UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549

FORM 10-K

(Mark One)

☒ **ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

For the fiscal year ended June 30, 2013

OR

☐ **TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

For the transition period from to

Commission File No. 001-35300

UBIQUITI NETWORKS, INC.
(Exact name of registrant as specified in its charter)

Delaware	**32-0097377**
(State or other jurisdiction of incorporation or organization)	**(I.R.S. Employer Identification No.)**

2580 Orchard Parkway, San Jose, CA 95131
(Address of principal executive offices, Zip Code)

(408) 942-3085
(Registrant's telephone number, including area code)

Securities registered pursuant to Section 12(b) of the Act:

Title of each class	Name of each exchange on which registered
Common stock, $0.001 par value per share	**The NASDAQ Stock Market LLC**

Securities registered pursuant to Section 12(g) of the Act:
None

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act. Yes ☐ No ☒

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Act. Yes ☐ No ☒

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes ☒ No ☐

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§ 232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes ☒ No ☐

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K is not contained herein, and will not be contained, to the best of registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to Form 10-K. ☐

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer or a smaller reporting company. See the definitions of "large accelerated filer," "accelerated filer" and "smaller reporting company" in Rule 12b-2 of the Exchange Act. (Check one):

Large accelerated filer	☐		Accelerated filer	☒
Non-accelerated filer	☐	(Do not check if a smaller reporting company)	Smaller reporting company	☐

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Act). Yes ☐

No ☒

The aggregate market value of the registrant's common stock held by non-affiliates of the registrant was approximately $93,270,000 based upon the closing price of $12.14 of such common stock on the NASDAQ Global Select Market on December 31, 2012 (the last business day of the registrant's most recently completed second quarter). Shares of common stock held as of December 31, 2012 by each director and executive officer of the registrant, as well as shares held by each holder of 5% of the common stock known to the registrant, have been excluded for purposes of the foregoing calculation. This determination of affiliate status is not a conclusive determination for other purposes.

As of September 9, 2013 , 87,613,599 shares of Common Stock were issued and outstanding.

DOCUMENTS INCORPORATED BY REFERENCE:

Portions of the registrant's Definitive Proxy Statement to be filed with the Securities and Exchange Commission in connection with the registrant's 2013 Annual Meeting of Stockholders are incorporated herein by reference in Part III of this Annual Report on Form 10-K to the extent stated herein.

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UBIQUITI NETWORKS, INC.
PART I

Note About Forward-Looking Statements

When used in this Report, the words “anticipates,” “believes,” “could,” “seeks,” “estimates,” “expects,” “intends,” “may,” “plans” “potential,” “predicts,” “projects,” “should,” “will,” “would” or similar expressions and negatives of those terms are intended to identify forward-looking statements. These are statements that relate to future periods and include statements about our future results, sources of revenue, our continued growth, our gross margins, market trends, our product development, technological developments, the features, benefits and performance of our current and future products, the ability of our products to address a variety of markets, the anticipated growth of demand for connectivity worldwide, our growth strategies, future price reductions, our competitive status, our dependence on our senior management and our ability to attract and retain key personnel, dependency on and concentration of our distributors, our employee relations, current and potential litigation, the effects of government regulations, our compliance with laws and regulations, our expected future operating costs and expenses and expenditure levels for research and development, selling, general and administrative expenses, fluctuations in operating results, fluctuations in our stock price, our payment of dividends, our future liquidity and cash needs, our credit facility, future acquisitions of and investments in complimentary businesses and the expected impact of various accounting policies and rules adopted by the Financial Accounting Standards Board. Forward-looking statements are subject to risks and uncertainties that could cause actual results to differ materially from those projected. These risks and uncertainties include, but are not limited to, factors affecting our quarterly results, our ability to manage our growth, our ability to sustain or increase profitability, demand for our products, our ability to compete, our ability to rapidly develop new technology and introduce new products, our ability to safeguard our intellectual property, trends in the networking industry and fluctuations in general economic conditions, and the risks set forth throughout this Report, including under Item 1, “Business” and under Item 1A, “Risk Factors.” These forward-looking statements speak only as of the date hereof. We expressly disclaim any obligation or undertaking to release publicly any updates or revisions to any forward-looking statements contained herein to reflect any change in our expectations with regard thereto or any change in events, conditions or circumstances on which any such statement is based.

This Report also contains estimates and other information concerning our industry, including market size and growth rates, which are based on industry publications, surveys and forecasts, including those generated by Gartner and Cisco Systems, Inc. This information involves a number of assumptions and limitations, and you are cautioned not to give undue weight to these estimates. These industry publications, surveys and forecasts generally indicate that their information has been obtained from sources believed to be reliable. The industry in which we operate is subject to a high degree of uncertainty and risk due to a variety of factors, including those described under Item 1A. "Risk Factors."

The Gartner Report described herein, or the "Gartner Report," represent data, research opinion or viewpoints published, as part of a syndicated subscription service, by Gartner and are not representations of fact. The Gartner Report speaks as of its original publication date (and not as of the date of this Annual Report on Form 10-K) and the opinions expressed in the Gartner Report are subject to change without notice.

Item 1. *Business*

Business Overview

Ubiquiti Networks develops high performance networking technology for service providers and enterprises. Our technology platforms focus on delivering highly-advanced and easily deployable solutions that appeal to a global customer base in underserved and underpenetrated markets. Our differentiated business model has enabled us to break down traditional barriers such as high product and network deployment costs and offer solutions with disruptive price-performance characteristics. This differentiated business model, combined with our innovative proprietary technologies, has resulted in an attractive alternative to traditional high touch, high-cost providers, allowing us to advance the market adoption of our platforms for ubiquitous connectivity.

We offer a broad and expanding portfolio of networking products and solutions for service providers and enterprises. Our service provider product platforms provide carrier-class network infrastructure for fixed wireless broadband, wireless backhaul systems and routing. Our enterprise product platforms provide wireless LAN infrastructure, video surveillance products, and machine-to-machine communication components. We believe that our products are highly differentiated due to our proprietary software protocol innovation, firmware expertise, and hardware design capabilities. This differentiation allows our portfolio to meet the demanding performance requirements of video, voice and data applications at prices that are a fraction of those offered by our competitors.

As a core part of our strategy, we have developed a differentiated business model for marketing and selling high volumes of carrier and enterprise-class communications platforms. Our business model is driven by a large, growing and highly engaged community of service providers, distributors, value added resellers, systems integrators and corporate IT professionals, which we refer to as the Ubiquiti Community or our Community. The Ubiquiti Community is a critical element of our business strategy as it enables us to drive:

- ***Rapid customer and community driven product development.*** We have an active, loyal community built from our customers that we believe is a sustainable competitive advantage. Our solutions benefit from the active engagement between the Ubiquiti Community and our development engineers throughout the product development cycle, which eliminates long and expensive multistep internal processes and results in rapid introduction and adoption of our products. This approach significantly reduces our development costs and time to market.

- ***Scalable sales and marketing model.*** We do not currently have, nor do we plan to hire, a direct sales force, but instead utilize the Ubiquiti Community to drive market awareness and demand for our products and solutions. This community-propagated viral marketing enables us to reach underserved and underpenetrated markets far more efficiently and cost-effectively than is possible through traditional sales models. Leveraging the information transparency of the Internet allows customers to research, evaluate and validate our solutions with the Ubiquiti Community and via third party web sites. This allows us to operate a scalable sales and marketing model and effectively create awareness of our brand and products. Word of mouth referrals from the Ubiquiti Community generate high quality leads for our distributors at relatively little cost.

- ***Self-sustaining product support.*** The engaged members of the Ubiquiti Community have enabled us to foster a large, cost efficient, highly-scalable and, we believe, self-sustaining mechanism for rapid product support and dissemination of information.

By reducing the cost of development, sales, marketing and support we are able to eliminate traditional business model inefficiencies and offer innovative solutions with disruptive price performance characteristics to our customers.

Our revenues were $320.8 million , $353.5 million and $197.9 million in the fiscal years ended June 30, 2013 , 2012 and 2011 , respectively. We had net income of $80.5 million , $102.6 million and $49.7 million in the fiscal years ended June 30, 2013 , 2012 and 2011 , respectively. In this Annual Report on Form 10-K, we refer to the fiscal years ended June 30, 2013 , 2012 and 2011 as fiscal 2013 , fiscal 2012 and fiscal 2011 , respectively.

Industry Overview

Internet traffic worldwide has grown rapidly in recent years, driven by an increase in the number of users, increasing mobility of those users and high bandwidth applications, such as video, audio, cloud-based applications, online gaming and social networking. According to Cisco Visual Networking Index, global Internet protocol, or IP, traffic is expected to increase from 30,734 petabytes, or PB, per month in 2011 to 110,282 PB per month in 2016, representing a 29% CAGR over that period. Wired networking solutions have traditionally been used to address increasing consumer and enterprise bandwidth needs. However, the high initial capital requirements and ongoing operating costs and long market lead times associated with building and installing infrastructure for wired networks has severely limited the widespread deployment of these networks in underserved and underpenetrated markets. Wireless networks are emerging as an attractive alternative for addressing both the broadband access needs of underserved and underpenetrated markets in both emerging and developed countries.

Underserved and underpenetrated markets . There exists a significant market opportunity in both emerging and developed economies. In “unconnected” emerging markets, the lack of an established network infrastructure and the high initial deployment costs associated with traditional wired network infrastructure build-outs has encouraged adoption of wireless networking infrastructure. In “under-connected” markets, bandwidth demand exceeds either the available capacity from existing infrastructure or the affordable supply of new infrastructure, resulting in an attractive market opportunity for wireless systems to bolster connectivity. Additionally, we believe there is a large market opportunity in connected markets serving customers that want to deploy reliable, scalable and customizable wireless networks and whose primary buying criterion is based on price-performance characteristics.

Limitation of existing solutions . Existing service provider wireless networking technologies have been developed to satisfy the increasing demand for broadband access, support mobility and provide the performance and reliability demanded by customers. According to Gartner, aggregate end-user spending on wireless networking equipment for Enterprise WLAN, wireless broadband access, and LTE solutions, is expected to grow from $10.4 billion in 2012 to $41.3 billion in 2017, representing a CAGR of 32%. However, these existing solutions based upon wired, satellite or cellular technologies, often fail to meet the

price-performance requirements of fixed wireless networking in emerging markets, rural markets, or price-sensitive markets, which in turn has led to low penetration of wireless broadband access and large populations of unaddressed users in these areas. Within the enterprise, existing WLAN deployments are often relatively complex and costly, providing customers with a large number of non-critical features and functionalities at a high cost. Given the growth in Internet connected devices, and the consumer's desire for constant connectivity, there exists growing demand for WLAN solutions that provide critical features at significantly lower cost than existing solutions.

Increasing use of the unlicensed spectrum . In the absence of affordable broadband access in the licensed spectrum, the number of users of the unlicensed radio frequency, or RF spectrum has increased for communications equipment, as well as consumer devices such as cordless phones, baby monitors and microwave ovens. This increasing use of unlicensed RF spectrum has made providing high quality wireless networking more challenging due to increasing congestion in the unlicensed spectrum.

Government incentives for broadband access . Governments around the world are increasingly taking both regulatory and financial steps to expand access to broadband networks and increase availability of advanced broadband services to consumers and businesses.

To provide robust wireless networks that meet the price-performance needs of service providers and enterprises, vendors of wireless networking solutions must address the problems facing incumbent solutions:

- ***Poor performance*** . To deliver high performance, wireless networking solutions need to satisfy diverse performance requirements for video, voice and data. The challenges of operating in the unlicensed RF spectrum, including spectrum noise and interference resulting from the proliferation of devices, often result in difficulty establishing network connections and unreliable or poor performance. Additionally, the performance and reliability of existing wireless networking solutions decline rapidly as the number of subscribers and range of service delivery increases. Lack of hardware and software integration between products, technologies and vendor devices can diminish network performance significantly and increase the complexity of network management, integration and expansion.

- ***High cost of ownership*** . Existing alternative solutions, such as fiber-to-the-premises, cable, DSL, WiMAX, LTE and traditional backhaul, provide high capacity, high performance broadband access; however, these solutions can be extremely costly, and often do not meet the demanding price-performance requirements of underserved markets.

- ***Complexity*** . Existing alternative solutions are often difficult to deploy and manage and require skilled employees or high cost consultants to install and operate. In addition, existing enterprise solutions often offer a large variety of features and functionalities that enterprise customers may find overwhelming or unnecessary.

- ***Lack of product support and customer-driven features.*** Product support and feedback for alternative suppliers' wireless networking solutions is often costly and ineffective. Existing wireless solutions are not accompanied by dynamic product support to assist customers in efficiently setting up and troubleshooting their networks. Additionally, alternative suppliers generally lack an effective mechanism to communicate with their end-users and incorporate feedback from usage into product roadmaps.

Our Solution

Our products and solutions enable both service providers and enterprises to deploy the infrastructure for high performance, scalable and reliable wireless networks cost effectively. Our wireless networking solutions offer the following key benefits:

- ***High performance proprietary technology solutions.*** Our proprietary products and solutions include high performance radios, antennas, software, communications protocols and management tools that have been designed to deliver carrier and enterprise class wireless broadband access and other services primarily in the unlicensed RF spectrum. Our radios and antennas, which incorporate our innovative proprietary technologies and firmware, are designed and field tested to deliver carrier-class network speeds, throughput, range and coverage, while simultaneously meeting the varying performance requirements of video, voice and data traffic. Our products and solutions overcome significant performance challenges such as dynamic spectrum noise, device interference, outdoor obstacles and unpredictable levels of video, voice and data performance. Importantly, we are able to utilize the Ubiquiti Community to validate the effectiveness of our end user experience and focus our development efforts on those features and functionality that are critical to their requirements.

- ***Price disruptive offering*** . Our products and solutions have been designed to enable service providers and enterprises to deliver high performance to their users at highly disruptive price points. The deployment and operation of our solutions

require a fraction of the capital expenditures, implementation expenses and network maintenance costs of those associated with existing solutions.

- ***Integrated and easy to deploy and manage*** . Our integrated products and solutions reduce the complexity associated with the installation, management and expansion of wireless networks. Within each of our product families, products are based on firmware that is built on a common codebase. This allows us to offer common features and functionality and leads to consistent usability across each product family. The integration between our products is designed to enable service providers and enterprises to deliver wireless broadband access and other services that have high performance characteristics without significant management, deployment costs or upgrade complexity.

- ***Scalable community-led approach*** . Purchasing our proprietary products and solutions enables immediate access to the Ubiquiti Community, including current and historical troubleshooting and technical information as well as best practices and deployment advice for our end users. Product support from our Community is self-sustaining and scales efficiently, with growth and relevance driven by the size and engagement of our customer base. This scalable community-led approach to customer support contributes to the substantially lower total cost of ownership of our products and solutions relative to incumbent providers. Additionally, our Community provides an effective channel for product feedback from our customer base.

We are growing our intellectual property portfolio to help protect the development of our proprietary software, hardware and complete solutions. We believe that protecting the innovation and technology underlying our comprehensive wireless networking solutions is key to ensuring our continued ability to provide customers with differentiated value **.**

Our Strategy

Our goal is to disrupt the market for communications technology with innovative solutions that provide leading performance at prices that are a fraction of those of alternative solutions. Key elements of our strategy include the following:

- ***Continue to deliver high performance characteristics at disruptive price points.*** We intend to expand the market opportunity for service providers by continuing to provide products and solutions with disruptive price-performance characteristics. We also intend to expand the market and displace high-priced alternative solutions in enterprise markets. We believe that we can sustain our disruptive strategy through our unique business model, focusing on the features and functionalities most critical to customers and avoiding the fringe features, which add both cost and complexity.

- ***Leverage our technologies and business model in adjacent markets.*** We intend to continue to leverage our technologies and business model to target other large and growing markets that we believe are ripe for disruption such as video surveillance, machine-to-machine communications and licensed microwave wireless backhaul markets. For the enterprise market, we introduced our enterprise wireless local area network, or WLAN, product, UniFi, in fiscal 2011 and have experienced strong adoption by a largely new customer base. According to Gartner we were the 6 th largest global provider of enterprise WLAN coordinated access points in 2012. We believe we are well positioned to gain traction in these new addressable markets and will continue to accelerate our innovation in these products. Similarly, we intend to drive adoption of airVision, our IP camera management system, airFiber, our outdoor wireless backhaul radio platform and mFi, our machine-to-machine communication platform, all of which we released in fiscal 2012.

- ***Maintain and extend our technological leadership*** . We intend to continue to develop innovative solutions for our target markets. We believe that our continued focus on developing such technologies with customer-driven feedback from the Ubiquiti Community will allow us to deliver products and solutions with disruptive price-performance characteristics that are specifically targeted to our markets. In addition, we believe our continued innovation is key to the value our products and solutions provide, and is a critical component to achieving user lock-in.

- ***Continue to grow our powerful user community.*** We believe our differentiated business model, powered by the Ubiquiti Community, provides us with a significant and sustainable competitive advantage over competitors. The Ubiquiti Community facilitates streamlined and efficient product development coupled with a highly efficient sales and distribution model that allows us to avoid the costs associated with expensive direct and channel organizations. The self-sustaining product support aspect of the Ubiquiti Community simplifies the deployment process and provides a highly effective real-time support system for customers.

- ***Continue to sell to our existing customers.*** We plan to continue to provide our customers with high performance, reliable, and cost-effective integrated products and solutions. In particular, we believe our use of differentiated proprietary protocols and the scalability of our products positions us to grow with our customers as they build out their

networks. Furthermore, we intend to cross-sell complementary solutions to our existing customers. For example, we believe customers of our airMAX solutions can benefit significantly from the incremental deployment of our EdgeMAX and airFiber products.

Our Technology and Products

We offer products and solutions based on our proprietary technology with disruptive price-performance characteristics across multiple markets. Utilizing low cost hardware, consumer chipsets and innovative software and firmware, we build price-performance solutions to address both service providers and enterprises. In addition, our technology allows us to design our products for ease of manufacture. Our focus on cost efficiency, robust product design and high performance drives the development of our technology, products and solutions.

Technology Platforms

Our current major service provider and carrier solutions include:

Base Station/Backhaul/Customer Premise Equipment ("CPE")/Bridge—airMAX

We offer end-to-end solutions that incorporate our proprietary RF technology, antenna design and firmware technologies. These technologies simplify the adoption and use of our products and provide our products and solutions with performance characteristics usually found only in the carrier-class wireless networking solutions and solve significant performance, reliability, scalability and ease-of-use challenges in the unlicensed RF spectrum.

In September 2009, we introduced our airMAX platform which includes proprietary protocols developed by us, which contain advanced technologies for minimizing signal noise. These proprietary protocols help our products deliver carrier-class wireless networking performance for video, voice and data applications. airMAX is able to support a wireless network that can scale to hundreds of clients per base station over long distances while maintaining low latency and high throughput. Unlike most systems using 802.11 standard protocols, which are primarily designed for indoor networks, our airMAX systems use a proprietary Time Division Multiple Access (TDMA) protocol to manage the sending and receiving of data over the network to maximize air time efficiency. airMAX incorporates smart polling, which is a feature that improves the scalability of a wireless network by predicting the voice and data requirements of an application at any given time and allocating the required bandwidth. airMAX also improves scalability by giving priority to active client hardware over idle client hardware to reduce perceived latency on large networks. airMAX provides users with the ability to seamlessly switch operating frequencies in real time to overcome noise and interference due to changes in the operating environment.

A majority of our airMAX products and solutions can leverage multiple input multiple output, or MIMO, technology, which relates to the use of multiple antennas at both the transmitter and receiver to improve performance. Most of our radios employ multiple independent transmitters and receivers to create independent communication channels using the same frequency spectrum. We use advanced array signal processing techniques to combine our radios' communications channels into a single, higher data rate channel. Our approach to MIMO technology effectively doubles the capacity of our radios when compared to traditional radios. Each of our standalone antennas is dual polarized with radiation patterns that are optimized for MIMO performance. Our high performance outdoor antennas are designed to amplify signal power, resulting in stronger signals and better link quality, and to block noise. Our design produces a better signal-to-noise ratio for each channel and simplified signal processing to combine the channels, which in turn effectively doubles the throughput of our antennas, when compared to single input single output devices. Our devices support various encryption protocols including: WEP, WPA, WPA-TKIP, WPA-AES, WPA2, WPA2-TKIP and WPA2-AES.

Network Routing Platform—EdgeMAX

In September 2012, we announced EdgeMAX, a disruptive price-performance software and systems routing platform. We believe the initial product, the EdgeRouter Lite, is the world's first sub-$100 router capable of over 1 million packets-per-second processing performance. EdgeMAX is powered by our full-featured EdgeOS operating system that includes advanced QoS, firewall, dynamic routing and VPN functionality.

Point-to-point Wireless Backhaul—airFiber

In March 2012, we introduced airFiber, a 24 GHz point-to-point radio system. Components of the airFiber product, including the radio, were designed to provide low latency with high throughput. Our airFiber product uses an integrated split antenna and a global positioning system to simultaneously send data packets from each side of the link. We engineered proprietary communication protocols so that airFiber does not suffer from the traditional packet overhead associated with Wi-Fi based

standards. We believe airFiber will be considered a compelling alternative to wired backhaul as airFiber is not easily susceptible to vandalism, copper theft, and fiber optic damage because only the endpoints need to be secured. airFiber does not require physical infrastructure such as laying cable or fiber, and by utilizing unlicensed spectrum, customers achieve significantly faster deployment.

Our current major enterprise solutions include:

Enterprise WLAN—UniFi

In January 2011, we released our UniFi Enterprise Wi-Fi System, which is a scalable Wi-Fi solution that includes Wi-Fi certified hardware with a software based management controller, targeting enterprise customers. UniFi hardware utilizes MIMO technology, works with 802.11a/b/g/n and ac standards and uses a single cable for data transmission and power-over-Ethernet. Unlike other enterprise Wi-Fi systems that utilize a costly hardware Wi-Fi switch, UniFi uses a virtual controller that allows for on-site management or remote management through the cloud, allowing customers to deploy UniFi in both indoor and outdoor applications. Each UniFi access point can be managed centrally with the UniFi Controller software, which we provide free of charge. The UniFi Controller enables enterprise WLAN managers to centrally configure and administer a UniFi network and individual access points without any special training and through secure access from any web browser. The UniFi platform provides automatic UniFi access point detection, firmware updates, real-time status, map loading, advanced security options and "zero handoff roaming", our proprietary innovation for seamless roaming for mobile devices.

Video Surveillance—airVision

In August 2011, we introduced our line of AirCam H.264 megapixel IP cameras and our airVision management software controller. The H.264 cameras use a single cable for data transmission and power-over-Ethernet. airVision, our management controller software, can be used to manage multiple airCam H.264 IP cameras as well as manage digital video recorder devices. airVision software is available for download at no cost on our website and only manages Ubiquiti Network camera devices. Similar to our other network management products, airVision can be accessed securely from any web browser, provides detailed statistical reporting and advanced analytics and provides a management console with multiple views, versatile camera settings and customizable event recordings.

Machine-To-Machine Communication—mFi

In June 2012, we announced availability of mFi, which includes hardware sensors, power devices, and management software that allows devices to be monitored and controlled remotely via WiFi. For example, mFi allows users to manage and monitor their building temperature and power consumption. The management controller software is IP based and can be accessed from any browser locally or through the cloud. mFi software allows management to create rules to control numerous devices.

The table below summarizes information about our product platforms:

Name	Target Applications	Bands of Operation (GHz)	MSRP
Service Provider Products			
airMAX	Base station/Backhaul/CPE/Bridge	0.9/ 2.4/ 3.6/ 5.8/10.0	$39 - $399
EdgeMAX	Routing	N/A	$99
airFiber	Microwave Backhaul	24.0	$1,498(1)
Enterprise Products			
UniFi	WLAN	2.4/ 5.8	$29 - $229
airVision	IP Video Surveillance	N/A	$89 - $110
mFi	Machine-To-Machine Communication	2.4/ 5.8	$8 - $99

(1) MSRP listed is for one airFiber unit only, but is typically sold in pairs.

The Ubiquiti Community

We established the Ubiquiti forum, wiki and newsletter to foster a large, growing and engaged online community of service providers and distributors, customers and employees among others. The Ubiquiti Community powers our business model by facilitating rapid introductions and development of customer-oriented products. The Ubiquiti Community provides best practices, advice, troubleshooting and product feedback. It also acts as a source of product support and drives viral marketing.

The following describes the key aspects of our sustainable business model that are powered by the Ubiquiti Community:

- ***Rapid customer and community-driven product development*** . We seek to identify features and products that are, or are expected to be, needed or desired by the majority of customers for that product. We rely on the Ubiquiti Community as a significant source of requests for features that we translate into new product ideas and designs.

- ***Scalable sales and marketing model*** . We rely on the Ubiquiti Community to drive market awareness and demand for our products and solutions. This community-propagated viral marketing enables us to reach underserved and underpenetrated markets far more efficiently and cost effectively than is possible through traditional sales models. For example, there have been many instances where members of the Ubiquiti Community, who happen to be on online forums not affiliated with us, have strongly recommended that users of other wireless networking solutions try our products and solutions. We also hold conferences as an effective way to introduce and promote our products and solutions to the global Ubiquiti Community. For example, in 2012 and 2013, we held our Ubiquiti World Conference at locations in the United States, Brazil, Argentina, Hungary, Russia, China and India.

- ***Self-sustaining product support.*** Our service providers and IT professionals, who enthusiastically support each other through the Ubiquiti forum, as well as other blogs and online groups, have fostered a large, scalable and, we believe, self-sustaining mechanism for rapid product support and dissemination of information. The members of the Ubiquiti Community respond to user questions posted on our forum in a rapid manner. These responses are then rated by other members of the Ubiquiti Community to help ensure that the users are receiving the best possible answers. Top answers to common questions are stored in the Ubiquiti Networks Community Knowledge Base. In addition, our internal customer support organization provides feedback on critical product issues, and augments the information in the Ubiquiti Community.

Sales and Distribution

Historically, we have not employed a direct sales force, nor do we plan to in the future. We sell our products and solutions globally to service providers and enterprises primarily through our extensive network of distributors, and, to a lesser extent, original equipment manufacturers (“OEMs”) and direct customers. During fiscal 2013, we sold our products to over 100 distributors, OEMs and direct customers (collectively, “customers”) in over 50 countries. In fiscal 2013 , fiscal 2012 and fiscal 2011 , Flytec Computers Inc. represented 13% , 16% and 20% of our revenues, respectively. In fiscal 2012 and fiscal 2011 , Streakwave Wireless Inc. represented 10% and 15% of our revenues, respectively. We had no other customer or distributor that accounted for more than 10% of our revenues in fiscal 2013 , fiscal 2012 and fiscal 2011 .

A substantial majority of our sales are made to distributors outside the United States and we anticipate that non-U.S. sales will continue to be a significant portion of our revenues. Sales in South America accounted for 21% , 25% and 26% of our revenues in fiscal 2013 , fiscal 2012 and fiscal 2011 , respectively. Sales in Europe, the Middle East and Africa accounted for 40% , 37% , and 35% of our revenues in fiscal 2013 , fiscal 2012 and fiscal 2011 , respectively. We do not have any visibility on the location or extent of purchases of our products by individual network operators and service providers from our distributors. Information regarding financial data by geographic areas is set forth in Item 7 and Item 15 of this Form 10-K. See Note 13 of Notes to Consolidated Financial Statements under Item 15.

Although we publish an MSRP for our products, our distributors have control of pricing to the ultimate purchaser. Historically, we did not provide our distributors with any substantial sales training or marketing materials; however, currently, we are expanding our product education offerings for distributors, as well as increasing marketing support. Our agreements with our distributors do not limit their ability to carry products that compete with ours. Our distribution agreements generally have a one year term, subject to automatic renewal unless cancelled by one of the parties. Our distributors typically provide us with purchase orders for delivery within 60 days, which we use to forecast future demand and estimate desired inventory builds.

We have initiated a training program for our distributors and other interested individuals so that they can educate and train others on the effective deployment and use of our products and solutions. As of June 30, 2013 , Ubiquiti had 114 certified trainers with over 2,300 distributors and other interested individuals having completed the certification process. The goal is for those completing the certification process to in turn educate and train service providers and enterprise customers on the effective deployment and use of our products and solutions. We offer the training program to distributors and other interested individuals in different languages throughout the world.

Manufacturing and Suppliers

We retain contract manufacturers to manufacture, control the quality of and ship our products. We primarily utilize contract manufacturers located in China. Our relationships with contract manufacturers allow us to conserve working capital, reduce

manufacturing costs and minimize delivery lead times while maintaining high product quality and the ability to scale quickly to handle increased order volume. We make substantially all of our purchases from our contract manufacturers on a purchase order basis. Our contract manufacturers are not required to manufacture our products for any specific period or in any specific quantity. We expect that it would take approximately three to six months to transition manufacturing, quality assurance and shipping services to new providers.

Our internal manufacturing organization consists of supply chain managers, logistics employees and contractors who supervise the manufacture of our products at contract manufacturer sites and test engineers. We rely on our contract manufacturers and our internal quality assurance resources to implement quality assurance programs designed to achieve high product quality and reliability. We believe that our low warranty expenses and product return rate to date reflect a high level of product quality. We tightly integrate our research and development efforts with our supplier selection process. Once product manufacturing quality reaches a satisfactory level, we move into full scale production at the same contract manufacturer site. We also evaluate and utilize other suppliers for components from time to time.

We rely on third party components and technology to build and operate our products, and we rely on our contract manufacturers to obtain the components, subassemblies and products necessary for the manufacture of our products. While components and supplies are generally available from a variety of sources, we and our contract manufacturers currently depend on a single or limited number of suppliers for several components for our products. We and our contract manufacturers rely on purchase orders rather than long-term contracts with these suppliers. The majority of our product revenues are dependent upon the sale of products that incorporate components from Qualcomm Atheros, Inc. ("Qualcomm Atheros") and we do not have a second source for their chipsets. We are party to a non-exclusive license agreement with Qualcomm Atheros whereby we license certain technology that we incorporate into our products. The current term of our amended license agreement with Qualcomm Atheros expires on September 1, 2014. This agreement automatically renews for successive one year periods unless the agreement is terminated by written notice of nonrenewal at least 90 days prior to the end of its then-current term. We depend on this license agreement to modify and replace firmware that Qualcomm Atheros provides with the chipsets with our proprietary firmware. While our agreement with Qualcomm Atheros remains effective, in accordance with the current terms of the agreement, either party may terminate the agreement without cause at the end of the annual contract term.

We do not stockpile sufficient chipsets to cover the time it would take to re-engineer our products to replace the Qualcomm Atheros chipsets. If we need to seek a suitable second source for Qualcomm Atheros in our products, there can be no assurance that we would be able to successfully source our chipsets on suitable terms, if at all. In any event, our use of chipsets from multiple sources may require us to significantly modify our designs and manufacturing processes to accommodate these different chipsets.

Research and Development

Our research and development organization is responsible for the design, development and testing of our products. Our engineering team has deep expertise and experience in networking and antenna design, and we have a number of personnel with longstanding experience with network architecture and operation. We have developed and intend to continue to develop our technology in part by operating with a relatively flat reporting structure that relies on individual contributors or small development teams to develop, test and obtain feedback for our products. Our products and solutions benefit from the active engagement between the Ubiquiti Community and our research and development personnel throughout the product development cycle, resulting in rapid introduction and adoption of new products. Our research and development personnel evaluate the input from service providers, IT professionals and enterprises and respond to their needs by modifying our products or developing new products based on the input received.

As of June 30, 2013 , our research and development team consisted of 111 full time equivalent employees, including contractors, located in California, Illinois, Lithuania, Taiwan and Russia. Our research and development operations work on product development and new versions of our existing products. Our research and development expenses were $21.0 million , $16.7 million and $11.4 million for fiscal 2013 , fiscal 2012 and fiscal 2011 , respectively. We expect that the number of our research and development personnel will continue to increase over time and that our research and development expenses will also increase.

Competition

The markets for networking solutions for service providers, enterprise WLAN, video surveillance, microwave backhaul and machine-to-machine communications technology are highly competitive and are influenced by the following competitive factors, among others:

- total cost of ownership and return on investment associated with the solutions;
- simplicity of deployment and use of the solutions;
- ability to rapidly develop high performance integrated solutions;
- reliability and scalability of the solutions;
- market awareness of a particular brand;
- ability to provide secure access to wireless networks;
- ability to offer a suite of products and solutions;
- ability to allow centralized management of the solutions; and
- ability to provide quality product support.

We believe we compete favorably with respect to these factors. Although we are a recent entrant in the video surveillance, microwave backhaul, routing and machine-to-machine communication markets, we believe our products compete favorably in these product categories. We have been successful in rapidly developing high performance integrated solutions because we use individual contributors and small, experienced development teams that focus on the key needs of underserved and underpenetrated markets. Our products and solutions are designed to meet the price-performance characteristics demanded by our customers to achieve a strong overall return on their investment. Our products are designed to operate in growing networks without degradation in performance or operational complexity.

In the integrated radio market, our competitors include Motorola Inc. ("Motorola") and Trango Systems Inc. ("Trango"). In the 900MHz product market, our competitors include Cisco Systems, Inc. ("Cisco") and Proxim Inc. ("Proxim"). In the embedded radio market, our competitors include Mikrotīkls Ltd. ("Mikrotīkls") and Senao Networks, Inc. ("Senao"). In the backhaul market, our competitors include Ceragon Networks, Inc. ("Ceragon"), Mikrotīkls and DragonWave Inc ("DragonWave"). In the CPE market, our competitors include Mikrotīkls, Ruckus Wireless Inc. ("Ruckus") and TP-LINK Technologies CO., LTD ("TP-LINK"). In the antenna market, we primarily compete with PCTEL, Inc. ("PCTEL") and Radio Waves, Inc. ("Radio Waves"). In the enterprise WLAN market, we primarily compete with Ruckus, Aruba Networks, Inc. ("Aruba Networks") and Cisco. In the video surveillance market, we primarily compete with Vivotek, Inc. ("Vivotek"), Axis Communications AB ("Axis Communications") and Mobotix Corp. ("Mobotix"). In the microwave backhaul market, we primarily compete with Cambium Networks ("Cambium"), DragonWave, SAF Tehnika and Trango. In the machine-to-machine communications market, we primarily compete with EnergyHub, Inc. ("EnergyHub"), Motorola and AlertMe.com Ltd. ("AlertMe.com"). We expect increased competition from other established and emerging companies if our market continues to develop and expand. As we enter new markets, we expect to face competition from incumbent and new market participants.

Intellectual Property

We rely on a combination of patent, copyright, trademark and trade secret laws, as well as confidentiality procedures and contractual restrictions, to establish and protect our proprietary rights. These laws, procedures and restrictions provide only limited protection and the legal standards relating to the validity, enforceability and scope of protection of intellectual property rights are uncertain and still evolving. Furthermore, effective patent, trademark, copyright and trade secret protection may not be available in every country in which our services and products are available. We seek patent protection for certain of our key concepts, components, protocols, processes and other inventions.

As of June 30, 2013 , we had 10 issued patents in the United States and over 40 pending U.S. and foreign patent applications. These patent applications relate to various high-level features embedded in certain of our products, including the integration of components in a microwave system and certain performance improvements to radio receivers. We have filed, and will continue to file, patent applications in the United States and other countries where we believe there to be a strategic technological or business reason to do so. Any patents issued to us now or in the future may be challenged, invalidated or circumvented and may not provide sufficiently broad protection or may not prove to be enforceable in actions against alleged infringers.

As of June 30, 2013 , we owned U.S. trademark registrations in our logo, UBNT, airMAX, UniFi, mFi, EdgeMAX, airVision, airFiber, airOS, NanoStation, airGrid, NanoBridge, and a number of trademark applications and registrations in the United States and other countries.

We endeavor to enter into agreements with our employees and contractors and with parties with whom we do business in order to limit access to and disclosure of our proprietary information. We cannot be certain that the steps we have taken will prevent

unauthorized use or reverse engineering of our technology. Moreover, others may independently develop technologies that are competitive with ours or that infringe on our intellectual property. The enforcement of our intellectual property rights also depends on the success of our legal actions against infringers and counterfeiters, but these actions may not be successful, even when our rights have been infringed.

Employees

As of June 30, 2013 , we employed 183 full time equivalent employees, which included 111 in research and development, 32 in sales, general and administrative and 40 in operations. As of that date, we had 83 in the United States, 24 in Lithuania, 48 in Taiwan, 25 in China and three in Russia. We also engage a number of temporary employees and consultants. None of our employees are represented by a labor union or is a party to a collective bargaining agreement.

Corporate Information

We incorporated in the State of California in 2003 as Pera Networks, Inc. and we commenced our current operations in 2005 and changed our name to Ubiquiti Networks, Inc. at that time. In June 2010, Ubiquiti Networks, Inc., a California corporation, changed its state of organization to Delaware by merging with and into Ubiquiti Networks, Inc., a Delaware corporation. Our executive offices are located at 2580 Orchard Parkway, San Jose, California 95131, and our telephone number is (408) 942-3085. Our website address is www.ubnt.com. The information on, or that can be accessed through, our website is not part of this Annual Report on Form 10-K.

Unless the context requires otherwise, the words “we,” “us,” “our” and “Ubiquiti” refer to Ubiquiti Networks, Inc. and its subsidiaries as a whole.

Available Information

The Company’s Annual Report on Form 10-K, Quarterly Reports on Form 10-Q, Current Reports on Form 8-K, and amendments to reports filed pursuant to Sections 13(a) and 15(d) of the Securities Exchange Act of 1934, as amended (“Exchange Act”), are filed with the U.S. Securities and Exchange Commission (the “SEC”). Such reports and other information filed by the Company with the SEC are available free of charge on the Company’s website at http://ir.ubnt.com/sec.cfm when such reports are available on the SEC website. The public may read and copy any materials filed by the Company with the SEC at the SEC’s Public Reference Room at 100 F Street, NE, Room 1580, Washington, DC 20549. The public may obtain information on the operation of the Public Reference Room by calling the SEC at 1-800-SEC-0330. The SEC maintains an Internet site that contains reports, proxy and information statements and other information regarding issuers that file electronically with the SEC at www.sec.gov . The contents of these websites are not incorporated into this filing. Further, the Company’s references to the URLs for these websites are intended to be inactive textual references only.

Item 1A. ***Risk Factors***

This Report contains forward-looking statements that are subject to risks and uncertainties that could cause actual results to differ materially from those projected. These risks and uncertainties include, but are not limited to, the risk factors set forth below. These risks and uncertainties are not the only ones we face. Additional risks and uncertainties not presently known to us or that we currently believe are immaterial may also affect our business. If any event related to these known or unknown risks or uncertainties actually occurs and has material adverse effects on our business, financial condition and results of operations could be seriously harmed.

We have limited visibility into future sales, which makes it difficult to forecast our future operating results.

Because of our limited visibility into demand and channel inventory levels, our ability to accurately forecast our future revenues is limited. We sell our products and solutions globally to network operators, service providers and others, primarily through our network of distributors, resellers and OEMs. We do not employ a direct sales force. Sales to distributors accounted for 98% , 98% and 97% of our revenues in fiscal 2013 , fiscal 2012 and fiscal 2011 , respectively. Generally, our distributors are not obligated to promote our products and solutions and are free to promote and sell the products and solutions of our competitors. We sell our products to our distributors on a purchase order basis. Our distributors do not typically provide us with information about market demand for our products. While we have recently begun efforts to obtain inventory level and sales data from our distributors, this information has been difficult to obtain in a timely manner. Since we have only recently begun gathering this data, we cannot be certain that the information is reliable. Our operating expenses are relatively fixed in the short-term, and we may not be able to decrease our expenses to offset any shortfall in revenues. If we under forecast demand, our ability to fulfill sales orders will be compromised and sales may be deferred or lost altogether as potential purchasers seek alternative solutions.

We are subject to risks associated with our distributors' inventory management practices. Should any of our distributors fail to resell our products in the period of time they anticipate or overstock inventories to address anticipated supply interruptions that do not occur, our revenues and operating results would suffer in future periods.

Our distributors purchase and maintain their own inventories of our products and have no right to return the products they have purchased. We receive limited information from the distributors regarding their inventory levels and their sales of our products. If our distributors are unable to sell an adequate amount of their inventories of our products, their financial condition may be adversely affected, which could result in a decline in our sales to these distributors. Distributors with whom we do business may face issues maintaining sufficient working capital and liquidity or obtaining credit, which could impair their ability to make timely payments to us. In addition, in the past we have experienced shortages of our products and our distributors have ordered quantities in excess of their anticipated near term demand to insulate themselves from supply interruptions. If, in the future, some distributors decide to purchase more of our products than are required to satisfy customer demand in any particular quarter, inventories at these distributors would grow. These distributors likely would reduce future orders until inventory levels realign with customer demand, which could adversely affect our revenues in a subsequent quarter.

We rely on a limited number of distributors, which we consider to be our customers, and the loss of existing distributors, or a need to add new distributors may cause disruptions in our shipments, which may materially adversely affect our ability to sell our products and achieve our revenue forecasts and we may be unable to sell inventory we have manufactured to meet expected demand in a timely manner, if at all.

Although we have a large number of distributors who sell our products, we sell a substantial majority of our products through a limited number of these distributors. In fiscal 2013 , fiscal 2012 and fiscal 2011 , Flytec Computers Inc. represented 13% , 16% and 20% of our revenues, respectively. In fiscal 2012 and fiscal 2011 , Streakwave Wireless Inc. represented 10% and 15% of our revenues, respectively. We anticipate that we will continue to be dependent upon a limited number of distributors for a significant portion of our revenues for the foreseeable future. The portion of our revenues attributable to a given distributor may also fluctuate in the future. Termination of a relationship with a major distributor, either by us or by the distributor, could result in a temporary or permanent loss of revenues. We may not be successful in finding other suitable distributors on satisfactory terms, or at all, and this could adversely affect our ability to sell in certain geographic markets or to certain network operators and service providers.

We have experienced, and may in the future experience, reduced sales levels and damage to our brand due to production of counterfeit versions of our products.

In the past we have identified parties that are manufacturing and selling counterfeit products that we believe infringe our intellectual property rights. Sales of these counterfeit products were so substantial that our revenues were adversely affected while these products were in the market. Given the popularity of our products, we believe there is a high likelihood that counterfeit products or other products infringing on our intellectual property rights will continue to emerge. In order to combat counterfeit goods, we have and may continue to be required to spend significant resources to monitor and protect our intellectual property rights. Although we have taken steps to prevent further counterfeiting, we may not be able to detect or prevent all instances of infringement and may lose our competitive position in the market before we are able to do so. If the quality of counterfeit products is not representative of the quality of our products, further damage could be done to our brand. In addition, enforcing rights to our intellectual property may be difficult and expensive, and we may not be successful in combating counterfeit products and stopping infringement of our intellectual property rights, particularly in some foreign countries, where we could lose sales.

Our operating results will vary over time and such fluctuations could cause the market price of our common stock to decline.

Our quarterly operating results fluctuate significantly due to a variety of factors, many of which are outside of our control, and we expect them to continue to do so. Our revenues were $101.2 million , $83.2 million , $74.9 million , $61.5 million and $94.9 million and our net income was $28.8 million , $20.7 million , $17.8 million , $13.2 million and $28.5 million in the three months ended June 30, 2013 , March 31, 2013 , December 31, 2012 , September 30, 2012 and June 30, 2012 , respectively. Because revenues for any future period are not predictable with any significant degree of certainty, you should not rely on our past results as an indication of our future performance. If our revenues or operating results fall below the expectations of investors or securities analysts or below any estimates we may provide to the market, the price of our common shares would likely decline substantially, which could have a material adverse impact on investor confidence and employee retention. Our common stock has recently experienced substantial price volatility. For example, from our initial public offering through June 30, 2013 , the price of our common stock ranged from $7.80 to $35.99 per share. Additionally, the stock market as a whole has experienced extreme price and volume fluctuations that have affected the stock price of many technology companies in ways that may have been unrelated to these companies' operating performance.

Factors that could cause our operating results and stock price to fluctuate include:

- varying demand for our products due to the financial and operating condition of our distributors and their customers, distributor inventory management practices and general economic conditions;
- shifts in our fulfillment practices including increasing inventory levels in attempt to decrease customer lead times;
- inability of our contract manufacturers and suppliers to meet our demand;
- success and timing of new product introductions by us and the performance of our products;
- announcements by us or our competitors regarding products, promotions or other transactions;
- lost sales due to the proliferation of counterfeit versions of our products;
- costs related to the protection of our intellectual property rights, including defense against counterfeiting efforts;
- costs related to responding to government inquiries related to regulatory compliance;
- our ability to control and reduce product costs;
- expenses of our entry into new markets, such as video surveillance microwave backhaul and machine-to-machine communications;
- commencement of litigation or adverse results in litigation;
- changes in the manner in which we sell products;
- increased warranty costs;
- volatility in foreign exchange rates, changes in interest rates and/or the availability and cost of financing or other working capital to our distributors and their customers;
- the impact of write downs of excess and obsolete inventory; and
- the impact of any provisions for doubtful accounts.

In addition, our business may be subject to seasonality; however, our recent growth rates and timing of product introductions may have masked seasonal changes in demand. Although we have not perceived seasonality to date, we may experience seasonality in the future.

We could be adversely affected by unfavorable results from shareholder class action litigation.

Beginning on September 7, 2012, two shareholder class action complaints were filed against us. On January 30, 2013, the plaintiffs filed an Amended Consolidated Complaint, which alleges claims under the Securities Act of 1933, the Securities Exchange Act of 1934 and SEC Rule 10b-5 on behalf of a purported class of those who purchased our common stock between October 14, 2011 and August 9, 2012 and/or acquired our stock pursuant to or traceable to the registration statement for our initial public offering. The consolidated complaint seeks, among other things, damages and interest, rescission, and attorneys' fees and costs. Although we believe that the allegations in the complaint are without merit and we intend to vigorously contest the litigation, there can be no assurance that we will be successful in our defense. If one or more of these claims are resolved against us, our consolidated financial statements could be materially adversely affected.

If we fail to protect our intellectual property rights adequately, our ability to compete effectively or to defend ourselves from litigation could be impaired, which could reduce our revenues and increase our costs.

We rely primarily on patent, copyright, trademark and trade secret laws, as well as confidentiality and non-disclosure agreements and other methods, to protect our proprietary technologies and know-how. Our patent rights and the prospective rights sought in our pending patent applications may not be meaningful or provide us with any commercial advantage and they could be opposed, contested, circumvented or designed around by our competitors or be declared invalid or unenforceable in judicial or administrative proceedings. Any failure of our patents to adequately protect our technology might make it easier for our competitors to offer similar products or technologies. In addition, patents may not be issued from any of our current or future applications.

Monitoring unauthorized use of our intellectual property is difficult and costly. Unauthorized use of our intellectual property, such as counterfeits of our products and unauthorized registration of our trademarks by third parties, has occurred in the past and may occur in the future without our knowledge. The steps we have taken may not prevent unauthorized use of our intellectual property. Further, we may not be able to detect unauthorized use of, or take appropriate steps to enforce our intellectual property rights. Our competitors may also independently develop similar technology without infringing our intellectual property rights. Our failure to effectively protect our intellectual property could reduce the value and potential application of our technology and could impair our ability to compete. Any failure by us to meaningfully protect our intellectual property could result in competitors offering products that incorporate our most technologically advanced features, which could seriously reduce demand for our products. We have initiated and may continue to initiate infringement claims or litigation. Litigation, whether we are a plaintiff or a defendant, can be expensive and time-consuming, may place our intellectual property at risk of being invalidated or narrowed in scope, and may divert the efforts of our technical staff and

managerial personnel, which could result in lower revenues and higher expenses, whether or not such litigation results in a determination favorable to us.

Enforcement of our intellectual property rights abroad, particularly in China and South America, is limited and it is often difficult to protect and enforce such rights.

The intellectual property protection regimes outside the United States are generally not as comprehensive as in the United States and may not protect our intellectual property in some countries where our products are sold or manufactured or may be sold or manufactured in the future. In addition, effective enforcement of intellectual property rights in certain countries may not be available.

In particular, the legal regimes relating to intellectual property rights in China and South America are limited and it is often difficult to effectively protect and enforce such rights in those countries. For example, the regulatory scheme for enforcing China's intellectual property laws may not be as developed as regulatory schemes in other countries. Any advancement of an intellectual property enforcement claim through China's regulatory scheme may require an extensive amount of time, allowing intellectual property infringers to continue largely unimpeded, to our detriment in the Chinese and other export markets. In addition, rules of evidence may be unclear, inconsistent or difficult to comply with, making it difficult to prove infringement of our intellectual property rights. As a result, enforcement cases may be difficult or ineffective.

These factors may make it increasingly complicated for us to enforce our intellectual property rights against infringers, allowing them to harm our business in the Chinese or other export markets and in the United States by affecting the pricing for our products, reducing our sales, importing infringing products into the United States and diluting our brand or product quality reputation.

If our contract manufacturers do not respect our intellectual property and trade secrets and if they or others produce competitive products reducing our sales or causing customer confusion, our business, operating results and financial condition could be materially adversely affected.

Our contract manufacturers operate in China, where prosecution of intellectual property infringement and trade secret theft is more difficult than in the United States. In the past, our contract manufacturers, their affiliates, their other customers or their suppliers have attempted to participate in efforts to misappropriate our intellectual property and trade secrets to manufacture our products for themselves or others without our knowledge. Although we attempt to enter into agreements with our contract manufacturers to preclude them from misusing our intellectual property and trade secrets, we may be unsuccessful in monitoring and enforcing our intellectual property rights. We have in the past found and expect in the future to find counterfeit goods in the market being sold as Ubiquiti products. Although we take steps to stop counterfeits, we may not be successful
and network operators and service providers who purchase these counterfeit goods may have a bad experience, our brand may be harmed, and our business, operating results and financial condition could be materially and adversely affected.

Our business and prospects depend on the strength of our brand. Failure to maintain and enhance our brand would harm our ability to expand our base of distributors and the number of network operators and service providers who purchase our products.

Maintaining and enhancing the Ubiquiti brand is critical to expanding our base of distributors, network operators, service providers, and VARs who purchase our products. Maintaining and enhancing our brand will depend largely on our ability to continue to develop and provide products and solutions that address the price-performance characteristics sought by these customers and end-users in underserved and underpenetrated markets, which we may not do successfully. If we fail to promote, maintain and protect our brand successfully, our ability to sustain and expand our business and enter new markets will suffer. Furthermore, if we fail to replicate the Ubiquiti Community in other markets that we seek to enter, the strength of our brand in and beyond those markets could be adversely affected. Our brand may be impaired by a number of other factors, including product malfunctions and exploitation of our trademarks or confusingly similar trademarks by others without permission. Despite our efforts to protect our trademarks, we have been unsuccessful to date in obtaining a trademark registration from the United States Patent and Trademark Office for the name of our company, Ubiquiti Networks, and as a result, we only have common law trademark rights in the United States in our name. Additionally, we have been subject to counterfeiting efforts which may damage our brand value. Any inability to effectively police our trademark rights against unauthorized uses by third parties could adversely impact the value of our trademarks and our brand recognition. If we fail to maintain and enhance the Ubiquiti brand, or if we need to incur unanticipated expenses to establish the brand in new markets, our operating results would be negatively affected from reduced sales and increased expenses related to strengthening our brand and our customers may be confused about which products are ours.

The networking, enterprise WLAN, video surveillance, microwave backhaul and machine-to-machine communications markets in which we compete are highly competitive and competitive pressures from existing and new products and solutions may have a material adverse effect on our business, revenues, growth rates and market share.

The networking, enterprise WLAN, video surveillance, microwave backhaul and machine-to-machine communications markets in which we compete are highly competitive and are influenced by competitive factors including:

- price and total cost of ownership and return on investment associated with the solutions;
- simplicity of deployment and use of the solutions;
- ability to rapidly develop high performance integrated solutions;
- reliability and scalability of the solutions;
- market awareness of a particular brand;
- ability to provide secure access to wireless networks;
- ability to offer a suite of products and solutions;
- ability to allow centralized management of the solutions; and
- ability to provide quality product support.

We expect competition to intensify in the future as other established and new companies introduce new products in the same markets we serve or intend to enter and as these markets continue to consolidate. In particular, companies with successful, widely known brands may price their products aggressively to compete with ours. This competition could result in increased pricing pressure, reduced profit margins, increased sales and marketing expenses and failure to increase, or the loss of, market share, any of which would likely seriously harm our business, operating results or financial condition. If we do not keep pace with product and technology advances, end users may switch to other suppliers and our ability to sell our products may be impaired, which could harm our competitive position, revenues and prospects for growth.

A number of our current or potential competitors have longer operating histories, greater brand recognition, larger customer bases and significantly greater financial, technical, sales, marketing and other resources than we do.

As we move into new markets for different types of equipment, our brand may not be as well known as incumbents in those markets. Potential customers may prefer to purchase from their existing suppliers rather than a new supplier, regardless of product performance or features. In the integrated radio market, our competitors include Motorola and Trango, and in the 900MHz product market, Cisco and Proxim. In the embedded radio market, our competitors include Mikrotīkls and Senao. In the backhaul market, our competitors include Ceragon, DragonWave and Mikrotīkls. In the CPE market, our competitors include Mikrotīkls, Ruckus and TP-LINK. In the antenna market, we primarily compete with PCTEL and Radio Waves. In the enterprise WLAN market, we primarily compete with Ruckus, Aruba Networks and Cisco. In the video surveillance market, we primarily compete with Vivotek, Axis Communications and Mobotix. In the microwave backhaul market, we primarily compete with Cambium, DragonWave, SAF Tehnika and Trango. In the machine-to-machine communications market, we primarily compete with EnergyHub, Motorola and AlertMe.com. We expect increased competition from other established and emerging companies if our market continues to develop and expand. As we enter new markets, we expect to face competition from incumbent and new market participants.

In addition, some of our competitors have made acquisitions or entered into partnerships or other strategic relationships with one another to offer a more comprehensive solution than they had offered individually. We expect this consolidation to continue as companies attempt to strengthen or maintain their market positions in an evolving industry and as companies enter into partnerships or are acquired. Many of the companies driving this consolidation trend have significantly greater financial, technical and other resources than we do and are better positioned to acquire and offer complementary products and technologies. The competitors resulting from these possible consolidations may create more compelling product offerings and be able to offer greater pricing flexibility, making it more difficult for us to compete effectively, including on the basis of price, sales and marketing programs, technology or product functionality. Continued industry consolidation may adversely impact perceptions of the viability of smaller and even medium-sized technology companies and, consequently, willingness to purchase from such companies. These pricing pressures and competition from more comprehensive solutions could impair our ability to sell our products profitably, if at all, which could negatively affect our revenues and results of operations.

New entrants and the introduction of other distribution models in our markets may harm our competitive position.

The markets for development, distribution and sale of our products are rapidly evolving. New entrants seeking to gain market share by introducing new technology and new products may make it more difficult for us to sell our products, and could create increased pricing pressure, reduced profit margins, increased sales and marketing expenses or the loss of market share or expected market share, any of which may significantly harm our business, operating results and financial condition.

Historically, large, integrated telecommunications equipment suppliers controlled access to the wireless broadband infrastructure equipment and network management software that could be used to extend the geographic reach of wireless internet networks. However, in recent years, network operators and service providers have been able to purchase wireless broadband infrastructure equipment and purchase and implement network management applications from distributors, resellers and OEMs. In addition, increased competition from providers of wireless broadband equipment may result in fewer vendors providing complementary equipment to our products, which could harm our business and revenues. Broadband equipment providers or system integrators may also offer wireless broadband infrastructure equipment for free or as part of a bundled offering, which could force us to reduce our prices or change our selling model to remain competitive. If there is a major shift in the market such that network operators and service providers begin to use closed network solutions that only operate with other equipment from the same vendor, we could experience a significant decline in sales because our products would not be interoperable with these proprietary standards.

We may not be able to enhance our products to keep pace with technological and market developments, or develop new products in a timely manner or at competitive prices.

The market for our wireless broadband networking equipment is emerging and is characterized by rapid technological change, evolving industry standards, frequent new product introductions and short product life cycles. Our ability to keep pace with technological developments, satisfy increasing network operator and service provider requirements and achieve product acceptance depends upon our ability to enhance our current products and continue to develop and introduce new product offerings and enhanced performance features and functionality on a timely basis at competitive prices. Our inability, for technological or other reasons, to enhance, develop, introduce or deliver compelling products in a timely manner, or at all, in response to changing market conditions, technologies or network operator and service provider expectations could have a material adverse effect on our operating results if end users fail to purchase our products. For example, if we are unable to achieve in a timely manner and keep pace the same level of integration and plug and play functionality for our enterprise products that characterizes our airMAX product line, our ability to grow our end user base and achieve broad acceptance of our enterprise products could be adversely affected. Our ability to compete successfully will depend in large measure on our ability to maintain a technically skilled development and engineering staff and to adapt to technological changes and advances in the industry, including providing for the continued compatibility of our products with evolving industry standards and protocols and competitive network management environments. Development and delivery schedules for our products are difficult to predict. We may fail to introduce new versions of our products in a timely fashion. If new releases of our products are delayed, our distributors may curtail their efforts to market and promote our products and network operators and service providers may switch to competing products, any of which would result in a delay or loss of revenues and could harm our business. In addition, we cannot assure you that the technologies and related products that we develop will be brought to market by us as quickly as anticipated or that they will achieve broad acceptance among network operators and service providers.

We may become subject to warranty claims, product liability and product recalls.

From time to time, we may become subject to warranty or product liability claims that may require us to make significant expenditures to defend these claims or pay damage awards. In the event of a warranty claim, we may also incur costs if we compensate the affected network operator or service provider. We may also be the subject of product liability claims. Such claims could require a significant amount of time and expense to resolve and defend against and could also harm our reputation by calling into question the quality of our products. We also may incur costs and expenses relating to a recall of one or more of our products. For example, during the three months ended March 31, 2013 we recalled our Rocket Titanium products due to an identified manufacturing issue which was subsequently rectified. The process of identifying recalled products that have been widely distributed may be lengthy and require significant resources and we may incur significant replacement costs, contract damage claims from our network operators or service providers and harm to our reputation. Costs or payments made in connection with warranty and product liability claims and product recalls could cause our operating results to decline and harm our brand.

Our distributors, network operators, service providers, VARs and system integrators may expect us to indemnify them for intellectual property infringement claims, damages caused by defective products and other losses.

Our distributors, network operators, service providers and other parties may expect us to indemnify them for losses suffered or incurred in connection with our products, including as a result of intellectual property infringement, defective products, damages caused by defects and damages caused by viruses, worms and other malicious software, although our agreements with them may not, in all cases, require us to provide this indemnification. The maximum potential amount of future payments we could be required to make may be substantial or unlimited and could materially harm our business, operating results and financial condition. We may in the future agree to defend and indemnify our distributors, network operators, service providers and other parties, irrespective of whether we believe that we have an obligation to indemnify them or whether we believe that

our services and products infringe the asserted intellectual property rights. Alternatively, we may reject certain of these indemnity demands, which may lead to disputes with a distributor, network operator, service provider or other party and may negatively impact our relationships with the party demanding indemnification or result in litigation against us. Our distributors, network operators, service providers and other parties may also claim that any rejection of their indemnity demands constitutes a material breach of our agreements with them, allowing them to terminate such agreements. If, as a result of indemnity demands, substantial payments are required, our relationships with our distributors, network operators, service providers and other parties are negatively impacted or if any of our material agreements is terminated, our business, operating results and financial condition could be materially adversely affected.

If we lose the services of our founder and chief executive officer, Robert J. Pera, other key members of our management team or key research and development employees, we would be required to replace these individuals. We may not be able to smoothly transition and may incur additional expense to recruit and employ replacements.

Our success and future growth depend on the skills, working relationships and continued services of our management team and in particular, our founder and chief executive officer, Robert J. Pera. Our future performance will also depend on our ability to continue to retain our other senior management. We do not maintain key person insurance for any of our personnel, except for a minor policy with respect to Mr. Pera.

Our business model relies in part on leanly staffed, independent and efficient research and development teams. Our research and development team is organized around small groups or individual contributors for a given platform and there is little overlap in knowledge and responsibilities. In the event that we are unable to retain the services of any key contributors, we may be unable to bring our products or product improvements to market in a timely manner, if at all, due to disruption in our development activities.

Our future success will also depend on our ability to attract, retain and motivate skilled personnel in the United States and internationally. All of our employees work for us on an at will basis. Competition for personnel is intense in the networking equipment industry, particularly for persons with specialized experience in areas such as antenna design and RF equipment. As a result, we may be unable to attract or retain qualified personnel. Our inability to attract and retain the necessary personnel could adversely affect our business, operating results and financial condition.

We operate in an industry with extensive intellectual property litigation. Claims of infringement against us or our suppliers may cause us to incur substantial expenses to defend ourselves and could impair our ability to sell our products if an adverse outcome were to occur.

Our commercial success depends in part upon us and our component suppliers not infringing, misappropriating or otherwise violating intellectual property rights owned by others and being able to resolve intellectual property claims without major financial expenditures. We operate in an industry with extensive intellectual property litigation and it is not uncommon for suppliers of certain components of our products, such as chipsets, to be involved in intellectual property-related lawsuits by or against third parties. Many industry participants that own, or claim to own, intellectual property aggressively assert their rights. Our key component suppliers are often targets of such assertions, and we may become a target as well. In addition, the network operators and service providers, whom we agree in certain circumstances to indemnify for intellectual property infringement claims related to our products, may be targets of such assertions. We cannot determine with certainty whether any existing or future third party intellectual property rights would require us to alter our technologies, obtain licenses or cease certain activities.

There are numerous patents and patent applications in the United States and other countries relating to communications technologies, and many of our competitors and other parties have substantial patent portfolios in this area. We do not generally conduct searches for patents relating to our technologies or approach third parties to seek a license to their patents. Even if we were to conduct such searches we may not uncover all relevant patents and patent applications. We therefore cannot assure that our products, technologies and operations do not, and will not, infringe third party patents. We have received, and may in the future receive, claims from third parties asserting intellectual property infringement and other related claims. In addition, if our revenues grow and our profile increases, the frequency and severity of these claims may increase. Future litigation may be necessary to defend ourselves and demand indemnification from our suppliers, if appropriate, by determining the scope, enforceability and validity of third party proprietary rights or to establish our own proprietary rights. Some of our competitors may have substantially greater resources than we do and may be able to sustain the costs of complex intellectual property litigation to a greater degree and for longer periods of time than we could. In addition, patent holding companies and other third-party non-practicing entities that focus on extracting royalties and settlements by enforcing patent rights may target our component suppliers, manufacturers, us, our distributors, members of our sales channels, our network operators and service providers, or other purchasers of our products. These companies typically have little or no product revenues and therefore our

patents may provide little or no deterrence against such companies filing patent infringement lawsuits against our component suppliers, manufacturers, us, our distributors, members of our sales channels, network operators and service providers, or other purchasers of our products. For example, we have received correspondence from certain patent holding companies who assert that we infringe certain patents related to wireless communication technologies. We believe that these patents are either invalid or not infringed by us. However, we cannot assure you that a court adjudicating a claim that we infringe these patents would rule in our favor should these patent holding companies file suit against us. We believe that in the event of a claim we may be entitled to seek indemnification from our suppliers. However, we cannot provide any assurances that if we seek such indemnification, we will receive it. At any time, any of these third parties could initiate litigation against us, or we may be forced to initiate litigation against them. Regardless of whether claims that we are infringing patents, trademarks or other intellectual property rights have any merit, these claims can be time consuming and costly to evaluate and defend and could:

- adversely affect our relationships with our current or future network operators and service providers or suppliers;
- cause delays or stoppages in the shipment of our products, or cause us to modify or redesign our products;
- cause us to incur significant expenses in defending claims brought against us, for which we may not be able to obtain indemnification, if applicable, from our suppliers;
- divert management’s attention and resources;
- subject us to significant damages or settlements;
- require us to enter into settlements, royalty or licensing agreements on unfavorable terms; or
- require us to cease certain activities.

Moreover, even if some of our contract manufacturers are obligated to indemnify us, these contract manufacturers may contest their obligations to indemnify us, or their available assets or indemnity obligation may not be sufficient to cover our losses.

In addition to liability for monetary damages against us or, in certain circumstances, our network operators and service providers, we may be prohibited from developing, commercializing or continuing to provide certain of our products unless we obtain licenses from the holders of the patents or other intellectual property rights. We cannot assure you that we will be able to obtain any such licenses on commercially reasonable terms, or at all. If we do not obtain such licenses, our business, operating results and financial condition could be materially adversely affected and we could, for example, be required to cease offering our products or be required to materially alter our products, which could involve substantial costs and time to develop.

For information regarding our trademarks, see the risk factor above titled “Our business and prospects depend on the strength of our brand. Failure to maintain and enhance our brand would harm our ability to expand our base of distributors and the number of network operators and service providers who purchase our products.”

We and our contract manufacturers purchase some components, subassemblies and products from a limited number of suppliers. The loss of any of these suppliers may substantially disrupt our ability to obtain orders and fulfill sales as we design in and qualify new components.

We rely on third party components and technology to build and operate our products, and we rely on our contract manufacturers to obtain the components, subassemblies and products necessary for the manufacture of our products. Shortages in components that we use in our products are possible, and our ability to predict the availability of such components is limited. If shortages occur in the future, as they have in the past, our business, operating results and financial condition would be materially adversely affected. Unpredictable price increases of such components due to market demand may occur. While components and supplies are generally available from a variety of sources, we and our contract manufacturers currently depend on a single or limited number of suppliers for several components for our products. If our suppliers of these components or technology were to enter into exclusive relationships with other providers of networking equipment or were to discontinue providing such components and technology to us and we were unable to replace them cost effectively, or at all, our ability to provide our products would be impaired. We and our contract manufacturers generally rely on purchase orders rather than long-term contracts with these suppliers. As a result, even if available, we and our contract manufacturers may not be able to secure sufficient components at reasonable prices or of acceptable quality to build our products in a timely manner. Therefore, we may be unable to meet customer demand for our products, which would have a material adverse effect on our business, operating results and financial condition.

Our reliance on third party components and technology means that we may not be able to introduce new products or continue to sell existing products without obtaining and maintaining technology licenses from third parties. For example, we currently rely upon a license from Qualcomm Atheros, whose chipsets are incorporated in a majority of our products. This process is critical to our ability to manufacture our products. Obtaining and maintaining these licenses may be costly and may delay the introduction of such features and functionality, and these licenses may not be available or renewable on commercially favorable terms, or at all, and even if entered into, may in some circumstances be terminated. The inability to offer advanced features or

functionality, or a delay in our introduction of new products, may adversely affect demand for our products and consequently, materially adversely affect our business, operating results and financial condition.

We are dependent on Qualcomm Atheros for chipsets for our products and do not have short-term alternatives if Qualcomm Atheros were to terminate its agreement with us, which could cause us to be unable to fulfill short-term demand and delay our ability to fulfill orders.

Substantially all of our products currently include chipsets from Qualcomm Atheros. Our license agreement with Qualcomm Atheros may be terminated for convenience at the end of the annual contract term which is September 1, 2014 upon 90 days prior written notice by either party. The termination of our license agreement with Qualcomm Atheros could have a material adverse effect on our business, operating results and financial condition. To the extent we are unable to secure an adequate supply of chipsets from Qualcomm Atheros, we would be required to redesign our products to incorporate components from alternative sources, a process which would cause significant delays and would adversely impact our revenues. In accordance with the current terms of the agreement, Qualcomm Atheros may choose to terminate the agreement without cause at the end of the annual contract term by giving us at least 90 days prior written notice before September 1, 2014. We do not stockpile sufficient chipsets to cover the time it would take to re-engineer our products to replace the Qualcomm Atheros chipsets. Furthermore, if we sought a suitable second source for Qualcomm Atheros chipsets in our products, there can be no assurances that we would be able to successfully second source our chipsets on acceptable terms, if at all. In any event, our use of chipsets from multiple sources may require us to significantly modify our product designs to accommodate these different chipsets.

We rely on a limited number of contract manufacturers to produce and test all of our products, and failure to successfully manage our relationships with these parties could adversely affect our ability to market and sell our products.

We retain contract manufacturers, which are primarily located in China, to manufacture and control quality of our products. We currently do not have long-term supply contracts with any of these contract manufacturers. Any significant change in our relationship with these manufacturers could have a material adverse effect on our business, operating results and financial condition. We make substantially all of our purchases from our contract manufacturers on a purchase order basis. Our contract manufacturers are not otherwise required to manufacture our products for any specific period or in any specific quantity. We expect that it would take approximately three to six months to transition manufacturing and quality assurance services to new providers. Relying on contract manufacturers for manufacturing and quality assurance also presents significant risks to us, including the inability of our contract manufacturers to:

- assure the quality of our products;
- manage capacity during periods of volatile demand;
- qualify appropriate component suppliers;
- ensure adequate supplies of materials;
- protect our intellectual property rights;
- deliver finished products at agreed upon prices and schedules; and
- safeguard consigned materials and finished goods.

The ability and willingness of our contract manufacturers to perform is largely outside our control. For example, during mid-2009, the technology market was rebounding from the sharp economic contraction that was experienced in 2008. Many suppliers and contract manufacturers were unprepared for the speed of the rebound. This led to significant component shortages and capacity constraints at contract manufacturers. During this time, our contract manufacturers claimed difficulty in procuring components and extended our order lead times significantly, which forced us to extend the lead time for our distributors.

From time to time, we may change contract manufacturers, which may disrupt our ability to obtain our products in a timely manner. We believe that our orders may not represent a material portion of our contract manufacturers’ total orders and, as a result, fulfilling our orders may not be a priority in the event our contract manufacturers are constrained in their abilities or resources to fulfill all of their customer obligations in a timely manner. If any of our contract manufacturers suffers an interruption in its business, experiences delays, disruptions or quality control problems in its manufacturing operations or we have to change or add additional contract manufacturers, our ability to ship products to our customers would be delayed, our revenues could become volatile and our cost of revenues may increase.

We recently retained the services of a third party logistics and warehousing provider in China. The failure or inability of this service provider to safeguard and to accurately segregate, record and report our inventory could disrupt our business and harm our reputation and operating results.

Beginning in the quarter ended December 31, 2012, we began using a third party logistics and warehousing provider in China to fulfill the majority of our worldwide sales. Prior to that, our shipments were mainly fulfilled by our contract manufacturers. Depending on the terms of our arrangements with the contract manufacturers, legal title to this inventory may belong to them or to us. We rely on this third party logistics and warehousing provider to accurately segregate and record our inventory for us and to report to us the receipt and shipments of our products. We also rely on our third party logistics and warehousing provider to efficiently manage and track the delivery of products from the warehouse. Further, we rely on our third party logistics provider to safeguard our inventory, which accounts for a vast majority of our inventory balance. If this service provider fails to safeguard and to accurately segregate and record our inventory or manage and track the delivery of products, the resulting product loss and/or administrative burden could have a material adverse effect on our business, operating results and financial condition.

Our third party logistics and warehousing provider in China may fail to deliver products to our customers in an accurate and timely manner, which could harm our reputation and operating results.

We rely on our third party logistics and warehousing provider in China to accurately deliver on a timely basis our products to our customers. However, due to factors out of our control, the third party logistics provider could fail to deliver the correct product or to deliver products in a timely manner. Any delay in delivery of our products or inaccurate delivery of our products to our customers could create dissatisfaction among our customers and harm our reputation. Such failure to deliver products to our customers in an accurate and timely manner could also have a material adverse effect on our business, operating results and financial condition.

We have recently increased our levels of inventory of finished products and are exposed to the risk of carrying excess or obsolete products.

With the use of our third party logistics and warehousing provider, we have increased our levels of inventory of finished products and are exposed to the risk of carrying excess or obsolete products. We are also faced with the same risk with respect to the Qualcomm Atheros chipsets and other components necessary to ensure a continuous supply of finished products. If demand for competing or newer versions of our products accelerates more rapidly than we expect, we could be required to write-off excess products for which demand has eroded which could have a material adverse effect on our business, operating results and financial condition.

We are subject to numerous U.S. export control and economic sanctions laws and a substantial majority of our sales are into countries outside of the United States. Sales outside of the United States represented 75% , 76% and 70% of our revenues in fiscal 2013 , fiscal 2012 and fiscal 2011 , respectively. Although we did not intend to do so, we have violated certain of these laws in the past, and we cannot currently assess the nature and extent of any fines or other penalties, if any, that U.S. governmental agencies may impose against us or our employees for any such violations. Any fines, if materially different from our estimates, or other penalties, could have a material adverse effect on our business and financial results.

Sale of certain of our products into Iran, Cuba, Syria, the Sudan and North Korea is restricted or prohibited under U.S. export control and economic sanctions laws. In addition, certain of our products incorporate encryption components and may be exported from and outside the United States only with the required authorization or eligibility for a license exception. Until early 2010, we lacked sufficient familiarity with the export control and sanctions laws and their applicability to our products. Our lack of sufficient familiarity was largely due to our lean corporate infrastructure, the inexperience of our management team in these matters and the fact that our products are manufactured outside the United States and most of our products never enter the United States. In early 2010, as a result of diligence undertaken in connection with the Summit transaction, we learned that our products could not be sold, directly or indirectly, into Iran and other countries subject to a U.S. embargo and we learned that some of our products were listed on the Commerce Control List in the EAR, and require authorization from the BIS, prior to export. We then began to evaluate the export controls and sanctions applicable to our product sales and to take steps to comply with these laws. For instance, we revised our standard form distribution agreements to clearly articulate the restrictions imposed by export control and sanctions laws governing business with embargoed countries, disabled downloads of our software by users in these countries, and obtained the required Commodity Classification Rulings for our encryption products as required by the EAR. In February 2011, our Audit Committee retained outside counsel to conduct a review of our export control compliance and possible sales of our products by third persons to embargoed countries. This review was conducted to fully respond to and cooperate with a request for information from OEE, relating to two foreign companies and the export classification of our products and to ensure that we were in compliance with the export control and sanctions laws. The review

was completed in April 2011 and we took the actions described below as a result of our review. In May 2011, we filed a disclosure report regarding our findings as a result of this review with OEE. In August 2011, we received a warning letter from the OEE indicating that the OEE had completed its investigation of us, was closing out the matter without issuing a penalty, had not referred the matters described below for criminal or administrative prosecution and closed the investigation of us. In June 2011, we also filed a voluntary self-disclosure with OFAC, the results of which are still pending.

Transactions Involving Possible Sales of Products into Iran

Although we do not believe that we directly sold, exported or shipped our products into Iran or any other country subject to a U.S. embargo, we believe our products have been sold into Iran by third parties. Until early 2010, we did not prohibit our distributors from selling our products into Iran or any other country subject to a U.S. embargo.

From 2008 to early 2010, we had a distribution arrangement with a distributor ("Distributor 1"), in the United Arab Emirates ("UAE") that gave this distributor exclusive jurisdiction over eleven countries in the Middle East, including Iran, as well as authorization to sell worldwide. We had no sales to Distributor 1 in fiscal 2012 or fiscal 2013, and sales to Distributor 1 represented 4% and 6% of our revenues in fiscal 2011 and fiscal 2010, respectively. We cannot determine which of our products Distributor 1 sold directly or indirectly to persons in Iran. At some point prior to February 2010, Distributor 1 requested that we list two resellers on our website as authorized resellers of our products in Iran and we did so. We removed these resellers from our website in late February 2010 upon learning of restrictions under the U.S. embargo.

In early 2010, we began implementing policies prohibiting sales of our products into the countries subject to the U.S. embargo, revised our standard form distribution agreements to clearly articulate this policy and disabled downloads of our software by users in these countries. We also entered into a new distribution agreement with Distributor 1 that excluded Iran as one of its territories and contained explicit covenants that Distributor 1 would comply with U.S. export control and economic sanction laws, including a covenant not to sell our products into Iran.

From March 2010 until February 2011, we continued doing business with Distributor 1 under the amended distribution agreement. However, we now believe that Distributor 1 continued to sell our products into Iran after February 2010 and that we overlooked emails from Distributor 1 that included information about Distributor 1's possible activities related to shipping our products to Iran. In February 2011, we suspended sales of our products to Distributor 1 due to the information learned during our export control review that indicated Distributor 1 may still be selling products into Iran. Also, during our investigation we learned that from December 2009 through February 2011, another distributor, Distributor 2, was selling our products to a company in Iran. At the time of these transactions, we did not have a distribution agreement with Distributor 2 and we had not specifically instructed Distributor 2 that our products could not be sold into Iran. Distributor 2, a distributor in Europe, received orders from an Iranian entity, placed those orders with us and instructed us to ship the products to a third party in the UAE. As such, we believed the products' final destination was the UAE. Our records indicate that we may have made up to 13 shipments to Distributor 2 involving an aggregate value of approximately $340,000 that may have been resold into Iran during this time. Prior to February 2011, we had not previously notified Distributor 2 of our prohibition against sales of our products into Iran. In March 2011, upon learning that it was receiving orders from a company in Iran, we notified Distributor 2 that the end customer was in Iran and of our prohibition on sales to Iran and also entered into a distribution agreement with Distributor 2. The agreement contains clear language requiring compliance with the export control and economic sanctions laws. We continue to sell products to Distributor 2, as we believe this issue has been resolved and these sales did not represent a material portion of Distributor 2's business with us.

Export Classification of Our Products

Following the Summit transaction, we began to research whether our products were subject to U.S. export controls and we hired outside counsel to assist us with this analysis. We learned that a number of our products, although they are foreign produced and do not enter into the United States, may be considered encryption items under the EAR and required an encryption review by BIS. In May 2010, we filed encryption reviews with BIS for our products, and we obtained the required Commodity Classification Rulings for our products between June 2010 and November 2010. We shipped our products prior to receiving these rulings and these shipments appear to have violated the EAR. In addition, we used incorrect export authorizations on our shipping documents even after we received the required Commodity Classification Rulings.

Accordingly, prior to May 2010, we did not fully comply with applicable encryption controls in the EAR, despite having made foreign sales of such items, and continued to use incorrect export authorizations on shipping documents until February 2011, as we did not fully understand the scope of the requirements. In addition, throughout this period, we lacked an effective compliance program with respect to these laws. We have implemented a significant number of policies and procedures and continue to implement further policies and procedures that will help us to comply with these laws.

Inquiry from U.S. Department of Commerce's Office of Export Enforcement

In January 2011, OEE contacted us to request that we provide information related to our relationship with a logistics company in the UAE and with a company in Iran, neither of which companies are Distributor 1 or Distributor 2, as well as information on the export classification of our products. As a result of this inquiry we, assisted by outside counsel, conducted a review of our export transactions from 2008 through March 2011 to not only gather information responsive to OEE's request but also to review our overall compliance with export control and sanctions laws. We believe our products have been sold into Iran by third parties. We do not believe that we directly sold, exported or shipped our products into Iran or any other country subject to a U.S. embargo. However, until early 2010, we did not prohibit our distributors from selling our products into Iran or any other country subject to a U.S. embargo. In the course of this review we identified that two distributors may have sold Ubiquiti products into Iran. Our review also found that while we had obtained required Commodity Classification Rulings for our products in June 2010 and November 2010, we did not advise our shipping personnel to change the export authorizations used on our shipping documents until February 2011. During the course of our export control review, we also determined that we had failed to maintain adequate records for the five year period required by the EAR and the sanctions regulations due to our lack of infrastructure and because it was prior to our transition to our current system of record, NetSuite.

In May 2011, we filed a self-disclosure statement with the BIS and OEE. In June 2011 we filed a self-disclosure statement with OFAC, regarding the compliance issues noted above. The disclosures address the above described findings and the remedial actions we have taken to date. However, the findings also indicate that both distributors continued to sell, directly or indirectly, our products into Iran during the period from February 2010 through March 2011 and that we received various communications from them indicating that they were continuing to do so. Since January 2011, we have cooperated with OEE and, prior to our disclosure filing, we informally shared with the OEE the substance of our findings with respect to both distributors. From May 2011 to August 2011, we provided additional information regarding our review and our findings to OEE to facilitate its investigation and OEE advised us in August 2011 that it had completed its investigation of us. In August 2011, we received a warning letter from OEE stating that OEE had not referred the findings of our review for criminal or administrative prosecution of us and closed the investigation without penalty.

OFAC is still reviewing our voluntary disclosure. In our submission, we have provided OFAC with an explanation of the activities that led to the sales of our products in Iran and the failure to comply with the EAR and OFAC sanctions. Although our OFAC and OEE voluntary disclosures covered similar sets of facts that led the OEE to resolve the case with the issuance of a warning letter, OFAC may conclude that our actions resulted in violations of U.S. export control and economic sanctions laws and warrant the imposition of penalties that could include fines, termination of our ability to export our products, and/or referral for criminal prosecution. The maximum civil monetary penalty for the violations is up to $250,000 or twice the value of the transaction, whichever is greater, per violation. The penalties may be imposed against us and/or our management. Any such fines or restrictions may be material to our financial results in the period in which they are imposed. Also, disclosure of our conduct and any fines or other action relating to this conduct could harm our reputation and have a material adverse effect on our business, operating results and financial condition. We cannot predict when OFAC will complete its review or decide upon the imposition of possible penalties.

We have taken actions designed to ensure that export classification information is distributed to the appropriate personnel in a timely manner and have adopted policies and procedures to promote our compliance with applicable export laws and regulations, including obtaining written distribution agreements with substantially all of our distributors that contain covenants requiring compliance with U.S. export control and economic sanctions law; notifying all of our distributors of their obligations and obtaining updated distribution agreements from distributors that account for approximately 99% of our distributor revenue in fiscal 2013 . However we cannot be sure such actions will be effective. Additionally, our failure to amend all our distribution agreements and to implement more robust compliance controls immediately after the discovery of Iran-related sales activity in early 2010 may be aggravating factors that could impact the imposition of penalties imposed on us or our management. Further, should our efforts to ensure our compliance with applicable export laws and regulations not be sufficient in preventing our distributors from distributing our products into a country subject to a U.S. embargo or otherwise violating applicable export laws and regulations in the future, we could be subject to government investigations or penalties in the future. Any such penalties, if they occur, may be more severe in light of our prior violations discussed above. Based on the facts known to us to date, we recorded an expense of $1.6 million for this export compliance matter in fiscal 2010, which represents management's estimated exposure for fines in accordance with applicable accounting literature. This amount was calculated from information discovered through our internal review and we deem this loss to be probable and reasonably estimable. However, we believe that it is reasonably possible that the loss may be higher, but we cannot reasonably estimate the range of any further potential losses. Should additional facts be discovered in the future and/or should actual fines or other penalties substantially differ from our estimates, our business, financial condition, cash flows and results of operations would be materially negatively impacted.

We may also be subject to export control and economic sanctions laws of jurisdictions outside of the United States and a substantial majority of our sales are into countries outside of the United States. If we fail to comply with those foreign export control and economic sanctions laws, we may be unable to sell our products and our business would be materially and adversely affected and our revenues would decline.

In addition to U.S. export regulations, various other countries regulate the import of certain encryption technology and products, and these laws could limit our ability to distribute our products or our customers' ability to implement our products in those countries. Changes in our products or changes in export and import regulations may create delays in the introduction of our products in other countries, prevent our customers with international operations from deploying our products or, in some cases, prevent the transfer of our products to certain countries altogether. Any change in export or import regulations or related legislation, shift in approach to the enforcement or scope of existing regulations, or change in the countries, persons or technologies targeted by such regulations, could negatively impact our ability to sell our products to existing customers or the ability of our current and potential distributors, network operators and service providers outside the United States.

We base our production on our forecasts of future sales. If these forecasts are materially inaccurate, we may overbuild product, which we may be unable to sell in a timely manner or at all, or we may underbuild product, which may impair our customer relationships.

Our distributors typically provide us with purchase orders for delivery within 60 days. We provide our contract manufacturers forecasts of up to approximately five months of demand for long lead time components. To the extent our forecasts are materially inaccurate because we do not receive anticipated purchase order volume, we may under or overbuild product. We may over or under forecast the distributors' actual demand for our products or the mix of products and the components associated with the building of our products. We have experienced volatility in orders with limited advanced notice, and we expect such volatility to occur in the future. If we are unable to meet any increases in demand, our business, operating results and financial condition would be materially adversely affected and our reputation with our customers may be damaged. Conversely, if we over forecast demand, we may build excess inventory which could materially adversely affect our business, operating results and financial condition.

We have limited experience and personnel to manage our supply chain, our contract manufacturers and our third party logistics services provider, which may cause us to experience lower product margins, impair product quality and result in our inability to fulfill demand for our products and solutions.

We rely on our contract manufacturers to produce and test all of our products. We also rely on our contract manufacturers to obtain the components, subassemblies and products necessary for the manufacture of our products. We have limited experience and personnel to manage our relationships with our contract manufacturers and our supply chain. Inaccurately forecasting our demand for key components, including the Qualcomm Atheros chipsets, could materially adversely affect our ability to build our products in a timely manner and our margins could decline. Any failure by us to effectively and proactively manage these relationships and activities could result in material adverse effects on our business, operating results and financial condition. If we were required or choose to transition some of our supply chain activities from our contract manufacturers to within our organization, we would be required to hire more experienced personnel and develop more supply chain policies and procedures. This transition could be lengthy and could cause significant delays in the production, testing and shipment of our products, any of which may result in material adverse effects, including an increase in our costs and our ability to ship our products and solutions. We cannot assure you that we would ever be able to effectively complete any such transition.

We have significantly increased our transactional sales volumes in recent periods, and if we fail to effectively manage the challenges associated with this transaction volume growth, we may experience difficulty in properly fulfilling customer orders and may incur increased operational costs.

Over the past several years we have and continue to expand our product offerings, the number of customers we sell to and the number of contract manufacturers we utilize to produce our products. Failure to effectively manage the increased logistical complexities associated with this expansion would make it difficult to fulfill customer orders in a timely manner and could lead to customer dissatisfaction. Further, we may need to increase costs to add personnel, upgrade or replace our existing reporting systems as well as improve our business processes and controls. Failure to effectively manage any of these logistical challenges would adversely impact our business performance and operating results.

We rely on the Ubiquiti Community to generate awareness of, and demand for, our products. If participation in the Ubiquiti Community decreases materially, or if negative information, justified or otherwise, spreads quickly through the community, we would need to incur substantial additional expenses to generate awareness of, and demand for, our products.

We believe a significant portion of our growth to date has been driven by the diverse and actively engaged Ubiquiti Community and our business model is predicated on the assumption that the Ubiquiti Community will continue to be actively engaged. Given our lack of a direct sales force and limited marketing expenditures, the marketing model enabled by the Ubiquiti Community is central to the success of our business but is ultimately outside of our control. In light of the rapid spread of information within the Ubiquiti Community and the material influence such community has over product adoption by network operators and service providers, any negative information about us or our products, whether or not justified, could quickly and materially decrease demand for our products and be difficult for us to overcome. If the members of the Ubiquiti Community were to reject our products and solutions or adopt competitors' products on a broad basis, our business, operating results and financial condition would be materially and adversely affected because we would need to incur substantial additional expenses to generate awareness of, and demand for, our products.

We rely on the Ubiquiti Community to provide network operators and service providers with support to install, operate and maintain our products. Any inaccurate information regarding our products that is spread by the Ubiquiti Community or lack of member participation with respect to particular products could lead to a poor user experience or dissatisfaction with our products.

As we offer limited technical support for our products, we rely on the Ubiquiti Community to provide assistance and, in many cases documentation, to network operators and service providers for the installation, operation and maintenance of our products. Because we do not generate or control the information provided through the Ubiquiti Community, inaccurate information regarding the installation, operation and maintenance of our products could be promulgated through forum postings by members of the Ubiquiti Community. Inaccurate information could lead to a poor customer experience or dissatisfaction with our products, which could negatively impact our reputation and disrupt our sales. Although we moderate and review forum postings to learn of reported problems and assess the accuracy of advice provided by the Ubiquiti Community, as our operations continue to grow, we may not have adequate time or resources to adequately monitor the quality of Ubiquiti Community information.

We rely on the Ubiquiti Community to provide our engineers with valuable feedback central to our research and development processes and if the members of the Ubiquiti Community were to stop providing feedback, our internal research and development costs could increase.

We rely on the Ubiquiti Community to provide rapid and substantive feedback on the functionality and effectiveness of our products. The insights, problems and suggestions raised by the Ubiquiti Community enable our engineers to quickly resolve issues with our existing products and improve functionality in subsequent product releases. For example, we developed airSync (part of the airMAX platform) in response to collocation interference issues that were described in forum postings by members of the Ubiquiti Community. If the members of the Ubiquiti Community were to become less engaged or otherwise stopped providing valuable, timely feedback, our internal research and development costs and our time to market would increase, which could cause us to incur additional expenses or make our products less attractive to network operators and service providers.

Our profitability may decline as we expand into new product areas.

We receive a substantial majority of our revenues from the sale of outdoor wireless networking equipment. We have limited experience in selling our products outside of our distribution model. As we expand into new product areas, such as enterprise WLAN, video surveillance equipment, wireless backhaul and machine-to-machine communications, we may not be able to compete effectively with existing market participants and may not be able to realize a positive return on the investment we have made in these products or services. Entering these markets may result in increased product development costs and our new products may have extended time to market relative to our current products. If our introduction of a new product is not successful or we are not able to achieve the revenues or margins we expect, our operating results may be harmed and we may not recover our product development and marketing expenditures. We may also be required to add a direct sales force and customer support personnel to market and support new or existing products, which would require us to accept substantially lower product margins or increase our operating expenses. Adding a direct sales force or customer support personnel could reduce our operating income and may not be successful.

If we fail to maintain an effective system of internal controls, we may not be able to accurately report our financial condition or results of operations which may adversely affect investor confidence in our company and, as a result, the value of our common stock.

Section 404 of the Sarbanes-Oxley Act (”Section 404”) requires our management to furnish a report on, and our independent registered public accounting firm to attest to, the effectiveness of our internal control over financial reporting. We have implemented an ongoing program to perform the system and process evaluation and testing necessary to comply with these requirements. We have incurred and expect to continue to incur significant expense and to devote significant resources to Section 404 compliance. This assessment must include disclosure of any material weaknesses identified by our management in our internal control over financial reporting. A material weakness is a deficiency or combination of deficiencies in internal control over financial reporting, such that there is a reasonable possibility that a material misstatement of a company's annual and interim financial statements will not be prevented or detected on a timely basis. In the event that our management or our independent registered public accounting firm determine that our internal control over financial reporting contains a material weakness as defined under Section 404, investor perceptions of our company may be adversely affected and could cause a decline in the market price of our stock.

Unfavorable tax law changes, an unfavorable government review of our tax returns, changes in our geographic earnings mix, or imposition of withholding taxes on repatriated earnings could adversely affect our effective tax rate and our operating results.

We conduct operations in multiple jurisdictions and therefore our effective tax rate is influenced by the amounts of income and expense attributed to each such jurisdiction. If such amounts were to change so as to increase the amounts of our net income subject to taxation in higher tax jurisdictions, or if we were to commence operations in jurisdictions assessing relatively higher tax rates, our effective tax rate could be adversely affected. Historically, we have earned a significant amount of our operating income from outside the United States in low tax rate jurisdictions. The continued availability of these rates is dependent on how we conduct our business operation across all tax jurisdictions. We are subject to periodic audits or other reviews by tax authorities in the jurisdictions in which we conduct our activities and there is a risk that tax authorities could challenge our assertion that we have conducted our business operations appropriately in order to benefit in these lower tax rate jurisdictions. In addition, there are possible tax proposals that are being considered by the U.S. Congress or the legislative bodies in foreign jurisdictions that could affect our tax rate, the carrying value of deferred tax assets or our other tax liabilities. We cannot predict the form or timing of potential legislative changes, but any newly enacted tax law could have a material adverse impact on our tax provision, net income and cash flows. In the event of an unfavorable outcome, this may result in additional tax liabilities or other adjustments to our historical results. In addition, we may determine that it is advisable from time to time to repatriate earnings from non-U.S. subsidiaries under circumstances that could give rise to imposition of potentially significant withholding taxes by the jurisdictions in which such amounts were earned and substantial tax liabilities in the United States. In addition, we may not receive the benefit of any offsetting tax credits, which also could adversely impact our effective tax rate. As of June 30, 2013 , we held $210.4 million of our $227.8 million of cash and cash equivalents in accounts of our subsidiaries outside of the United States and we will incur significant tax liabilities if we were to repatriate those amounts.

Although we believe our tax estimates are reasonable, the ultimate tax outcome may materially differ from the tax amounts recorded in our consolidated financial statements and may materially affect our income tax provision, net income or cash flows in the period or periods for which such determination is made.

The final determination of our income tax liability may be materially different from our income tax provision.

The final determination of our income tax liability may be materially different from our income tax provision. We are subject to income taxes in both the United States and international jurisdictions. Significant judgment is required in determining our worldwide provision for income taxes. In the ordinary course of our business, there are many transactions where the ultimate tax determination is uncertain. Additionally our calculations of income taxes are based on our interpretations of applicable tax laws in the jurisdictions in which we file. Although we believe our tax estimates are appropriate, there is no assurance that the final determination of our income tax liability will not be materially different than what is reflected in our income tax provisions and accruals.

We are also subject to the periodic examination of our income tax returns by the Internal Revenue Service in the United States and other tax authorities. We regularly assess the likelihood of adverse outcomes resulting from these examinations to determine the adequacy of our provision for income taxes. The outcomes from these examinations may have an adverse effect on our operating results and financial condition.

Should additional taxes be assessed as a result of new legislation, an audit or litigation; if our effective tax rate should change as a result of changes in federal, international or state and local tax laws; if we are found to not be in compliance with tax regulations; or if we were to change the locations where we operate, there could be a material effect on our income tax provision and results of operations in the period or periods in which that determination is made, and potentially to future periods as well.

Furthermore, our provision for income tax could increase as we expand our international operations, adopt new products, implement changes to our operating structure or undertake intercompany transactions in light of acquisitions, changing tax laws, expiring rulings, and our current and anticipated business and operational requirements.

Our operating expenses are increasing as we make expenditures to enhance and expand our operations in order to support additional growth in our business and public company reporting and compliance obligations.

Over the past several years, we have increased our expenditure on infrastructure to support our anticipated growth and as a result of our becoming a public company. We are continuing to make significant investments in information systems, hiring more administrative personnel, using more professional services and expanding our operations outside the United States. We intend to make additional investments in systems and personnel and continue to expand our operations to support anticipated growth in our business. In addition, we may determine the need in the future to build a direct sales force to market and sell our products or provide additional resources or cooperative funds to our distributors. Such changes to our existing sales model would likely result in higher selling, general and administrative expenses as a percentage of our revenues. We expect our increased investments to adversely affect operating income. As a result of these factors, we expect our operating expenses to increase.

We have experienced rapid growth in recent periods. If we fail to manage our growth effectively and develop and implement appropriate control systems, our business and financial performance may suffer.

We have substantially expanded our overall business, number of distributors and contract manufacturers, headcount and operations in recent periods. We have made investments in our information systems and significantly expanded our operations outside the United States, including an expansion of our research and development activities in Lithuania and Taiwan. Our expansion has placed, and our expected future growth will continue to place, a significant strain on our managerial, administrative, operational, financial and other resources. Our business model reflects our decision to operate with minimal infrastructure and low support and administrative headcount, so risks related to managing our growth are particularly salient and we may not have sufficient internal resources to adapt or respond to unexpected challenges. As a result of our focus on managing our rapid growth, we may have not allocated sufficient resources to complying with applicable regulatory and other requirements, such as spectrum operating regulations, export and embargoed countries regulations and the United States Foreign Corrupt Practices Act ("FCPA"), and our development of infrastructure designed to identify and monitor our compliance with these regulatory and other compliance obligations is at an early stage. For example, in February 2011 we hired our first employee charged with complying with spectrum use requirements and we hired a chief counsel in May 2011 and a general counsel in March 2012. Although we have put certain policies and procedures in place in line with the establishment of a chief financial officer position, certain of these policies have been adopted and our procedures have changed and we have limited staff responsible for their implementation and enforcement. For example, we have put in place procedures to verify foreign buyers against U.S. disqualified persons lists and to identify the need for export licenses based on proposed bills of material for new products. Furthermore, our employees who have the most contact with our distributors or who are involved with order entry have attended training regarding export controls sponsored by the BIS. If we are unable to manage our growth successfully, or if our control systems do not operate effectively, our business and operating results will suffer.

A large percentage of our research and development operations are conducted in Taiwan, Lithuania, Illinois, New York and Russia, and our ability to introduce new products and support our existing products cost effectively depends on our ability to manage these disparate development sites successfully.

Our success depends on our ability to enhance current products and develop new products rapidly and cost effectively. We currently have a number of our research and development personnel in Taiwan, Lithuania, Illinois, New York and Russia. In addition to our corporate headquarters in California, we must successfully allocate product development activities across the various development centers and manage them in such a manner as to meet our time to market windows while maintaining product consistency and quality. We could incur unexpected costs or delays in product development at these remote facilities that could impair our ability to meet market windows or cause us to forego certain new product opportunities.

We rely on third parties for financial and operational services essential to our ability to manage our business. A failure or disruption in these services would materially and adversely affect our ability to manage our business effectively.

We currently use NetSuite to conduct our order management and financial processes. The availability of this service is essential to the management of our business. As we expand our operations, we expect to utilize additional systems and service providers that may also be essential to managing our business. Although the systems and services that we require are typically available from a number of providers, it is time consuming and costly to qualify and implement these relationships. Therefore, our ability to manage our business would suffer if one or more of our providers suffer an interruption in their business, or experience delays, disruptions or quality control problems in their operations, or we have to change or add additional systems and services. We may not be able to control the quality of the systems and services we receive from third party service providers, which could impair our ability to implement appropriate internal controls over financial reporting and may impact our business, operating results and financial condition.

Increased debt levels could adversely affect our ability to raise additional capital to fund our operations or limit our ability to react to changes in the economy or our industry.

As of June 30, 2012 we had $29.6 million of debt related to a term loan with East West Bank. Additionally, in August 2012 we increased the term loan facility to $50.0 million and entered into a revolving line of credit for up to another $50.0 million from East West Bank and U.S. Bank under a new loan agreement which replaced our prior loan agreement with East West Bank. As of June 30, 2013 , our balance outstanding under these facilities was $76.3 million .

Our increased debt level could have important consequences, including:

- increasing our vulnerability to general economic and industry conditions;
- requiring a substantial portion of cash flows from operations to be dedicated to the payment of principal and interest on our indebtedness, therefore reducing our ability to use our cash flows to fund our operations, capital expenditures and future business opportunities;
- restricting us from making strategic acquisitions or causing us to make non-strategic divestitures;
- limiting our ability to obtain additional financing for working capital, capital expenditures, debt service requirements, acquisitions and general corporate or other purposes; and
- limiting our ability to adjust to changing market conditions and placing us at a competitive disadvantage compared to our competitors who are less highly leveraged.

We also may be able to incur substantial additional indebtedness in the future. If new indebtedness is added to our current debt levels, the related risks that we now face could intensify.

A significant amount of our cash and cash equivalents are held in accounts of our subsidiaries outside the United States. If we are required to bring cash into the United States to meet our future funding obligations, we would have to pay the attendant high tax rates or seek other available funds.

We have significant operations outside the United States. As of June 30, 2013 , we held $210.4 million of our $227.8 million of cash and cash equivalents in accounts of our subsidiaries outside of the United States. Although we believe that the combination of our existing United States cash balances and future United States operating cash flows are sufficient to meet our ongoing United States operating expenses and debt repayment obligations, our expenses in the United States could increase faster than expected. If these sources of cash were insufficient to meet our future funding obligations in the United States, we could be required to bring cash into the United States and pay the attendant high tax rates or seek other available funding sources which could negatively impact our operating results, financial condition or stock price.

Failure to comply with the FCPA, and similar laws associated with our activities outside the United States could subject us to penalties and other adverse consequences.

As a substantial majority of our revenues is and will be from jurisdictions outside of the United States, we face significant risks if we fail to comply with the FCPA and other laws that prohibit improper payments or offers of payment to foreign governments and their officials and political parties by us and other business entities for the purpose of obtaining or retaining business, such as the UK Bribery Act. In many foreign countries, particularly in countries with developing economies, which represent our principal markets, it may be a local custom that businesses operating in such countries engage in business practices that are prohibited by the FCPA or other laws and regulations. Although we have implemented a company policy requiring our employees and consultants to comply with the FCPA and similar laws, we have a limited number of employees engaged in sales so we have not conducted formal FCPA compliance training. We have not engaged in training of our distributors and resellers and are in the process of amending our distributor agreements to provide clear requirements for our

distributors' and resellers' compliance with U.S. laws, including the FCPA, therefore there can be no assurance that all of our employees, and agents, as well as those companies to which we outsource certain of our business operations, will not take actions in violation of our policies, for which we may be ultimately held responsible. Any violation of FCPA and related policies could result in severe criminal or civil sanctions and suspension or debarment from U.S. government contracting, which could have a material and adverse effect on our reputation, business, operating results and financial condition.

Our products rely on the availability of unlicensed Radio Frequency ("RF") spectrum and if such spectrum were to become unavailable through overuse or licensing, the performance of our products could suffer and our revenues from their sales could decrease.

Our products operate in unlicensed RF spectrum, which is used by a wide range of consumer devices such as cordless phones, baby monitors, and microwave ovens, and is becoming increasingly crowded. If such spectrum usage continues to increase through the proliferation of consumer electronics and products competitive with ours, the resultant higher levels of clutter and interference in the bands of operation our products use could decrease the effectiveness of our products, which could adversely affect our ability to sell our products and our business could be further harmed if currently unlicensed RF spectrum becomes licensed in the United States or elsewhere. Network operators and service providers that use our products may be unable to obtain licenses for RF spectrum at reasonable prices or at all. Even if the unlicensed spectrum remains unlicensed, existing and new government regulations may require we make changes in our products. For example, to provide products for network operators and service providers who utilize unlicensed RF spectrum, we may be required to limit their ability to use our products in licensed RF spectrum. The operation of our products by network operators or service providers in the United States or elsewhere in a manner not in compliance with local law could result in fines, operational disruption, or harm to our reputation.

The complexity of our products could result in unforeseen delays or expenses caused by undetected defects or bugs, which could reduce the market acceptance of our new products, damage our reputation with current or prospective customers and adversely affect our operating costs.

Our products may contain defects and bugs when they are first introduced or as new versions are released. We have focused, and intend to focus in the future, on getting our new products to market quickly. Due to our rapid product introductions, defects and bugs that may be contained in our products may not yet have manifested. We have in the past experienced, and may in the future experience, defects and bugs. For example we announced a recall of our Titanium Rocket products in the quarter ended March 31, 2013. If any of our products contains material defects or bugs, or has reliability, quality or compatibility problems, we may not be able to successfully correct these problems. Consequently, our reputation may be damaged and network operators or service providers may be reluctant to buy our products, which could materially and adversely affect our ability to retain existing network operators or service providers and attract new network operators or service providers. In addition, these defects or bugs could interrupt or delay sales to our distributors. If any of these problems is not found until after we have commenced commercial production and distribution of a new product, we may be required to incur additional development costs and product recall, repair or replacement costs. These problems may also result in claims against us by our network operators, service providers or others. As a result, our operating costs could be adversely affected.

Confidentiality agreements with employees and others may not adequately prevent disclosure of our trade secrets and other proprietary information.

We have devoted substantial resources to the development of our proprietary technology and trade secrets. In order to protect our proprietary technology and trade secrets, we rely in part on confidentiality agreements with our employees, licensees, independent contractors and other advisors. These agreements may not effectively prevent disclosure of our trade secrets and may not provide an adequate remedy in the event of unauthorized disclosure of our trade secrets. In addition, others may independently discover or obtain trade secrets and proprietary information, and in such cases we could not assert any trade secret rights against such parties. Costly and time consuming litigation could be necessary to determine and enforce the scope of our proprietary rights, and failure to obtain or maintain trade secret protection could adversely affect our competitive business position.

Although we primarily rely on confidentiality agreements to protect our trade secrets, we have failed to obtain such agreements from certain of our employees and third parties due to administrative oversights, including those who participated in the development of certain of our products. Our employment policies require these former employees to continue to protect our trade secrets and to assign to us any intellectual property related to their activities on our behalf. However, we may have difficulty enforcing these rights, which could reduce our competitive differentiation and result in lost sales and customer confusion.

We use open source software in our products that may subject our firmware to general release or require us to re-engineer our products and the firmware contained therein, which may cause harm to our business.

We use open source software in our products, including in connection with our proprietary software, and may use more open source software in the future. From time to time, there have been claims challenging the ownership of open source software against companies that incorporate open source software into their products. As a result, we could be subject to suits by parties claiming ownership of what we believe to be open source software. Some open source licenses contain requirements that we make available source code for modifications or derivative works we create based upon the open source software and that we license such modifications or derivative works under the terms of a particular open source license or other license granting third parties certain rights of further use. If we combine our proprietary firmware or other software with open source software in a certain manner, we could, under certain of the open source licenses, be required to release our proprietary source code publicly or license such source code on unfavorable terms or at no cost. In addition to risks related to license requirements, usage of open source software can lead to greater risks than use of third party commercial software, as open source licensors generally do not provide warranties or controls on origin of the software. Open source license terms relating to the disclosure of source code in modifications or derivative works to the open source software are often ambiguous and few if any courts in jurisdictions applicable to us have interpreted such terms. As a result, many of the risks associated with usage of open source software cannot be eliminated, and could, if not properly addressed, negatively affect our business. We currently disclose or plan to disclose the source code for certain of our proprietary software in an effort to comply with the terms of the licenses applicable to the open source software that we use, and we believe that such disclosure represents the entirety of our source code disclosure obligations under these licenses. However, if we were found to have inappropriately used open source software, we may be required to release our proprietary source code, re-engineer our firmware or other software, discontinue the sale of our products in the event re-engineering cannot be accomplished on a timely basis or take other remedial action that may divert resources away from our development efforts, any of which could adversely increase our expenses and delay our ability to release our products for sale.

Our business is susceptible to risks associated with operations outside of the United States.

As of June 30, 2013 we had international operations in Hong Kong, Taiwan, China, Lithuania and Russia. We also sell to distributors outside the United States and for fiscal 2013 , fiscal 2012 and fiscal 2011 , our revenues from sales outside the United States were 75% , 76% and 70% , respectively. Our operations outside the United States subject us to risks that we have not generally faced in the United States. These include:

- the burdens of complying with a wide variety of U.S. laws applicable to export controls, foreign operations, foreign laws and different legal standards;
- fluctuations in currency exchange rates;
- unexpected changes in foreign regulatory requirements;
- counterfeiting of our products or infringement on our intellectual property rights by third parties;
- difficulties in managing the staffing of remote operations;
- potentially adverse tax consequences, including the complexities of foreign value added tax systems, restrictions on the repatriation of earnings and changes in tax rates;
- dependence on distributors in various countries with different pricing policies, inventory management and forecasting practices;
- reduced or varied protection for intellectual property rights in some countries;
- demand for reliable wireless broadband networks in those countries;
- requirements that we comply with local telecommunication regulations in those countries;
- increased financial accounting and reporting burdens and complexity;
- political, social and economic instability in some jurisdictions; and
- terrorist attacks and security concerns in general.

If any of these risks were to come to fruition, it could negatively affect our business outside the United States and, consequently, our operating results. Additionally, operating in markets outside the United States requires significant management attention and financial resources. We cannot be certain that the investment and additional resources required to establish, acquire or integrate operations in other countries will produce desired levels of revenues or profitability.

Our contract manufacturers, shipping points and certain administrative and research and development operations are located in areas likely to be subject to natural disasters or other events that could stop us from having our products made or shipped or could result in a substantial delay in our production or development activities.

Our manufacturing capacity may be reduced or eliminated at one or more facilities because our manufacturing, assembly, testing and shipping contractors are all located in southern China, the majority of our products are shipped from China and we

have research and development offices in Taiwan, China, Lithuania, Russia, New York, Illinois and California. Our principal executive offices are also located in California. The risk of earthquakes, typhoons and other natural disasters in these geographic areas is significant due to the proximity of major earthquake fault lines. Southern China and Taiwan are also subject to typhoons and other Pacific storms. Earthquakes, fire, flooding or other natural disasters in California, southern China or Taiwan, or political unrest, war, labor strikes, work stoppages or public health crises, in countries where our or our contractors' facilities are located could result in the disruption of our development, manufacturing, assembly, testing or shipping capacity. Any disruption resulting from these events could cause significant delays in product development or shipments of our products until we are able to shift our development, manufacturing, assembly or testing from the affected contractor to another third party vendor or our research and development activities to another location. We cannot assure you that alternative capacity could be obtained on favorable terms, if at all.

New regulations or changes in existing regulations related to our products may result in unanticipated costs or liabilities, which could have a material adverse effect on our business, operating results, financial condition and future sales, and could place additional burdens on the operations of our business.

Products that involve electromagnetic emissions are subject to regulation in the United States and the other countries in which we do business. In the United States, various federal agencies including the Center for Devices and Radiological Health of the Food and Drug Administration, the Federal Communications Commission, the Occupational Safety and Health Administration and various state agencies have promulgated regulations that concern the use of electromagnetic emissions standards. Member countries of the EU and other countries have enacted similar standards concerning electrical safety and electromagnetic compatibility and emissions standards. If any of our products becomes subject to new regulations or if any of our products becomes specifically regulated by additional government entities, compliance with such regulations could become more burdensome, and we may be unable to ship our products or they may cost substantially more to produce, which would reduce our revenues and increase our cost of revenues.

Government regulations designed to protect consumer privacy may make it difficult for us to sell our products.

Our products may transmit and store personal information. This information is increasingly subject to legislation and regulations in numerous jurisdictions around the world. This government action is typically intended to protect the privacy and security of personal information that is collected, stored and transmitted in or from the governing jurisdiction. In addition, because various foreign jurisdictions have different laws and regulations concerning the storage and transmission of personal information, we may face unknown requirements that pose compliance challenges in new geographic markets that we seek to enter. Such variation could subject us to costs, delayed product launches, liabilities or negative publicity that could impair our ability to expand our operations into some countries and therefore limit our future growth.

As privacy and data protection have become more sensitive issues, we may also become exposed to potential liabilities as a result of differing views on the privacy of personal information. These and other privacy concerns could adversely impact our business, results of operations and financial condition. In addition, our attempts to protect the privacy of customer data may fail if our encryption is inadequate or fails to operate as expected.

We cannot predict our future capital needs and we may not be able to obtain additional financing to fund our operations.

We may need to raise additional funds in the future. Any required additional financing may not be available on terms acceptable to us, or at all. If we raise additional funds by issuing equity securities or convertible debt, investors may experience significant dilution of their ownership interest, and the newly issued securities may have rights senior to those of the holders of our common stock. If we raise additional funds by obtaining loans from third parties, we will incur interest expense and may have to comply with covenants and secure that debt obligation with our assets. If additional financing is not available when required or on acceptable terms, we may have to scale back our operations or limit our production activities. As a result, we may not be able to expand our business, develop or enhance our products, take advantage of business opportunities or respond to competitive pressures, which could result in lower revenues and reduce the competitiveness of our products.

Our existing credit facilities preclude us from entering into additional credit agreements, other than in limited circumstances, and, as a result, we may be required to issue equity securities rather than obtain additional debt financing.

If we are unable to integrate future acquisitions successfully, our operating results and prospects could be harmed.

We have not made any acquisitions to date. In the future, we may make acquisitions to improve or expand our product offerings. Our future acquisition strategy will depend on our ability to identify, negotiate, complete and integrate acquisitions.

Mergers and acquisitions are inherently risky and any mergers and acquisitions we complete may not be successful. Any mergers and acquisitions we may pursue would involve numerous risks, including the following:

- difficulties in integrating and managing the operations, technologies and products of the companies we acquire, particularly in light of our lean organizational structure;
- diversion of our management's attention from normal daily operation of our business;
- our inability to maintain the key business relationships and the brand equity of the businesses we acquire;
- our inability to retain key personnel of the acquired company, particularly in light of the demands we place on individual contributors;
- uncertainty of entry into markets in which we have limited or no prior experience and in which competitors have stronger market positions;
- our dependence on unfamiliar affiliates and partners of the companies we acquire;
- insufficient revenues to offset our increased expenses associated with acquisitions;
- our responsibility for the liabilities of the businesses we acquire, including those which we may not anticipate; and
- our inability to maintain internal standards, controls, procedures and policies, particularly in light of our lean organizational structure.

We may be unable to secure the equity or debt funding necessary to finance future acquisitions on terms that are acceptable to us. Completing acquisitions could consume significant amounts of cash. If we finance acquisitions by issuing equity or convertible debt securities, our existing stockholders will likely experience dilution, and if we finance future acquisitions with debt funding, we will incur interest expense and may have to comply with covenants and secure that debt obligation with our assets.

Item 1B. *Unresolved Staff Comments*

None.

Item 2. *Properties*

Our corporate headquarters are located in San Jose, California under a building lease which we entered into in December 2011. The lease term is from April 1, 2012 through June 30, 2017. The premises consist of 64,512 rentable square feet of space. We incur costs related to additional properties around the world and within the facilities of certain suppliers for use as research and development facilities, sales and support offices, warehouses and logistics centers and test facilities. The size and location of these properties change from time to time based on business requirements. We do not own any manufacturing facilities, and we contract and license to third parties the production and distribution of our hardware. For our research and development and sales and support personnel, we also have leased offices in Taipei, Tai wan, Shanghai, China, Ka unas, Lithuania, Moscow, Rus sia, New York, New York, Barrington, Illinois and Los Angeles, California. We believe our current facilities will be adequate or that additional space will be available on commercially reasonable terms for the foreseeable future.

Item 3. *Legal Proceedings*

Intellectual Property

We are subject to, and may in the future be subject to legal proceedings and claims in the ordinary course of business regarding the rights and use of our intellectual property. We have received, and may in the future receive, claims from third parties alleging infringement of their intellectual property rights and requests for indemnification from our business partners or purchasers of our products arising out of third-party infringement claims. Future litigation may be necessary to defend ourselves, our partners and customers and our wireless carriers by determining the scope, enforceability and validity of third party proprietary rights or to establish our proprietary rights.

Anti-Counterfeiting Litigation

In May 2012, we filed a lawsuit in the U.S. federal court for the Northern District of California against Kozumi USA Corp. and its owner Shao Wei (William) Hsu. The lawsuit alleged that Kozumi and Mr. Hsu have engaged in intellectual property theft, and illegal manufacturing and sale of counterfeit Ubiquiti products. In June 2012, the court granted our application for a temporary restraining order enjoining Kozumi and Mr. Hsu and anyone in active concert or participation with them from using our trademarks, destroying evidence of counterfeiting and infringement, or assisting, aiding or abetting any other person or business entity in engaging in or performing any of such activities. In July 2012, the court issued a preliminary injunction against Kozumi and Mr. Hsu to the same effect and froze Mr. Hsu's real estate assets in the U.S. We intend to vigorously pursue this and other legal actions against the counterfeiters in the U.S. and other countries.

Export Compliance

In January 2011, OEE contacted us to request that we provide information related to our relationship with a logistics company in the UAE and with a company in Iran, as well as information on the export classification of our products. As a result of this inquiry we, assisted by outside counsel, conducted a review of our export transactions from 2008 through March 2011 to not only gather information responsive to OEE's request but also to review our overall compliance with export control and sanctions laws. We believe our products have been sold into Iran by third parties. We do not believe that we directly sold, exported or shipped our products into Iran or any other country subject to a U.S. embargo. However, until early 2010, we did not prohibit our distributors from selling our products into Iran or any other country subject to a U.S. embargo. It was in the course of this review that we identified the Iranian sales of Distributor 1 after February 2010 and the Iranian sales of Distributor 2. Our review also found that while we had obtained required Commodity Classification Rulings for our products in June 2010 and November 2010, we did not advise our shipping personnel to change the export authorizations used on our shipping documents until February 2011. During the course of our export control review, we also determined that we had failed to maintain adequate records for the five year period required by the EAR and the sanctions regulations due to our lack of infrastructure and because it was prior to our transition to our current system of record, NetSuite. See *"Risk Factors—We are subject to numerous U.S. export control and economic sanctions laws and a substantial majority of our sales are into countries outside of the United States. Sales outside of the United States represented 75% , 76% and 70% of our revenues in fiscal 2013 , fiscal 2012 and fiscal 2011 , respectively. Although we did not intend to do so, we have violated certain of these laws in the past, and we cannot currently assess the nature and extent of any fines or other penalties, if any, that U.S. governmental agencies may impose against us or our employees for any such violations. Any fines, if materially different from our estimates, or other penalties, could have a material adverse effect on our business and financial results."*

In May 2011, we filed a self-disclosure statement with the BIS and OEE. In June 2011 we filed a self-disclosure statement with OFAC, regarding the compliance issues noted above. The disclosures address the above described findings and the remedial actions we have taken to date. However, the findings also indicate that both distributors continued to sell, directly or indirectly, our products into Iran during the period from February 2010 through March 2011 and that we received various communications from them indicating that they were continuing to do so. Since January 2011, we have cooperated with OEE and, prior to our disclosure filing, we informally shared with the OEE the substance of our findings with respect to both distributors. From May 2011 to August 2011, we provided additional information regarding our review and our findings to OEE to facilitate its investigation and OEE advised us in August 2011 that it had completed its investigation of us. In August 2011, we received a warning letter from OEE stating that OEE had not referred the findings of our review for criminal or administrative prosecution of us and closed the investigation without penalty.

OFAC is still reviewing our voluntary disclosure. In our submission, we have provided OFAC with an explanation of the activities that led to the sales of our products in Iran and the failure to comply with the EAR and OFAC sanctions. Although our OFAC and OEE voluntary disclosures covered similar sets of facts that led the OEE to resolve the case with the issuance of a warning letter, OFAC may conclude that our actions resulted in violations of U.S. export control and economic sanctions laws and warrant the imposition of penalties that could include fines, termination of our ability to export our products, and/or referral for criminal prosecution. The maximum civil monetary penalty for the violations is up to $250,000 or twice the value of the transaction, whichever is greater, per violation. The penalties may be imposed against us and/or our management. Any such fines or restrictions may be material to our financial results in the period in which they are imposed. Also, disclosure of our conduct and any fines or other action relating to this conduct could harm our reputation and have a material adverse effect on our business, operating results and financial condition. We cannot predict when OFAC will complete its review or decide upon the imposition of possible penalties.

We have taken actions designed to ensure that export classification information is distributed to the appropriate personnel in a timely manner and have adopted policies and procedures to promote our compliance with applicable export laws and regulations, including obtaining written distribution agreements with substantially all of our distributors that contain covenants requiring compliance with U.S. export control and economic sanctions law; notifying all of our distributors of their obligations and obtaining updated distribution agreements from distributors that account for approximately 99% of our distributor revenue in fiscal 2012. However we cannot be sure such actions will be effective. Additionally, our failure to amend all our distribution agreements and to implement more robust compliance controls immediately after the discovery of Iran-related sales activity in early 2010 may be aggravating factors that could impact the imposition of penalties imposed on us or our management. Further, should our efforts to ensure our compliance with applicable export laws and regulations not be sufficient in preventing our distributors from distributing our products into a country subject to a U.S. embargo or otherwise violating applicable export laws and regulations in the future, we could be subject to government investigations or penalties in the future. Any such penalties, if they occur, may be more severe in light of our prior violations discussed above. Based on the facts known to us to date, we recorded an expense of $1.6 million for this export compliance matter in fiscal 2010, which represents management's estimated exposure for fines in accordance with applicable accounting literature. This amount was calculated from information

discovered through our internal review and we deem this loss to be probable and reasonably estimable. However, we believe that it is reasonably possible that the loss may be higher, but we cannot reasonably estimate the range of any further potential losses. Should additional facts be discovered in the future and/or should actual fines or other penalties substantially differ from our estimates, our business, financial condition, cash flows and results of operations would be materially negatively impacted.

Shareholder Class Action Lawsuits

Beginning on September 7, 2012, two shareholder class action complaints were filed against us, certain of our officers and directors and the underwriters of our initial public offering in the United States District Court for the Northern District of California. On January 30, 2013, the plaintiffs filed an Amended Consolidated Complaint, which alleges claims under the Securities Act of 1933, the Securities Exchange Act of 1934 and SEC Rule 10b-5 on behalf of a purported class of those who purchased our common stock between October 14, 2011 and August 9, 2012 and/or acquired our stock pursuant to or traceable to the registration statement for the initial public offering. The Amended Consolidated Complaint alleges that the defendants violated the federal securities laws by issuing false or misleading statements regarding the sale of counterfeit versions of our products. The consolidated complaint seeks, among other things, damages and interest, rescission, and attorneys' fees and costs. On March 26, 2013 we filed a motion to dismiss the complaint. On April 30, 2013, the plaintiffs filed an opposition to our motion to dismiss. On August 27, 2013, the court held a hearing on the motion to dismiss.

We believe that the allegations in the consolidated complaint are without merit and intend to vigorously contest the litigation. However, there can be no assurance that we will be successful in our defense. Because the case is at a very early stage, we cannot currently estimate the loss or the range of possible losses we may experience in connection with this litigation.

Other

From time to time, we may be subject to legal proceedings and claims in the ordinary course of business. Except as described above, we are not currently party to any litigation that we expect to be material; however, litigation is inherently unpredictable. Therefore, we could incur judgments or enter into settlements of claims, or indemnify third parties, any of which could materially impact our results.

Item 4. ***Mine Safety Disclosures***

Not applicable

PART II

Item 5. *Market for Registrant's Common Equity, Related Stockholder Matters and Issuer Purchases of Equity Securities*

Market Information

Our shares of common stock are traded on the NASDAQ Global Select Market under the symbol "UBNT." Our common stock began trading on October 14, 2011, upon our initial public offering. The following table shows, for the periods indicated, the high and low intra-day sale prices for our common stock on the NASDAQ Global Select Market.

	Year Ended June 30, 2013	
	High	Low
First Quarter	$ 15.26	$ 7.80
Second Quarter	$ 13.15	$ 9.97
Third Quarter	$ 16.66	$ 11.39
Fourth Quarter	$ 20.89	$ 12.81

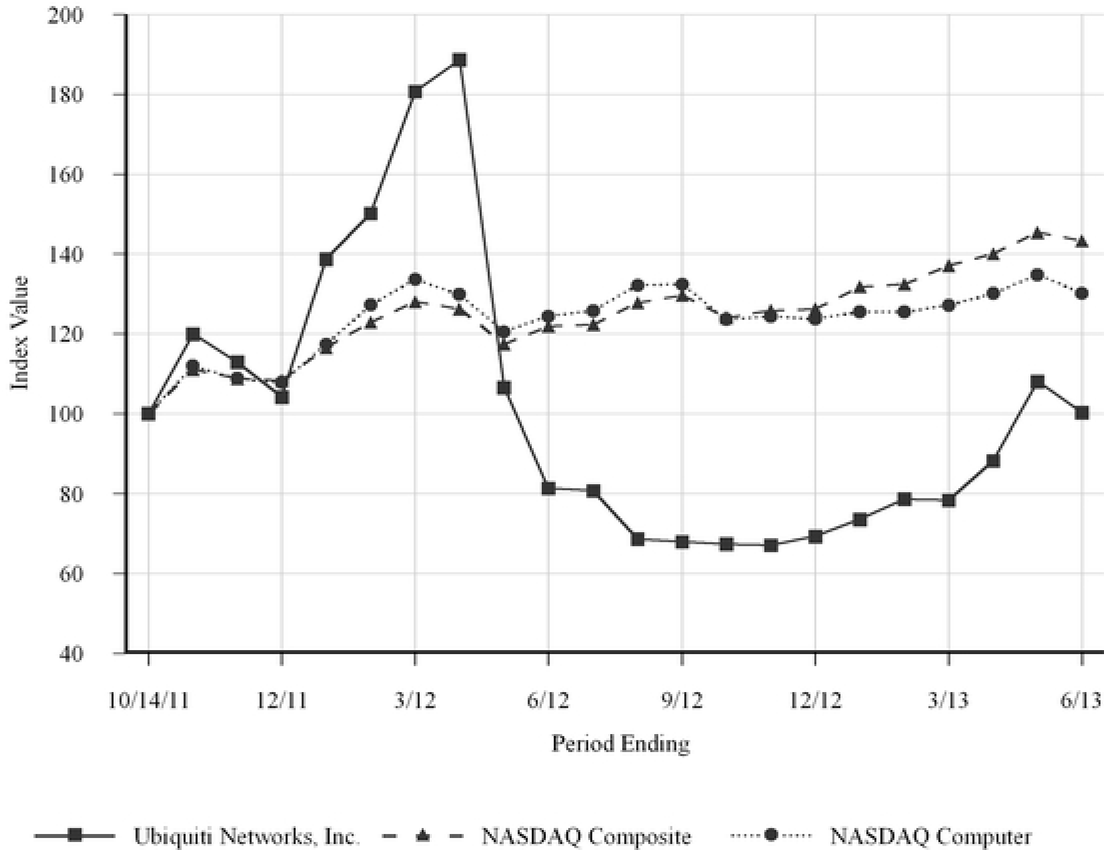
As of September 9, 2013 , the number of record holders of our common stock was 15. B ecause most of our shares are held by brokers and other institutions on behalf of stockholders, we are unable to estimate the total number of beneficial stockholders represented by these record holders.

Stock Performance Graph

The following graph compares, for the period between October 14, 2011 (the date of our initial public offering) and June 30, 2013 , the cumulative total stockholder return for our common stock, the NASDAQ Composite Index and the NASDAQ Computer Index. The graph assumes that $100 was invested on October 14, 2011 in our common stock, the NASDAQ Composite Index and the NASDAQ Computer Index and assumes reinvestment of any dividends. The stock price performance on the following graph is not necessarily indicative of future stock price performance. This performance graph shall not be deemed “filed” for purposes of Section 18 of the Securities Exchange Act of 1934, as amended (the “Exchange Act”), or incorporated by reference into any of our filings under the Securities Act of 1933, as amended, or the Exchange Act, except as shall be expressly set forth by specific reference in such filing.

COMPARISON OF 20 MONTH CUMULATIVE TOTAL RETURN*

Among Ubiquiti Networks, Inc., the NASDAQ Composite Index, and the NASDAQ Computer Index



*$100 invested on 10/14/11in stock or 9/30/11 in index, including reinvestment of dividends.
Fiscal year ending June 30.

Dividends

On December 14, 2012, the Company announced that its Board of Directors had authorized a special cash dividend of $0.18 per share for each share of common stock outstanding on December 24, 2012. The aggregate dividend payment of $15.7 million was paid on December 28, 2012 to stockholders of record on December 24, 2012. However, we do not anticipate paying any cash dividends in the foreseeable future. Any future determination with respect to the declaration and payment of dividends will be at the discretion of our Board of Directors.

Securities Authorized for Issuance under Equity Compensation Plans

Information regarding the securities authorized for issuance under our equity compensation plans can be found under Item 12 of this Annual Report on Form 10-K.

Item 6. ***Selected Financial Data***

The selected consolidated statement of operations data for the fiscal years ended June 30, 2013 , 2012 and 2011 and the consolidated balance sheet data as of June 30, 2013 and 2012 are derived from our audited consolidated financial statements included elsewhere in this report. The selected consolidated statement of operations and comprehensive income data for the fiscal years ended June 30, 2010 and 2009 and the consolidated balance sheet data as of June 30, 2011 , 2010 and 2009 are derived from our audited consolidated financial statements which are not included in this report. Historical results are not necessarily indicative of future results and should be read in conjunction with the section titled "Management's Discussion and Analysis of Financial Condition and Results of Operations" and the consolidated financial statements, related notes, and other financial information included in this report.

	Years Ended June 30,				
In thousands, except per share data	**2013**	**2012**	**2011**	**2010**	**2009**
Consolidated Statements of Operations and Comprehensive Income Data:					
Revenues	$ 320,823	$ 353,517	$ 197,874	$ 136,952	$ 63,121
Cost of revenues [1]	185,489	202,514	117,062	82,404	37,181
Gross profit	135,334	151,003	80,812	54,548	25,940
Operating expenses:					
Research and development [1]	20,955	16,699	11,374	31,704	5,166
Sales, general and administrative [1][2][3]	21,775	9,012	7,358	18,162	2,946
Total operating expenses	42,730	25,711	18,732	49,866	8,112
Income from operations	92,604	125,292	62,080	4,682	17,828
Interest income (expense) and other, net	(851)	(1,269)	79	581	118
Income before provision for income taxes	91,753	124,023	62,159	5,263	17,946
Provision for income taxes	11,263	21,434	12,432	10,719	8,057
Net income and comprehensive income (loss)	80,490	102,589	49,727	(5,456)	9,889
Preferred stock cumulative dividend and accretion of cost of preferred stock	—	(112,431)	(42,068)	(1,436)	—
Less allocation of net income to participating preferred stockholders	—	—	(2,784)	—	—
Net income (loss) attributable to common stockholders—basic	80,490	(9,842)	4,875	(6,892)	9,889
Undistributed earnings re-allocated to common stockholders	—	—	103	—	—
Net income (loss) attributable to common stockholders—diluted	$ 80,490	$ (9,842)	$ 4,978	$ (6,892)	$ 9,889
Net income (loss) per share of common stock:					
Basic	$ 0.91	$ (0.12)	$ 0.08	$ (0.08)	$ 0.10
Diluted	$ 0.89	$ (0.12)	$ 0.07	$ (0.08)	$ 0.09
Weighted average shares used in computing net income (loss) per share of common stock:					
Basic	88,314	83,460	63,092	88,972	101,687
Diluted	90,259	83,460	66,907	88,972	105,585
Cash dividends declared per common share	$ 0.18	$ —	$ —	$ —	$ —
[1] Includes stock-based compensation as follows:					
Cost of revenues	$ 446	$ 117	$ 30	$ 124	$ 5
Research and development	1,433	542	285	26,221	315
Sales, general and administrative	1,497	834	637	9,814	185
Total stock-based compensation	$ 3,376	$ 1,493	$ 952	$ 36,159	$ 505
[2] Includes a charge for an export compliance matter as follows:	$ —	$ —	$ —	$ 1,625	$ —
[3] Includes gain from a trademark coexistence agreement as follows:	$ —	$ (1,500)	$ —	$ —	$ —

In thousands	June 30, 2013	2012	2011	2010	2009
Consolidated Balance Sheet Data:					
Cash and cash equivalents	$ 227,826	$ 122,060	$ 76,361	$ 28,415	$ 13,674
Working capital	224,053	155,462	90,301	55,003	20,723
Total assets	292,340	213,736	131,678	82,090	26,673
Debt – long-term	71,116	22,623	—	—	—
Redeemable convertible preferred stock	—	—	145,847	106,781	—
Common stock and additional paid-in capital	135,069	129,073	608	2,057	1,584
Treasury stock	(123,864)	(69,515)	(69,515)	(62,268)	—
Total stockholders' equity (deficit)	147,436	130,951	(53,872)	(52,835)	18,115

Item 7. *Management's Discussion and Analysis of Financial Condition and Results of Operations*

Overview

Ubiquiti Networks develops high performance networking technology for service providers and enterprises. Our technology platforms focus on delivering highly-advanced and easily deployable solutions that appeal to a global customer base in underserved and underpenetrated markets. Our differentiated business model has enabled us to break down traditional barriers such as high product and network deployment costs and offer solutions with disruptive price-performance characteristics. This differentiated business model, combined with our innovative proprietary technologies, has resulted in an attractive alternative to traditional high touch, high-cost providers, allowing us to advance the market adoption of our platforms for ubiquitous connectivity.

We offer a broad and expanding portfolio of networking products and solutions for service providers and enterprises. Our service provider product platforms provide carrier-class network infrastructure for fixed wireless broadband, wireless backhaul systems and routing. Our enterprise product platforms provide wireless LAN infrastructure, video surveillance products, and machine-to-machine communication components. We believe that our products are highly differentiated due to our proprietary software protocol innovation, firmware expertise, and hardware design capabilities. This differentiation allows our portfolio to meet the demanding performance requirements of video, voice and data applications at prices that are a fraction of those offered by our competitors.

As a core part of our strategy, we have developed a differentiated business model for marketing and selling high volumes of carrier and enterprise-class communications platforms. Our business model is driven by a large, growing and highly engaged community of service providers, distributors, value added resellers, systems integrators and corporate IT professionals, which we refer to as the Ubiquiti Community. The Ubiquiti Community is a critical element of our business strategy as it enables us to drive:

- ***Rapid customer and community driven product development.*** We have an active, loyal community built from our customers that we believe is a sustainable competitive advantage. Our solutions benefit from the active engagement between the Ubiquiti Community and our development engineers throughout the product development cycle, which eliminates long and expensive multistep internal processes and results in rapid introduction and adoption of our products. This approach significantly reduces our development costs and time to market.

- ***Scalable sales and marketing model.*** We do not currently have, nor do we plan to hire, a direct sales force, but instead utilize the Ubiquiti Community to drive market awareness and demand for our products and solutions. This community-propagated viral marketing enables us to reach underserved and underpenetrated markets far more efficiently and cost-effectively than is possible through traditional sales models. Leveraging the information transparency of the Internet allows customers to research, evaluate and validate our solutions with the Ubiquiti Community and via third party web sites. This allows us to operate a scalable sales and marketing model and effectively create awareness of our brand and products. Word of mouth referrals from the Ubiquiti Community generate high quality leads for our distributors at relatively little cost.

- ***Self-sustaining product support.*** The engaged members of the Ubiquiti Community have enabled us to foster a large, cost efficient, highly-scalable and, we believe, self-sustaining mechanism for rapid product support and dissemination of information.

By reducing the cost of development, sales, marketing and support we are able to eliminate traditional business model inefficiencies and offer innovative solutions with disruptive price performance characteristics to our customers.

For the years ended June 30, 2013 , 2012 and 2011 , our revenue was $320.8 million , $353.5 million and $197.9 million , respectively. In the same periods, we generated a net income of $80.5 million , $102.6 million and $49.7 million , respectively. In this Annual Report on Form 10-K we refer to the fiscal years ended June 30, 2013 , 2012 and 2011 as fiscal 2013 , fiscal 2012 and fiscal 2011 , respectively.

Key Components of Our Results of Operations and Financial Condition

Revenues

Our revenues are derived principally from the sale of networking hardware and management tools. In addition, while we do not sell maintenance and support separately, because we have historically included it free of charge in many of our arrangements, we attribute a portion of our systems revenues to this implied post-contract customer support ("PCS").

We classify our revenues into three product categories: systems, embedded radios and antennas/other.

- Systems consists of three product categories:
    - Our proprietary airMAX platform products for network operators and service providers;
    - Our new platform products which include significant platforms introduced in late fiscal 2011 and during 2012 which includes the UniFi, airVision and airFiber, mFi and EdgeMAX platforms; and
    - Other 802.11 standard products including base stations, radios, backhaul equipment and Customer Premise Equipment ("CPE").

- Embedded radios consist of more than 25 radio products primarily for OEMs, including both point to point and point to multipoint radios in the 2.0 to 6.0GHz spectrum, that are offered with a variety of features.

- Antennas/other consist of antenna products in the 2.0 to 6.0GHz spectrum, as well as miscellaneous products such as mounting brackets, cables and power over Ethernet adapters. These products include both high performance sector and directional antennas. This category also includes our allocation of revenues to PCS.

We sell substantially all of our products through a limited number of distributors and other channel partners, such as resellers and OEMs. Sales to distributors accounted for 98% , 98% and 97% of our revenues in the years ended June 30, 2013 , 2012 and 2011 , respectively. Other channel partners, such as resellers and OEMs, largely accounted for the balance of our revenues. We sell our products without any right of return.

Cost of Revenues

Our cost of revenues is comprised primarily of the costs of procuring finished goods from our contract manufacturers and chipsets that we consign to certain of our contract manufacturers. In addition, cost of revenues includes tooling, labor and other costs associated with engineering, testing and quality assurance, warranty costs, stock-based compensation, logistics related fees and excess and obsolete inventory.

In addition to utilizing contract manufacturers, we outsource our logistics warehousing and order fulfillment functions, which are located primarily in China, and to a lesser extent, Taiwan. We also evaluate and utilize other vendors for various portions of our supply chain from time to time. Our operations organization consists of employees and consultants engaged in the management of our contract manufacturers, new product introduction activities, logistical support and engineering.

Gross Profit

Our gross profit has been, and may in the future be, influenced by several factors including changes in product mix, target end markets for our products, pricing due to competitive pressure, production costs, foreign exchange rates and global demand for electronic components. Although we procure and sell our products in U.S. dollars, our contract manufacturers incur many costs, including labor costs, in other currencies. To the extent that the exchange rates move unfavorably for our contract manufacturers, they may try to pass these additional costs on to us, which could have a material impact on our future average selling prices and unit costs.

Operating Expenses

We classify our operating expenses as research and development and sales, general and administrative expenses.

- *Research and development expenses* consist primarily of salary and benefit expenses, including stock-based compensation, for employees and costs for contractors engaged in research, design and development activities, as well as costs for prototypes, facilities and travel. Over time, we expect our research and development costs to increase as we continue making significant investments in developing new products and developing new versions of our existing products.

- *Sales, general and administrative expenses* include salary and benefit expenses, including stock-based compensation, for employees and costs for contractors engaged in sales, marketing and general and administrative activities, as well as the costs of legal expenses, trade shows, marketing programs, promotional materials, bad debt expense, professional services, facilities, general liability insurance and travel. As our product portfolio and targeted markets expand, we may need to employ different sales models, such as building a direct sales force. These sales models would likely increase our costs. Over time, we expect our sales, general and administrative expenses to increase in absolute dollars due to continued growth in headcount, expansion of our efforts to register and defend trademarks and patents and to support our business and operations.

Deferred Revenues and Costs

In the event that collectability of a receivable from products we have shipped is not probable, we classify those amounts as deferred revenues on our balance sheet until such time as we receive payment of the accounts receivable. We classify the cost of products associated with these deferred revenues as deferred costs of revenues. As of June 30, 2013 , $2.2 million of revenue was deferred for transactions where we lacked evidence that collectability of the receivables recorded was reasonably assured. The related deferred cost of revenues balance was $1.2 million as of June 30, 2013 . At June 30, 2012 , we did not have any revenue deferred for transactions where we lacked evidence that collectability of the receivables recorded was reasonably assured.

Also included in our deferred revenues is a portion related to PCS obligations that we estimate we will perform in the future. As of June 30, 2013 and 2012 , we had deferred revenues of $1.0 million and $805,000 respectively, related to these obligations.

Critical Accounting Policies

We prepare our consolidated financial statements in accordance with accounting principles generally accepted in the United States of America (“GAAP”). In many cases, the accounting treatment of a particular transaction is specifically dictated by GAAP and does not require management’s judgment in its application. In other cases, management’s judgment is required in selecting among available alternative accounting standards that provide for different accounting treatment for similar transactions. The preparation of consolidated financial statements also requires us to make estimates and assumptions that affect the amounts we report as assets, liabilities, revenues, costs and expenses and affect the related disclosures. We base our estimates on historical experience and other assumptions that we believe are reasonable under the circumstances. In many instances, we could reasonably use different accounting estimates, and in some instances changes in the accounting estimates are reasonably likely to occur from period to period. Accordingly, our actual results could differ significantly from the estimates made by our management. To the extent that there are differences between our estimates and actual results, our future financial statement presentation, financial condition, results of operations and cash flows will be affected. We believe that the accounting policies discussed below are critical to understanding our historical and future performance, as these policies relate to the more significant areas involving management’s judgments and estimates.

Recognition of Revenues

Revenues consist primarily of revenues from the sale of hardware and management tools, as well as the related implied PCS. We recognize revenues when persuasive evidence of an arrangement exists, delivery has occurred, the sales price is fixed or determinable and the collectability of the resulting receivable is reasonably assured. In cases where we lack evidence that collectability of the resulting receivable is reasonably assured, we defer recognition of revenue until the receipt of cash.

For our sales, evidence of the arrangement consists of an order from a customer. We consider delivery to have occurred once our products have been shipped and title and risk of loss have been transferred. For our sales, these criteria are met at the time the products are transferred to the customer's shipping agent. Our arrangements with customers do not include provisions for cancellation, returns, inventory swaps or refunds that would significantly impact recognized revenues.

We record amounts billed to distributors for shipping and handling costs as revenues. We classify shipping and handling costs incurred by us as cost of revenues. Deposit payments received from distributors in advance of recognition of revenues are included in current liabilities on our balance sheet and are recognized as revenues when all the criteria for recognition of revenues are met.

Our multi-element arrangements generally include two deliverables. The first deliverable is the hardware and software essential to the functionality of the hardware device delivered at the time of sale. The second deliverable is the implied right to PCS included with the purchase of certain products. PCS is the right to receive, on a when and if available basis, future unspecified software upgrades and features relating to the product's essential software as well as bug fixes, email and telephone support.
We use a hierarchy to determine the allocation of revenues to the deliverables. The hierarchy is as follows: (i) vendor-specific objective evidence of fair value ("VSOE"), (ii) third-party evidence of selling price ("TPE"), and (iii) best estimate of the selling price ("BESP").

(i) VSOE generally exists only when a company sells the deliverable separately and is the price actually charged by the company for that deliverable. Generally we do not sell the deliverables separately and, as such, do not have VSOE.

(ii) TPE can be substantiated by determining the price that other parties sell similar or substantially similar offerings. We do not believe that there is accessible TPE evidence for similar deliverables.

(iii) BESP reflects our best estimates of what the selling prices of elements would be if they were sold regularly on a stand-alone basis. We believe that BESP is the most appropriate methodology for determining the allocation of revenues among the multiple elements.

We have allocated revenues between these two deliverables using the relative selling price method which is based on the BESP for all deliverables. Revenues allocated to the delivered hardware and the related essential software are recognized at the time of sale provided the other conditions for recognition of revenues have been met. Revenues allocated to the PCS are deferred and recognized on a straight-line basis over the estimated life of each of these devices which currently is two years. All costs of revenues, including estimated warranty costs, are recognized at the time of sale. Costs for research and development and sales and marketing are expensed as incurred. If the estimated life of the hardware product should change, the future rate of amortization of the revenues allocated to PCS would also change.

Our process for determining BESP for deliverables involves multiple factors that may vary depending upon the unique facts and circumstances related to each deliverable. For PCS, we believe our network operators and service providers would be reluctant to pay for such services separately. This view is primarily based on the fact that unspecified upgrade rights do not obligate us to provide upgrades at a particular time or at all, and do not specify to network operators and service providers which upgrades or features will be delivered. We believe that the relatively low prices of our products and our network operators, and service providers' price sensitivity would add to their reluctance to pay for PCS. Therefore, we have concluded that if we were to sell PCS on a stand-alone basis, the selling price would be relatively low.

Key factors considered by us in developing the BESP for PCS include reviewing the activities of specific employees engaged in support and software development to determine the amount of time that is allocated to the development of the undelivered elements, determining the cost of this development effort, and then adding an appropriate level of gross profit to these costs.

Inventory

Our inventories are primarily raw materials, which we have consigned to our contract manufacturers, and to a lesser extent, finished goods. Our inventories are stated at the lower of cost or market value on a first-in, first-out basis. We reduce the value of our inventory for estimated obsolescence or lack of marketability by the difference between the cost of the affected inventory and the estimated market value. Write-downs are not reversed until the related inventory has been subsequently sold or scrapped.

Product Warranties

We offer warranties on certain products and record a liability for the estimated future costs associated with potential warranty claims. These warranty costs are reflected in our consolidated statement of operations and comprehensive income within cost of revenues. Our warranties are in effect for 12 months from the distributors' purchase date of the product. Our estimates of future warranty costs are largely based on historical experience of product failure rates, material usage and service delivery costs incurred in correcting product failures. Our operating results could be materially and adversely affected if future warranty claims exceed historical experiences and we are not able to recover costs from our contract manufacturers.

Allowance for Doubtful Accounts

We record an allowance for doubtful accounts for estimated probable losses on uncollectible accounts receivable. In estimating the allowance, management considers, among other factors, the aging of the accounts receivable, our historical write offs, the credit worthiness of each distributor based on payment history and general economic conditions.

Income Taxes

We account for income taxes in accordance with accounting guidance which requires recognition of deferred tax assets and liabilities for the expected future tax consequences of events that have been included in our financial statements or tax returns. Deferred tax assets and liabilities are determined based on the temporary difference between the financial statement carrying amounts of existing assets and liabilities and their respective tax bases. Deferred tax assets and liabilities are measured using enacted tax rates expected to apply to taxable income in the years in which those temporary differences are expected to be recovered or settled. We establish valuation allowances when necessary to reduce deferred tax assets to the amount we expect to realize. The assessment of whether or not a valuation allowance is required often requires significant judgment including current operating results, the forecast of future taxable income and ongoing prudent and feasible tax planning initiatives.

In addition, our calculation of our tax liabilities involves dealing with uncertainties in the application of complex tax regulations. We may be subject to income tax audits in each of the jurisdictions in which we operate and, as a result, must also assess exposures to any potential issues arising from current or future audits of current and prior years' tax returns. Accordingly, we must assess such potential exposures and, where necessary, provide a reserve to cover any expected loss. To the extent that we establish a reserve, our provision for income taxes would be increased. We review our potential liabilities periodically and, if necessary, record an additional charge in our provision for taxes in the period in which we determine that tax liability is greater than our original estimate. If we ultimately determine that payment of these amounts is unnecessary, we reverse the liability and recognize a tax benefit during the period in which we determine that the liability is no longer necessary.

Stock-based Compensation

We record stock-based awards at fair value as of the grant date and recognize expense ratably on a straight-line basis over the requisite service period, which is generally the vesting term of the awards. We estimate the fair value of stock option awards on the grant date using the Black-Scholes option pricing model. Restricted stock units are valued based on the fair value of our common stock on the date of grant. Since our initial public offering on October 14, 2011, the fair value of our common stock is determined using the closing market price of our common stock as of the date of grant.

Results of Operations

Comparison of Years June 30, 2013 and 2012

	Years Ended June 30,					
	2013			2012		
	(In thousands, except percentages)					
Revenues	$	320,823	100%	$	353,517	100%
Cost of revenues [1]		185,489	58%		202,514	57%
Gross profit		135,334	42%		151,003	43%
Operating expenses:						
Research and development [1]		20,955	6%		16,699	5%
Sales, general and administrative [1][2]		21,775	7%		9,012	3%
Total operating expenses		42,730	13%		25,711	8%
Income from operations		92,604	29%		125,292	35%
Interest expense and other, net		(851)	*		(1,269)	*
Income before provision for income taxes		91,753	29%		124,023	35%
Provision for income taxes		11,263	4%		21,434	6%
Net income and comprehensive income	$	80,490	25%	$	102,589	29%
* *Less than 1%*						
(1) Includes stock-based compensation as follows:						
Cost of revenues	$	446		$	117	
Research and development		1,433			542	
Sales, general and administrative		1,497			834	
Total stock-based compensation	$	3,376		$	1,493	
(2) Includes a gain from a trademark coexistence agreement as follows:	$	—		$	(1,500)	

Revenues

Revenues decreased $32.7 million , or 9% , from $353.5 million in fiscal 2012 to $320.8 million in fiscal 2013 . We believe the overall decrease in revenues in fiscal 2013 was primarily driven by lost sales, predominantly during the first nine months of fiscal 2013 due to the proliferation of counterfeit versions of our products, which also created customer uncertainty regarding the authenticity of their potential purchases. We believe these factors contributed to a buildup in channel inventory with our distributors, further impacting our revenues during the first nine months of fiscal 2013 . This has had the most significant impact on our airMAX platform which decreased $21.1 million in fiscal 2013 compared to fiscal 2012 .

In fiscal 2013 , revenues from Flytec represented 13% of our revenues. In fiscal 2012 , revenues from Flytec and Streakwave represented 16% and 10% of our revenues, respectively. No other distributor or customer represented more than 10% of our revenues in fiscal 2013 or fiscal 2012 .

Revenues by Product Type

	Years Ended June 30,					
	2013			2012		
	(in thousands, except percentages)					
airMAX	$	202,599	63%	$	223,743	63%
New platforms		53,868	17%		29,465	8%
Other systems		18,190	6%		52,086	15%
Systems		274,657	86%		305,294	86%
Embedded radio		6,889	2%		10,056	3%
Antennas/other		39,277	12%		38,167	11%
Total revenues	$	320,823	100%	$	353,517	100%

Systems revenues decreased $30.6 million , or 10% , from $305.3 million in fiscal 2012 to $274.7 million in fiscal 2013 . As noted above, we believe the decrease in systems revenues was primarily driven by lost sales due to the proliferation of counterfeit versions of our products, in particular our airMAX product line. The decrease in our airMAX product line was partially offset by increased sales in our new platforms category, which includes platforms introduced since late fiscal 2011. Our new platforms contributed $53.9 million and $29.5 million of revenue during fiscal 2013 and 2012 , respectively. Our other systems revenue decreased $33.9 million during fiscal 2013 as compared to fiscal 2012 due to our December 2011 quarter including a large order to a single direct customer and further adoption of our airMax solutions in 2013. We anticipate that our other systems products will decline in future periods as sales of these products are outpaced by airMax and new platform products.

Embedded radio revenues decreased $3.2 million , or 31% , from $10.1 million in fiscal 2012 to $6.9 million in fiscal 2013 . We anticipate that embedded radio products will decline as a percentage of revenues in future periods as sales of these legacy products are outpaced by sales of systems products.

Antennas/other revenues increased $1.1 million , or 3% from $38.2 million in fiscal 2012 to $39.3 million in fiscal 2013 . The increase in antennas/other revenues during fiscal 2013 was due primarily to continued expansion of core infrastructure build-outs in our wireless markets. We anticipate that antenna/other revenues will continue to increase in absolute dollars in future periods but will decline as a percentage of total revenues due to more rapid growth of systems revenues.

Revenues by Geography

We generally forward products directly from our manufacturers to our customers via logistics distribution hubs in Asia. Beginning in the quarter ended December 31, 2012, our products were predominantly routed through a third party logistics provider in China and prior to the quarter ended December 31, 2012, our products were predominantly delivered to our customers through distribution hubs in Hong Kong. Our logistics provider, in turn, ships to other locations throughout the world. We have determined the geographical distribution of our product revenues based on our customers' ship-to destinations. A majority of our sales are to distributors who in turn sell to resellers or directly to end customers. We believe the decline in revenues in all regions, and most significantly in South America, during the fiscal year ended June 30, 2013 as compared to June 30, 2012 was primarily driven by the proliferation of counterfeit versions of our products, which has also created customer uncertainty regarding the authenticity of their potential purchases. The following are our revenues by geography for fiscal 2013 and fiscal 2012 (in thousands, except percentages):

	Years Ended June 30,					
	2013			2012		
North America(1)	$	84,820	26%	$	88,309	25%
South America		65,764	21%		88,325	25%
Europe, the Middle East and Africa		127,860	40%		130,494	37%
Asia Pacific		42,379	13%		46,389	13%
Total revenues	$	320,823	100%	$	353,517	100%

(1) *Revenue for the United States was $80.6 million and $84.3 million in fiscal 2013 and fiscal 2012 , respectively.*

Cost of Revenues and Gross Profit

Cost of revenues decreased $17.0 million , or 8% , from $202.5 million in fiscal 2012 to $185.5 million in fiscal 2013 . The decreases in cost of revenues in fiscal 2013 was primarily due to decreased revenues and to a lesser extent, changes in product mix.

Gross profit as a percentage of revenue decreased to 42% in fiscal 2013 compared to 43% in fiscal 2012 . The decrease in gross profit percentage in the fiscal 2013 reflects increases in variable operating costs and changes in product mix.

Operating Expenses

Research and Development

Research and development expenses increased $4.3 million , or 25% , from $16.7 million in fiscal 2012 to $21.0 million in fiscal 2013 . As a percentage of revenues, research and development expenses increased from 5% in fiscal 2012 to 6% in fiscal 2013 . The increase in research and development expenses in absolute dollars was largely due to increases in headcount and facilities related costs as we broadened our research and development activities to new product areas. As a percentage of revenues, research and development expenses increased in both periods primarily due to our overall decrease in revenues. Over time, we expect our research and development costs to increase in absolute dollars as we continue making significant investments in developing new products and developing new versions of our existing products.

Sales, General and Administrative

Sales, general and administrative expenses increased $12.8 million , or 142% , from $9.0 million in fiscal 2012 to $21.8 million in fiscal 2013 . As a percentage of revenues, sales, general and administrative expenses increased from 3% in fiscal 2012 to 7% in fiscal 2013 . Sales, general and administrative expenses increased in absolute dollars and as a percentage of revenue due largely to increased legal expenses of $4.3 million, primarily associated with our anti-counterfeiting litigation, increased professional fees of $2.0 million, primarily related to the ancillary support of certain management functions, increases in headcount and related salaries of $1.0 million. Additionally, in fiscal 2012 we recorded a gain of $1.5 million from a trademark coexistence agreement within sales, general and administrative expenses. Over time, we expect our sales, general and administrative expenses to increase in absolute dollars due to growth in headcount to support our business and operations and the need to build and protect our intellectual property rights worldwide.

Interest Expense and Other, Net

Interest expense and other, net was $851,000 for fiscal 2013 , representing a decrease of $418,000 from $1.3 million for fiscal 2012 . The decrease in fiscal 2013 as compared to fiscal 2012 was primarily due to the additional interest coupon on our

convertible subordinated promissory notes issued as part of the repurchase of Series A convertible preferred stock from entities affiliated with Summit Partners, L.P. in July 2011. The convertible subordinated promissory notes were repaid in full in October 2011. Interest expense during fiscal 2013 consisted primarily of interest related to our term loan and credit facility borrowings with East West Bank.

Provision for Income Taxes

Our provision for income taxes decreased $10.2 million , or 47% , from $21.4 million for fiscal 2012 to $11.3 million for fiscal 2013 . Our effective tax rate decreased to 12% for fiscal 2013 as compared to 17% fiscal 2012 . The decrease in our effective tax rate was primarily due to a larger percentage of our overall profitability occurring in foreign jurisdictions with lower income tax rates. Additionally, on January 2, 2013, the American Taxpayer Relief Act of 2012 ("the Act") was signed into law. One of the provisions of the Act provides a retroactive extension of the research and experimentation tax credit ("R&D credit") through December 31, 2013, which had expired on December 31, 2011. We recognized a tax benefit of $539,000 during the third quarter of fiscal 2013 as a result of the retroactive extension of the R&D credit.

Comparison of Years Ended June 30, 2012 and 2011

	Years Ended June 30,					
	2012			2011		
	(In thousands, except percentages)					
Revenues	$	353,517	100%	$	197,874	100%
Cost of revenues [1]		202,514	57%		117,062	59%
Gross profit		151,003	43%		80,812	41%
Operating expenses:						
Research and development [1]		16,699	5%		11,374	6%
Sales, general and administrative [1][2]		9,012	3%		7,358	4%
Total operating expenses		25,711	8%		18,732	10%
Income from operations		125,292	35%		62,080	31%
Interest income (expense) and other, net		(1,269)	*		79	*
Income before provision for income taxes		124,023	35%		62,159	31%
Provision for income taxes		21,434	6%		12,432	6%
Net income and comprehensive income	$	102,589	29%	$	49,727	25%

* *Less than 1%*

(1) Includes stock-based compensation as follows:				
Cost of revenues	$	117	$	30
Research and development		542		285
Sales, general and administrative		834		637
Total stock-based compensation	$	1,493	$	952
(2) Includes a gain from a trademark coexistence agreement as follows:	$	(1,500)	$	—

Revenues

Revenues increased $155.6 million, or 79%, from $197.9 million in fiscal 2011 to $353.5 million in fiscal 2012. During fiscal 2012, the increase in revenues was due to higher unit volumes shipped, primarily attributable to the success of our systems products, most notably our airMAX platform. Although we cannot quantify the impact with any certainty, during fiscal 2012 we believe we experienced lost sales due to counterfeit goods.

In fiscal 2012, revenues from Flytec and Streakwave represented 16% and 10%, respectively, of our revenues. In fiscal 2011, Flytec and Streakwave represented 20% and 15% of our revenues, respectively. No other distributor or customer represented more than 10% of our revenues in fiscal 2012 or fiscal 2011.

Revenues by Product Type

	Years Ended June 30,			
	2012		2011	
	(In thousands, except percentages)			
airMAX	$ 223,743	63%	$ 113,001	57%
New platforms	29,465	8%	2,513	1%
Other systems	52,086	15%	44,884	23%
Systems	305,294	86%	160,398	81%
Embedded radio	10,056	3%	14,762	7%
Antennas/other	38,167	11%	22,714	12%
Total revenues	$ 353,517	100%	$ 197,874	100%

Systems revenues increased $144.9 million, or 90%, from $160.4 million fiscal 2011 to $305.3 million in fiscal 2012. The increase in systems revenues was primarily driven by rapid adoption of our airMAX platform, which we introduced in early fiscal 2010. Our new platforms category, which includes significant platforms introduced in late fiscal 2011 and during 2012, contributed $29.5 million and $2.5 million of revenue in fiscal 2012 and 2011, respectively. Our other systems revenue increased $7.2 million during fiscal 2012 as compared to fiscal 2011, primarily due to a specific customer network expansion during the quarter ending December 31, 2011.

Embedded radio revenues decreased by $4.7 million from fiscal 2011 to fiscal 2012. We anticipate that embedded radio products will decline in future periods as sales of these products are outpaced by sales of systems products.

Antennas/other revenues increased $15.5 million, or 68%, from $22.7 million in fiscal 2011 to $38.2 million in fiscal 2012. A primary driver of growth in antennas/other revenues was the broadening of our systems platforms, which drove demand for associated antennas. Antennas/other revenues also increased due to the growing sales of accessories purchased in connection with deployment of new systems, such as cables. Other revenues also include revenues that are attributable to PCS.

Revenues by Geography

During fiscal 2012 and 2011, we generally delivered product directly from our manufacturers to freight companies in Hong Kong, which have been retained by our customers and who in turn ship to other locations throughout the world. We have determined the geographical distribution of our product revenues based on ship-to destinations. A majority of our sales are to distributors who in turn sell to resellers or directly to end customers. As a result of these factors, we believe that sales to certain geographic locations might be higher or lower, as the ultimate destinations are difficult to ascertain. The increase in revenues in absolute dollars across all regions was primarily driven by the success of our systems products, most notably our airMAX product line.

The following are our revenues by geography for fiscal 2012 and fiscal 2011:

	Years Ended June 30,			
	2012		2011	
	(In thousands, except percentages)			
North America	$ 88,309	25%	$ 61,920	31%
South America	88,325	25%	50,824	26%
Europe, the Middle East and Africa	130,494	37%	68,297	35%
Asia Pacific	46,389	13%	16,833	8%
Total revenues	$ 353,517	100%	$ 197,874	100%

Cost of Revenues and Gross Margin

Cost of revenues increased $85.5 million, or 73%, from $117.1 million in fiscal 2011 to $202.5 million in fiscal 2012. Gross margin increased from 41% in fiscal 2011 to 43% in fiscal 2012. The increase in gross margins reflected a high level of revenue growth across a non-inventory cost of sales base that only saw a slight increase, and an increased focus on managing supply chain costs.

Operating Expenses

Research and Development

Research and development expenses increased $5.3 million, or 47%, from $11.4 million in fiscal 2011 to $16.7 million in fiscal 2012. However, as a percentage of revenues, research and development expenses decreased from 6% in fiscal 2011 to 5% in fiscal 2012. The increase in research and development expenses in absolute dollars in was due to increases in headcount and related expenses as we broadened our research and development activities to new product areas. As a percentage of revenues research and development expenses decreased due to our overall revenue growth.

Sales, General and Administrative

Sales, general and administrative expenses increased $1.7 million, or 22%, from $7.4 million in fiscal 2011 to $9.0 million in fiscal 2012. As a percentage of revenues, sales, general and administrative expenses decreased from 4% in fiscal 2011 to 3% in fiscal 2012. Sales, general and administrative expenses increased slightly due to increased personnel costs and increased costs associated with our being, and the preparation to be, a public company. However, as a percentage of revenues sales, general and administrative expenses decreased slightly due to our overall revenue growth. Additionally, during fiscal 2012 we had a gain of $1.5 million related to a trademark coexistence agreement which the Company included as a reduction to its general and administrative expenses.

Interest Income (Expense) and Other, Net

Interest income (expense) and other, net was ($1.3) million for fiscal 2012, representing a decrease of $1.3 million from interest income (expense) and other, net of $79,000 for fiscal 2011. The decrease was primarily due to interest expense accrued on our convertible subordinated promissory notes issued as part of the repurchase of Series A convertible preferred stock from entities affiliated with Summit Partners, L.P. in July 2011 and interest expense accrued on our term loan agreement with East West Bank which we entered into in September 2011.

Provision for Income Taxes

Our provision for income taxes increased $9.0 million, or 72%, from $12.4 million for fiscal 2011 to $21.4 million for fiscal 2012 related to increased levels of profitability. Our effective tax rate decreased to 17% for fiscal 2012 as compared to 20% for fiscal 2011 primarily due to increased sales in foreign tax jurisdictions with lower income tax rates.

Liquidity and Capital Resources

Sources and Uses of Cash

Since inception, our operations primarily have been funded through cash generated by operations. We had cash and cash equivalents of $227.8 million , $122.1 million and $76.4 million at June 30, 2013 , 2012 and 2011 , respectively.

Consolidated Cash Flow Data

The following table sets forth the major components of our consolidated statements of cash flows data for the periods presented:

	Years Ended June 30,		
	2013	2012	2011
		(In thousands)	
Net cash provided by operating activities	$ 131,891	$ 81,788	$ 62,842
Net cash used in investing activities	(5,363)	(3,310)	(479)
Net cash used in financing activities	(20,762)	(32,779)	(14,417)
Net increase in cash and cash equivalents	$ 105,766	$ 45,699	$ 47,946

Cash Flows from Operating Activities

Net cash provided by operating activities in the fiscal 2013 of $131.9 million consisted primarily of net income of $80.5 million and net changes in operating assets and liabilities that resulted in net cash inflows of $45.9 million . These changes consisted primarily of a $38.7 million decrease in accounts receivable due to improved cash collections, a $10.2 million increase in accounts payable and accrued liabilities due to the timing of payments with our vendors, a $9.0 million increase in inventory due to increased inventory on hand as a result of a transition to a third-party logistics provider during December

2012, a $6.6 million increase in taxes payable due the timing of federal tax payments, a $1.9 million increase in prepaid expenses and other current assets due to an increase in overall business activity and a $1.2 million increase in deferred revenues and related costs. Additionally, our net income included non-cash adjustments due to stock-based compensation, depreciation and amortization, increases to our provision for doubtful accounts and write-downs for inventory obsolescence and an excess tax benefit from stock-based awards. The net of these non-cash adjustments resulted in an increase of our net cash provided by operating activities of $5.5 million .

Net cash provided by operating activities in fiscal 2012 of $81.8 million consisted primarily of net income of $102.6 million offset by changes in operating assets and liabilities. These changes consisted primarily of a $36.6 million increase in accounts receivable due to our overall revenue growth and slower payment patterns from our customers, a $16.5 million increase in accounts payable and accrued liabilities due to increased overall business activity, a $9.5 million increase in taxes payable due to our higher profitability, a $3.7 million decrease in prepaid expenses and other current assets due primarily to decreased deposits with our vendors and a $2.3 million increase in inventories related to increases in our overall business activity. Additionally, our net income included non-cash adjustments due to stock-based compensation, depreciation and amortization, adjustments to our provisions for doubtful accounts and inventory obsolescence and an excess tax benefit from stock-based awards. The net of these non-cash adjustments resulted in a reduction of our net cash provided by operating activities of $11.6 million.

Net cash provided by operating activities in fiscal 2011 of $63.0 million increased from cash used in operating activities of $26.0 million in fiscal 2010. The increase in net cash provided by operating activities resulted from net income of $49.7 million and increases in operating assets and liabilities of $13.2 million in fiscal 2011. Changes in operating assets and liabilities consisted primarily of a $20.3 million increase in accounts payable and accrued liabilities, a $5.9 million increase in accounts receivable, a $1.3 million increase in taxes payable, a $1.1 million increase in inventories, a $715,000 increase in prepaid expenses and other current assets and a net decrease of $810,000 in deferred revenues and deferred cost of revenues.

Cash Flows from Investing Activities

Our investing activities consist solely of capital expenditures and purchases of intangible assets. Capital expenditures for fiscal 2013 , fiscal 2012 and fiscal 2011 were $4.1 million , $3.3 million and $479,000, respectively. Additionally, we had cash outflows related to intangible assets of $1.2 million during fiscal 2013 , consisting primarily of legal costs associated with the application for, and registrations of, our patents and trademarks.

Cash Flows from Financing Activities

We used $20.8 million of cash in financing activities during fiscal 2013 . On August 7, 2012, we entered into a Loan and Security Agreement (the “Loan Agreement”) with U.S. Bank, as syndication agent, and East West Bank, as administrative agent for the lenders party to the Loan Agreement. The Loan Agreement replaced the EWB Loan Agreement discussed below. The Loan Agreement provides for (i) a $50.0 million revolving credit facility, with a $5.0 million sublimit for the issuance of letters of credit and a $5.0 million sublimit for the making of swingline loan advances (the “Revolving Credit Facility”), and (ii) a $50.0 million term loan facility (the “Term Loan Facility”). We may request borrowings under the Revolving Credit Facility until August 7, 2015. On August 7, 2012, we borrowed $20.8 million of term loans under the Term Loan Facility, bringing the total borrowed to $50.0 million, to partially fund our common stock repurchase program. No borrowings remain available under the Term Loan Facility. On November 21, 2012, we borrowed $10.0 million under the Revolving Credit Facility. On December 20, 2012, we borrowed an additional $20.0 million under the Revolving Credit Facility to fund our special cash dividend. An additional $20.0 million remains available for borrowing under the Revolving Credit Facility.

The Loan Agreement contains customary affirmative and negative covenants, including covenants that limit or restrict our and our subsidiaries ' ability to, among other things, incur indebtedness, grant liens, merge or consolidate, dispose of assets, pay dividends or make distributions, make investments, make acquisitions, prepay certain indebtedness, change the nature of our or its business , enter into certain transactions with affiliates, enter into restrictive agreements, and make capital expenditures, in each case subject to customary exceptions for a credit facility of this size and type. We are also required to maintain a minimum debt service coverage ratio, a maximum leverage ratio, and a minimum liquidity ratio. As of June 30, 2013 , we were in compliance with all affirmative and negative covenants, debt service coverage ratio, leverage ratio and minimum level of liquidity requirements .

On August 9, 2012, we announced that our Board of Directors authorized us to repurchase up to $100.0 million of our common stock. The share repurchase program commenced August 13, 2012. During fiscal 2013 we repurchased 5,159,050 shares for a total cost of $54.4 million.

On December 14, 2012, we announced that our Board of Directors had authorized a special cash dividend of $0.18 per share for each share of common stock outstanding on December 24, 2012. The aggregate dividend payment of $15.7 million was

paid on December 28, 2012 to stockholders of record on December 24, 2012. We do not anticipate paying any cash dividends in the foreseeable future.

We used $32.8 million of cash in financing activities during fiscal 2012. In July 2011, we repurchased an aggregate of 12,041,700 shares of our Series A preferred stock from entities affiliated with Summit Partners, L.P., one of our major stockholders, at a price of $8.97 per share for an aggregate consideration of $108.0 million. Of the aggregate purchase price, $40.0 million was paid in cash at the time of closing and the balance of the shares were paid for through the issuance of convertible subordinated promissory notes in the aggregate principal amount of $68.0 million. On September 15, 2011, $34.0 million was paid against the notes reducing the aggregate principal amount outstanding to $34.0 million.

On September 15, 2011, we entered into a Loan and Security Agreement with East West Bank, (the “EWB Loan Agreement”). The EWB Loan Agreement consisted of a $35.0 million term loan facility and a $5.0 million revolving line of credit facility. The term loan was scheduled to mature on September 15, 2016 with principal and interest to be repaid in 60 monthly installments. During the three months ended September 30, 2011, we used $34.0 million of the term loan to repay a portion of our outstanding convertible subordinated promissory notes held by entities affiliated with Summit Partners, L.P. The EWB Agreement was replaced by the Loan Agreement on August 7, 2012 as discussed above.

We used $14.4 million of cash in financing activities during fiscal 2011. During fiscal 2011, we entered into a stock purchase agreement to repurchase 2,975,590 shares of common stock from three stockholders for total consideration of $7.3 million. In fiscal 2011, we also repurchased and subsequently cancelled options to purchase 420,400 shares of our common stock from two of our option holders for aggregate consideration of $2.2 million. Additionally, we paid a dividend on our Series A convertible preferred stock of $3.0 million and paid $1.8 million in costs related to third party consulting services associated with the offering.

Liquidity

We believe our existing cash and cash equivalents, cash provided by operations and the availability of additional funds under our loan agreements will be sufficient to meet our working capital and capital expenditure needs for at least the next 12 months. Our future capital requirements may vary materially from those currently planned and will depend on many factors, including our rate of revenue growth, the timing and extent of spending to support development efforts, the timing of new product introductions, market acceptance of our products and overall economic conditions. As of June 30, 2013 , we held $210.4 million of our $227.8 million of cash and cash equivalents in accounts of our subsidiaries outside of the United States and we will incur significant tax liabilities if we decide to repatriate those amounts.

On June 18, 2013, we completed a secondary offering of 7,031,464 shares of common stock at an offering price of $16.00 per share, which included 531,464 shares sold in connection with the partial exercise of the option to purchase additional shares granted to the underwriters. All of the shares sold in the offering were sold by our existing stockholders, including entities affiliated with Summit Partners, L.P., and our chief executive officer, Robert J. Pera. We did not sell any shares in the offering, and as such, we did not receive any proceeds from the offering.

We believe that the combination of our existing United States cash and cash equivalent balances and future United States operating cash flows are sufficient to meet our ongoing United States operating expenses and debt repayment obligations.

Stock Split

In October 2011, we completed a 2.5 for one forward stock split of our common and preferred stock. All share and per share information set forth herein has been retroactively adjusted to reflect the split.

Contractual Obligations and Off-Balance Sheet Arrangements

We lease our headquarters in San Jose, California and other locations worldwide under non-cancelable operating leases that expire at various dates through fiscal 2017.

In December 2011, we entered into an agreement to lease approximately 64,512 square feet of office and research and development space located in San Jose, California, which we use as our corporate headquarters. The lease term is from April 1, 2012, though July 31, 2017. The lease has been categorized as an operating lease, and the total estimated lease obligation is approximately $4.9 million.

On August 7, 2012, we entered into the Loan Agreement with U.S. Bank, as syndication agent, and East West Bank, as administrative agent for the lenders party to the Loan Agreement. The Loan Agreement provides for (i) a $50.0 million revolving credit facility, with a $5.0 million sublimit for the issuance of letters of credit and a $5.0 million sublimit for the making of swingline loan advances, and (ii) a $50.0 million Term Loan Facility. We may request borrowings under the

Revolving Credit Facility until August 7, 2015. On August 7, 2012, we borrowed $20.8 million of term loans under the Term Loan Facility bringing the total borrowed to $50.0 million, and no borrowings remain available thereunder. On November 21, 2012, we borrowed $10.0 million under the Revolving Credit Facility. On December 20, 2012 we borrowed an additional $20.0 million under the Revolving Credit Facility, and $20.0 million remains available for borrowing thereunder.

The following table summarizes our contractual obligations as of June 30, 2013 :

	Payments Due by Period				
	Less Than 1 Year	1-3 Years	4-5 years	Over 5 years	Total
	(In thousands)				
Operating leases	$ 1,743	$ 3,317	$ 1,222	$ —	$ 6,282
Debt payment obligations	5,000	46,250	25,000	—	76,250
Interest payments on debt payment obligations	1,859	2,765	657	—	5,281
Total	$ 8,602	$ 52,332	$ 26,879	$ —	$ 87,813

We subcontract with other companies to manufacture our products. During the normal course of business, our contract manufacturers procure components based upon orders placed by us. If we cancel all or part of the orders, we may still be liable to the contract manufacturers for the cost of the components purchased by the subcontractors to manufacture our products. We periodically review the potential liability and to date no significant accruals have been recorded. Our consolidated financial position and results of operations could be negatively impacted if we were required to compensate the contract manufacturers for any unrecorded liabilities incurred.

As of June 30, 2013 , we had gross unrecognized tax benefits of $11.5 million and an additional $580,000 for gross interest classified as noncurrent liabilities. At this time, we are unable to make a reasonably reliable estimate of the timing of payments in individual years in connection with these tax liabilities; therefore, such amounts are not included in the above contractual obligation table.

Commitments and Contingencies

In January 2011, the U.S. Department of Commerce's Bureau of Industry and Security's Office of Export Enforcement ("OEE") contacted us to request that we provide information related to our relationship with a logistics company in the United Arab Emirates ("UAE") and with a company in Iran, as well as information on the export classification of our products. As a result of this inquiry we, assisted by outside counsel, conducted a review of our export transactions from 2008 through March 2011 to not only gather information responsive to the OEE's request but also to review our overall compliance with export control and sanctions laws. We believe our products have been sold into Iran by third parties. We do not believe that we directly sold, exported or shipped our products into Iran or any other country subject to a U.S. embargo. However, until early 2010, we did not prohibit our distributors from selling our products into Iran or any other country subject to a U.S. embargo. In the course of this review we identified that two distributors may have sold Ubiquiti products into Iran. Our review also found that while we had obtained required Commodity Classification Rulings for our products in June 2010 and November 2010, we did not advise our shipping personnel to change the export authorizations used on our shipping documents until February 2011. During the course of our export control review, we also determined that we had failed to maintain adequate records for the five year period required by the EAR and the sanctions regulations due to our lack of infrastructure and because it was prior to our transition to our current system of record, NetSuite. See " *Risk Factors—We are subject to numerous U.S. export control and economic sanctions laws and a substantial majority of our sales are into countries outside of the United States. Although we did not intend to do so, we have violated certain of these laws in the past, and we cannot currently assess the nature and extent of any fines or other penalties, if any, that U.S. governmental agencies may impose against us or our employees for any such violations. Any fines, if materially different from our estimates, or other penalties, could have a material adverse effect on our business and financial results.* "

In May 2011, we filed a self-disclosure statement with the BIS and the OEE and, in June 2011 we filed a self-disclosure statement with the U.S. Department of the Treasury's Office of Foreign Asset Control ("OFAC"), regarding the compliance issues noted above. The disclosures address the above described findings and the remedial actions we have taken to date. However, the findings also indicate that both distributors continued to sell, directly or indirectly, our products into Iran during the period from February 2010 through March 2011 and that we received various communications from them indicating that they were continuing to do so. Since January 2011, we have cooperated with OEE and, prior to our disclosure filing, we informally shared with the OEE the substance of our findings with respect to both distributors. From May 2011 to August 2011, we provided additional information regarding our review and our findings to OEE to facilitate its investigation and OEE advised us in August 2011 that it had completed its investigation of us. In August 2011, we received a warning letter from OEE

stating that OEE had not referred the findings of our review for criminal or administrative prosecution of us and closed the investigation of us without penalty.

OFAC is still reviewing our voluntary disclosure. In our submission, we have provided OFAC with an explanation of the activities that led to the sales of our products in Iran and the failure to comply with the EAR and OFAC sanctions. Although our OFAC and OEE voluntary disclosures covered similar sets of facts, which led OEE to resolve the case with the issuance of a warning letter, OFAC may conclude that our actions resulted in violations of U.S. export control and economic sanctions laws and warrant the imposition of penalties that could include fines, termination of our ability to export our products and/or referral for criminal prosecution. The penalties may be imposed against us and/or our management. The maximum civil monetary penalty for the violations is up to $250,000 or twice the value of the transaction, whichever is greater, per violation. Any such fines or restrictions may be material to our financial results in the period in which they are imposed. Also, disclosure of our conduct and any fines or other action relating to this conduct could harm our reputation and have a material adverse effect on our business. We cannot predict when OFAC will complete its review or decide upon the imposition of possible penalties.

While we have taken actions designed to ensure that export classification information is distributed to the appropriate personnel in a timely manner and have adopted policies and procedures to promote our compliance with applicable export laws and regulations, including obtaining written distribution agreements with substantially all of our distributors that contain covenants requiring compliance with U.S. export control and economic sanctions law; notifying all of our distributors of their obligations and obtaining updated distribution agreements from distributors that account for approximately 99% of our distributor revenue in fiscal 2013 . However we cannot be sure such actions will be effective. Additionally, our failure to amend all our distribution agreements and to implement more robust compliance controls immediately after the discovery of Iran-related sales activity in early 2010 may be aggravating factors that could impact the imposition of penalties imposed on us or our management. Based on the facts known to us to date, we recorded an expense of $1.6 million for this export compliance matter in fiscal 2010, which represents management's estimated exposure for fines in accordance with applicable accounting literature. This amount was calculated from information discovered through our internal review and we deem this loss to be probable and reasonably estimable. However, we believe that it is reasonably possible that the loss may be higher, but we cannot reasonably estimate the range of any further potential losses. Should additional facts be discovered in the future and/or should actual fines or other penalties substantially differ from our estimates, our business, financial condition, cash flows and results of operations would be materially negatively impacted.

Warranties and Indemnifications

Our products are generally accompanied by a 12 month warranty, which covers both parts and labor. Generally the distributor is responsible for the freight costs associated with warranty returns, and we absorb the freight costs of replacing items under warranty. In accordance with the Financial Accounting Standards Board's ("FASB's"), Accounting Standards Codification ("ASC"), 450-30, Loss Contingencies, we record an accrual when we believe it is estimable and probable based upon historical experience. We record a provision for estimated future warranty work in cost of goods sold upon recognition of revenues and we review the resulting accrual regularly and periodically adjust it to reflect changes in warranty estimates.

We may in the future enter into standard indemnification agreements with many of our distributors and OEMs, as well as certain other business partners in the ordinary course of business. These agreements may include provisions for indemnifying the distributor, OEM or other business partner against any claim brought by a third party to the extent any such claim alleges that a Ubiquiti product infringes a patent, copyright or trademark or violates any other proprietary rights of that third party. The maximum amount of potential future indemnification is unlimited. The maximum potential amount of future payments we could be required to make under these indemnification agreements is not estimable.

We have agreed to indemnify our directors, officers and certain other employees for certain events or occurrences, subject to certain limits, while such persons are or were serving at our request in such capacity. We may terminate the indemnification agreements with these persons upon the termination of their services with us but termination will not affect claims for indemnification related to events occurring prior to the effective date of termination. The maximum amount of potential future indemnification is unlimited. We have a director and officer insurance policy that limits our potential exposure. We believe the fair value of these indemnification agreements is minimal. We had not recorded any liabilities for these agreements as of June 30, 2013 or 2012 .

Based upon our historical experience and information known as of the date of this report, we do not believe it is likely that we will have significant liability for the above indemnities at June 30, 2013 .

Off-Balance Sheet Arrangements

As of June 30, 2013 and 2012 , we had no off-balance sheet arrangements other than those indemnification agreements described above.

Recent Accounting Pronouncements

In July 2013, the Financial Accounting Standards Board ("FASB") issued a new accounting standard update on the financial statement presentation of unrecognized tax benefits. The new guidance provides that a liability related to an unrecognized tax benefit would be presented as a reduction of a deferred tax asset for a new operating loss carryforward, a similar tax loss or a tax credit carryforward if such settlement is required or expected in the event the uncertain tax position is disallowed. The new guidance will become effective for us on July 1, 2014 and it should be applied prospectively to unrecognized tax benefits that exist as of the effective date with retrospective application permitted. We are currently assessing the impact of this new guidance.

Non-GAAP Financial Measures

Regulation G, conditions for use of Non-Generally Accepted Accounting Principles ("Non-GAAP") financial measures, and other SEC regulations define and prescribe the conditions for use of certain Non-GAAP financial information. To supplement our consolidated financial results presented in accordance with GAAP, we use Non-GAAP financial measures which are adjusted from the most directly comparable GAAP financial measures to exclude certain items, as described below. Management believes that these Non-GAAP financial measures reflect an additional and useful way of viewing aspects of our operations that, when viewed in conjunction with our GAAP results, provide a more comprehensive understanding of the various factors and trends affecting our business and operations. Non-GAAP financial measures used by us include net income or loss and diluted net income or loss per share.

Our Non-GAAP measures primarily exclude stock-based compensation, net of taxes and other special charges and credits. Additionally, in fiscal 2012 we had a gain of $1.5 million from a trademark coexistence agreement. Management believes these Non-GAAP financial measures provide meaningful supplemental information regarding our strategic and business decision making, internal budgeting, forecasting and resource allocation processes. In addition, these Non-GAAP financial measures facilitate management's internal comparisons to our historical operating results and comparisons to competitors' operating results.

We use each of these Non-GAAP financial measures for internal managerial purposes, when providing our financial results and business outlook to the public and to facilitate period-to-period comparisons. Management believes that these Non-GAAP measures provide meaningful supplemental information regarding our operational and financial performance of current and historical results. Management uses these Non-GAAP measures for strategic and business decision making, internal budgeting, forecasting and resource allocation processes. In addition, these Non-GAAP financial measures facilitate management's internal comparisons to our historical operating results and comparisons to competitors' operating results.

The following table shows our Non-GAAP financial measures:

	Years Ended June 30,		
	2013	2012	2011
	(In thousands, except per share amounts)		
Non-GAAP net income and comprehensive income	$ 82,515	$ 102,585	$ 50,298
Non-GAAP diluted net income per share of common stock	$ 0.91	$ 1.09	$ 0.49

We believe that providing these Non-GAAP financial measures, in addition to the GAAP financial results, are useful to investors because they allow investors to see our results "through the eyes" of management as these Non-GAAP financial measures reflect our internal measurement processes. Management believes that these Non-GAAP financial measures enable investors to better assess changes in each key element of our operating results across different reporting periods on a consistent basis and provides investors with another method for assessing our operating results in a manner that is focused on the performance of our ongoing operations.

The following table shows a reconciliation of GAAP net income and comprehensive income to non-GAAP net income and comprehensive income:

	Years Ended June 30,		
	2013	2012	2011
	(In thousands, except per share amounts)		
Net income and comprehensive income	$ 80,490	$ 102,589	$ 49,727
Stock-based compensation:			
Cost of revenues	446	117	30
Research and development	1,433	542	285
Sales, general and administrative	1,497	834	637
Gain from a trademark coexistence agreement	—	(1,500)	—
Tax effect of non-GAAP adjustments	(1,351)	3	(381)
Non-GAAP net income and comprehensive income	$ 82,515	$ 102,585	$ 50,298
Non-GAAP diluted net income per share of common stock (1)	$ 0.91	$ 1.09	$ 0.49
Weighted-average shares used in computing non-GAAP diluted net income per share of common stock (1)	90,259	93,762	102,942

(1) Non-GAAP diluted net income per share of common stock is calculated using non-GAAP net income and comprehensive income excluding stock-based compensation and a gain from a trademark coexistence agreement, net of taxes and weighted-average shares outstanding as if Series A preferred stock is treated as common stock for the periods presented.

The following table shows a reconciliation of weighted-average shares used in computing net income (loss) per share of common stock-diluted to weighted-average shares used in computing non-GAAP diluted net income per share of common stock:

	Years Ended June 30,		
	2013	2012	2011
	(In thousands)		
Weighted average shares used in computing net loss per share of common stock- diluted	90,259	83,460	66,907
Weighted average dilutive effect of stock options and restricted stock units	—	2,695	—
Weighted average shares of Series A preferred stock outstanding	—	7,607	36,035
Weighted-average shares used in computing non-GAAP diluted income per share of common stock	90,259	93,762	102,942

Item 7A. ***Quantitative and Qualitative Disclosures about Market Risk***

Interest Rate Sensitivity

We have interest rate risk from the LIBOR index that is used to determine the interest rates on our Loan Agreement. Interest will accrue on the outstanding principal amount of the term loan at a rate per annum equal to an adjusted LIBOR rate (based on one, two or three month interest periods) plus a spread of either 2.50% or 3.00%, which spread shall be determined based on the debt service ratio for the preceding four fiscal quarter period. The loans bear interest, at our option, at the base rate plus a spread of 1.25% to 1.75% or an adjusted LIBOR rate (at our election for a period of 30, 60, or 90 days) plus a spread of 2.25% to 2.75%, in each case with such spread being determined based on our debt service coverage ratio for the most recently ended fiscal quarter. The base rate is the highest of (i) East West Bank's prime rate, (ii) the federal funds rate plus a margin equal to 0.50%, or (iii) the LIBOR rate plus a margin equal to 1.00%. Based on a sensitivity analysis, as of June 30, 2013 , an instantaneous and sustained 200-basis-point increase in interest rates affecting our floating rate debt obligations, and assuming that we take no counteractive measures, would result in a charge to our income provision for before income taxes in excess of $1.0 million over the next 12 months.

We had cash and cash equivalents of $227.8 million and $122.1 million as of June 30, 2013 and 2012 , respectively. These amounts were held primarily in cash deposit accounts. The fair value of our cash equivalents would not be significantly affected by either a 10% increase or decrease in interest rates due mainly to the short-term nature of these instruments.

Foreign Currency Risk

Most of our sales are denominated in U.S. dollars, and therefore, our revenues are not currently subject to significant foreign currency risk. Our operating expenses are denominated in the currencies of the countries in which our operations are located, and may be subject to fluctuations due to changes in foreign currency exchange rates, particularly changes in the Chinese Yuan, Lithuanian Lita and Taiwan Dollar. During the fiscal year ended June 30, 2013 , a 10% appreciation or depreciation in the value of the U.S. dollar relative to the other currencies in which our expenses are denominated would not have had a material impact on our financial position or results of operations.

Item 8. ***Financial Statements and Supplementary Data***

The response to this Item is submitted as a separate section of this Form 10-K. See Item 15.

Item 9. ***Changes in and Disagreements with Accountants on Accounting and Financial Disclosure***

Not applicable.

Item 9A. Controls and Procedures

Evaluation of Disclosure Controls and Procedures

Our management, with the participation of our Chief Executive Officer and our Chief Financial Officer, evaluated the effectiveness of our disclosure controls and procedures as of June 30, 2013 . The term "disclosure controls and procedures," as defined in Rules 13a-15(e) and 15d-15(e) under the Securities Exchange Act of 1934, as amended (the "Exchange Act"), means controls and other procedures of a company that are designed to ensure that information required to be disclosed by a company in the reports that it files or submits under the Exchange Act is recorded, processed, summarized and reported, within the time periods specified in the SEC's rules and forms. Disclosure controls and procedures include, without limitation, controls and procedures designed to ensure that information required to be disclosed by a company in the reports that it files or submits under the Exchange Act is accumulated and communicated to the company's management, including its principal executive and principal financial officers, as appropriate to allow timely decisions regarding required disclosure. Management recognizes that any controls and procedures, no matter how well designed and operated, can provide only reasonable assurance of achieving their objectives and management necessarily applies its judgment in evaluating the cost-benefit relationship of possible controls and procedures. Based on the evaluation of our disclosure controls and procedures as of June 30, 2013 , our Chief Executive Officer and Chief Financial Officer concluded that, as of such date, our disclosure controls and procedures were effective at the reasonable assurance level.

Management's Report on Internal Control over Financial Reporting

Our management is responsible for establishing and maintaining adequate internal control over financial reporting, as such term is defined in Exchange Act Rules 13a-15(f) and 15d-15(f). Management, with the participation of our principal executive officer and principal financial officer, has conducted an evaluation of the effectiveness of our internal control over financial reporting based on the framework set forth in Internal Control—Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission. Based on our evaluation under the framework set forth in Internal Control—Integrated Framework, our management concluded that our internal control over financial reporting was effective as of June 30, 2013 .

The effectiveness of our internal control over financial reporting as of June 30, 2013 has been audited by PricewaterhouseCoopers LLP, an independent registered public accounting firm, as stated in their report which appears herein.

Changes in Internal Control Over Financial Reporting

There were no changes in our internal control over financial reporting that occurred during the quarter ended June 30, 2013 that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

Limitations on the Effectiveness of Controls

Control systems, no matter how well conceived and operated, are designed to provide a reasonable, but not an absolute, level of assurance that the objectives of the control system are met. Further, the design of a control system must reflect the fact that there are resource constraints, and the benefits of controls must be considered relative to their costs. Because of the inherent limitations in all control systems, no evaluation of controls can provide absolute assurance that all control issues and instances of fraud, if any, have been detected. Because of the inherent limitations in any control system, misstatements due to error or fraud may occur and not be detected.

Item 9B. ***Other Information***

Not applicable.

PART III

Item 10. *Directors and Executive Officers and Corporate Governance*

The information required by this Item 10 is incorporated by reference to our Proxy Statement for the 2013 Annual Meeting of Stockholders (to be filed with the Securities and Exchange Commission within 120 days of our June 30, 2013 fiscal year end) under the headings “Election of Directors – Executive Officers and Directors,” “Corporate Governance,” and “Section 16(a) Beneficial Ownership Reporting Compliance.”

Item 11. *Executive Compensation*

The information required by this Item 11 is incorporated by reference to our Proxy Statement for the 2013 Annual Meeting of Stockholders (to be filed with the Securities and Exchange Commission within 120 days of our June 30, 2013 fiscal year end) under the headings “Executive Compensation,” “Election of Directors—Directors’ Compensation” and “Election of Directors—Compensation Committee Interlocks and Insider Participation.”

Item 12. *Security Ownership of Certain Beneficial Owners and Management and Related Stockholder Matters*

The information required by this Item 12 with respect to security ownership of certain beneficial owners and management is incorporated by reference to our Proxy Statement for the 2013 Annual Meeting of Stockholders (to be filed with the Securities and Exchange Commission within 120 days of our June 30, 2013 fiscal year end) under the headings “Security Ownership of Certain Beneficial Owners and Management Related Stockholder Matters.”

Item 13. *Certain Relationships and Related Transactions, and Director Independence*

The information required by this Item 13 is incorporated by reference to our Proxy Statement for the 2013 Annual Meeting of Stockholders (to be filed with the Securities and Exchange Commission within 120 days of our June 30, 2013 fiscal year end) under the headings “Certain Relationships and Related Party Transactions” and “Election of Directors—Committees of the Board of Directors.”

Item 14. *Principal Accounting Fees and Services*

The information required by this Item 14 is incorporated by reference to our Proxy Statement for the 2013 Annual Meeting of Stockholders (to be filed with the Securities and Exchange Commission within 120 days of our June 30, 2013 fiscal year end) under the headings “Ratification of the Appointment of Independent Registered Public Accounting Firm—Audit and Non-Audit Fees” and “—Audit Committee Pre-Approval Policies.”

PART IV

Item 15. ***Exhibits, Financial Statement Schedules***

(a) 1. Financial Statements

The financial statements filed as part of this report are identified in the Index to Consolidated Financial Statements on page 63 of this Form 10-K.

2. Financial Statement Schedules

See Item 15(c) below.

3. Exhibits

See Item 15(b) below.

(b) Exhibits

The following exhibits are filed herewith or are incorporated by reference to exhibits previously filed with the Securities and Exchange Commission. Ubiquiti Networks, Inc. (the "Registrant") shall furnish copies of exhibits for a reasonable fee (covering the expense of furnishing copies) upon request.

Exhibit Number	Description	Incorporated by Reference from Form	Incorporated by Reference from Exhibit Number	Date Filed
3.1	Form of Third Amended and Restated Certificate of Incorporation of Ubiquiti Networks, Inc.	S-1	3.2	June 17, 2011
3.2	Form of Amended and Restated Bylaws of Ubiquiti Networks, Inc.	S-1	3.4	June 17, 2011
4.1	Specimen Common Stock Certificate of Ubiquiti Networks, Inc.	S-1	4.1	October 3, 2011
4.2	Registration Agreement, dated March 2, 2010, between Ubiquiti Networks, Inc. and certain holders of Ubiquiti Networks, Inc.'s capital stock named therein.	S-1	4.2	June 17, 2011
4.3	Investor Rights Agreement, dated as of March 2, 2010, between Ubiquiti Networks, Inc. and certain holders of Ubiquiti Networks, Inc.'s capital stock named therein.	S-1	4.3	June 17, 2011
10.1	Form of Indemnification Agreement between Ubiquiti Networks, Inc. and its directors and officers.	S-1	10.1	October 3, 2011
10.2#	Amended and Restated 2005 Equity Incentive Plan and forms of agreement thereunder.	S-1	10.2	June 17, 2011
10.3#	Amended and Restated 2010 Equity Incentive Plan and forms of agreement thereunder.	S-1	10.3	June 17, 2011
10.4#	Employment Agreement, dated as of February 10, 2011, between Ubiquiti Networks, Inc. and Benjamin Moore.	S-1	10.5	June 17, 2011
10.5#	Executive Employment Agreement between the Company and Craig Foster, effective March 4, 2013.	8-K	10.1	March 8, 2013
10.6#	Employment Agreement, dated as of May 1, 2010, between Ubiquiti Networks, Inc. and John Sanford.	S-1	10.7	June 17, 2011

Exhibit Number	Description	Incorporated by Reference from Form	Incorporated by Reference from Exhibit Number	Date Filed
10.7#	Employment Agreement, dated as of March 19, 2012, between Ubiquiti Networks, Inc. and Jessica Zhou.	10-K	10.8	September 28, 2012
10.8	Non-Residential Property Lease Agreement, dated as of May 28, 2009, between UAB "Devint" and Tomas Grébliúnas, Tomas Skučas, and Vygante Skučiené.	S-1	10.9	June 17, 2011
10.9	Jinyong Ji Investment Taiwan Lease, dated as of March 16, 2010, between Ubiquiti Networks, Inc. and Jinyong Ji Investment Co., Ltd.	S-1	10.10	June 17, 2011
10.10	Lease, dated as of July 9, 2010, between Ubiquiti Networks, Inc. and The Welsh Office Center LLC.	S-1	10.11	June 17, 2011
10.11†	Amended Technology License Agreement, dated as of September 1, 2010, between Ubiquiti Networks, Inc. and Atheros Communications, Inc.	S-1	10.12	June 17, 2011
10.12	Loan and Security Agreement, dated as of September 15, 2011, between Ubiquiti Networks, Inc. and East West Bank.	S-1	10.14	September 16, 2011
10.13	Taiwan Lease, dated as of July 20, 2011, between Jin Yeoung Ji Co., Ltd. and Ubiquiti Networks International Limited, Taiwan Branch.	10-Q	10.15	November 14, 2011
10.14	Office Lease, dated as of December 8, 2011 and executed on December 22, 2011, by and between Ubiquiti Networks, Inc. and Carr NP Properties, L.L.C.	10-Q/A	10.16	March 20, 2012
10.15	Loan and Security Agreement, dated as of August 7, 2012, by and among Ubiquiti Networks, Inc., the lenders from time to time party thereto, U.S. Bank, as Syndication Agent, and East West Bank, as Administrative Agent	8-K	10.1	August 13, 2012
10.16	Non-Residential Premises Lease Agreement, dated as of July 10, 2013, between Ubiquiti Networks Europe and BUAB Apskaitos etika.			
10.17	Retention Agreement by and between the Registrant and John Ritchie dated December 21, 2012.	10-Q	10.1	February 8, 2013
21.1	List of subsidiaries of Ubiquiti Networks, Inc.			
23.1	Consent of independent registered public accounting firm			
24.1	Power of Attorney (contained in the signature page to this Form 10-K)			
31.1	Certification of Principal Executive Officer Required Under Rule 13a-14(a) and 15d-14(a) of the Securities			

	Exchange Act of 1934, as amended.
31.2	Certification of Principal Financial Officer Required Under Rule 13a-14(a) and 15d-14(a) of the Securities Exchange Act of 1934, as amended.

Exhibit Number	Description	Incorporated by Reference from Form	Incorporated by Reference from Exhibit Number	Date Filed
32.1~	Certification of Principal Executive Officer and Principal Financial Officer Required Under Rule 13a-14(b) of the Securities Exchange Act of 1934, as amended, and 18 U.S.C. §1350.			
101.INS(*)	XBRL Instance Document			
101.SCH(*)	XBRL Taxonomy Schema Linkbase Document			
101.CAL(*)	XBRL Taxonomy Calculation Linkbase Document			
101.DEF(*)	XBRL Taxonomy Extension Definition Linkbase Document			
101.LAB(*)	XBRL Taxonomy Labels Linkbase Document			
101.PRE(*)	XBRL Taxonomy Presentation Linkbase Document			

Management contracts or compensation plans or arrangements in which directors or executive officers are eligible to participate.

† Portions of the exhibit have been omitted pursuant to an order granted by the Securities and Exchange Commission for confidential treatment.

~ In accordance with Item 601(b)(32)(ii) of Regulation S-K and SEC Release No. 33-8238 and 34-47986, Final Rule: Management's Reports on Internal Control Over Financial Reporting and Certification of Disclosure in Exchange Act Periodic Reports, the certifications furnished in Exhibit 32.1 hereto are deemed to accompany this Form 10-K and will not be deemed "filed" for purposes of Section 18 of the Exchange Act. Such certifications will not be deemed to be incorporated by reference into any filings under the Securities Act or the Exchange Act, except to the extent that the registrant specifically incorporates it by reference.

(*) XBRL (Extensible Business Reporting Language) information is furnished and not filed or a part of a registration statement or prospectus for purposes of Sections 11 or 12 of the Securities Act of 1933, as amended, is deemed not filed for purposes of Section 18 of the Securities Exchange Act of 1934, as amended, and is not otherwise subject to liability under these Sections.

(c) Financial Statement Schedules.

Schedules not listed above have been omitted because they are not applicable or required, or the information required to be set forth therein is included in the Consolidated Financial Statements or Notes thereto.

SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

Date: September 13, 2013

Ubiquiti Networks, Inc.

/s/ Robert J. Pera

Robert J. Pera
Chief Executive Officer and Director
(Principal Executive Officer)

/s/ Craig L. Foster

Craig L. Foster
Chief Financial Officer
(Principal Financial and Accounting Officer)

POWER OF ATTORNEY

KNOW ALL MEN BY THESE PRESENTS, that each person whose signature appears below constitutes and appoints Robert J. Pera and Craig L. Foster and each of them, his true and lawful attorneys-in-fact and agents, each with full power of substitution and resubstitution, for him and in his name, place and stead, in any and all capacities, to sign any and all amendments to this Annual Report on Form 10-K, and to file the same, with exhibits thereto and other documents in connection therewith, with the Securities and Exchange Commission granting unto said attorneys-in-fact and agents, and each of them, full power and authority to do and perform each and every act and thing requisite and necessary to be done, as fully to all intents and purposes as he might or could do in person, hereby ratifying and confirming all that each of said attorneys-in-fact and agents, or his substitute or substitutes may lawfully do or cause to be done by virtue hereof.

Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed below by the following persons on behalf of the registrant and in the capacities and on the dates indicated.

Signature	Title	Date
/s/ Robert J. Pera **Robert J. Pera**	Chief Executive Officer and Director (Principal Executive Officer)	September 13, 2013
/s/ Craig L. Foster **Craig L. Foster**	Chief Financial Officer (Principal Financial and Accounting Officer)	September 13, 2013
/s/ Peter Y. Chung **Peter Y. Chung**	Director	September 13, 2013
/s/ Charles J. Fitzgerald **Charles J. Fitzgerald**	Director	September 13, 2013
/s/ John L. Ocampo **John L. Ocampo**	Director	September 13, 2013
/s/ Robert M. Van Buskirk **Robert M. Van Buskirk**	Director	September 13, 2013
/s/ Ronald A. Sege **Ronald A. Sege**	Director	September 13, 2013

UBIQUITI NETWORKS, INC.
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REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the Board of Directors and Stockholders of
Ubiquiti Networks, Inc.

In our opinion, the accompanying consolidated balance sheets and the related consolidated statements of operations and comprehensive income, stockholders' equity (deficit) and cash flows present fairly, in all material respects, the financial position of Ubiquiti Networks, Inc. and its subsidiaries at June 30, 2013 and June 30, 2012 , and the results of their operations and their cash flows for each of the three years in the period ended June 30, 2013 in conformity with accounting principles generally accepted in the United States of America. Also in our opinion, the Company maintained, in all material respects, effective internal control over financial reporting as of June 30, 2013 , based on criteria established in *Internal Control - Integrated Framework* issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO). The Company's management is responsible for these financial statements, for maintaining effective internal control over financial reporting and for its assessment of the effectiveness of internal control over financial reporting, included in Management's Report on Internal Control over Financial Reporting appearing under Item 9A. Our responsibility is to express opinions on these financial statements and on the Company's internal control over financial reporting based on our audits (which was an integrated audit in 2013). We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free of material misstatement and whether effective internal control over financial reporting was maintained in all material respects. Our audits of the financial statements included examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. Our audit of internal control over financial reporting included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, and testing and evaluating the design and operating effectiveness of internal control based on the assessed risk. Our audits also included performing such other procedures as we considered necessary in the circumstances. We believe that our audits provide a reasonable basis for our opinions.

A company's internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A company's internal control over financial reporting includes those policies and procedures that (i) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (ii) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (iii) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company's assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate

/s/ PricewaterhouseCoopers LLP

San Jose, California
September 13, 2013

UBIQUITI NETWORKS, INC.

Consolidated Balance Sheets
(In thousands, except share data)

	June 30,	
	2013	**2012**
Assets		
Current assets:		
Cash and cash equivalents	$ 227,826	$ 122,060
Accounts receivable, net of allowance for doubtful accounts of $2,200 and $1,266, respectively	35,884	75,644
Inventories	15,880	7,734
Current deferred tax asset	733	882
Prepaid expenses and other current assets	3,151	1,577
Total current assets	283,474	207,897
Property and equipment, net	5,976	4,471
Long-term deferred tax asset	4	232
Other long–term assets	2,886	1,136
Total assets	$ 292,340	$ 213,736
Liabilities and Stockholders' Equity		
Current liabilities:		
Accounts payable	$ 36,187	$ 26,450
Customer deposits	5,123	235
Deferred revenues - short-term	691	805
Income taxes payable	1,257	946
Debt - short-term	5,013	6,968
Other current liabilities	11,150	17,031
Total current liabilities	59,421	52,435
Long-term taxes payable	11,857	7,727
Debt - long-term	71,116	22,623
Deferred revenues - long-term	2,510	—
Total liabilities	144,904	82,785
Commitments and contingencies (Note 8)		
Stockholders' equity:		
Preferred stock—$0.001 par value; 50,000,000 shares authorized; none issued	—	—
Common stock—$0.001 par value; 500,000,000 shares authorized:		
87,213,803 and 92,049,978 outstanding at June 30, 2013 and June 30, 2012, respectively	87	92
Additional paid–in capital	134,982	128,981
Treasury stock—44,238,960 and 39,079,910 shares held in treasury at June 30, 2013 and June 30, 2012, respectively	(123,864)	(69,515)
Retained earnings	136,231	71,393
Total stockholders' equity	147,436	130,951
Total liabilities and stockholders' equity	$ 292,340	$ 213,736

See notes to consolidated financial statements.

UBIQUITI NETWORKS, INC.

Consolidated Statements of Operations and Comprehensive Income
(In thousands, except per share amounts)

	Years Ended June 30,		
	2013	2012	2011
Revenues	$ 320,823	$ 353,517	$ 197,874
Cost of revenues	185,489	202,514	117,062
Gross profit	135,334	151,003	80,812
Operating expenses:			
Research and development	20,955	16,699	11,374
Sales, general and administrative	21,775	9,012	7,358
Total operating expenses	42,730	25,711	18,732
Income from operations	92,604	125,292	62,080
Interest income (expense) and other, net	(851)	(1,269)	79
Income before provision for income taxes	91,753	124,023	62,159
Provision for income taxes	11,263	21,434	12,432
Net income and comprehensive income	$ 80,490	$ 102,589	$ 49,727
Preferred stock cumulative dividend and accretion of cost of preferred stock	—	(112,431)	(42,068)
Less allocation of net income to participating preferred stockholders	—	—	(2,784)
Net income (loss) attributable to common stockholders—basic	$ 80,490	$ (9,842)	$ 4,875
Undistributed earnings re-allocated to common stockholders	—	—	103
Net income (loss) attributable to common stockholders—diluted	$ 80,490	$ (9,842)	$ 4,978
Net income (loss) per share of common stock:			
Basic	$ 0.91	$ (0.12)	$ 0.08
Diluted	$ 0.89	$ (0.12)	$ 0.07
Weighted average shares used in computing net income (loss) per share of common stock:			
Basic	88,314	83,460	63,092
Diluted	90,259	83,460	66,907
Cash dividends declared per common share	$ 0.18	$ —	$ —

See notes to consolidated financial statements.

UBIQUITI NETWORKS, INC.
CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY (DEFICIT)
In thousands

	Convertible Preferred Stock		Common Stock		Additional Paid-In Capital	Treasury Stock		Retained Earnings	Total Stockholders' Equity (Deficit)
	Shares	Amount	Shares	Amount	Amount	Shares	Amount		
Balances at June 30, 2010	36,034,630	$ 106,781	65,585,680	$ 66	$ 1,991	(36,104,320)	$ (62,268)	$ 7,376	$ (52,835)
Net income and comprehensive income	—	—	—	—	—	—	—	49,727	49,727
Accretion of costs of Series A convertible preferred stock	—	37,735	—	—	—	—	—	(37,735)	(37,735)
Repurchase of common stock	—	—	(2,975,590)	(3)	—	(2,975,590)	(7,247)	—	(7,250)
Preferred stock cumulative dividend	—	4,333	—	—	—	—	—	(4,333)	(4,333)
Payment of preferred stock cumulative dividend	—	(3,002)	—	—	—	—	—	—	—
Restricted stock units issued, net of tax withholdings	—	—	75,865	—	(252)	—	—	—	(252)
Option cancellations and repurchases	—	—	—	—	(2,146)	—	—	—	(2,146)
Stock-based compensation expense	—	—	—	—	952	—	—	—	952
Balances at June 30, 2011	36,034,630	145,847	62,685,955	63	545	(39,079,910)	(69,515)	15,035	(53,872)
Net income and comprehensive income	—	—	—	—	—	—	—	102,589	102,589
Accretion of costs of Series A convertible preferred stock	—	111,535	—	—	(65,632)	—	—	(45,903)	(111,535)
Repurchase of Series A convertible preferred stock	(12,041,701)	(108,000)	—	—	—	—	—	—	—
Preferred stock cumulative dividend	—	896	—	—	(568)	—	—	(328)	(896)
Conversion of preferred stock into common stock in conjunction with initial public offering	(23,992,929)	(150,278)	23,992,929	24	150,254	—	—	—	150,278
Issuance of common stock pursuant to initial public offering, net of offering expenses	—	—	2,395,328	2	30,450	—	—	—	30,452
Stock options exercised	—	—	2,885,470	3	808	—	—	—	811
Restricted stock units issued, net of tax withholdings	—	—	90,296	—	(1,390)	—	—	—	(1,390)
Stock-based compensation expense	—	—	—	—	1,493	—	—	—	1,493
Tax impact of employee stock transactions	—	—	—	—	13,021	—	—	—	13,021
Balances at June 30, 2012	—	—	92,049,978	92	128,981	(39,079,910)	(69,515)	71,393	130,951
Net income and comprehensive income	—	—	—	—	—	—	—	80,490	80,490
Stock options exercised	—	—	266,558	—	635	—	—	—	635
Restricted stock units issued, net of tax withholdings	—	—	56,317	—	(214)	—	—	—	(214)
Common stock repurchased	—	—	(5,159,050)	(5)	—	(5,159,050)	(54,349)	—	(54,354)
Dividends paid on common stock	—	—	—	—	—	—	—	(15,652)	(15,652)
Tax impact of employee stock transactions	—	—	—	—	2,204	—	—	—	2,204
Stock-based compensation expense	—	—	—	—	3,376	—	—	—	3,376
Balances at June 30, 2013	—	$ —	87,213,803	$ 87	$ 134,982	(44,238,960)	$(123,864)	$ 136,231	$ 147,436

See notes to consolidated financial statements.

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UBIQUITI NETWORKS, INC.

Consolidated Statements of Cash Flows
(In thousands)

	Years Ended June 30,		
	2013	2012	2011
Cash Flows from Operating Activities:			
Net income and comprehensive income	$ 80,490	$ 102,589	$ 49,727
Adjustments to reconcile net income to net cash provided by operating activities:			
Depreciation and amortization	1,963	602	213
Provision for inventory obsolescence	850	195	198
Deferred taxes	377	(897)	(1,163)
Excess tax benefit from employee stock-based awards	(2,323)	(13,794)	—
Stock-based compensation	3,376	1,493	952
Loss on disposal of fixed assets	150	—	—
Provision for doubtful accounts	1,096	815	(200)
Changes in operating assets and liabilities:			
Accounts receivable	38,664	(36,648)	(5,864)
Inventories	(8,996)	(2,266)	(1,058)
Deferred cost of revenues	(1,185)	881	5,023
Prepaid expenses and other assets	(1,858)	3,660	(715)
Accounts payable	9,725	11,692	9,077
Taxes payable	6,645	9,539	1,292
Deferred revenues	2,396	(929)	(5,833)
Accrued liabilities and other	521	4,856	11,193
Net cash provided by operating activities	131,891	81,788	62,842
Cash Flows from Investing Activities:			
Purchase of property and equipment and other long-term assets	(5,363)	(3,310)	(479)
Net cash used in investing activities	(5,363)	(3,310)	(479)
Cash Flows from Financing Activities:			
Proceeds from term loan, net	20,833	34,813	—
Repayments on term loan balance	(4,333)	(5,250)	—
Proceeds from credit facility	30,000	—	—
Repurchases of common stock and outstanding awards	(54,354)	—	(9,648)
Payment of special common stock dividend	(15,652)	—	—
Repurchase of Series A convertible preferred stock	—	(108,000)	—
Issuance of convertible subordinated promissory notes	—	68,000	—
Payment of convertible subordinated promissory notes	—	(68,000)	—
Proceeds from shares issued in initial public offering, net of offering costs	—	32,443	—
Proceeds from exercise of stock options	635	811	—
Payment of deemed dividend on Series A convertible preferred stock	—	—	(3,002)
Excess tax benefit from employee stock-based awards	2,323	13,794	—
Tax withholdings related to net share settlements of restricted stock units	(214)	(1,390)	—
Payment of deferred offering costs	—	—	(1,767)
Net cash used in financing activities	(20,762)	(32,779)	(14,417)
Net increase in cash and cash equivalents	105,766	45,699	47,946
Cash and cash equivalents at beginning of period	122,060	76,361	28,415
Cash and cash equivalents at end of period	$ 227,826	$ 122,060	$ 76,361
Supplemental Disclosure of Cash Flow Information:			
Income Taxes paid	$ 4,095	$ 6,211	$ 12,141
Interest paid	$ 1,699	$ 689	$ —
Conversion of preferred stock into common stock in conjunction with initial public offering	$ —	$ 150,278	$ —

See notes to consolidated financial statements.

UBIQUITI NETWORKS, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE 1—BUSINESS AND BASIS OF PRESENTATION

Business — Ubiquiti Networks, Inc. was incorporated in the State of California in 2003 as Pera Networks, Inc. In 2005 the Company changed its name to Ubiquiti Networks, Inc. and commenced its current operations. In June 2010, the Company was re-incorporated in Delaware.

Ubiquiti Networks, Inc. and its wholly owned subsidiaries (collectively, "Ubiquiti" or the "Company") is a product driven company that leverages innovative proprietary technologies to deliver networking solutions to both startup and established network operators and service providers.

On October 13, 2011, the Company entered into an underwriting agreement for its initial public offering of common stock at $15.00 per share. The Company's initial public offering closed on October 19, 2011. Immediately prior to the closing of the initial public offering, all outstanding shares of the Company's preferred stock converted to common stock on a one for one basis.

On June 18, 2013, the Company completed a secondary offering of 7,031,464 shares of common stock at an offering price of $16.00 per share, which included 531,464 shares sold in connection with the partial exercise of the option to purchase additional shares granted to the underwriters. All of the shares sold in the offering were sold by existing stockholders of the Company, including entities affiliated with Summit Partners, L.P., and the Company's chief executive officer, Robert J. Pera. No shares were sold by the Company in the offering, and as such, the Company did not receive any proceeds from the offering.

The Company operates on a fiscal year ending June 30. In these notes, Ubiquiti refers to the fiscal years ended June 30, 2013 , 2012 and 2011 as fiscal 2013 , fiscal 2012 and fiscal 2011 , respectively.

Basis of Presentation — The Company's consolidated financial statements and accompanying notes are prepared in accordance with accounting principles generally accepted in the United States of America ("GAAP") and include the accounts of Ubiquiti and its wholly owned subsidiaries. The Company has wholly owned subsidiaries in Lithuania and Hong Kong. The Company's Hong Kong subsidiary also operates a branch office in Taiwan. All intercompany transactions and balances have been eliminated.

NOTE 2—SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Use of Accounting Estimates

The preparation of financial statements in conformity with GAAP requires management to make estimates and judgments that affect the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. On an ongoing basis, the Company evaluates these estimates, including those related to allowance for doubtful accounts, inventory valuation, warranty costs, stock-based compensation, income taxes, and commitments and contingencies, among others. The Company bases estimates on historical experience and on various other assumptions that are believed to be reasonable under the circumstances. Actual results may differ from these estimates.

Segments

Management has determined that it operates as one reportable and operating segment as it only reports financial information on an aggregate and consolidated basis to its chief executive officer, who is the Company's chief operating decision maker. See Note 13.

Recognition of Revenues

Revenues consist primarily of revenues from the sale of hardware and management tools, as well as the related implied post contract customer support ("PCS"). The Company recognizes revenues when persuasive evidence of an arrangement exists, delivery has occurred, the sales price is fixed or determinable and the collectability of the resulting receivable is reasonably assured. In cases where the Company lacks evidence that collectability of the resulting receivable is reasonably assured, it defers recognition of revenue until the receipt of cash. At June 30, 2013 and 2012 , $3.2 million and $805,000 , respectively, of revenues were deferred. The related deferred cost of revenues balance was $1.2 million as of June 30, 2013 .

For the Company's sales, evidence of the arrangement consists of an order from a customer. The Company considers delivery to have occurred once its products have been shipped and title and risk of loss have been transferred. For the Company's sales,

these criteria are met at the time the products are transferred to the customer. The Company’s arrangements with customers do not include provisions for cancellation, returns, inventory swaps or refunds that would significantly impact recognized revenues.

The Company records amounts billed to distributors for shipping and handling costs as revenues. The Company classifies shipping and handling costs incurred by it as cost of revenues.

Deposit payments received from distributors in advance of recognition of revenues are included in current liabilities on the Company’s balance sheet and are recognized as revenues when all the criteria for recognition of revenues are met.

The Company’s multi-element arrangements generally include two deliverables. The first deliverable is the hardware and software essential to the functionality of the hardware device delivered at the time of sale. The second deliverable is the implied right to PCS included with the purchase of certain products. PCS is this right to receive, on a when and if available basis, future unspecified software upgrades and features relating to the product’s essential software as well as bug fixes, email and telephone support.

The Company uses a hierarchy to determine the allocation of revenues to the deliverables. The hierarchy is as follows: (i) vendor-specific objective evidence of fair value (“VSOE”), (ii) third-party evidence of selling price (“TPE”), and (iii) best estimate of the selling price (“BESP”).

(i) VSOE generally exists only when a company sells the deliverable separately and is the price actually charged by the company for that deliverable. Generally the Company does not sell the deliverables separately and, as such, does not have VSOE.

(ii) TPE can be substantiated by determining the price that other parties sell similar or substantially similar offerings. The Company does not believe that there is accessible TPE evidence for similar deliverables.

(iii) BESP reflects the Company’s best estimates of what the selling prices of elements would be if they were sold regularly on a stand-alone basis. The Company believes that BESP is the most appropriate methodology for determining the allocation of revenue among the multiple elements.

The Company has allocated revenues between these two deliverables using the relative selling price method which is based on the estimated selling price for all deliverables. Revenues allocated to the delivered hardware and the related essential software are recognized at the time of sale provided the other conditions for recognition of revenues have been met. Revenues allocated to the PCS are deferred and recognized on a straight-line basis over the estimated life of each of these devices, which currently is two years . At June 30, 2013 , $1.0 million of revenue was deferred in this way, of which $691,000 was classified as a current liability on the Company's balance sheet with the remainder classified as a long-term liability. At June 30, 2012 , $805,000 of revenue was deferred in this way as a current liability. All cost of revenues, including estimated warranty costs, are recognized at the time of sale. Costs for research and development and sales and marketing are expensed as incurred. If the estimated life of the hardware product should change, the future rate of amortization of the revenues allocated to PCS would also change.

The Company’s process for determining BESP for deliverables involves multiple factors that may vary depending upon the unique facts and circumstances related to each deliverable. For PCS, the Company believes its network operators and service providers would be reluctant to pay for such services separately. This view is primarily based on the fact that unspecified upgrade rights do not obligate the Company to provide upgrades at a particular time or at all, and do not specify to network operators and service providers which upgrades or features will be delivered. The Company believes that the relatively low prices of its products and its network operators’ and service providers’ price sensitivity would add to their reluctance to pay for PCS. Therefore, the Company has concluded that if it were to sell PCS on a standalone basis, the selling price would be relatively low.

Key factors considered by the Company in developing the BESP for PCS include reviewing the activities of specific employees engaged in support and software development to determine the amount of time that is allocated to the development of the undelivered elements, determining the cost of this development effort, and then adding an appropriate level of gross profit to these costs.

Cash and Cash Equivalents

The Company considers investments purchased with a maturity period of three months or less at the date of purchase to be cash equivalents. As of June 30, 2013 and 2012 , the Company had cash and cash equivalents of $227.8 million and $122.1 million , respectively. Cash and cash equivalents are stated at cost which approximates fair value. The Company deposits cash and cash equivalents with financial institutions that management believes are of high credit quality. The Company’s cash and cash equivalents consist primarily of cash deposited in U.S. dollar denominated inter-bearing deposit accounts.

Concentration of Risk

Financial instruments that potentially subject the Company to concentrations of credit risk consist of cash and cash equivalents and accounts receivable. The Company primarily places its temporary cash investments in interest-bearing deposit accounts with high credit quality financial institutions. Deposits of cash outside the United States totaled $210.4 million and $102.8 million at June 30, 2013 and 2012 , respectively.

The Company derives its accounts receivable from revenues earned from customers located worldwide. The Company bases credit decisions primarily upon a customer's past credit history. The Company's standard credit terms are net 30 to 60 days.

The Company subcontracts with other companies to manufacture most of its products. The Company relies on the ability of these contract manufacturers to produce the products sold to its distributors and original equipment manufacturers ("OEMs"). A significant portion of the Company's products are manufactured by a few contract manufacturers. If the Company's contract manufacturers were to lose production capabilities, the Company would experience delays in delivering products to its distributors and OEMs. The Company does not maintain long-term agreements with its contract manufacturers, which could lead to an inability of the Company to obtain its products in a timely fashion at prices consistent with those previously charged.

Inventory

Inventories consist primarily of finished goods, and, to a lesser extent, raw materials that the Company consigns to its contract manufactures. Inventories are stated at the lower of cost or market value on a first-in, first-out basis. The Company reduces the value of its inventory for estimated obsolescence or lack of marketability by the difference between the cost of the affected inventory and the estimated market value and establishes a new cost basis.

Deferred Cost of Revenues

Deferred cost of revenues consist of the cost of product shipped to distributors for which the rights and obligations of ownership have passed to the distributor but revenues have not yet been recognized primarily because the collectability criterion for revenue recognition has not been fulfilled. The Company classifies these amounts as deferred cost of revenues. All deferred costs of revenues are stated at cost. The Company periodically assesses the recoverability of deferred cost of revenues and writes down the deferred cost of revenues balances to establish a new cost basis when recovery of deferred cost of revenues is not reasonably assured. The Company evaluates recoverability based on various factors including the length of time the product has been held at the distributor's site and the financial viability of the distributor.

Product Warranties

The Company offers warranties on certain products, generally for a period of one year , and records a liability for the estimated future costs associated with potential warranty claims. The warranty costs are reflected in the Company's consolidated statement of operations and comprehensive income within cost of revenues. The warranties are typically in effect for 12 months from the distributor's purchase date of the product. The Company's estimate of future warranty costs is largely based on historical experience factors including product failure rates, material usage, and service delivery cost incurred in correcting product failures. In certain circumstances, the Company may have recourse from its contract manufacturers for replacement cost of defective products, which it also factors into its warranty liability assessment.

Redeemable Convertible Preferred Stock

On October 19, 2011, the Company's outstanding Series A preferred stock converted to common stock immediately prior to the closing of the Company's initial public offering and no additional accretion was recorded. Prior to the conversion, upon the sixth anniversary of the issuance of Series A preferred stock, the holders of Series A preferred stock could require the Company to redeem such preferred stock out of legally available funds at the greater of (i) the Liquidation Value of $2.95 per share plus all accrued and unpaid dividends or (ii) the market price of the common stock issuable upon conversion of each share of Series A preferred stock into common stock, plus all accrued and unpaid dividends. Since the maximum redemption amount was contingent on the fair value of the equity security at the redemption date, the Company calculated the accretion based on the fair value as of the balance sheet date prorated over the contractual life. The Company recorded $111.5 million and $37.7 million of accretion in fiscal 2012 and 2011, respectively. Subsequent to the conversion immediately prior to the closing of the Company's initial public offering, no additional accretion has been recorded.

Allowance for Doubtful Accounts

The Company records an allowance for doubtful accounts for estimated probable losses on uncollectible accounts receivable. In estimating the allowance, management considers, among other factors, (i) the aging of the accounts receivable, (ii) the Company's historical write offs, (iii) the credit worthiness of each distributor based on payment history and (iv) general

economic conditions. In cases where the Company is aware of circumstances that may impair a specific distributor's ability to meet its obligations to the Company, the Company records a specific allowance against amounts due from the distributor, and thereby reduces the net recognized receivable to the amounts it reasonably believes will be collected.

The allowance for doubtful accounts activity was as follows (in thousands):

	Years Ended June 30,		
	2013	2012	2011
Beginning balance	$ 1,266	$ 596	$ 800
Charged to or released from expenses	1,096	815	(200)
Bad debt write-offs	(162)	(145)	(4)
Ending Balance	$ 2,200	$ 1,266	$ 596

Fair Value of Financial Instruments

The carrying value of the Company's cash equivalents, accounts receivable, accounts payable and other current liabilities approximate fair value due to their short maturities. The fair value of the Company's cash equivalents and debt are disclosed in Note 3.

Long Lived Assets

The Company evaluates its long lived assets including property and equipment for impairment whenever events or changes in circumstances indicate that the carrying value of these assets may not be recoverable. An impairment loss is recognized when the net book value of such assets exceeds the estimated future undiscounted cash flows attributable to the assets or asset group. If impairment is indicated, the asset is written down to its estimated fair value. The Company did not recognize any impairment losses for fiscal 2013 , 2012 and 2011 .

Property and Equipment

Furniture, fixtures and equipment are recorded at cost. The Company computes depreciation or amortization using the straight line method over estimated useful lives, as follows:

	Estimated Useful Life
Testing equipment	3 to 5 years
Computer and other equipment	3 to 5 years
Furniture and fixtures	3 years
Leasehold improvements	shorter of lease term or useful life

Upon retirement or disposition, the asset cost and related accumulated depreciation are removed with any gain or loss recognized in the statement of operations. Expenditures for maintenance and repairs are charged to operations as incurred.

Depreciation expense was $1.8 million , $602,000 and $213,000 for fiscal 2013 , 2012 and 2011 , respectively.

Intangible Assets

The Company's intangible assets consist primarily of legal costs associated with application for and registration of the Company's patents and trademarks. The Company amortizes all acquisition-related intangible assets that are subject to amortization over the estimated useful life based on economic benefit, which ranges from 5 to 10 years.

Leases

The Company leases its facilities under cancelable and noncancelable operating leases. For leases that contain rent escalation or rent concessions provisions, the Company records the total rent expense during the lease term on a straight line basis over the term of the lease. The Company records the difference between the rent paid and the straight line rent as a deferred rent liability in the accompanying consolidated balance sheets.

Income Taxes

The Company accounts for income taxes in accordance with accounting guidance which requires recognition of deferred tax assets and liabilities for the expected future tax consequences of events that have been included in its financial statements or tax returns. Deferred tax assets and liabilities are determined based on the temporary difference between the financial statement carrying amounts of existing assets and liabilities and their respective tax bases. Deferred tax assets and liabilities are measured using enacted tax rates expected to apply to taxable income in the years in which those temporary differences are expected to be recovered or settled. The Company establishes valuation allowances when necessary to reduce deferred tax assets to the amount it expects to realize. The assessment of whether or not a valuation allowance is required often requires significant judgment including current operating results, the forecast of future taxable income and ongoing prudent and feasible tax planning initiatives. In addition, the Company's calculation of its tax liabilities involves dealing with uncertainties in the application of complex tax regulations. The Company may be subject to income tax audits in all of the jurisdictions in which it operates and, as a result, must also assess exposures to any potential issues arising from current or future audits of current and prior years' tax returns. Accordingly, the Company must assess such potential exposures and, where necessary, provide a reserve to cover any expected loss. To the extent that the Company establishes a reserve, its provision for income taxes would be increased. If the Company ultimately determines that payment of these amounts is unnecessary, it reverses the liability and recognizes a tax benefit during the period in which it determines that the liability is no longer necessary. The Company records an additional charge in its provision for taxes in the period in which it determines that tax liability is greater than its original estimate.

Stock-based Compensation

The Company records stock-based awards at fair value as of the grant date and recognizes expense ratably on a straight-line basis over the requisite service period, which is generally the vesting term of the awards. The Company estimates the fair value of stock option awards on the grant date using the Black-Scholes option pricing model. Restricted stock units ("RSUs") are valued based on the fair value of the Company's common stock on the date of grant.

The Black-Scholes option pricing model used to determine the fair value of the Company's stock option awards requires a number of estimates and assumptions. In valuing share-based awards under the fair value accounting method, significant judgment is required in determining the expected volatility of the Company's common stock and the expected term individuals will hold their share-based awards prior to exercising. The expected volatility of the Company's common stock is based on the volatility of a group of comparable companies, as the Company does not have sufficient historical data with regards to the volatility of its stock. The expected term of options granted represents the period of time that the Company expects the options granted to be outstanding. The Company calculates the expected term as the average of the option vesting and contractual terms. In the future, as the Company gains sufficient historical data for volatility in its common stock and the actual term for which its options are held, the expected volatility and expected term may change, which could substantially change the grant date fair value of future awards of stock options and ultimately the expense it records. In addition, the estimation of stock awards that will ultimately vest requires judgment and to the extent actual results differ from the Company's estimates, these amounts will be recorded as an adjustment in the period estimates are revised.

For stock option awards granted to nonemployees and nonemployee directors, the fair value of the stock option awards is estimated using the Black-Scholes option pricing model. This model utilizes the estimated fair value of the Company's underlying common stock at each measurement date, the contractual term of the option, the expected volatility of the price of the Company's common stock, risk free interest rates and expected dividend yields of the Company's common stock.

Commitments and Contingencies

The Company periodically evaluates all pending or threatened contingencies and any commitments, if any, that are reasonably likely to have a material adverse effect on its results of operations, financial position or cash flows. The Company assesses the probability of an adverse outcome and determines if it is remote, reasonably possible or probable. If information available prior to the issuance of the Company's financial statements indicates that it is probable that an asset had been impaired or a liability had been incurred at the date of the Company's financial statements, and the amount of the loss, or the range of probable loss can be reasonably estimated, then such loss is accrued and charged to operating expenses. If no accrual is made for a loss contingency because one or both of the conditions pursuant to the accounting guidance are not met, but the probability of an adverse outcome is at least reasonably possible, the Company discloses the nature of the contingency and provides an estimate of the possible loss or range of loss, or states that such an estimate cannot be made.

Foreign Currency Translation

The functional currency of the Company and its subsidiaries is the U.S. dollar. For foreign operations, local currency denominated assets and liabilities are remeasured at the period end exchange rates, and revenues, costs and expenses are

remeasured at the average exchange rates during the fiscal year. Foreign exchange gains and losses have been immaterial to the Company's results of operations to date.

Other Comprehensive Income

In accordance with the guidance in the Financial Accounting Standards Board ("FASB") Accounting Standard Codification ("ASC") 220-10, an entity has the option to present the total of comprehensive income, the components of net income, and the components of other comprehensive income either in a single continuous statement of comprehensive income or in two separate but consecutive statements. In both choices, an entity is required to present each component of net income along with total net income, each component of other comprehensive income along with a total for other comprehensive income, and a total amount for comprehensive income. Given that the Company has no items of other comprehensive income in any period presented, comprehensive income is the same as net income and hence the Company is exempt from the requirement to separately report other comprehensive income or comprehensive income.

Deferred Offering Costs

Deferred offering costs, consisting of legal, accounting and other fees and costs relating to the Company's initial public offering were capitalized. Deferred offering costs of $3.1 million were offset against initial public offering proceeds upon the closing of the offering in October 2011.

Research and Development Costs and Capitalized Software Development Costs

Research and development expenses consist primarily of salary and benefit expenses, including stock-based compensation, for employees and contractors engaged in research, design and development activities, as well as costs for prototypes, facilities and travel costs.

Software development costs, including costs incurred to purchase third party software, begin to be capitalized when the Company has determined that certain factors are present, including, among others, that technology exists to achieve the performance requirements. The accumulation of software costs to be capitalized ceases when the software is substantially developed and is ready for its intended use. Capitalized costs are amortized on a straight line basis over the estimated useful life of the software once it is available for use. To date, the Company has not capitalized research and development costs associated with software development as products and enhancements have reached technological feasibility and have been released to customers at substantially the same time.

Earnings Per Share

The Company applies the two-class method for calculating and presenting earnings per share ("EPS"). Under the two-class method, net income is allocated between shares of common stock and other participating securities based on their participating rights. Participating securities are defined as securities that participate in dividends with common stock according to a pre-determined formula or a contractual obligation to share in the income of the entity. Basic EPS is computed by dividing net income available to common stockholders by the weighted average number of shares of common stock outstanding during the period. Diluted EPS is computed by dividing the amount of net income available to common stockholders outstanding plus income allocable to participating securities, to the extent they are dilutive, by the weighted average number of shares of common stock and potential dilutive shares outstanding during the period if the effect is dilutive. The Company's potentially dilutive common securities include outstanding stock options, restricted stock units and preferred stock.

Recent Accounting Pronouncements

In July 2013, the FASB issued a new accounting standard update on the financial statement presentation of unrecognized tax benefits. The new guidance provides that a liability related to an unrecognized tax benefit would be presented as a reduction of a deferred tax asset for a new operating loss carryforward, a similar tax loss or a tax credit carryforward if such settlement is required or expected in the event the uncertain tax position is disallowed. The new guidance will become effective for the Company on July 1, 2014 and it should be applied prospectively to unrecognized tax benefits that exist as of the effective date with retrospective application permitted. The Company is currently assessing the impact of this new guidance.

NOTE 3—FAIR VALUE OF FINANCIAL INSTRUMENTS

Pursuant to the accounting guidance for fair value measurements and its subsequent updates, fair value is defined as the price that would be received from selling an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. As such, fair value is a market-based measurement that should be determined based on assumptions that market participants would use in pricing an asset or liability. The accounting guidance establishes a three-tier fair value hierarchy that requires the Company to use observable market data, when available, and to minimize the use of unobservable

inputs when determining fair value. The fair value hierarchy prioritizes the inputs into three levels that may be used in measuring fair value as follows:

Level 1 —observable inputs which include quoted prices in active markets for identical assets of liabilities.

Level 2 —inputs which include observable inputs other than Level 1, such as quoted prices for similar assets or liabilities, quoted prices for identical or similar assets or liabilities in markets that are not active, or other inputs that are observable or can be corroborated by observable market data for substantially the full term of the asset or liability.

Level 3 —inputs which include unobservable inputs that are supported by little or no market activity and that are significant to the fair value of the underlying asset or liability. Level 3 assets and liabilities include those whose fair value measurements are determined using pricing models, discounted cash flow methodologies or similar valuation techniques, as well as significant management judgment or estimation.

The Company did not have any financial assets recorded at fair value at June 30, 2013 or 2012 . At June 30, 2013 and 2012 the Company had debt associated with its Loan and Security Agreement with East West Bank (See Note 7). The fair value of the Company's debt was estimated based on the current rates offered to the Company for debt with similar terms and remaining maturities and was Level 2 measurement.

As of June 30, 2013 and 2012 , the fair value hierarchy for the Company's financial liabilities was as follows (in thousands):

	June 30, 2013				June 30, 2012			
	Fair Value	Level 1	Level 2	Level 3	Fair Value	Level 1	Level 2	Level 3
Liabilities:								
Debt [1]	$ 76,129	$ —	$ 76,129	$ —	$ 29,591	$ —	$ 29,591	$ —

(1) Debt is carried at historical cost on the Company's consolidated balance sheet.

NOTE 4—EARNINGS PER SHARE

The following table sets forth the computation of basic and diluted earnings per share for the periods indicated (in thousands, except per share data):

	Years Ended June 30,		
	2013	2012	2011
Numerator:			
Net income (loss) attributable to common stockholders-basic	$ 80,490	$ (9,842)	$ 4,875
Net income (loss) attributable to common stockholders-diluted	$ 80,490	$ (9,842)	$ 4,978
Denominator:			
Weighted-average shares used in computing basic net income (loss) per share	88,314	83,460	63,092
Add—dilutive potential common shares:			
Stock options	1,803	—	3,680
Restricted stock units	142	—	135
Weighted-average shares used in computing diluted net income (loss) per share	90,259	83,460	66,907
Net income (loss) per share of common stock:			
Basic	$ 0.91	$ (0.12)	$ 0.08
Diluted	$ 0.89	$ (0.12)	$ 0.07

The following table summarizes the total potential shares of common stock that were excluded from the diluted per share calculation, because to include them would have been anti-dilutive for the period (in thousands):

	Years Ended June 30,		
	2013	2012	2011
Stock options	658	3,348	360
Restricted stock units	364	454	100
Convertible preferred stock	—	—	36,035
	1,022	3,802	36,495

NOTE 5—BALANCE SHEET COMPONENTS

Inventories

Inventories consisted of the following (in thousands):

	June 30,	
	2013	2012
Finished goods	$ 15,618	$ 3,066
Raw materials	262	4,668
	$ 15,880	$ 7,734

Prepaid Expenses and Other Current Assets

Prepaid expenses and other current assets consisted of the following (in thousands):

	June 30,	
	2013	2012
Non-trade receivables	$ 2,203	$ 1,019
Other current assets	948	558
	$ 3,151	$ 1,577

Property and Equipment, Net

Property and equipment, net consisted of the following (in thousands):

	June 30,	
	2013	2012
Testing equipment	$ 3,309	$ 2,293
Computer and other equipment	841	578
Tooling equipment	1,737	532
Furniture and fixtures	652	595
Leasehold improvements	1,858	1,424
Software	245	77
	8,642	5,499
Less: Accumulated depreciation and amortization	(2,666)	(1,028)
	$ 5,976	$ 4,471

Other Long-term Assets

Other long-term assets consisted of the following (in thousands):

	June 30,	
	2013	2012
Intangible assets, net	$ 1,029	$ 748
Long-term deferred cost of revenues	1,185	—
Other long-term assets	672	388
	$ 2,886	$ 1,136

The Company's intangible assets consist primarily of legal costs associated with the application for and registration of the Company’s patents and trademarks. The Company recorded $200,000 of amortization of intangible assets during fiscal 2013 and the balance of accumulated amortization was $200,000 at June 30, 2013 . The Company did not record any amortization of intangible assets during fiscal 2012 . As of June 30, 2013 , the Company cannot reasonably estimate future amortization expense by year due to uncertain timing of patent and trademark registrations; however, the Company expects to amortize the remaining balance of its intangible assets over their estimated useful lives.

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Other Current Liabilities

Accrued liabilities consisted of the following (in thousands):

	June 30,	
	2013	2012
Accrued compensation and benefits	$ 2,712	$ 2,657
Accrued accounts payable	323	6,636
Accrual for an export compliance matter	1,625	1,625
Warranty accrual	2,913	1,381
Other accruals	3,577	4,732
	$ 11,150	$ 17,031

NOTE 6—ACCRUED WARRANTY

The Company offers warranties on certain products, generally for a period of one year , and records a liability for the estimated future costs associated with potential warranty claims. The warranty costs are reflected in the Company's consolidated statement of operations and comprehensive income within cost of revenues. The warranties are typically in effect for 12 months from the distributor's purchase date of the product. The Company's estimate of future warranty costs is largely based on historical experience factors including product failure rates, material usage, and service delivery cost incurred in correcting product failures. In certain circumstances, the Company may have recourse from its contract manufacturers for replacement cost of defective products, which it also factors into its warranty liability assessment.

Warranty obligations, included in other current liabilities, were as follows (in thousands):

Balance at June 30, 2011	$ 806
Accruals for warranties issued during the period	1,895
Settlements made during the period	(1,320)
Balance at June 30, 2012	1,381
Accruals for warranties issued during the period	4,079
Settlements made during the period	(2,547)
Balance at June 30, 2013	$ 2,913

NOTE 7—DEBT

In July 2011, the Company repurchased an aggregate of 12,041,700 shares of the Company's Series A convertible preferred stock from entities affiliated with Summit Partners, L.P., one of the Company's major stockholders, at a price of $8.97 per share for an aggregate consideration of $108.0 million . Of the aggregate purchase price, $40.0 million was paid in cash at the time of closing and the balance of the shares were paid for through the issuance of convertible subordinated promissory notes in the aggregate principal amount of $68.0 million . On September 15, 2011, $34.0 million was paid against the notes and was financed through the Company's EWB Loan Agreement (as further described below) reducing the aggregate principal amount outstanding to $34.0 million . The remainder of the notes were retired in October 2011 with the proceeds of the Company's initial public offering and existing cash balances. The interest rate on the notes started at 5% per annum and increased by two percentage points every three months until it would have reached 9% in January 2012. The notes were prepayable without penalty prior to April 21, 2012, and were required to be paid in the event of the Company's initial public offering or third party financing prior to April 21, 2012. The notes mature on July 21, 2021. The unpaid principal on the notes was convertible into shares of Series A preferred stock at $8.97 per share at any point after July 21, 2012. The difference between the repurchase price and the carrying value of the repurchased preferred stock on June 30, 2011 was $59.0 million . The difference was debited to available retained earnings with the remaining amount debited to additional paid-in capital and reduced the net income attributable to common stock shareholders resulting in a reduction of basic and diluted net income per share.

On September 15, 2011, the Company entered into a Loan and Security Agreement with East West Bank, (the "EWB Loan Agreement"), which was replaced by the Loan Agreement as discussed below. The credit facilities available under the EWB Loan Agreement consist of a $35.0 million term loan facility and a $5.0 million revolving line of credit facility. The term loan matures on September 15, 2016 with principal and interest to be repaid in 60 monthly installments. The Company used $34.0 million of the term loan to repay a portion of the outstanding convertible subordinated promissory notes held by entities affiliated with Summit Partners, L.P leaving $1.0 million available for borrowing under the term loan facility.

On August 7, 2012, the Company entered into a Loan and Security Agreement (the “Loan Agreement”) with U.S. Bank, as syndication agent, and East West Bank, as administrative agent for the lenders party to the Loan Agreement. The Loan Agreement replaced the EWB Loan Agreement discussed above. The Loan Agreement provides for (i) a $50.0 million revolving credit facility, with a $5.0 million sublimit for the issuance of letters of credit and a $5.0 million sublimit for the making of swingline loan advances (the “Revolving Credit Facility”), and (ii) a $50.0 million term loan facility (the “Term Loan Facility”). The Company may request borrowings under the Revolving Credit Facility until August 7, 2015. On August 7, 2012, the Company borrowed $20.8 million under the Term Loan Facility, and no borrowings remain available for borrowing thereunder. On November 21, 2012, the Company borrowed $10.0 million under the Revolving Credit Facility. On December 20, 2012, the Company borrowed an additional $20.0 million under the Revolving Credit Facility, and $20.0 million remains available for borrowing thereunder.

The loans bear interest, at the Company’s option, at the base rate plus a spread of 1.25% to 1.75% or an adjusted LIBOR rate (at the Company’s election, for a period of 30 , 60 , or 90 days) plus a spread of 2.25% to 2.75% , in each case with such spread being determined based on the debt service coverage ratio for its most recently ended fiscal quarter. The base rate is the highest of (i) East West Bank’s prime rate, (ii) the federal funds rate plus a margin equal to 0.50% , or (iii) the LIBOR rate plus a margin equal to 1.00% . The Company is also obligated to pay other customary closing fees, arrangement fees, administration fees, commitment fees and letter of credit fees for a credit facility of this size and type.

Interest is due and payable monthly in arrears in the case of loans bearing interest at the base rate and at the end of an interest period in the case of loans bearing interest at the adjusted LIBOR rate. Principal payments under the Term Loan Facility will be made in quarterly installments on the first day of each calendar quarter, and each such quarterly installment shall be equal to $1.25 million through July 1, 2014, then equal to $1.875 million from October 1, 2014 through July 1 2015, and then equal to $2.5 million from October 1, 2015 through July 1, 2017, with the remaining outstanding principal balance and all accrued and unpaid interest due on August 7, 2017. All outstanding loans under the Revolving Credit Facility, together with all accrued and unpaid interest, are due on August 7, 2015.

The Company may prepay the loans, in whole or in part, at any time without premium or penalty, subject to certain conditions including minimum amounts and reimbursement of certain costs in the case of prepayments of LIBOR loans. In addition, the Company is required to prepay the loan under the Term Loan Facility with (i) the proceeds from certain financing transactions or asset sales (subject, in the case of asset sales, to reinvestment rights) and (ii) 25.0% of the Company’s excess cash flow in the U.S., as determined after each fiscal year and in accordance with the Loan Agreement, provided that the Company shall not be required to prepay the loan out of its excess cash flow if its leverage ratio is greater than 1.50 : 1.00 on the last day of such fiscal year.

All of the obligations of the Company under the Loan Agreement are collateralized by substantially all of the Company’s assets, including all of the capital stock of the Company’s future domestic subsidiaries and 65% of the capital stock of the Company’s existing and future foreign subsidiaries, but excluding the Company’s intellectual property, which is subject to a negative pledge agreement. All of the Company’s future domestic subsidiaries are required to guaranty the obligations under the Loan Agreement. Such guarantees by future subsidiaries will be collateralized by substantially all of the property of such subsidiaries, excluding intellectual property.

The Loan Agreement contains customary affirmative and negative covenants, including covenants that limit or restrict the Company and its subsidiaries’ ability to, among other things, incur indebtedness, grant liens, merge or consolidate, dispose of assets, pay dividends or make distributions, make investments, make acquisitions, prepay certain indebtedness, change the nature of its business, enter into certain transactions with affiliates, enter into restrictive agreements, and make capital expenditures, in each case subject to customary exceptions for a credit facility of this size and type. The Company is also required to maintain a minimum debt service coverage ratio, a maximum leverage ratio, and a minimum liquidity ratio. As of June 30, 2013 , the Company was in compliance with all affirmative and negative covenants, debt service coverage ratio, leverage ratio and liquidity ratio requirements.

The Loan Agreement includes customary events of default that, include among other things, defaults for the failure to timely pay principal, interest, or other amounts due, defaults due to the inaccuracy of representations and warranties, covenant defaults, a cross default to material indebtedness, bankruptcy and insolvency defaults, material judgment defaults, defaults due to the unenforceability of a guaranty, and defaults due to circumstances that have or could reasonably be expected to have a material adverse effect on the Company's business, operations or financial condition, its ability to pay or perform under the Loan Agreement, or on the lenders' security interests. The occurrence of an event of default could result in the acceleration of the obligations under the Loan Agreement. During the existence of an event of default, interest on the obligations under the Loan Agreement could be increased by 2.00% above the otherwise applicable interest rate.

During the fiscal years 2013 and 2012 , the Company made aggregate payments of $4.3 million and $5.2 million , respectively, against the loan balance. As of June 30, 2013 , the Company has classified $5.0 million and $71.1 million in short-term and long-term debt, respectively, on its consolidated balance sheet related to the Loan Agreement.

The following table summarizes our estimated debt and interest payment obligations as of June 30, 2013 (in thousands):

	2014	2015	2016	2017	2018	Thereafter	Total
Debt payment obligations	$ 5,000	$ 6,875	$ 39,375	$ 10,000	$ 15,000	$ —	$ 76,250
Interest payments on debt payment obligations	1,859	1,723	1,042	532	125	—	5,281
Total	$ 6,859	$ 8,598	$ 40,417	$ 10,532	$ 15,125	$ —	$ 81,531

NOTE 8—COMMITMENTS AND CONTINGENCIES

Operating Leases

Certain facilities and equipment are leased under noncancelable operating leases. The Company generally pays taxes, insurance and maintenance costs on leased facilities and equipment. The Company leases office space in San Jose, California and other locations under various non-cancelable operating leases that expire at various dates through 2018 .

In July 2011, the Company entered into an agreement to lease additional office space for its research and development offices in Taiwan. The lease term is from July 14, 2011 through July 15, 2016 . The premises consist of approximately 10,000 rentable square feet of space. The lease has been categorized as an operating lease, and the total estimated rent expense to be recognized is $1.6 million .

In December 2011, the Company entered into an agreement to lease approximately 64,512 square feet of office and research and development space located in San Jose, California, which the Company uses as its corporate headquarters. The lease term is from April 1, 2012 , through July 31, 2017 . The lease has been categorized as an operating lease, and the total estimated rent expense to be recognized is $4.9 million .

At June 30, 2013 , future minimum annual payments under operating leases are as follows (in thousands):

	2014	2015	2016	2017	2018	Thereafter	Total
Operating leases	$ 1,743	$ 1,679	$ 1,638	$ 1,128	$ 94	$ —	$ 6,282

Rent expense under operating leases was $1.7 million , $1.6 million and $751,000 for fiscal 2013 , fiscal 2012 and fiscal 2011 , respectively.

Purchase Commitments

The Company subcontracts with other companies to manufacture its products. During the normal course of business, the Company's contract manufacturers procure components based upon orders placed by the Company. If the Company cancels all or part of the orders, it may still be liable to the contract manufacturers for the cost of the components purchased by them to manufacture the Company's products. The Company periodically reviews the potential liability and to date no significant accruals have been recorded. The Company's consolidated financial position and results of operations could be negatively impacted if it were required to compensate the contract manufacturers for any liabilities incurred.

Indemnification Obligations

The Company enters into standard indemnification agreements with many of its business partners in the ordinary course of business. These agreements include provisions for indemnifying the business partner against any claim brought by a third party to the extent any such claim alleges that a Ubiquiti product infringes a patent, copyright or trademark, or violates any other proprietary rights of that third party. The maximum potential amount of future payments the Company could be required to make under these indemnification agreements is not estimable and the Company has not incurred any material costs to defend lawsuits or settle claims related to these indemnification agreements to date.

Legal Matters

The Company may be involved, from time to time, in a variety of claims, lawsuits, investigations, and proceedings relating to contractual disputes, intellectual property rights, employment matters, regulatory compliance matters and other litigation

matters relating to various claims that arise in the normal course of business. The Company determines whether an estimated loss from a contingency should be accrued by assessing whether a loss is deemed probable and can be reasonably estimated. The Company assesses its potential liability by analyzing specific litigation and regulatory matters using available information. The Company develops its views on estimated losses in consultation with inside and outside counsel, which involves a subjective analysis of potential results and outcomes, assuming various combinations of appropriate litigation and settlement strategies. Taking all of the above factors into account, the Company records an amount where it is probable that the Company will incur a loss and where that loss can be reasonably estimated. However, the Company's estimates may be incorrect and the Company could ultimately incur more or less than the amounts initially recorded. Litigation can be costly, diverting management's attention and could, upon resolution, have a material adverse effect on the Company's business, results of operations, financial condition, and cash flows. The Company may also incur significant legal fees, which are expensed as incurred, in defending against these claims.

Export Compliance Matters

In January 2011, the U.S. Commerce Department, Bureau of Industry and Security's ("BIS") Office of Export Enforcement ("OEE") contacted the Company to request that the Company provide information related to its relationship with a logistics company in the United Arab Emirates ("UAE") and with a company in Iran, as well as information on the export classification of its products. As a result of this inquiry the Company, assisted by outside counsel, conducted a review of the Company's export transactions from 2008 through March 2011 to not only gather information responsive to the OEE's request but also to review the Company's overall compliance with export control and sanctions laws. The Company believes its products have been sold into Iran by third parties. The Company does not believe that it directly sold, exported or shipped its products into Iran or any other country subject to a U.S. embargo. However, until early 2010, the Company did not prohibit its distributors from selling its products into Iran or any other country subject to a U.S. embargo. In the course of this review the Company identified that two distributors may have sold the Company's products into Iran. The Company's review also found that while it had obtained required Commodity Classification Rulings for its products in June 2010 and November 2010, the Company did not advise its shipping personnel to change the export authorizations used on its shipping documents until February 2011. During the course of the Company's export control review, the Company also determined that it had failed to maintain adequate records for the five year period required by the EAR and the sanctions regulations due to its lack of infrastructure and because it was prior to its transition to its current system of record, NetSuite.

In May 2011, the Company filed a self-disclosure statement with the BIS and OEE. In June 2011, the Company filed a self-disclosure statement with the U.S. Department of the Treasury's Office of Foreign Asset Control ("OFAC") regarding the compliance issues noted above. The disclosures address the above described findings and the remedial actions the Company had taken to date. However, the findings also indicate that both distributors continued to sell, directly or indirectly, the Company's products into Iran during the period from February 2010 through March 2011 and that the Company received various communications from them indicating that they were continuing to do so. Since January 2011, the Company has cooperated with OEE and, prior to its disclosure filing, the Company informally shared with the OEE the substance of its findings with respect to both distributors. From May 2011 to August 2011, the Company provided additional information regarding its review and its findings to OEE to facilitate its investigation and OEE advised the Company in August 2011 that it had completed its investigation of the Company. In August 2011, the Company received a warning letter from OEE stating that OEE had not referred the findings of the Company's review for criminal or administrative prosecution and closed the investigation of the Company without penalty.

OFAC is still reviewing the Company's voluntary disclosure. In the Company's submission, the Company provided OFAC with an explanation of the activities that led to the sales of its products in Iran and the failure to comply with the Export Administration Regulations (the "EAR") and OFAC sanctions. Although the Company's OFAC and OEE voluntary disclosures covered similar sets of facts, which led the OEE to resolve the case with the issuance of a warning letter, OFAC may conclude that the Company's actions resulted in violations of U.S. export control and economic sanctions laws and warrant the imposition of penalties that could include fines, termination of the Company's ability to export its products, and/or referral for criminal prosecution. The penalties may be imposed against the Company and/or its management. The maximum civil monetary penalty for the violations is up to $250,000 or twice the value of the transaction, whichever is greater, per violation. Any such fines or restrictions may be material to the Company's financial results in the period in which they are imposed. The Company cannot predict when OFAC will complete its review or decide upon the imposition of possible penalties.

While the Company has taken actions designed to ensure that export classification information is distributed to the appropriate personnel in a timely manner and has adopted policies and procedures to promote its compliance with applicable export laws and regulations, including obtaining written distribution agreements with substantially all of its distributors that contain covenants requiring compliance with U.S. export control and economic sanctions law; notifying all of its distributors of their obligations and obtaining updated distribution agreements from distributors that accounted for approximately 99% of its

distributor revenue in fiscal 2013 . However the Company cannot be sure such actions will be effective. Additionally, the Company's failure to amend all its distribution agreements and to implement more robust compliance controls immediately after the discovery of Iran-related sales activity in early 2010 may be aggravating factors that could impact the imposition of penalties imposed on the Company or its management. Based on the facts known to the Company to date, the Company recorded an expense of $1.6 million for this export compliance matter in fiscal 2010, which represents management's estimated exposure for fines in accordance with applicable accounting literature. This amount was calculated from information discovered through the Company's internal review and this loss is deemed to be probable and reasonably estimable. However, the Company also believes that it is reasonably possible that the loss may be higher, but the Company cannot reasonably estimate the range of any further potential losses. Should additional facts be discovered in the future and/or should actual fines or other penalties substantially differ from the Company's estimates, its business, financial condition, cash flows and results of operations would be materially negatively impacted.

Shareholder Class Action Lawsuits

Beginning on September 7, 2012, two shareholder class action complaints were filed against the Company, certain of its officers and directors and the underwriters of the Company's initial public offering in the United States District Court for the Northern District of California. On January 30, 2013, the plaintiffs filed an Amended Consolidated Complaint, which alleges claims under the Securities Act of 1933, the Securities Exchange Act of 1934 and SEC Rule 10b-5 on behalf of a purported class of those who purchased the Company's common stock between October 14, 2011 and August 9, 2012 and/or acquired the Company's stock pursuant to or traceable to the registration statement for the initial public offering. The Amended Consolidated Complaint alleges that the defendants violated the federal securities laws by issuing false or misleading statements regarding the sale of counterfeit Company products. The consolidated complaint seeks, among other things, damages and interest, rescission, and attorneys' fees and costs. On March 26, 2013, the Company filed a motion to dismiss the complaint. On April 30, 2013, the plaintiffs filed an opposition to the Company's motion to dismiss. On August 27, 2013, the court held a hearing on the motion to dismiss.

The Company believes that the allegations in the consolidated complaint are without merit and intend to vigorously contest the litigation. However, there can be no assurance that the Company will be successful in its defense. Because the case is at a very early stage, the Company cannot say that a loss is probable and cannot currently reasonably estimate the loss or the range of possible losses that may be experienced in connection with this litigation.

NOTE 9—PREFERRED STOCK

In July 2011, the Company repurchased an aggregate of 12,041,700 shares of the Company's Series A convertible preferred stock from entities affiliated with Summit Partners, L.P., one of the Company's major stockholders, at a price of $8.97 per share for an aggregate consideration of $108.0 million . Of the aggregate purchase price, $40.0 million was paid in cash at the time of closing and the balance of the shares were paid for through the issuance of convertible subordinated promissory notes in the aggregate principal amount of $68.0 million . The $68.0 million was paid down primarily using proceeds from the EWB Loan Agreement and the remaining balance was subsequently paid down by funds raised upon the completion of the Company's initial public offering on October 19, 2011 and the Company's existing cash balances as discussed in Note 7.

NOTE 10—COMMON STOCK AND TREASURY STOCK

As of June 30, 2013 and 2012 , the authorized capital of the Company included 500,000,000 shares of common stock. As of June 30, 2013 , 131,452,763 shares of common stock were issued and 87,213,803 were outstanding. As of June 30, 2012 , 131,129,888 shares of common stock were issued and 92,049,978 were outstanding.

Common Stock Repurchases

On August 9, 2012, the Company announced that its Board of Directors authorized the Company to repurchase up to $100 million of its common stock. The share repurchase program commenced on August 13, 2012. The share repurchase program has been funded from proceeds from the Loan Agreement as discussed in Note 8 and from existing cash on hand. All repurchased shares are recorded as treasury stock at cost.

Common stock repurchase activity during the year ended June 30, 2013 was as follows (in thousands, except share and per share amounts):

Period	Total Number of Shares Purchased	Average Price Paid per Share	Dollar Value of Shares that May Yet Be Purchased
August 13, 2012 – August 31, 2012	2,179,900	$ 8.88	$ 80,599
September 1, 2012 – September 30, 2012	992,014	$ 11.93	$ 68,742
October 1, 2012 - October 31, 2012	371,665	$ 11.72	$ 64,377
November 1, 2012 - November 30, 2012	657,700	$ 11.16	$ 57,024
December 1, 2012 - December 31, 2012	957,771	$ 11.86	$ 45,646
Total	5,159,050	$ 10.52	$ 45,646

Special Dividend

On December 14, 2012, the Company announced that its Board of Directors had authorized a special cash dividend of $0.18 per share for each share of common stock outstanding on December 24, 2012. The aggregate dividend payment of $15.7 million was paid on December 28, 2012 to stockholders of record on December 24, 2012. The dividend payment was funded using proceeds from the Loan Agreement as discussed in Note 8.

Common Stock Offering

On June 18, 2013, the Company completed a secondary offering of 7,031,464 shares of common stock at an offering price of $16.00 per share, which included 531,464 shares sold in connection with the partial exercise of the option to purchase additional shares granted to the underwriters. All of the shares sold in the offering were sold by existing stockholders of the Company, including entities affiliated with Summit Partners, L.P., and the Company's chief executive officer, Robert J. Pera. No shares were sold by the Company in the offering, and as such, the Company did not receive any proceeds from the offering.

NOTE 11—STOCK BASED COMPENSATION

Stock-Based Compensation Plans

2010 Equity Incentive Plan

In March 2010, the Company’s board of directors and stockholders approved the 2010 Equity Incentive Plan (the “2010 Plan”). The 2010 Plan replaced the 2005 Equity Incentive Plan (the “2005 Plan”), and no further awards will be granted pursuant to the 2005 Plan. Under the terms of the 2010 Plan, nonstatutory stock options, stock appreciation rights, restricted stock, and restricted stock units (“RSUs”) may be granted to employees or non-employee service providers. Incentive stock options may be granted only to employees.

The maximum aggregate number of shares that may be awarded under the 2010 Plan as of June 30, 2013 was 8,000,000 shares, plus any shares subject to stock options or similar awards granted under the 2005 Plan that expire or otherwise terminate without having been exercised in full and shares issued pursuant to awards granted under the 2005 Plan that are forfeited to (but not repurchased by) the Company.

The 2010 Plan is administered by the board of directors or a committee of the Company’s board of directors. Subject to the terms and conditions of the 2010 Plan, the administrator has the authority to select the persons to whom awards are to be made, to determine the number of shares to be subject to awards and the terms and conditions of awards, and to make all other determinations and to take all other actions necessary or advisable for the administration of the 2010 Plan. The administrator is also authorized to adopt, amend or rescind rules relating to administration of the 2010 Plan. Options and RSUs generally vest over a four year period from the date of grant and generally expire five to ten years from the date of grant. The terms of the 2010 Plan provide that an option price shall not be less than 100% of fair market value on the date of grant.

2005 Equity Incentive Plan

With the adoption of the 2010 Plan, no additional awards may be granted under the 2005 Plan. In February 2005, the Company’s board of directors and the stockholders approved the 2005 Plan, which was amended and restated in March 2006. The 2005 Plan provided for the issuance of stock options, restricted stock and stock bonuses to employees, consultants, advisors, directors and officers of the Company. The 2005 Plan was administered by the Company’s board of directors, who determined the terms and conditions for each grant. The terms of the options granted under the 2005 Plan were determined at the time of grant. The Company made use of different vesting schedules through fiscal 2009, but subsequent new grants generally vested as to 25% on the first anniversary of the date of grant and monthly thereafter over the next three years and

generally have a term of 10 years from the date of grant. The option prices were determined by the Company's board of directors.

As of June 30, 2013 , the Company had 5,370,815 authorized shares available for future issuance under all of its stock incentive plans.

Stock-based Compensation

The following table shows total stock-based compensation expense included in the Consolidated Statements of Operations and Comprehensive Income for fiscal 2013 , 2012 and 2011 (in thousands):

	Years Ended Years Ended June 30,		
	2013	2012	2011
Cost of sales	$ 446	$ 117	$ 30
Research and development	1,433	542	285
Sales, general and administrative	1,497	834	637
	$ 3,376	$ 1,493	$ 952

Stock Options

The following is a summary of option activity for the Company's stock incentive plans for fiscal 2013 , 2012 and 2011 :

	Common Stock Options Outstanding			
	Number of Shares	Weighted Average Exercise Price	Weighted Average Remaining Contractual Life (Years)	Aggregate Intrinsic Value
				(In thousands)
Balance, June 30, 2010	5,796,170	$ 0.23	6.92	$ 12,642
Granted	1,149,062	3.42		
Forfeitures and cancellations	(773,525)	1.03		
Balance, June 30, 2011	6,171,707	$ 0.72	6.44	$ 43,135
Granted	161,000	10.44		
Exercised	(2,885,470)	0.28		
Forfeitures and cancellations	(99,792)	4.71		
Balance, June 30, 2012	3,347,445	$ 1.45	6.62	$ 42,920
Granted	683,500	11.29		
Exercised	(266,558)	2.39		
Forfeitures and cancellations	(150,125)	5.68		
Balance, June 30, 2013	3,614,262	$ 3.07	6.17	$ 52,330
Vested and expected to vest as of June 30, 2013	3,550,722	$ 2.94	6.12	$ 51,854
Vested and exercisable as of June 30, 2013	2,618,311	$ 0.85	5.20	$ 43,709

Additional information regarding options outstanding as of June 30, 2013 is as follows (in thousands, except weighted average exercise price amounts and contractual life):

	Options Outstanding			Options Exercisable	
Range of Exercise Prices	Number of Options	Weighted Average Remaining Contractual Life (Years)	Weighted Average Exercise Price	Number of Options	Weighted Average Exercise Price
$0.01 – $0.04	253,680	3.41	$ 0.01	253,680	$ 0.01
$0.05 – $0.39	1,764,890	4.78	0.05	1,764,890	0.05
$0.40 – $2.89	206,375	6.52	1.41	150,123	1.22
$2.90 – $4.07	383,268	7.25	2.90	264,711	2.90
$4.08 – $10.76	348,393	7.82	5.67	171,996	5.65
$10.77 – $11.74	472,500	9.37	10.77	—	—
$11.75 – $26.28	185,156	9.32	13.65	12,911	16.40
$0.01 – $26.28	3,614,262	6.17	$ 3.07	2,618,311	$ 0.85

During fiscal 2013 and 2012 , the aggregate intrinsic value of options exercised under the Company's stock incentive plans was $3.4 million and $48.6 million , respectively, as determined as of the date of option exercise. The Company had no option exercises during fiscal 2011.

As of June 30, 2013 , the Company had unrecognized compensation cost of $3.7 million related to stock options which the Company expects to recognize over a weighted-average period of 3.2 years. Future option grants will increase the amount of compensation expense to be recorded in these periods.

The Company estimates the fair value of employee stock options using the Black-Scholes option pricing model. The fair value of employee stock options is being amortized on a straight-line basis over the requisite service period of the awards. For fiscal 2013 , 2012 and 2011 the fair value of employee stock options was estimated using the following weighted average assumptions:

	Years Ended Years Ended June 30,		
	2013	2012	2011
Expected term	6.1 years	6.1 years	6.1 years
Expected volatility	52%	49%	65%
Risk-free interest rate	0.9%	1.6%	4.2%
Expected dividend yield	—	—	—
Weighted average grant date fair value	$ 5.57	$ 5.05	$ 2.10

Expected term. Expected term represents the period that the Company's stock-based awards are expected to be outstanding. As the Company has limited historical option exercise data, the expected term of the stock options granted to employees was calculated based on the simplified method. Under the simplified method, the expected term is equal to the average of an option's weighted-average vesting period and its contractual term. The Company is permitted to continue using the simplified method until sufficient information regarding exercise behavior, such as historical exercise data or exercise information from external sources, becomes available.

Expected volatility. The expected volatility was based on the historical stock volatilities of a group of publicly listed comparable companies over a period equal to the expected terms of the options, as the Company does not have any trading history to use the volatility of its common stock.

Expected dividend yield. The Company has never paid dividends on the Company's common stock and does not expect to pay dividends on its common stock.

Risk-free interest rate. The risk-free interest rate is based on the U.S. Treasury yield curve in effect at the time of grant for zero coupon U.S. Treasury notes with maturities approximately equal to the option's expected term.

Fair value of common stock. The Company's common stock began trading on the NASDAQ Global Select Market on October 14, 2011, upon its initial public offering. The fair value of the Company's common stock is determined using the market price of the Company's common stock as of the date of grant. Prior to October 14, 2011, the fair value of the shares of

common stock underlying the stock options has historically been the responsibility of and determined by the Company's board of directors. Because there had been no public market for the Company's common stock, its board of directors has determined fair value of the common stock at the time of grant of the option by considering a number of objective and subjective factors including independent third-party valuations of its common stock, operating and financial performance, the lack of liquidity of capital stock and general and industry specific economic outlook, amongst other factors.

Forfeiture rate. The Company estimates its forfeiture rate based on an analysis of its actual forfeitures and will continue to evaluate the adequacy of the forfeiture rate based on actual forfeiture experience, analysis of employee turnover behavior and other factors. The impact from a forfeiture rate adjustment will be recognized in full in the period of adjustment, and if the actual number of future forfeitures differs from that estimated, the Company may be required to record adjustments to stock-based compensation expense in future periods.

Cash received from stock option exercises during the fiscal 2013 , 2012 and 2011 was $635,000 , $811,000 and zero , respectively.

Restricted Stock Units ("RSUs")

The following table summarizes the activity of the RSUs made by the Company:

	Number of Shares	Weighted Average Grant Date Fair Value
Non-vested RSUs, June 30, 2010	501,180	$ 1.92
RSUs granted	112,500	5.14
RSUs vested	(125,295)	1.92
Non-vested RSUs, June 30, 2011	488,385	$ 2.66
RSUs granted	169,710	22.33
RSUs vested	(146,475)	2.37
RSUs cancelled	(58,000)	8.04
Non-vested RSUs, June 30, 2012	453,620	$ 9.42
RSUs granted	656,500	14.11
RSUs vested	(70,512)	14.14
RSUs cancelled	(294,702)	5.29
Non-vested RSUs, June 30, 2013	744,906	$ 14.74

The intrinsic value of RSUs vested in fiscal 2013 , 2012 and 2011 was $1.0 million , $3.5 million and $640,000 , respectively. The total intrinsic value of all outstanding RSUs was $13.1 million as of June 30, 2013 .

As of June 30, 2013 , there was unrecognized compensation costs related to RSUs of $8.7 million which the Company expects to recognize over a weighted average period of 3.6 years.

NOTE 12—INCOME TAXES

For financial reporting purposes, the components of income before provision for income taxes were as follows (in thousands):

	Years Ended June 30,		
	2013	2012	2011
Domestic	$ 17,860	$ 41,490	$ 24,484
Foreign	73,893	82,533	37,675
	$ 91,753	$ 124,023	$ 62,159

The components of the Company's provision for income taxes consisted of the following (in thousands):

	Years Ended June 30,		
	2013	2012	2011
Current			
Foreign	$ 1,790	$ 2,040	$ 978
Federal	8,515	17,437	11,005
State	581	2,854	1,612
Current tax expense	10,886	22,331	13,595
Deferred			
Foreign	—	—	—
Federal	(130)	(217)	(912)
State	507	(680)	(251)
Deferred tax expense	377	(897)	(1,163)
Provision for income taxes	$ 11,263	$ 21,434	$ 12,432

Significant components of the Company's deferred tax assets and liabilities consisted of the following (in thousands):

	June 30,	
	2013	2012
Deferred tax assets		
Allowance for doubtful accounts	$ 337	$ 238
Stock-based compensation	833	1,016
Accrued expenses	191	256
Research and development credits	—	468
Other	323	186
Total deferred tax assets	1,684	2,164
Deferred tax liabilities		
Basis difference for fixed assets	(829)	(784)
Other	(118)	(266)
Total deferred tax liabilities	(947)	(1,050)
Net deferred tax assets	$ 737	$ 1,114

The effective tax rate differs from the applicable U.S. statutory federal income tax rate as follows:

	Years Ended June 30,		
	2013	2012	2011
Statutory rate	35.0 %	35.0 %	35.0 %
Stock-based compensation	0.8	—	—
State tax expense	0.7	1.0	1.0
Tax rate differential, foreign income	(24.2)	(23.0)	(20.0)
Foreign credits	—	—	—
Federal research and development credits	(0.4)	—	(1.0)
Other permanent items	0.4	4.3	5.0
Non-deductible penalties	—	—	—
Effective tax rate	12.3 %	17.3 %	20.0 %

The Company had increased foreign operations in fiscal 2013 as compared to fiscal 2012 and in fiscal 2012 as compared to fiscal 2011, generating more income on a comparative year over year basis in foreign jurisdictions that have lower tax rates than the U.S.

It is the practice and intention of the Company to reinvest the earnings of its non-U.S. subsidiaries in those operations. As of June 30, 2013, the Company has not made a provision for U.S. or additional foreign withholding taxes on approximately $210.6 million of the excess of the amount for financial reporting over the tax basis of investments in foreign subsidiaries that are essentially permanent in duration. Generally, such amounts become subject to U.S. taxation upon the remittance of dividends and under certain other circumstances. It is not practicable to estimate the amount of deferred tax liability related to investments in these foreign subsidiaries.

While management believes that the Company has adequately provided for all tax positions, amounts asserted by tax authorities could be greater or less than the recorded position. Accordingly, the Company's provisions on federal, state and foreign tax-related matters to be recorded in the future may change as revised estimates are made or the underlying matters are settled or otherwise resolved.

A reconciliation of the beginning and ending balances of the unrecognized tax benefits during the years ended June 30, 2013 2012 and 2011 consists of the following (in thousands):

	Years Ended June 30,		
	2013	2012	2011
		(In thousands)	
Unrecognized benefit—beginning of period	$ 7,825	$ 2,020	$ 762
Gross increases—current year tax positions	3,806	4,697	1,258
Gross increases—prior year tax positions	(176)	1,108	—
Unrecognized benefit—end of period	$ 11,455	$ 7,825	$ 2,020

Included in the gross unrecognized tax benefits balance as of June 30, 2013 are $11.5 million of tax positions which would affect income tax expense if recognized. The Company recognizes interest and penalties related to unrecognized tax benefits within the income tax expense line in the accompanying Consolidated Statement of Operations and Comprehensive Income. Accrued interest and penalties are included within the related tax liability line in the Consolidated Balance Sheet. As of June 30, 2013 , the Company had $580,000 accrued interest related to uncertain tax matters. The Company does not expect its unrecognized tax benefits as of June 30, 2013 will materially change within the next 12 months. The Company files income tax returns in the United States, various states and certain foreign jurisdictions. Tax years 2010 through 2013 are subject to examination by the U.S. federal tax authorities. Tax years 2009 through 2013 are subject to examination by the state tax authorities. There are no income tax examinations currently in process.

NOTE 13—SEGMENT INFORMATION, REVENUES BY GEOGRAPHY AND SIGNIFICANT CUSTOMERS

Revenues by product type were as follows (in thousands, except percentages):

	Years Ended June 30,					
	2013		2012		2011	
airMAX	$ 202,599	63%	$ 223,743	63%	$ 113,001	57%
New platforms	53,868	17%	29,465	8%	2,513	1%
Other systems	18,190	6%	52,086	15%	44,884	23%
Systems	274,657	86%	305,294	86%	160,398	81%
Embedded radio	6,889	2%	10,056	3%	14,762	7%
Antennas/other	39,277	12%	38,167	11%	22,714	12%
Total revenues	$ 320,823	100%	$ 353,517	100%	$ 197,874	100%

The Company generally forwards products directly from its manufacturers to its customers via logistics distribution hubs in Asia. Beginning in the quarter ended December 31, 2012, the Company's products were predominantly routed through a third party logistics provider in China and prior to the quarter ended December 31, 2012, the Company's products were predominantly delivered to our customers through distribution hubs in Hong Kong. The Company's logistics provider, in turn, ships to other locations throughout the world. The Company has determined the geographical distribution of product revenues based upon the customer's ship-to destinations.

Revenues by geography were as follows (in thousands, except percentages):

	Years Ended June 30,								
	2013			2012			2011		
North America(1)	$	84,820	26%	$	88,309	25%	$	61,920	31%
South America		65,764	21%		88,325	25%		50,824	26%
Europe, the Middle East and Africa		127,860	40%		130,494	37%		68,297	35%
Asia Pacific		42,379	13%		46,389	13%		16,833	8%
Total revenues	$	320,823	100%	$	353,517	100%	$	197,874	100%

(1) Revenue for the United States was $80.6 million , $84.3 million and $60.0 million for fiscal 2013 , 2012 and 2011 , respectively.

Customers with an accounts receivable balance of 10% or greater of total accounts receivable and customers with net revenues of 10% or greater of total revenues are presented below for the periods indicated:

	Percentage of Revenues			Percentage of Accounts Receivable	
	Years Ended June 30,			June 30,	
	2013	2012	2011	2013	2012
Flytec Computers, Inc.	13%	16%	20%	12%	19%
P.W. Batna Magdalena Mucha	*	*	*	11%	*
Streakwave Wireless, Inc.	*	10%	15%	15%	11%
Discomp	*	*	*	*	12%

** denotes less than 10%*

NOTE 14—401(k) BENEFIT PLAN

The Company sponsors a 401(k) defined contribution plan. It matches 1% of the first 4% of an employee's compensation contributed to the plan. The Company's contributions to the plan were $58,000 , $47,000 and $28,000 for fiscal 2013 , 2012 and 2011 , respectively.

NOTE 15—SUBSEQUENT EVENTS

The Company has evaluated subsequent events and transactions through September 13, 2013 , which is the date the annual consolidated financial statements set forth herein were issued, however the Company did not have any material subsequent events after June 30, 2013 .

NOTE 16—SUPPLEMENTARY DATA (UNAUDITED)

The following table presents the Company's unaudited consolidated statements of operations data for each of the eight quarters during fiscal 2013 and 2012 . In management's opinion, this information has been presented on the same basis as the audited consolidated financial statements included in a separate section of this report, and all necessary adjustments, consisting only of normal recurring adjustments, have been included in the amounts below to state fairly the unaudited quarterly results when read in conjunction with the audited consolidated financial statements and related notes. The operating results for any quarter should not be relied upon as necessarily indicative of results for any future period.

	Fiscal 2013			
In thousands, except per share data	**First Quarter**	**Second Quarter**	**Third Quarter**	**Fourth Quarter**
Net revenue	$ 61,535	$ 74,901	$ 83,155	$ 101,232
Gross profit	25,020	30,485	35,465	44,364
Income from operations	15,775	20,119	23,503	33,207
Net income and comprehensive income	13,179	17,803	20,667	28,841
Net income per share of common stock:				
Basic	$ 0.14	$ 0.20	$ 0.24	$ 0.33
Diluted	$ 0.14	$ 0.20	$ 0.23	$ 0.32

	Fiscal 2012			
	First Quarter	**Second Quarter**	**Third Quarter**	**Fourth Quarter**
Net revenue	$ 79,167	$ 87,817	$ 91,665	$ 94,868
Gross profit	33,013	37,290	39,659	41,041
Income from operations	27,500	31,176	32,556	34,060
Net income and comprehensive income	21,493	24,691	27,920	28,485
Net income (loss) attributable to common stockholders—basic	(81,234)	14,428	27,920	28,485
Net income (loss) attributable to common stockholders—diluted	(81,234)	14,443	27,920	28,485
Net income (loss) per share of common stock:				
Basic	$ (1.30)	$ 0.16	$ 0.30	$ 0.31
Diluted	$ (1.30)	$ 0.16	$ 0.30	$ 0.30

Exhibit Index

The following exhibits are filed herewith or are incorporated by reference to exhibits previously filed with the Securities and Exchange Commission. Ubiquiti Networks, Inc. (the "Registrant") shall furnish copies of exhibits for a reasonable fee (covering the expense of furnishing copies) upon request.

Exhibit Number	Description	Incorporated by Reference from Form	Incorporated by Reference from Exhibit Number	Date Filed
3.1	Form of Third Amended and Restated Certificate of Incorporation of Ubiquiti Networks, Inc.	S-1	3.2	June 17, 2011
3.2	Form of Amended and Restated Bylaws of Ubiquiti Networks, Inc.	S-1	3.4	June 17, 2011
4.1	Specimen Common Stock Certificate of Ubiquiti Networks, Inc.	S-1	4.1	October 3, 2011
4.2	Registration Agreement, dated March 2, 2010, between Ubiquiti Networks, Inc. and certain holders of Ubiquiti Networks, Inc.'s capital stock named therein.	S-1	4.2	June 17, 2011
4.3	Investor Rights Agreement, dated as of March 2, 2010, between Ubiquiti Networks, Inc. and certain holders of Ubiquiti Networks, Inc.'s capital stock named therein.	S-1	4.3	June 17, 2011
10.1	Form of Indemnification Agreement between Ubiquiti Networks, Inc. and its directors and officers.	S-1	10.1	October 3, 2011
10.2#	Amended and Restated 2005 Equity Incentive Plan and forms of agreement thereunder.	S-1	10.2	June 17, 2011
10.3#	Amended and Restated 2010 Equity Incentive Plan and forms of agreement thereunder.	S-1	10.3	June 17, 2011
10.4#	Employment Agreement, dated as of February 10, 2011, between Ubiquiti Networks, Inc. and Benjamin Moore.	S-1	10.5	June 17, 2011
10.5#	Executive Employment Agreement between the Company and Craig Foster, effective March 4, 2013.	8-K	10.1	March 8, 2013
10.6#	Employment Agreement, dated as of May 1, 2010, between Ubiquiti Networks, Inc. and John Sanford.	S-1	10.7	June 17, 2011
10.7#	Employment Agreement, dated as of March 19, 2012, between Ubiquiti Networks, Inc. and Jessica Zhou.	10-K	10.8	September 28, 2012
10.8	Non-Residential Property Lease Agreement, dated as of May 28, 2009, between UAB "Devint" and Tomas Grébliúnas, Tomas Skučas, and Vygante Skučiené.	S-1	10.9	June 17, 2011
10.9	Jinyong Ji Investment Taiwan Lease, dated as of March 16, 2010, between Ubiquiti Networks, Inc. and Jinyong Ji Investment Co., Ltd.	S-1	10.10	June 17, 2011
10.10	Lease, dated as of July 9, 2010, between Ubiquiti Networks, Inc. and The Welsh Office Center LLC.	S-1	10.11	June 17, 2011

10.11†	Amended Technology License Agreement, dated as of September 1, 2010, between Ubiquiti Networks, Inc. and Atheros Communications, Inc.	S-1	10.12	June 17, 2011

Exhibit Number	Description	Incorporated by Reference from Form	Incorporated by Reference from Exhibit Number	Date Filed
10.12	Loan and Security Agreement, dated as of September 15, 2011, between Ubiquiti Networks, Inc. and East West Bank.	S-1	10.14	September 16, 2011
10.13	Taiwan Lease, dated as of July 20, 2011, between Jin Yeoung Ji Co., Ltd. and Ubiquiti Networks International Limited, Taiwan Branch.	10-Q	10.15	November 14, 2011
10.14	Office Lease, dated as of December 8, 2011 and executed on December 22, 2011, by and between Ubiquiti Networks, Inc. and Carr NP Properties, L.L.C.	10-Q/A	10.16	March 20, 2012
10.15	Loan and Security Agreement, dated as of August 7, 2012, by and among Ubiquiti Networks, Inc., the lenders from time to time party thereto, U.S. Bank, as Syndication Agent, and East West Bank, as Administrative Agent	8-K	10.1	August 13, 2012
10.16	Non-Residential Premises Lease Agreement, dated as of July 10, 2013, between Ubiquiti Networks Europe and BUAB Apskaitos etika.			
10.17	Retention Agreement by and between the Registrant and John Ritchie dated December 21, 2012.	10-Q	10.1	February 8, 2013
21.1	List of subsidiaries of Ubiquiti Networks, Inc.			
23.1	Consent of independent registered public accounting firm			
24.1	Power of Attorney (contained in the signature page to this Form 10-K)			
31.1	Certification of Principal Executive Officer Required Under Rule 13a-14(a) and 15d-14(a) of the Securities Exchange Act of 1934, as amended.			
31.2	Certification of Principal Financial Officer Required Under Rule 13a-14(a) and 15d-14(a) of the Securities Exchange Act of 1934, as amended.			
32.1~	Certification of Principal Executive Officer and Principal Financial Officer Required Under Rule 13a-14(b) of the Securities Exchange Act of 1934, as amended, and 18 U.S.C. §1350.			
101.INS(*)	XBRL Instance Document			
101.SCH(*)	XBRL Taxonomy Schema Linkbase Document			
101.CAL(*)	XBRL Taxonomy Calculation Linkbase Document			
101.DEF(*)	XBRL Taxonomy Extension Definition Linkbase Document			

101.LAB(*)	XBRL Taxonomy Labels Linkbase Document
101.PRE(*)	XBRL Taxonomy Presentation Linkbase Document

Management contracts or compensation plans or arrangements in which directors or executive officers are eligible to participate.

† Portions of the exhibit have been omitted pursuant to an order granted by the Securities and Exchange Commission for confidential treatment.

~ In accordance with Item 601(b)(32)(ii) of Regulation S-K and SEC Release No. 33-8238 and 34-47986, Final Rule: Management's Reports on Internal Control Over Financial Reporting and Certification of Disclosure in Exchange Act Periodic Reports, the certifications furnished in Exhibit 32.1 hereto are deemed to accompany this Form 10-K and will not be deemed "filed" for purposes of Section 18 of the Exchange Act. Such certifications will not be deemed to be incorporated by reference into any filings under the Securities Act or the Exchange Act, except to the extent that the registrant specifically incorporates it by reference.

(*) XBRL (Extensible Business Reporting Language) information is furnished and not filed or a part of a registration statement or prospectus for purposes of Sections 11 or 12 of the Securities Act of 1933, as amended, is deemed not filed for purposes of Section 18 of the Securities Exchange Act of 1934, as amended, and is not otherwise subject to liability under these Sections.

Exhibit 10.16

NON-RESIDENTIAL PREMISES LEASE AGREEMENT

Kaunas 10 July 2013

BUAB Apskaitos etika , company number 1117 75915, legal address 50 V. Putvinskio Str., Kaunas, represented by the administrator UAB Įmonių bankroto administravimo ir teisinių paslaugų biuro (Company Bankruptcy Administration and Legal Services Bureau), number of legal person 235238440, by authorized person Kęstutis Stankus (basis for authorization is the 26 March 2012 Resolution of Kaunas Regional Court and the 30 April 2012 Power of Attorney No. 04-81/1), hereinafter referred to as the ‘ ***Lessor*** ’ on one side

and

UAB Ubiquiti Networks Europe , number of legal person 300633724, address of the registered office 221 Savanorių Ave., Kaunas, represented by Rasa Juodišienė, the director, hereinafter referred to as the ‘ ***Lessee’*** on the other side,

The Lessor and the Lessee hereinafter may be referred to as the ‘ ***Parties’*** and each individually as the ‘ ***Party’*** , entered into this Lease Agreement (hereinafter – the ‘ ***Agreement’***) and have agreed:

I. SUBJECT MATTER OF THE AGREEMENT

1.1. According to the terms and conditions as well as procedure set forth herein the Lessor shall lease to the Lessee (i.e. provide for temporal possession and use for a lease fee), and the latter shall lease from the Lessor the immovable property owned by the Lessor, i.e. premises of administrative purpose the total area of which is 477 sq.m., located on the third floor of the building, the unique number of which is 4400-0605-4380, owned by the Lessor and located at 50 V.Putvinskio Str. (hereinafter – the ‘Property’) and shall undertake to pay to the Lessor the lease and other fees pursuant to the terms and procedure set forth herein. During entire term of Agreement validity the Lessee shall be entitled to use the yard and garage in this yard of the Building wherein the Premises to be leased are located and that is included into the lease price. The Parties agree that based on this paragraph, the Lessee is entitled to park the road motor vehicles of employees and clients (light motor vehicles, motorcycles and bikes).

1.2. The Lessee confirms that he inspected the Property and it is completely satisfied with condition of the Property and other terms.

1.3. The Lessee shall undertake to use the Property to carry out the economic activity, hereinafter referred to as the ‘Lease Purpose’. Hereby the lease purpose of use of the premises is established, i.e. to carry out administrative activity of the company of the Lessee. The company of the Lessee shall provide the creation of information technology and consulting services. The Lessee may change the Lease Purpose set forth herein only with prior written consent of the Lessor.

1.4. During entire Agreement validity period the Lessee shall undertake to maintain the Premises at the same level as the Premises are on the day of Premises delivery and acceptance by the Lessee.

1.5. The Lessor shall undertake to assure that on a day Premises delivery to the Lessee, the Premises to be leased should be empty, ordered and clean and also free of any third parties or their property.

1.6. This Agreement shall entitle the Lessee to register the address of registered office of the Lessor at the address of the Premises.

2. EQUIPMENT AND ADJUSTMENT OF PREMISES FOR ACTIVITIES OF THE LESSEE AND TERMS OF PROPERTY DELIVERY. REPAIR AND MAINTENANCE OF PREMISES

2.1. The Premises shall be leased as of existing condition and the Lessor shall not perform any additional repairs with an exception of arrangements and modifications of premises which must be made by the Lessor until 1 September 2013, namely:

2.1.1 Install the measuring apparatus;
2.1.2 Install shower cabin.

2.2. The Lessor shall undertake to deliver the Premises to the Lessee and the latter shall undertake to accept the Premises from the Lessor on a day of signing of this Agreement. The delivery of the Premises must be executed by signing the Premises Delivery and Acceptance Certificate by the Parties which having it signed and approved by stamps of the Parties shall become integral part of this Agreement and in which an actual condition of the Premises and reading of measuring apparatus located in the Premises are to be stated.

2.3. Having the Premises delivered to the Lessee, the latter shall be entitled to use the Premises without any restrictions in accordance with the terms and purposes set forth herein, including, but not limited to free access to the Premises during the day and night time (24-hours) 7 days a week, with an exception of temporal restrictions of access to the Premises because of emergencies, disturbances in the Premises and Building or engineering systems installed therein, prohibitions or other actions established by the sate and/or municipal authorities which are beyond the will of the Lessor.

2.4. During the time of transfer of the Premises to the Lessee, the Lessor must deliver to the Lessee the regulations applicable in the common use premises of the Building (if any) and also other documents (their copies), if any, which are necessary in order for the Lessee to use the Premises for the purposes set forth herein.

2.5. The Lessee shall be entitled to perform the improvements and/or rearrangements of the Premises with prior consent of the Lessor. If the Lessee performs the improvement and/or rearrangements of the Premises, after expiry of this Agreement or its termination prior to the term, the Lessee shall be entitled to take the devices, systems and other equipment as well as performed improvements and/or rearrangements which have been performed at its expense, if they can be detached without damaging the Premises and if the Parties fail to agree that the Lessor shall reimburse the value of such improvements and/or rearrangements to the Lessee.

2.6. The Property must be returned to the Lessor at least within 30 (thirty) calendar days as of the end of this Agreement. Within this period the Lessee shall pay the lease fee and other fees (payments) set forth herein. The Lessee shall return cleaned, ordered Property and with all the keys, including those manufactured by the Lessee in the state which is not worse than the one which was present on a day of the Property delivery to the Lessee, taking into account regular wear and tear. Having the Agreement ended or terminated prior to its term the Lessee shall deliver the Property to the Lessor by signing the bilateral Property Delivery and Acceptance Certificate. In case of failure to deliver the Property to the Lessor within the term specified herein, the Lessor shall pay to the Lessee the default interest in the sum of LTL 500,00 (five hundred Litas) for each day of delay to vacate and deliver the Property.

2.7. During this Agreement validity period the Lessor shall undertake to arrange and perform the overhaul repair works of the Premises, provided such repairs are necessary and immediate. The Lessor shall undertake to notify the Lessee in advance about the overhaul repair works intended to be carry out by the Lessor and also the repair works, which impede the activity of the Lessee, of engineering networks or systems of the Building wherein the leased Premises are located. Having the Lessor notified the Lessee of Premises' overhaul repair works intended to be carry out, the Lessee must facilitate the proper performance of such works, including without limitation, refrain from temporarily using the Premises (or part of them) upon request of the Lessor (for the term specified by the Lessor). The Lessee shall not pay the Lease fee for the days during which it could not properly use the leased Premises.

2.8. The Lessor shall undertake not to prevent the Lessee from using the Premises during the Lease term. If the Lessor wants to inspect the terms of operational use of the Premises not during the business hours or wants to show the Premises to a potential lessee not during the business hours, it shall be entitled to enter the Premises only with presence of the Lessee's representative. In the event of emergency which may damage the Building and cause harm to the people who are working therein, the Lessor shall be entitled to enter the Premises at any time, however, must notify the Lessee of such entry and in the event there is no possibility to notify the Lessee prior to the entry, it must notify the Lessee immediately after the entry. Without breaching the rights of the Lessee the Lessor shall be entitled to verify whether the Lessee uses the Premises properly.

2.9. If the meeting of creditors of the Lessor takes the decision to assign the Premises to third parties, the Lessor shall undertake to notify the Lessee of such circumstances at least within 5 (five) calendar days as of a day of taking the decision of the meeting of creditors and provide information on potential acquirer of the Premises by furnishing its details in order the Lessee could start negotiations with new owner of the Premises regarding the execution of new Premises' lease agreement.
2.10. The Lessor must deliver to the Lessee the properly (according to applicable legislation) installed engineering communications (electricity, water-supply, sewage and heating supply) of the Premises.
2.11. The Lessor must assure the proper operational use of engineering communications of the Building wherein the Premises are located within the limits of responsibility of the Lessor up to inlets into the Premises.
2.12. The Lessor shall undertake to assure the hire (appointment) of administrator of the Building who would maintain the Building and leased Premises and administer all the fees, organize security of the Building and the Premises, collection of garbage, cleaning and lighting works of common areas of the building, yard and streets, lightning of Building's façade, maintenance of equipment in the Building and Premises, including without limitation maintenance and repair of sanitary equipment, electrical, heating and other networks as well as equipment.
2.13. The Parties agree that the costs of operational use specified in Paragraph 2.12 hereof shall be calculated in proportion of the area of the leased Premises to general area of the Building taking into account actual costs incurred by the Lessor, furnishing by the Lessor to the Lessee the copies of documents justifying such costs.

3. LEASE TERM

3.1. The Premises shall be leased for the period of 3 (three) years, but for the period which is not longer than until the day of Property sale, delivery or return in accordance with the procedure established by the Law on Bankruptcy of the Entities of the Republic of Lithuania. The calculation of the Premises lease term shall commence as of the day of signing the Premises Delivery and Acceptance Certificate.
3.2. Having this Agreement ended, the Lessee who orderly fulfilled the undertaken obligations hereunder shall have the priority with respect to other persons to renew this Agreement in accordance with the procedure set forth in Paragraph 3.3 hereof.
3.3. If having this Agreement ended the Lessor intends to further lease the Premises, the Lessor must notify the Lessee in writing of that in advance, but no later than 3 (three) months prior to the end of the lease term by specifying the Premises lease term and the fee as well as other substantial terms and conditions of lease. In this case the Lessee must furnish a written reply to the Lessor no later than within 1 (one) month as form receipt of notice of the Lessor and state whether or not the Lessee agrees to renew this Agreement under the terms and conditions specified in the notice of the Lessor. If the Lessee agrees to enter into the Premises lease agreement under the terms and conditions specified in the notice of the Lessor, the Parties shall agree to take all the actions under their control in order the new Premises leases agreement to be signed as soon as possible.

4. PAYMENTS AND SETTLEMENTS

4.1. The calculation of the lease fee and other payments hereunder shall commence as of 1 September 2013.
4.2. The Lessee shall undertake to pay to the Lessor for the Property specified in Paragraph 1.1 hereof each month the Lease Fee in the sum of **LTL 31,50** for 1 sq.m. plus VAT which amounts in total **LTL 15 000,00** (fifteen thousand Litas, 00 ct) per month. In case the law and/or regulations of legislation establishes other amount of VAT and/or other fees and/or other equivalent payments related to the subject matter of this Agreement, the Lessee shall have to pay newly established VAT and/or other fees and payments. The lease fee specified herein is established based on the provision that official Litas and Euro exchange rate amounts to LTL 3,4528 for EUR 1 on a day of signing of this Agreement. If mandatory Litas and Euro exchange rate established by the Bank of Lithuania for the commercial banks on a day of payment differs from the one as of the day of signing of this Agreement, on a day of payment the said lease fee shall be paid of such amount that having it

converted to Euros on that day the amount in Euros would be the same as the lease fee converted in Euros according to the exchange rate of the day of signing of this Agreement. The Parties agree that the Lessee shall pay to the Lessor **LTL 30 000,00 (thirty thousand Litas)** plus VAT of the lease fee advance payment within 14 days as of the day of signing of this Agreement. The paid advance payment shall be considered as the lease fee for the last months of the lease.

4.3. The Parties agree that if the consumer price index established and published by the Department of Statistics of the Republic of Lithuania, hereinafter CPI, increases by more than 3 (three) percentage points from the day of execution of this Agreement or the last recalculation of such index, the lease fee shall be recalculated in proportion to CPI change percentage. Recalculated fee amount shall be applicable as from the beginning of the calendar year following the year on which such recalculation was performed.

4.4. The lease fee shall be paid for the past month until the 10 th day of the following month against an invoice furnished by the Lessor.

4.5. The Parties agree that the Lessee shall not enter into the direct services agreements with the companies providing utility services (heating, electricity, water, gas, etc.) and undertake to pay directly to the Lessor all the fees for actually used heating, electricity, water, gas in the Premises and also for communication services and other utility services that have been actually provided in the Premises. The fees for the utility services provided in the Premises, electricity and heating must be calculated in accordance with the readings of measuring apparatus (utility meters) installed in the Premises and if the individual measuring appratus (utility meters) are not installed in the Premises, such fees shall be calculated according to the documents (invoices) on actually provided utility services in the Premises issued by the organizations providing respective utility services. The Lessee shall undertake to make the payment for the services specified in this Paragraph for the current month at least within 5 (fifth) day of the current month against the VAT invoice furnished by the Lessor according to the resources used during the last month. If the amount paid by the Lessee in accordance with the procedure established herein is smaller than the monetary expression of amount specified in the invoices delivered by the service providers for heating, electricity, water, communication services as well as utility services provided actually in the Premises which have been used by the Lessee during the current month, the Lessee must pay the accrued price difference within 3 (three) business days as of the additional VAT invoice delivered by the Lessor. If the paid amount is higher than the monetary expression for heating, electricity, water, communication services as well as utility services provided actually in the Premises the accrued price difference shall be deemed to be as the partial payment for provided utility services for upcoming months.

4.6. If the Lessee fails to make the lease fee in the timely manner or other payments to the Lessor hereunder, from the amounts paid by the Lessee first of all the Lessor shall set off the late payment penalties and/or penalties, and then indebtedness of the lease fee of the Lessee and other payments hereunder.

5. RIGHTS AND OBLIGATIONS OF THE PARTIES

5.1. Without violating the rights of the Lessee, having notified the Lessee in advance, the Lessor shall be entitled to verify whether or not the Lessee properly uses the Property. Besides, the Lessor shall be entitled to show the Property to a future lessee or acquirer.

5.2. The Lessor shall be entitled each month and if needed more often to verify the readings of measuring apparatus located in the Premises which measure the usage of energy resources, water and other utility services.

5.3. The Lessor shall not be liable for interruptions in provision of energetic resources, water, communications, utility services and other services due to fault of third parties and/or providers of these resources/services. The Lessor also shall not be liable and shall not reimburse the loss incurred by the Lessee due to emergencies which have occurred due to fault of third parties and/or providers of these resources/services.

5.4. The Lessee must use the Property orderly and appropriately for the purposes set forth herein, keep the Property in good condition taking into account regular wear and tear.

5.5. After the end of the lease term or termination of this Agreement prior to its term the value of improvements, rearrangements and installations (improvements) of the Premises and/or Property shall not be reimbursed to the Lessee.

5.6 The Lessee shall undertake to perform the permanent repair works of the Premises and/or Property at its own expenses with prior written coordination with the Lessor. The Parties agree that the definition of 'permanent repair works' to extend it is specified herein shall meet the definition of 'permanent repair works' established in the Law on Construction of the Republic of Lithuania. Repair works must be carried out in compliance with all the requirements of legislation governing this activity taking into account the specifics of the Premises and Property.

5.7. The Lessee must observe the regulations of fire-safety, sanitary, environmental, occupational safety, electrical safety, operational use of heating, water-supply and sewage, telephone networks and installations and also internal procedure regulations of the Building interior and other regulations related to operational use of the Premises which are established in legislation of the Republic of Lithuania.

5.8. The Lessee must immediately notify the Lessor about fire, accident, emergencies and other events that have occurred in the Premises and which could cause or have caused damage to the Premises/Property and undertake measures for protection of the Premises and the property located therein as well as for liquidation of consequences of emergency and accident (event), if that happened due to fault of the Lessee.

5.9. The Lessee must immediately notify verbally (and then as soon as possible in writing) the Lessor about the accidents or emergencies that have occurred in the Premises, Building or their engineering systems, malfunctions of the said systems and their consequences and also about deterioration of conditions of the Premises and/or equipments or devices of the Lessor installed therein which could cause or cause damage to the leased Premises. Having received the notice of the Lessee specified herein, the Lessor shall undertake without any unreasonable delay and at its expense to liquidate the said accidents or emergencies, malfunctions of engineering systems and also the consequences of such accidents, emergencies or malfunctions if that occurred due to fault of the Lessor.

5.10. The Lessee must pay properly and in the timely manner the lease fee and other payments hereunder.

5.11. The Lessee shall not be entitled to sub-lease the Property to third parties.

5.12. The Lessee shall not be entitled to rearrange the leased Premises without written consent of the Lessor.

5.13. The Lessee must obtain at its expenses all the licenses, permits and other documents necessary for the use of the Premises according to their purpose and the Lessor shall undertake to refrain from preventing this and provide to the Lessee all the authorizations to this end.

5.14. If damage is caused to the Property due to fault of the Lessee, its clients, visitors, interested parties and/or other third persons to whom the Lessee granted the right or possibility to enter the Premises or use them otherwise, the Lessee shall immediately perform the Property repair works having coordinated this with the Lessor. If the Lessee fails to perform the required repair works in the timely manner and such repair works are performed by the Lessor at its expense, the Lessee shall reimburse to the Lessor all the repair related expenses incurred by the Lessor and justified by the documents.

6. LIABILITY OF THE PARTIES

6.1. Each Party must reimburse to the other Party all the loss that has been incurred by such other Party because of failure to perform or properly perform the obligations undertaken hereunder.

6.2. If the terms of payment set forth herein of the lease fee and/or other payments are breached and upon written request of the Lessor, the Lessee shall undertake to pay the default interest in the sum of 0,02 percent of unpaid amount for each day of delay.

6.3. The Lessee shall be liable for the damage caused to the Property by its faulty acts or due to its negligence.

6.4. Each of the Parties shall be excused from liability for failure to perform or properly perform the obligations set forth herein, if it is capable of proving that such failure occurred due to circumstances beyond control (*Force Majeure*) which are set forth in RL legislation (such as fire, flood, strike, transport disturbances, natural disasters and other circumstances of similar nature) which have

occurred after signing of this Agreement and also if it is capable of proving that it could not by any measures prevent the occurrence of said circumstances or could not avoid them and also it could not anticipate the occurrence of such circumstances when signing this Agreement. The Party which faced the *Force Majeure* circumstances must in writing notify the other Party of that and deliver the documents justifying the existence of such circumstances.

7. AGREEMENT VALIDITY, AMENDMENT AND TERMINATION

7.1. This Agreement shall become effective as of the moment of its signs and shall be valid until full performance of obligations hereunder.
7.2. All amendments, supplements and annexes to this Agreement shall be valid if drawn up in writing and signed by both Parties.
7.3. The Lessor shall be entitled to unilaterally, without invoking judicial procedure, to terminate this Agreement prior to expiry of the lease term with at least 1 (one) month notice to the Lessee, if:
7.3.1. The Lessee uses the leased Property against the purpose set forth herein;
7.3.2. The Lessee delays the payment of the Lease Fee and other fees hereunder for more than 30 days and fails to rectify this breach within the term specified in writing by the Lessor;
7.3.3. The Lessee deliberately or negligently deteriorates the condition of the Property;
7.3.4. The Lessee does not carry out the repair works in cases when it is obliged to do so and fails to rectify this breach within the term specified in writing by the Lessor.
7.4. The Lessee shall be entitled to unilaterally, without invoking judicial procedure, to terminate this Agreement prior to expiry of the lease term with at least 1 (one) month notice to the Lessor, if:
7.4.1. The Property becomes unsuitable for use because of the circumstances for which the Lessee is not responsible;
7.4.2. The Lessor prevents the Lessee from using the Property according to its purpose and terms of this Agreement.
7.5. The Lessee shall be entitled to unilaterally terminate this Agreement prior to its term without a reasonable cause by notifying the Lessor about the intended termination 1 (one) month prior to the intended day of Agreement termination.
7.6. This Agreement is subject to termination by written agreement of both Parties.
7.7. Having this Agreement terminated, the obligations and duties which have not been performed as well as established procedure of settlement, payment of penalties and loss, resolution of disputes arising out of this Agreement shall remain effective.
7.8. By signing this Agreement the Lessor understands and agrees that this Lease Agreement may not be terminated by unilateral statement of the Lessor unless the circumstances specified in Paragraph 7.3 are present.

8. OTHER PROVISIONS

8.1. Each Party hereby represents and warrants to another Party that:
8.1.1. it is a company of private limited liability duly established and legitimately operating under the laws of the Republic of Lithuania;
8.1.2. it has all the rights and authorizations to execute this Agreement and perform properly the obligations undertaken hereunder; it received all the permits, approvals and authorizations of the competent institutions, its corporate bodies and/or other persons which based on applicable legislation and internal documentation of the Parties are necessary for execution and implementation of this Agreement;
8.1.3. neither execution of this Agreement, nor performance of obligations established herein violate and breach (i) any Articles of Association of the Party or provisions of other internal documents and also any decisions, orders or instructions issued by the corporate bodies of the Party; (ii) any decision, resolution, order, instruction or other document issued by court or other sate or municipal which is mandatory or applicable to the Party; (iii) any agreement, other transaction or promise to which it is a party; and also (iv) any provisions of laws or applicable legislation that is mandatory to the Party.

8.2. Besides the statements and warranties set out in Paragraph 8.1 hereof, by signing this Agreement the Lessor shall additionally represent and warrant to the Lessee, that:

8.2.1. the Lessor possesses the Premises by private ownership title;

8.2.2. the Lessor represents that during the time of execution of this Agreement the leased Premises are mortgaged to the bank AB Swedbank.

8.2.3. there are no disputes in court concerning the leased premises, premises are not seized or their use according to their direct purpose is not otherwise limited; premises are not leased and are not given to any third parties on the grounds of commodate; there are no hidden defects of which the Lessor is aware of due to which the Premises could not be used according to their purpose or their utility could be decreased to the extent that if the Lessee had known about these defects, it should not have leased the Premises or should not paid for the Premises the lease fee of such amount.

8.3. It shall be deemed that representations and warranties listed herein is delivered and is accurate on a day of signing of this Agreement and on the day of delivery and acceptance of the Premises.

8.4. If the representations and warranties as well as statements set out herein were not true, the Party to which such representation, warranty or statement has been presented (aggrieved Party) shall be entitled (in addition without limiting the rights which it can exercise under the laws of the Republic of Lithuania) to demand from the Party which presented such representation or statement, to reimburse the direct loss suffered due to the fact that the aggrieved Party trusted false representation, warranty or statement and which could not have been incurred by the Party, if the representation or warranty should have corresponded to reality.

8.5. The Party shall undertake to refrain from disclosing the terms and conditions of this Agreement to any third parties with an exception of state institutions and creditors of the Lessor which are entitled to receive such information under the laws. Notwithstanding the confidentiality obligation set forth herein, any of the Parties shall be entitled to disclose the confidential information to is employees, participants, auditors and advisors and/or consultants selected by the Parties.

8.6. Invalidity of any provision of this Agreement shall not affect the validity of other provisions of the Agreement. The Parties agree to replace the invalid provision of the Agreement with other provision which meet the most the objective and spirit of the previous one.

8.7. The Agreement together with all its amendments, supplements and/or annexes form one agreement between the Parties and the Agreement may not be anyhow divided.

8.8. Having the ownership title to the Property passed from the Lessor to a third party, this Agreement shall be valid to the new owner of the Premises with the same terms and conditions for the entire Agreement validity time.

8.9. Any dispute arising out of this Agreement or related hereto which within 30 (thirty) days as from submission of the Party's request regarding the performance of obligations hereunder is not resolved by negotiations, must be resolved in court of the Republic of Lithuania in accordance with the procedure established by laws of the Republic of Lithuania.

8.10. The laws of the Republic of Lithuania shall govern the relations arising between the Parties which are not regulated by this Agreement.

8.11. In the event of change of the legal addresses, numbers of bank accounts and (or) other details, the Parties must immediately notify each other of that. The Party which failed to fulfill this requirement shall be deprived of the right to present the claims or counterclaims that actions of the other Party performed according to the details of which it was lately aware of fails to meet the terms of the agreement or that it had not received notices which have been send according to these details.

8.12. The Parties confirm that all the terms and conditions of this Agreement were discussed and coordinated individually, i.e. each term and condition of the Agreement was discussed and coordinated individually.

8.13. All the information, warnings or notices related to this Agreement must be drawn up in writing and must be send by electronic mail, fax, registered letter or courier mail (with confirmation about delivery) or delivered against the signature at the addresses specified in Paragraph 9 hereof.

8.14. This Agreement may be registered in Kaunas Branch of Immovable Property Register of the State Enterprise Center of Registers. The Agreement shall be registered at expenses of the Lessee.

8.15. The Agreement shall be signed in three copies in the Lithuanian language, each copy having the same legal authority, one copy is retained by each Party to the Agreement and third copy shall be

delivered to the Kaunas Branch of Immovable Property Register of the State Enterprise Center of Registers. The Parties shall place their signatures on each page of the Agreement.

8.16. The Parties represent that they have read this Agreement, understood their content and the consequences of its performance, failure of performance or improper performance, or untimely performance. The Parties sign this Agreement as the document which corresponds to the will of each of them and the objectives of signing this Agreement.

8.17. By signing this Agreement the representative of the Lessor confirms that the meeting of creditors of the Lessor has approved this Agreement draft as it is being signed and the Agreement draft is approved by decision of the meeting of creditors of the Lessor.

ANNEXES TO THE AGREEMENT:

Annex No. 1 – Copy of the Premises' Plan
Annex No. 2 – Plan of the Third Floor of the Building
Annex No. 3 – Certificate of Delivery and Acceptance of the Premises
Annex No. 4 – Extract from the Register of Immovable Property of the State Enterprise Center of Registers.

9. LEGAL ADDRESSES AND DETAILS OF THE PARTIES

LESSOR	**LESSEE**
BUAB Apskaitos etika	**UAB Ubiquiti Networks Europe**
Company number 1117 75915	Company number 300633724
50 Putvinskio Str., Kaunas	Address: 221 Savanorių Ave., Kaunas
LT19 4010 0425 0307 4176	E-mail: rasa@ubnt.com
AB DNB bank	Ph. 8-687-27482

Represented by bankruptcy administrator
UAB Įmonių bankroto administravimo ir teisinių paslaugų biuras
E-mail k.stankus@adminbiuras.lt
Ph. 8-687-55922

/signed/	*/signed/*
Kęstutis Stankus	Director Rasa Juodišienė
A person authorized by the administrator	

ANNEX No.3 to the 10 July 2013 Non-Residential Premises Lease Agreement

CERTIFICATE OF DELIVERY AND ACCEPTANCE OF THE PREMISES

10 July 2013, Kaunas

BUAB Apskaitos etika , company number 1117 75915, legal address 50 V. Putvinskio Str., Kaunas, represented by the administrator UAB Įmonių bankroto administravimo ir teisinių paslaugų biuro (Company Bankruptcy Administration and Legal Services Bureau), number of legal person 235238440, by authorized person Kęstutis Stankus (basis for authorization is the 26 March 2012 Resolution of Kaunas Regional Court and the 30 April 2012 Power of Attorney No. 04-81/1), hereinafter referred to as the ‘ ***Lessor*** ’ on one side
and

UAB Ubiquity Networks Europe , number of legal person 300633724, address of the registered office 221 Savanorių Ave., Kaunas, represented by Rasa Juodišienė, the director, hereinafter referred to as the ‘ ***Lessee’*** on the other side,

The Lessor and the Lessee hereinafter may be referred to as the ‘ ***Parties*** ’ and each individually as the ‘ ***Party*** ’ , following the Non-Residential Premises Lease agreement entered into on 10 July 2013 (hereinafter referred to as the ‘ **Agreement** ’) hereby agree as follows:

1. The Lessor hereby delivers to the Lessee for the fee to possess and use the **premises of administrative purpose the total area of which is 477 sq.m.** , located on the third floor of the building at address 50 V.Putvinskio Str., the unique number of which is **4400-0605-4380** , owned by the Lessor.
2. The Lessee hereby undertakes the aforementioned Premises. The Lessee confirms that the conditions of the Premises to be delivered on the day of execution of this Certificate meets substantially the terms and conditions of the Agreement and also that the Premises are suitable for use according to their purpose set out in the Agreement.
3. The Parties state that at the time of signing of this Certificate the works which have been undertaken by the Lessor under the Paragraph 2.1 of the Agreement are not performed: the measuring apparatus and shower cabin are not installed. The Lessor shall undertake to perform such works in accordance with the terms set out in the Agreement.
4. The defects of the Premises which are present on the day of signing of this Certificate:

Keys have not been handed, gate remote control, access cards and the company ‘Apskaitos etika’ has not vacated the Premises

(specify, if any)

The readings of utility meters on the day of signing this Certificate:
5.1. electricity: WHG:21422; WHP:1951; WHP:1692;
5.2. heating: 0000; 0000 (2 measuring apparatus);
5.3. ________________________ .

LEGAL ADDRESSES AND DETAILS OF THE PARTIES

LESSOR	**LESSEE**
BUAB Apskaitos etika	**UAB Ubiquiti Networks Europe**
Company number 1117 75915	Company number 300633724

50 Putvinskio Str., Kaunas Address: 221 Savanorių Ave., Kaunas
LT19 4010 0425 0307 4176 E-mail: rasa@ubnt.com
AB DNB bank Ph. 8-687-27482
Represented by bankruptcy administrator
UAB Įmonių bankroto administravimo ir teisinių paslaugų biuras
E-mail k.stankus@adminbiuras.lt
Ph. 8-687-55922

/signed/ */signed/*
Kęstutis Stankus Director Rasa Juodišienė
A person authorized by the administrator

Exhibit 21.1

Subsidiaries of the Ubiquiti Networks, Inc.

UAB “Devint”

Republic of Lithuania

Ubiquiti Cayman Limited

Cayman Islands

Ubiquiti International Holding Company Limited

Cayman Islands

Ubiquiti Networks Consulting (Shanghai) Co., Ltd

The People's Republic of China

Ubiquiti Networks (India) Private Limited

Republic of India

Ubiquiti Networks International Limited

Hong Kong

Exhibit 23.1

CONSENT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

We hereby consent to the incorporation by reference in the Registration Statement on Form S-8 (No. 333-177310 and No. 333-185958) of Ubiquiti Networks, Inc. of our report dated September 13, 2013 relating to the consolidated financial statements, which appears in this Form 10-K.

/s/ PricewaterhouseCoopers LLP
San Jose, California
September 13, 2013

Exhibit 31.1

**CERTIFICATION OF PRINCIPAL EXECUTIVE OFFICER
PURSUANT TO
RULE 13A-14(A) AND 15D-14(A) OF THE SECURITIES EXCHANGE ACT OF 1934, AS AMENDED,
AS ADOPTED PURSUANT TO
SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002**

I, Robert J. Pera, certify that:

1. I have reviewed this annual report on Form 10-K of Ubiquiti Networks, Inc.;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant’s other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a–15(e) and 15d–15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a–15(f) and 15d–15(f)) for the registrant and have:

(a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

(b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

(c) Evaluated the effectiveness of the registrant’s disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

(d) Disclosed in this report any change in the registrant’s internal control over financial reporting that occurred during the registrant’s most recent fiscal quarter (the registrant’s fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant’s internal control over financial reporting; and

5. The registrant’s other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant’s auditors and the audit committee of the registrant’s board of directors (or persons performing the equivalent functions):

(a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant’s ability to record, process, summarize and report financial information; and

(b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant’s internal control over financial reporting.

September 13, 2013

/s/ Robert J. Pera

Robert J. Pera
Chief Executive Officer and Director
(Principal Executive Officer)

Exhibit 31.2

CERTIFICATION OF PRINCIPAL FINANCIAL OFFICER
PURSUANT TO
RULE 13A-14(A) AND 15D-14(A) OF THE SECURITIES EXCHANGE ACT OF 1934, AS AMENDED,
AS ADOPTED PURSUANT TO
SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002

I, Craig L. Foster, certify that:

1. I have reviewed this annual report on Form 10-K of Ubiquiti Networks, Inc.;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a–15(e) and 15d–15(e)) over financial reporting (as defined in Exchange Act Rules 13a–15(f) and 15d–15(f)) for the registrant and have:

(a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

(b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

(c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

(d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

(a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

(b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

September 13, 2013

/s/ Craig L. Foster

Craig L. Foster
Chief Financial Officer
(Principal Financial Officer)

Exhibit 32.1

**CERTIFICATION OF PRINCIPAL EXECUTIVE OFFICER AND PRINCIPAL FINANCIAL OFFICER
PURSUANT TO
18 U.S.C. SECTION 1350,
AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002**

I, Robert J. Pera, certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that the Annual Report of Ubiquiti Networks, Inc. on Form 10-K for the fiscal year ended June 30, 2013 fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934, as amended, and that information contained in such Annual Report on Form 10-K fairly presents in all material respects the financial condition and results of operations of Ubiquiti Networks, Inc.

Date: September 13, 2013

By:	/s/ Robert J. Pera
Name:	Robert J. Pera
Title:	Chief Executive Officer and Director *(Principal Executive Officer)*

I, Craig L. Foster, certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that the Annual Report of Ubiquiti Networks, Inc. on Form 10-K for the fiscal year ended June 30, 2013 fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934, as amended, and that information contained in such Annual Report on Form 10-K fairly presents in all material respects the financial condition and results of operations of Ubiquiti Networks, Inc.

Date: September 13, 2013

By:	/s/ Craig L. Foster
Name:	Craig L. Foster
Title:	Chief Financial Officer *(Principal Financial Officer)*