internet. In an effort to identify fraud, most on-line brokerages log the IP address of each computer or device that accesses a customer’s on-line account.

HOW CFDs WORK

37. Because equity CFDs mirror the movement and pricing of the underlying stock on a dollar-for-dollar basis, any fluctuation in the public market price of the underlying security is reflected in the unrealized gain or loss of the CFD position. The purchase and sale prices of equity CFDs are generally identical to the prices quoted for the shares on the public exchange on which the underlying stock is listed.

38. CFDs are often purchased using leverage so that traders can purchase a CFD with a notional value larger than the cash that they deposit with the CFD firm. Generally, a CFD investor benefits by acquiring the future price movement of the underlying stock without having to pay for or take formal ownership of the underlying stock.

39. Usually, purchasers of CFDs also receive other benefits commonly associated with stock ownership, such as the right to receive dividend payments and participate in stock splits. CFDs normally do not have an expiration date or a delivery date, and there is no restriction on the entry or exit price of a CFD.

40. An equity CFD investor typically purchases a long position in the same manner in which he or she would purchase common stock, by submitting an order with a CFD provider to buy a certain number of CFDs in a particular stock. The provider ordinarily purchases the corresponding number of the underlying shares to hedge its position and writes the CFDs to the investor at the same price. As with a traditional stock transaction, the buyer is able to enter market, limit, or stop loss orders when initiating CFD positions. Here, Lin was advised, prior to purchasing the CFDs at issue, that Saxo Bank, the broker/provider, would cover his purchase of Ubiquiti CFDs by purchasing equivalent amounts of Ubiquiti common stock.

41. Finally, when initiating an equity CFD position, the investor normally is not required to pay for the related shares or pay any premium. So the only costs associated with CFDs are

transaction fees charged by CFD providers when a customer opens and closes a position, plus a potential payout based on any decline in the value of the underlying asset. However, CFD providers typically require the investor to post margin on the underlying equity value.

UBIQUITI'S MATERIAL, NONPUBLIC INFORMATION

42. At the end of each quarter, Ubiquiti employees collect financial information and draft financial statements, a press release announcing financial results, and filings to make with the Commission. Information about revenue, gross margin and earnings is kept highly confidential within Ubiquiti. Only employees with a business reason to know the financial information are provided with that information.

43. Specifically, Ubiquiti kept confidential the revenue, gross margin, earnings and other financial measures reported in the quarterly earnings announcements on February 6, May 8, and August 7, 2014, May 5, August 4, November 3, 2016, and February 9, 2017, until those announcements were released to the public.

44. Ubiquiti requires that employees sign confidentiality agreements. Lin signed multiple confidentiality agreements when he worked at Ubiquiti.

45. Ubiquiti has a written policy that forbids employees from trading Ubiquiti securities using nonpublic information. The policy expressly warned employees that insider trading was illegal under the United States securities laws, and that violations of those laws could lead to prosecution by the Commission and expose a violator to criminal sanctions and imprisonment. The company's written insider trading policy also informed employees that the company's "[f]inancial results, financial condition, earnings pre-announcements, guidance, projections or forecasts" are "material" information subject to the insider trading rules and prohibitions. Lin knew of Ubiquiti's policy against insider trading.

46. Additionally, Ubiquiti created and distributed to employees a Code of Business Conduct and Ethics, which also contained a provision regarding the importance of maintaining the confidentiality of the company's information. Lin expressly acknowledged that he had received and read the Code of Business Conduct and Ethics.

DEFENDANT'S ACCESS TO UBIQUITI'S MATERIAL NONPUBLIC INFORMATION

47. When Lin worked for Ubiquiti, he held the role of Director of Operations in Ubiquiti's Taipei facility.

48. As Director of Operations, Lin had access to material nonpublic information about Ubiquiti. As such, Lin was subject to the restrictions in trading set forth in, *inter alia*, Ubiquiti's written insider trading policy.

49. After Lin left Ubiquiti, he remained in contact with at least one employee who served as a Product Manager in Taipei, including by email, instant message, telephone and in-person meetings. One of the topics that Lin discussed with the employee was options trading.

50. Ubiquiti Product Managers oversee the manufacturing of products by contract manufacturers, which Ubiquiti sells to its customers. Product Managers have access to, among other things, forecasts about demand for certain products. These forecasts predict how much product Ubiquiti will need to order from its contract manufacturers for the upcoming two to four months in order to fulfill anticipated customer orders. Thus, Product Managers are aware of changes to certain of Ubiquiti's sales and projected sales, which Ubiquiti keeps confidential until it publicly announces quarterly earnings.

51. Product Managers at Ubiquiti did not have access to Ubiquiti's full financial picture. For example, they did not generally have access to information about Ubiquiti's expenses or gross margin. In addition, they did not have access to Ubiquiti's financial statements or drafts of the quarterly press releases or filings, including calculations about earnings per share or gross margin.

DEFENDANT'S MONEY AND ACCOUNTS

52. Lin used multiple bank and brokerage accounts to fund and conduct his trading of Ubiquiti securities. Based on Lin's representations, Lin funded his brokerage accounts by borrowing hundreds of thousands of dollars from other, as yet unknown individuals based on agreements whose terms the Commission is presently unable to determine.

53. The Associate Trader opened an account at E*TRADE in January 2014, but withdrew nearly all of the money from the account on September 5, 2014. The account is still active and currently has a balance of \$0.20.

54. In December 2015, Lin opened the Scottrade Account. Lin funded the Scottrade Account in December 2015 by transferring \$55,000 from the Taishin Account and \$377,000 from the HSBC Account.

55. In April 2016, Lin transferred \$300,000 from the Scottrade Account to the HSBC Account. That was the only transfer out of the Scottrade Account during the Relevant Period.

56. In June 2016, Lin opened the Saxo Account. From June to December 2016, Lin funded the Saxo Account by transferring money from the Taishin Account – \$214,979.50 in June 2016, \$289,968.50 in July 2016, \$197,479.50 in August 2016, and \$188,361.50 in October 2016. During the same period, Lin transferred \$600,000 out of the Saxo Account to the Taishin Account - \$300,000 in August 2016 and \$300,000 in December 2016.

57. In October 2016, the Associate Trader opened an account at Saxo Bank. Lin assisted the Associate Trader to open the account, informing Saxo Bank that the Associate Trader “want[ed] to buy US Stock/CFD also.” The Associate Trader funded her Saxo Bank account by transferring \$429,000 on November 2, 2016, and \$299,000 on November 3, 2016.

58. On February 2, 2017, Lin funded his Saxo Account by transferring \$614,979.50 from the Taishin Account.

59. According to a sworn declaration submitted by Lin, Lin contends that he borrowed much or all of the money deposited into the Saxo Account from other, unknown individuals based on agreements whose terms the Commission is presently unable to determine.

60. On or after February 10, 2017, and after Lin had been served with this Court's February 9, 2017 temporary restraining order, Lin instructed Saxo Bank to sell or close out all the assets in the Saxo Account and to transfer all of the money to the Taishin Account. According to Lin and other records, Lin was in Kathmandu, Nepal when he sent this instruction.

61. A few hours after Lin instructed Saxo Bank to sell or close out all the assets in his Saxo Account and to transfer all of the money, Saxo Bank received identical instructions regarding the Associate Trader's account. Based on the IP address associated with these instructions, which show that they were input from a computer located in Kathmandu, Nepal, it is reasonable to infer that Lin directed these transactions in the Associate Trader's account.

62. Lin concedes that he had actual notice of this litigation and the Court's February 9, 2017 temporary restraining order and asset freeze by, at least, February 13, 2017.

63. On February 15, 2017, at Lin's request, Saxo Bank transferred \$631,360.42 to Lin's Taishin Account.

64. In response to discovery requests and in a sworn declaration submitted to the Court, Lin has represented that on or after February 15, 2017, Lin gave the money from the February 15, 2017, withdrawal to other people that he will not identify, thereby dissipating the funds he received from Saxo Bank, despite the Court's February 9, 2017 restraining order.

65. However, financial records indicate that Lin's representations to the Court and the Commission are false. On February 16, 2017, Lin instructed Taishin to transfer NT\$7,300,000 – or about \$240,000 – to an account at HSBC whose beneficiary has the family name “Lin.”

66. On February 16, 2017, Lin also instructed Taishin to transfer NT\$8,015,987 – or about \$263,000 – to Global Securities Finance Corporation, a company that, upon information and belief, is a company that allows its customers to trade securities on margin.

67. On February 21, 2017, Lin instructed Taishin to transfer \$171,682 to an E Sun Commercial Bank account whose beneficiary is identified as “Yu-Cheng Lin.”

68. The current location of the funds withdrawn from the Associate Trader’s Saxo Bank account is presently unknown.

RELEVANT TRADING ACTIVITY

The Associate Trader’s Suspicious Trading in 2014

69. The Associate Trader opened an account at E*TRADE in January 2014, during the period that Lin was employed by Ubiquiti.

70. From January 27 to February 3, 2014, the Associate Trader bought 20,000 shares of Ubiquiti common stock for \$811,624.70. At 4:30 pm on February 6, 2014, Ubiquiti announced record earnings. Ubiquiti’s stock price increased from a closing price of \$40.94 on February 6, 2014 to \$42.46 on February 7 and continued rising, reaching \$50.00 on February 18. From February 7 to February 18, 2014, the Associate Trader sold all 20,000 Ubiquiti shares for \$904,178.70, yielding a profit of \$92,554.

71. From March 12 to March 19, 2014, the Associate Trader sold short 16,000 Ubiquiti shares for \$864,134.32, allowing her to profit if Ubiquiti’s share price fell. The per-share price of Ubiquiti common stock fell precipitously from a closing price of \$56.20 on March 20, 2014 to \$50.19 on March 24, 2014 (down 5.4% on March 24th alone). On March 24, 2014, the Associate Trader bought 16,000 Ubiquiti shares to cover her short position for \$801,600.00, yielding a profit of \$62,534.32.

72. From April 3 to May 8, 2014, the Associate Trader bought 25,000 Ubiquiti shares for \$1,071,299.50. At 4:05 pm on May 8, 2014, Ubiquiti announced record earnings. However, Ubiquiti's stock price declined from a close of \$41.37 on May 8 to \$31.38 on May 9. From May 13 to June 5, 2014, the Associate Trader sold 12,000 Ubiquiti shares (at a loss) for \$417,250.00. On June 23, 2014, the Associate Trader sold 3,000 UBNT shares (at a profit) for \$138,000.00.

73. From June 25 to July 15, 2014, the Associate Trader bought 9,000 Ubiquiti shares for \$368,700.00, bringing her Ubiquiti holdings back up to 19,000 shares. At 4:00 pm on August 7, 2014, Ubiquiti again announced record earnings. Ubiquiti's stock price increased from a close of \$39.32 on August 7 to \$42.09 on August 8 and continued to rise into September. From August 8 to September 2, 2014, the Associate Trader sold all 19,000 Ubiquiti shares for \$865,144.50.

74. The net profit on the Associate Trader's trading of Ubiquiti stock in 2014 was \$135,483.

75. Given Lin and the Associate Trader's coordinated trading in 2016 and 2017, and given Lin's apparent control over or direction of the Associate Trader's Saxo Bank account in 2016 and 2017, it is reasonable to infer that Lin directed or controlled the Associate Trader's account and trading in Ubiquiti securities in 2014, while Lin was in possession of material, nonpublic information regarding Ubiquiti.

Lin's Suspicious Trading in 2016 and 2017

76. Upon information and belief, and based upon the reasonable inferences drawn from the evidence presented herein, Lin also improperly obtained and traded in his own name on the basis of material nonpublic information concerning Ubiquiti's positive earnings announcements in 2016 and 2017.

77. Specifically, Lin traded in advance of quarterly earnings announcements by Ubiquiti on May 5, August 4, November 3, 2016, and February 9, 2017. Lin did so by purchasing Ubiquiti

common stock, call options and CFDs in the Scottrade Account and the Saxo Account. In each instance, the trading pattern was essentially the same: Lin bought Ubiquiti securities using leverage shortly before the company's quarterly earnings announcements and then sold those securities at a profit shortly thereafter. Lin's profits during 2016 from this trading activity were approximately \$1,656,353.

78. Lin's suspicious trading in Ubiquiti securities coincided with a string of record-breaking earnings announcements beginning in May 2016.

May 5 Announcement

79. On April 13, 2016, Ubiquiti announced publicly that its third quarter 2016 financial results would be released on May 5. After the close of the market on May 5, 2016, Ubiquiti announced publicly "Record Revenues and Earnings" for the third quarter, including a 73% increase in certain revenues year-over-year ("May 5 Announcement"). Ubiquiti's stock price increased 7.2% on this news, from \$35.29 at the close of the market on May 5 to \$37.84 at the close on May 6.

80. On the day of the May 5 Announcement (but before earnings were announced), Lin purchased 17,000 shares of Ubiquiti common stock in his account at Scottrade. Lin purchased some of these shares on margin. He used \$439,610 of his own funds, all of his available cash in the Scottrade account, and he borrowed an additional \$157,077 from Scottrade. This represented a long exposure to Ubiquiti common stock of nearly \$600,000. At the time of those purchases, Lin owned no Ubiquiti common stock.

81. Lin sold a majority of his position within days of the May 5 Announcement and all but 4,000 shares by the end of May 2016. Lin's trading profits were approximately \$96,518 on the May 5 Announcement.

August 4 Announcement

82. On July 20, 2016, Ubiquiti announced publicly that its fourth quarter 2016 financial results would be released on August 4. After the close of the market on August 4, 2016, Ubiquiti announced publicly “Record Revenues and Earnings” for the fourth quarter, including an 89% increase in certain revenues year-over-year (“August 4 Announcement”). Ubiquiti’s stock price increased 10.1% on this news, from \$45.06 at the close of the market on August 4 to \$49.61 at the close on August 5.

83. In the six weeks leading up to the August 4 Announcement, Lin purchased Ubiquiti common stock, call options, and CFDs in the Scottrade and Saxo Accounts. Lin invested approximately \$433,381 to buy the shares and options. To do so, he borrowed approximately \$218,352 from Scottrade. As a result, Lin acquired exposure to a total of 132,000 shares of Ubiquiti common stock. This represented a leveraged long exposure to Ubiquiti common stock with a notional value of more than \$5 million.

84. Lin sold the majority of his positions on August 5, 2016, the day after the August 4 Announcement and the balance by the end of September 2016. His trading profits were approximately \$718,350 on the August 4 Announcement.

November 3 Announcement

85. On October 14, 2016, Ubiquiti announced publicly that its first quarter 2017 financial results would be released on November 3. After the close of the market on November 3, 2016, Ubiquiti announced publicly “Record Revenues and Earnings” for the first quarter, including a 75% increase in certain revenues year-over-year (“November 3 Announcement”). Ubiquiti’s stock price increased 3.4% on this news, from \$51.76 at the close of the market on November 3 to \$53.50 at the close on November 4.

86. In the three weeks leading up to the November 3 Announcement, Lin purchased Ubiquiti common stock, call options and CFDs in the Scottrade and the Saxo Accounts. Lin invested approximately \$1,012,000 in stock and options. To amass this unusually large position in Ubiquiti, Lin used all available cash in his Scottrade Account, liquidated all other securities in his Scottrade Account, and borrowed \$149,171 from Scottrade. As a result, Lin acquired exposure to a total of 178,000 shares of Ubiquiti common stock. This represented a leveraged long exposure to Ubiquiti common stock with a notional value of approximately \$9 million.

87. Lin sold a majority of his positions within days after the November 3 Announcement. His trading profits were approximately \$839,904 on the November 3 Announcement.

February 9 Announcement

88. On January 18, 2017, Ubiquiti announced publicly that its second quarter 2017 financial results would be released on February 9, 2017.

89. In the two-and-a-half weeks leading up to the February 9 Announcement, Lin purchased Ubiquiti common stock, call options and CFDs in the Scottrade and the Saxo Accounts. In the Scottrade Account, Lin invested approximately \$1.2 million in Ubiquiti call options. In the Saxo Account, he invested all of the money in the account – about \$1.685 million – in Ubiquiti shares and then used margin to buy a CFD position that was more than three times as large. As a result, Lin acquired exposure to a total of 265,902 shares of Ubiquiti common stock. This represented a leveraged long exposure to Ubiquiti common stock with a notional value of approximately \$17 million.

90. After the close of the market on February 9, 2017, Ubiquiti announced publicly “Record Revenue” for the quarter, including a 32% increase in revenue year-over-year (“February 9 Announcement”). However, the release also disclosed negative news about the impact of gross margins on the company’s profits. Specifically, the release disclosed that earnings per share were

\$0.72, which at least one observer reported was \$0.05 less than analysts had estimated, and that gross margin had fallen to 44.6% – down from 48% in the previous quarter and from 48.8% a year earlier.

91. Project Managers did not generally have access to information about Ubiquiti's expenses or gross margin. They also did not have access to Ubiquiti's financial statements or drafts of the quarterly press releases or filings, including calculations about earnings per share or gross margin.

92. Ubiquiti's stock price dropped 16.6 % on this news, from \$64.13 at the close of the market on February 9 to \$53.43 at the close on February 10.

93. Lin sold or tried to sell his Ubiquiti positions on or about the day after the February 9 Announcement and the service of the Court's February 9, 2017 Order. He sold all the shares and closed all the CFDs in the Saxo Account. He sold all of the shares and placed an order to sell options in his Scottrade Account. Scottrade declined some of Lin's sell orders because of the Court's February 9, 2017 Order, then subsequently sold the options pursuant to the February 9, 2017 Order.

94. In addition to attempting to trade after service of the February 9, 2017 Order, Lin also ordered Saxo Bank to withdraw all of the frozen assets from the Saxo Account and wire them to the Taishin Account.

Other Indications of Insider Trading In 2016 and 2017

95. Lin is a former employee of Ubiquiti. He had repeated contact with current employees with non-public information, including information about Ubiquiti's sales. He made timely, highly-suspicious trades. In addition, as alleged above, a number of other factors are indicative of insider trading. These include the profitability of the trades; the size of the transactions in relation to his reported income and net worth; the highly leveraged nature of his positions; his

being the dominant – and often the only – purchaser of certain call option series; and the fact that, with minor exceptions, Lin did not trade any other securities during the relevant period in the Scottrade or Saxo Accounts.

96. Lin's enormous purchases often required him to invest all available assets in his Scottrade and Saxo accounts and to borrow additional funds to purchase Ubiquiti securities on margin.

Profitability of the 2016 Trades

97. Every single trade Lin placed in Ubiquiti securities ahead of the 2016 announcements was profitable, and immensely so. Not a single 2016 trade lost money. Lin made \$244,802 trading in Ubiquiti common stock, \$585,695 trading in Ubiquiti options, and \$825,855 trading in Ubiquiti CFDs for a total profit of \$1,656,352.

Size of the Transactions Relative to Lin's Reported Financial Condition

98. In documents submitted to Scottrade and Saxo Bank, Lin reported annual income of \$100,000 (December 2015), after-tax income of less-than \$56,000 per year (June 2016) and liquid assets of \$500,000 (December 2015). Despite these relatively modest personal finances, Lin purchased Ubiquiti securities with notional values of up to \$9 million at times during the relevant period. To accumulate these positions, Lin has purchased up to 12 times his annual salary in shares and options in the Scottrade Account alone – and sometimes used all of the money in the account and borrowed more. For example, in the final days of January 2017, Lin spent almost \$900,000 buying options that were set to expire in February and March 2017.

99. The following chart summarizes the trades that Lin put on for three quarters relative to his income and assets in the Saxo and Scottrade Accounts:

Lin Trading Compared To Income And Assets							
Announce- ment	Money invested or risked	Exposure purchased	Used margin to increase leverage	Used CFDs or options to increase leverage	Combined value of Saxo and Scottrade Accounts (Estimated)	Percent of \$100,000 in income risked on UBNT announcement	Percent of combined Saxo and Scottrade Accounts risked on UBNT announcement
May	\$ 439,610	\$ 596,688	Yes	No	\$ 447,041	283%	133%
August	\$ 1,033,115	\$ 5,691,192	Yes	Both	\$ 911,924	917%	624%
November	\$ 1,541,272	\$ 8,998,473	Yes	Both	\$ 1,765,138	1765%	510%
February	\$ 2,796,271	\$ 16,899,560	No	Both	\$ 2,979,614	3380%	567%

Highly Leveraged Trading

100. Lin leveraged his trading in Ubiquiti securities by borrowing money from unknown people, borrowing money from Scottrade, buying call options, and trading CFDs on margin. By leveraging his trades, Lin significantly increased both the potential profits and losses of his positions.

101. Lin obtained leverage by borrowing money. He claims to have borrowed money – at least \$600,000 – from unknown people and deposited it into the Saxo Bank account and possibly the Scottrade Account. Account records also show that he borrowed money from Scottrade by buying securities on margin.

102. Lin obtained leverage by trading CFDs on margin and by buying call options that inherently gave him exposure to more shares than he could have purchased at the same price. For example, in advance of the August 4 Announcement, Lin purchased 550 in-the-money August 2016 call options at a cost of \$278,374, giving him exposure to 55,000 shares of Ubiquiti common stock. By contrast, the same amount of money would have purchased outright only 6,293 shares.

103. Lin used leverage to increase both his profits and risk. This chart summarizes the percentage of leverage of his positions created by borrowing money from Scottrade, trading in CFDs on margin, and buying call options. The Commission is not able at this time to calculate the leverage created by borrowing money from people and putting that money into the accounts. The following chart illustrates Lin's use of leverage by showing the notional value of Lin's 2016 and 2017 positions versus the money that he invested and risked:

Lin Percentage Of Leverage On Positions						
Event	Exposure Purchased			Total	Money Invested And Risked	Leverage
	Shares Purchased	Options – Value Of Shares Controlled	CFDs Notional Amount			
May	\$ 596,688	\$ -	\$ -	\$ 596,688	\$ 282,533	111%
August	\$ 155,007	\$ 2,407,600	\$ 3,128,585	\$ 5,691,192	\$ 917,455	520%
November	\$ 1,303,099	\$ 4,006,500	\$ 3,688,874	\$ 8,998,473	\$ 1,765,138	410%
February	\$ 1,685,750	\$ 9,261,421	\$ 5,952,389	\$ 16,899,560	\$ 2,833,294	496%
Total	\$ 3,740,544	\$ 15,675,521	\$ 12,769,848	\$ 32,185,914	\$ 5,798,420	455%

Dominant/Exclusive Call Options Trading

104. When Lin purchased Ubiquiti call options, he bought option series that few other investors were purchasing. In a majority of his 14 purchases, Lin was the only person who bought that option series on that day, making up 100% of the daily purchase volume of that particular option series.

105. For example, Lin's Ubiquiti options purchases before the August 4 Announcement accounted on average for 85% of the daily purchase volume in those options series. And Lin's Ubiquiti options purchases before the November 3 Announcement accounted for 100% of the daily purchase volume in the options series he traded.

No Other Securities Transactions

106. With minor exceptions, Lin traded no other securities during the relevant period in his Scottrade or Saxo Bank account. Lin made no investments on the scale of his Ubiquiti investments and did not make repeated investments before any other company's earnings reports. While it is possible he maintains other brokerage accounts, Lin's employment background and modest personal finances make it unlikely that he engages in trading on a scale similar to his Ubiquiti trading.

Identical Trading in the Associate Trader's Account

107. Lin also helped the Associate Trader establish a trading account at Saxo Bank for the express purpose of purchasing Ubiquiti CFDs. Lin referred the individual to Saxo Bank and personally assisted her in opening the account.

108. Like Lin, the Associate Trader claimed to have very modest income, earned as a "self-employed" "hair designer." Yet, the individual opened a Saxo Bank account on November 2, 2016 and immediately bought hundreds of thousands of dollars of Ubiquiti CFDs.

109. Prior to the November 2016 and February 2017 earnings releases, the trading in the Associate Trader's account mirrored Lin's. And like Lin, the Associate Trader's account purchased only Ubiquiti shares and CFDs.

110. In the 10 days leading up to the February 9 Announcement, the Associate Trader purchased Ubiquiti shares and CFDs in her Saxo Bank account. She invested almost all of the money in the account – about \$1 million – in Ubiquiti shares and then used margin to buy a CFD position that was almost three times as large. As a result, the Associate Trader's account acquired exposure to a total of 63,000 shares of Ubiquiti common stock. This represented a leveraged long exposure to Ubiquiti common stock with a notional value of approximately \$4 million. Such a position dwarfed the Associate Trader's purported 2016 annual income of €50,001 to €100,000.

111. On information and belief, Lin directed or controlled the trading in the Associate Trader's account. From November 2016 to at least February 2017, Lin's Saxo Bank account and the Associate Trader's Saxo Bank account were repeatedly accessed, back-to-back, from a single IP address. Records show that a user would sign into one account and sometimes trade securities, then disconnect. Within minutes (or sometimes seconds), a user would sign into the other account from the same IP address. Upon information and belief, such back-to-back access was made by a single user who used both accounts.

112. For example, on November 4, 2016, a user signed into the Associate Trader's Saxo Bank account at 13:31 Coordinated Universal Time ("UTC") from IP address XXXXX.20.71. The user disconnected at 13:39 UTC. A user then signed into Lin's Saxo Bank account at 13:40 UTC from the identical IP address. The user placed orders to sell CFDs. The user disconnected at 13:44 UTC. Similarly, on November 15, 2016, a user signed into Lin's Saxo Account at 22:38 UTC from IP address XXXXX.145.3. The user disconnected at 22:39 UTC, and then a user signed onto the Associate Trader's Saxo Bank account at 22:39 UTC from the identical IP address. The user disconnected at 22:39 UTC.

113. For some or all of the period from November 2016 to at least February 2017, on information and belief, Lin knew the password for the Associate Trader's Saxo Bank account. Lin used that password to sign into the account and to trade securities in the account. For instance, Lin's declaration and other records show that Lin was in Kathmandu, Nepal in February 2017 as part of a business trip that included stops in Hong Kong and Dubai, United Arab Emirates. He flew on an itinerary that listed him as the only passenger. He arrived in Kathmandu at 22:00 local time on February 8, 2017. He departed Kathmandu at 18:55 local time on February 11, 2017. From February 8, 2017 to February 11, 2017 UTC, a user signed into Lin's Saxo Bank account and the Associate Trader's Saxo Bank account from a single IP address: XXXXX.93.117. During that same

period, a user twice signed into Lin's Scottrade Account from IP address XXXXX.93.117. IP address XXXXX.93.117 is assigned to the ISP Classic Tech Pvt. in Kathmandu, Nepal.

114. During this period that Lin was in Kathmandu, Lin's Saxo Bank account and the Associate Trader's Saxo Bank account were repeatedly accessed, back-to-back, from IP address XXXXX.93.117. Ubiquiti securities were sold in both accounts. For example, the following chart shows some of the activities on February 10 UTC in both Lin's and the Associate Trader's accounts:

Time	Event	IP Address
2/10/2017 15:01 UTC	User signed into Associate Trader's Saxo Bank account	XXXXX.93.117
2/10/2017 15:06 UTC	User disconnected from Associate Trader's Saxo Bank account	
2/10/2017 15:33 UTC	User signed into Lin's Saxo Account	XXXXX.93.117
2/10/2017 15:36 UTC	User disconnected from Lin's Saxo Account	
2/10/2017 15:36 UTC	User signed into Associate Trader's Saxo Bank account	XXXXX.93.117
2/10/2017 15:38 UTC	User disconnected from Associate Trader's Saxo Bank account	
2/10/2017 19:02 UTC	User signed into Lin's Saxo Account	XXXXX.93.117
2/10/2017 19:04 UTC	User placed order to sell securities in Lin's Saxo Account	
2/10/2017 19:06 UTC	User placed order to sell securities in Lin's Saxo Account	
2/10/2017 19:07 UTC	User placed order to sell securities in Lin's Saxo Account	
2/10/2017 19:15 UTC	User disconnected from Lin's Saxo Account	
2/10/2017 19:17 UTC	User signed into Lin's Saxo Account	XXXXX.93.117
2/10/2017 19:17 UTC	User placed order to sell securities in Lin's Saxo Account	
2/10/2017 19:18 UTC	User disconnected from Lin's Saxo Account	
2/10/2017 19:20 UTC	User signed into Associate Trader's Saxo Bank account	XXXXX.93.117
2/10/2017 19:21 UTC	User placed order to sell securities in Associate Trader's Saxo Bank account	
2/10/2017 19:24 UTC	User disconnected from Associate Trader's Saxo Bank account	

Time	Event	IP Address
2/10/2017 19:24 UTC	User signed into Associate Trader's Saxo Bank account	XXXXXX.93.117
2/10/2017 19:27 UTC	User disconnected from Associate Trader's Saxo Bank account	

115. Ubiquiti released its quarterly earnings on February 9, 2017 at 21:00 UTC (4:00 pm EST). The SEC emailed Lin electronic copies of the Court's February 9, 2017 temporary restraining order and asset freeze at about the same time.

116. On information and belief, Lin used the Associate Trader's password to ask Saxo Bank to withdraw \$387,360 from the Associate Trader's Saxo Bank account, the same instructions he had given to Saxo Bank regarding his own account. Those requests sought to remove substantially all of the money from both accounts. The following chart shows some of the activities on February 11 UTC related to the requests to withdraw cash:

Time	Event	IP Address
2/11/2017 01:35 UTC	User signed into Lin's Saxo Account	XXXXXX.93.117
2/11/2017 01:38 UTC	User requested cash withdrawal of \$636,500 from Lin's Saxo Account	
2/11/2017 09:06 UTC	User signed into Associate Trader's Saxo Bank account	XXXXXX.93.117
2/11/2017 09:09 UTC	User requests cash withdrawal of \$387,360 from Associate Trader's Saxo Bank account	
2/11/2017 09:10 UTC	User disconnected from Associate Trader's Saxo Bank account	

Lin's CFD Trades Impacted the United States

117. As set forth above, Lin's purchases of stocks and options directly impacted the United States securities markets, as they were affected using the Associate Trader's U.S.-based E*TRADE account and Lin's U.S.-based Scottrade account and were executed on U.S.-based securities exchange servers, many of which are physically located in New Jersey.

118. Lin's CFD trades were also the proximate cause of purchases of Ubiquiti common stock in the United States by Saxo Bank, which hedged its exposure by purchasing shares through

domestic broker-dealers including Instinet (a subsidiary of Nomura Holdings, Inc.). As with most CFD providers, Saxo Bank set the CFD contract price with its customer by reference to the price of its hedge. This practice was made known to the public generally via Saxo Bank's website and to Lin specifically in his account opening documents.

119. For example, Saxo Bank records show Lin bought CFDs representing 5,000 shares of Ubiquiti common stock at \$36.84 on June 28, 2016. Instinet records show Saxo Bank bought 5,000 Ubiquiti shares at \$36.84 that same day. Similarly, Saxo Bank records show Lin bought CFDs representing shares of 5,000 common stock at a price of \$41.50 on July 22, 2016 at 14:54:44 UTC (which was 4 hours ahead of Eastern Time on that date). Instinet records show that Saxo Bank bought 5,000 Ubiquiti shares at a price of \$41.50 that same day at 10:54:44 Eastern time. The times match exactly.

120. As with the Associate Trader's purchases through E*TRADE and Lin's purchases through Scottrade, many of the CFD hedging transactions were executed on securities exchange servers located in New Jersey – Direct Edge-EDGX and BATS in Secaucus, NYSE Arca in Mahwah, and NASDAQ in Carteret.

FIRST CLAIM FOR RELIEF

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

121. The Commission realleges and incorporates by reference each and every allegation in paragraphs 1 through 61, inclusive, as if they were fully set forth herein.

122. By engaging in the conduct described above, Defendant knowingly or recklessly, in connection with the purchase or sale of securities, directly or indirectly, by use the means or instrumentalities of interstate commerce, or the mails, or the facilities of a national securities exchange:

- (a) employed devices, schemes or artifices to defraud; and
- (b) made untrue statements of material facts or omitted to state material facts necessary in order to make the statements made, in light of the circumstances under which they were made, not misleading; and/or
- (c) engaged in acts, practices, or courses of business which operated or would operate as a fraud or deceit upon any person in connection with the purchase or sale of any security.

123. By engaging in the foregoing conduct Defendant violated, and unless enjoined will continue to violate, Section 10(b) of the Exchange Act [15 U.S.C. § 78j(b)] and Rule 10b-5 [17 C.F.R. § 240.10b-5], thereunder.

PRAYER FOR RELIEF

WHEREFORE, the Commission respectfully requests that this Court enter an emergency, temporary, and preliminary order against Defendant (i) temporarily freezing Defendant's assets; (ii) ordering Defendant to show cause why a preliminary injunction freezing such assets should not be entered; (iii) requiring the repatriation of assets; (iv) prohibiting Defendant from destroying, altering, or concealing records of any kind; (v) authorizing alternative means for service of process; and (vi) ordering expedited discovery.

Further, the Commission respectfully requests that the Court enter a final judgment:

I.

Permanently restraining and enjoining Defendant from, directly or indirectly, 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 Defendant to disgorge all ill-gotten gains or unjust enrichment derived from the activities set forth in this Complaint, together with prejudgment interest thereon;

III.

Ordering Defendant to pay a civil penalty pursuant to Section 21A of the Exchange Act [15 U.S.C. § 78u-1]; and

IV.

Granting such other and further relief as this Court may deem just, equitable, or necessary in connection with the enforcement of the federal securities laws and for the protection of investors.

JURY DEMAND

Pursuant to Rule 39 of the Federal Rules of Civil Procedure, Plaintiff demands that this case be tried to a jury.

LOCAL RULE 11.2 CERTIFICATION

Pursuant to Local Rule 11.2, the undersigned certifies that the matter in controversy alleged in the instant Complaint is not the subject of any other action pending in any court, or of any pending arbitration or administrative proceeding.

April 3, 2017

Respectfully submitted,

/s/ Stephan J. Schlegelmilch

A. Kristina Littman

Stephan J. Schlegelmilch

Reid A. Muoio

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U.S. Securities and Exchange Commission

CERTIFICATE OF SERVICE

I hereby certify that on April 3, 2017, a true and accurate copy of the foregoing was served electronically via the Court's ECF system.

/s/ Stephan J. Schlegelmilch
Plaintiff's counsel