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9 NORTHERN DISTRICT OF CALIFORNIA  
SAN FRANCISCO DIVISION

|                              |   |   |
|------------------------------|---|---|
| 10 UNITED STATES OF AMERICA, | ) | <b>CASE NO. CR 21-353-CRB</b>           |
|                              | ) |   |
| Plaintiff,                   | ) | <b>DECLARATION OF STEFANOS LOUKAKOS</b> |
|                              | ) |   |
| 11 v.                        | ) |   |
|                              | ) |   |
| 12 MANISH LACHWANI,          | ) |   |
|                              | ) |   |
| Defendant.                   | ) |   |
|                              | ) |   |

14 I, Stefanos Loukakos, declare and state as follows:

15 1. I was the Senior Vice President of Business at Headspin, Inc. from approximately  
16 September 2019 until approximately June 2020.

17 2. I received post-graduate engineering degrees from Stanford University and the University  
18 of California, Berkeley, as well as an M.B.A. from INSEAD. Prior to 2015, I served as Country  
Director of Google in Greece and CEO of Hellas Online, a leading telecommunications provider in

1 Greece. In 2015, I joined Facebook, Inc. in an executive role at the company's European headquarters.  
2 In 2017, I moved to the United States to continue to work at Facebook, as Head of Facebook's  
3 Messenger Business, and Director of Blockchain.

4 3. I joined Headspin in September 2019 at Senior Vice President of Business. Based on my  
5 communications with Headspin's CEO, Manish Lachwani, prior to joining, my understanding was that  
6 my responsibilities in the role were to include managing various business teams, driving revenue  
7 growth, as well as managing direct and third-party sales channel relationships and partnerships.

8 4. Upon joining Headspin, I was also tasked to work on Headspin's Series C Preferred  
9 Stock offering, including communicating with potential investors.

10 5. Based on my communications with Mr. Lachwani and others at Headspin, I understood  
11 that Mr. Lachwani was the final decisionmaker at Headspin regarding recording sales and revenue,  
12 making revenue recognition decisions, and calculating Headspin's ARR. Mr. Lachwani maintained a  
13 Google sheet entitled "Internal – HeadSpin Revenue – Customer Forecast Model" ("Customer Forecast  
14 Model"). Mr. Lachwani was the sole person at Headspin with the authority to edit or change the  
15 Customer Forecast Model. Mr. Lachwani used the Customer Forecast Model, among other documents,  
16 to calculate and record HeadSpin's sales, its revenue attribute to each sale, its Average Contract Value  
17 ("ACV"), and its ARR. I had authority to access and review this document, but I did not have edit  
18 access.

19 6. In early 2020, I began having concerns about Headspin's accounting and its  
20 representations to investors, customers, and employee-shareholders. These concerns were, in part, based  
21 on Mr. Lachwani's resistance to an investor request for an audit and his refusal to provide information to  
22 investors requests for further detail about its financial representations.

23 7. In approximately March of 2020, a senior Headspin engineer told me that Headspin only  
24 had approximately 2,000 to 3,000 mobile devices on its network, rather than the tens of thousands that

1 the company had been claiming to investors and customers.

2 8. Soon after that conversation, I noticed that Electronic Arts was listed as a Headspin  
3 customer in financial documents. However, I knew that Headspin did not have a formal business  
4 relationship with EA because I had met with senior EA executives multiple times in September and  
November 2019 regarding a potential deal, but any arrangement was never finalized.

5 9. My concern grew and I dug deeper into Mr. Lachwani's representations about sales to  
6 customers by talking to Headspin sales employees to see if I could verify certain large customer revenue  
7 that was included in the ARR information that Headspin had reported to investors. Through my review I  
learned that a significant portion of the revenue and ARR claimed by Mr. Lachwani was fictitious.

8 10. Later in March 2020, I decided I needed to report these concerns, and others I had about  
9 Headspin and Mr. Lachwani, to Headspin's Board of Directors. I prepared a presentation that I  
delivered to the Chairman of Headspin's Board on March 14, 2020. A true and correct copy of this  
presentation is attached as Exhibit A.

10 I swear under penalty of perjury that the foregoing is true and correct to the best of my  
11 knowledge. Signed this the 11th day of October 2023, in Athens, Greece.

12 DATED: 11 October, 2023



13 \_\_\_\_\_  
14 STEFANOS LOUKAKOS

# Exhibit A

# Headspin

Prepared by: Stefanos Loukakos

For: Headspin BoD members Nikesh Arora, Karim Faris

March 2020

## Executive Summary

- Product / platform is good and provides real value to customers
- Headspin has the potential to scale globally and become a large business
- CEO is fully invested in the company (works harder than anyone I know) and has good intentions
- **But there are some major concerns about how he runs the business and how he represents our financial situation** that need to be investigated by the BoD

## Issues that warrant investigation by the BoD (1/3)

- **Inflated ARR**

- The company claimed \$84m ARR at the end of 2019 but the actual number is probably closer to \$30-40m

- **Inflated actual revenue for 2019**

- The company is reporting revenues of ~\$50m for 2019 but this includes \$20m+ of unbilled receivables (booked revenue which was never invoiced). Most of these unbilled receivables are fictitious / questionable

- **Overstating the size of our device cloud**

- The company reports 22,000 / 32,000 devices on our global device cloud but the actual number is approximately 2,000 devices

- **Questionable customers**

- The company states many global businesses as customers that are not actually customers (Booking.com, EA, Apple, Youtube, CSCO, Pinterest and many more)

## Issues that warrant investigation by the BoD (2/3)

- **Poor governance**
  - The company entire financial department consists of one external accountant and her assistant
  - CEO is solely in charge of any financial transaction, payments, invoicing of customers and measuring and reporting ARR
  - Lack of key functions and systems (no financial department, no GL or invoicing system, no ERP, no CRM etc), no HR , no org chart (most of the company employees / contractors report to the CEO)
  - Company has never been audited
  
- **Possibility of misusing cash reserves** - Cash from investors was/is invested in high risk securities (equities and options)
  
- **Global Data centers** - most of our global device deployment reside in privately owned apartments and operated by individuals (not in data centers)



## Issues that warrant investigation by the BoD (3/3)

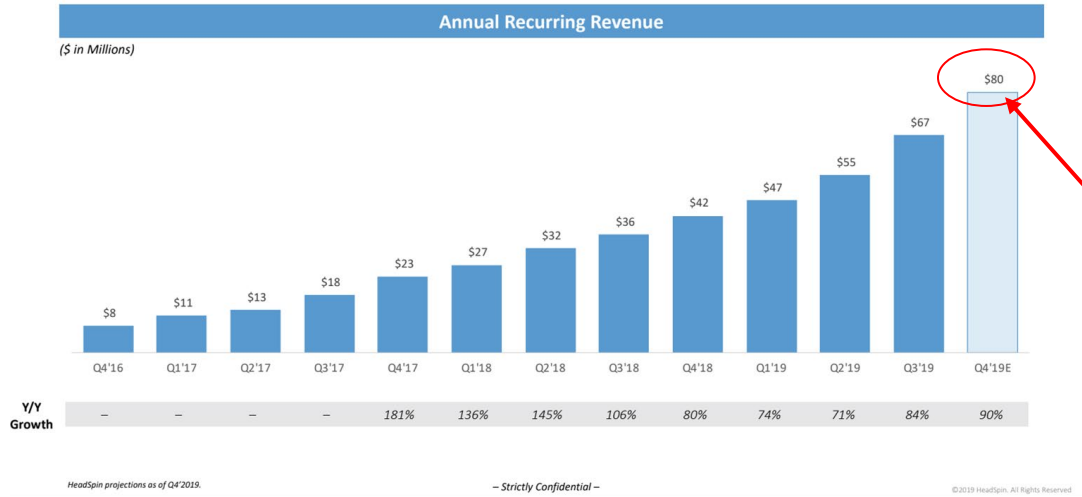
- **Abusing and controlling CEO behaviour**
  - CEO firing / hiring people at will, without any reason or any formal process
  - CEO sending abusive texts/emails to employees, investors and partners
  - CEO seems to have a pattern of influencing some direct reports to act inappropriately (e.g. head of Legal and head of Finance)
  - CEO never provides any transparency to employees / partners / investors

# Inflated ARR

headspin

13

## And Great Momentum



- Investor deck for the series C claimed an ARR of \$67m in Q3 and \$80m in Q4 (estimate)
- We disclosed to investors that we ended Q4 2019 at \$84m ARR
- **ARR calculation is not based on actual bookings**
- ARR calculation is mainly based on pipeline and that is also questionable
- **Actual ARR seems more like ~\$35-40m**
- A lot of this ARR is based on channel pipeline where the CEO actually books the whole revenue from the partner as our ARR (e.g. Accenture has a deal with a customer for \$1m to do QA testing, our part is only 100k but the CEO would count the whole 1M as ARR)

# Inflated actual revenues

| headspin                 |                        |                        |                        |                        |                         |
|--------------------------|------------------------|------------------------|------------------------|------------------------|-------------------------|
| HeadSpin, Inc            |                        |                        |                        |                        |                         |
| Profit and Loss          |                        |                        |                        |                        |                         |
| January 2018 - June 2019 |                        |                        |                        |                        |                         |
|                          | Apr - Jun, 2018        | Jul - Sep, 2018        | Oct - Dec, 2018        | Jan - Mar, 2019        | Apr - Jun, 2019         |
| Income                   |                        |                        |                        |                        |                         |
| One Time Setup Fee       |                        |                        | 10,501.00              |                        |                         |
| Recurring Revenue        | 7,384,834.00           | 5,052,971.50           | 8,899,721.21           | 8,782,203.00           | 11,465,104.70           |
| <b>Total Income</b>      | <b>\$ 7,384,834.00</b> | <b>\$ 5,052,971.50</b> | <b>\$ 8,910,222.21</b> | <b>\$ 8,782,203.00</b> | <b>\$ 11,465,104.70</b> |

| headspin               |                         |
|------------------------|-------------------------|
| HeadSpin, Inc          |                         |
| Profit and Loss        |                         |
| July - September, 2019 |                         |
|                        | Total                   |
| Income                 |                         |
| Recurring Revenue      | 14,918,408.38           |
| <b>Total Income</b>    | <b>\$ 14,918,408.38</b> |

| headspin                                       |                      |
|--|----------------------|
| HeadSpin, Inc                                  |                      |
| Balance Sheet                                  |                      |
| As of September 30, 2019                       |                      |
|  | Total                |
| <b>ASSETS</b>                                  |                      |
| 2. FRB Checking                                | 974,361.23           |
| 3. LPL Financial ("3871")                      | 5,312,985.51         |
| 4. LPL Strategic Wealth Management II ("0597") | 39,959,271.60        |
| 5. Wells Savings "8716"                        | 8,072.44             |
| 6. FRB Sweep                                   | 0.00                 |
| Stripe   | 0.00                 |
| Total Bank Accounts                            | \$ 53,141,585.47     |
| Accounts Receivable                            |                      |
| Accounts Receivable                            | 7,932,629.37         |
| Total Accounts Receivable                      | \$ 7,932,629.37      |
| Other Current Assets                           |                      |
| Payroll taxes due back                         | 0.00                 |
| Prepaid Expenses                               | 2,619,605.07         |
| <b>Unbilled Receivables</b>                    | <b>20,948,303.25</b> |

- Q1-Q3 2019 reported revenues: \$34m
- **Unbilled receivables as of Q3: \$20m**
- Booked revenue on Unbilled receivables that is questionable:
  - Google \$3.1m (we are doing only ~\$400k)
  - Akamai \$900k
  - Apple \$563k (not a customer)
  - CSCO \$417 (not a customer)
  - Disney \$1.5m (we have a much smaller deal)
  - EA \$300k (not a customer)
  - In-Qtel \$5.5m (don't believe this exists)
  - Ntrepid \$1.5m (we have smaller deal)
  - PWC \$776k

• Most of this revenue is actually pipeline and not booked revenue (no contracts or commercial agreements in place)

• We believe **actual revenues** for the year instead of ~\$50m (\$34m for Q1-Q3 plus an estimated \$14-16m for Q4) are **closer to \$30-35m**

# Overstating the size of our device cloud

-----

**Stefanos** 2:45 PM  
😂 you can tell I am in sales!

**jonrafkind** 🌈 2:46 PM  
we also have '22000 devices in our cloud' all over, the real number is like 2k

**Stefanos** 2:46 PM  
including customer's devices?

**jonrafkind** 🌈 2:47 PM  
just in our own datacenters, but customers can bring their own device too

**Stefanos** 2:47 PM  
I mean devices dedicated to customers

**jonrafkind** 🌈 2:48 PM  
yea, 2k is dedicated + shared

**Stefanos** 2:48 PM  
you positive? why do we say then 22k devices?

**jonrafkind** 🌈 2:48 PM  
lol ask manish

- On presentations and our website we say that the size of our device cloud is approximately 22,000 and lately 32,000 devices
- We actually only have 2,000 devices on our cloud
- Jon Rafkind is probably the no2 engineer at the company behind the CTO Brien

## Questionable customers

- Many of the clients that the company claims and presents on marketing decks, internal documents or on our website, have never been our customers.
- Some examples:
  - Electronic Arts (never a customer)
  - Youtube (we only run a free test for google play about YT)
  - Apple (not a customer)
  - Bouygues (never a customer)
  - Canal+ (never a customer)
  - Disney (much smaller deal than what we claim on Unbilled receivables)
  - CSCO (not a customer)
  - American Express (not a customer)
  - CITI (we only have a very small deal with Citi Ventures)
  - Booking.com (we are trying to sign them but they are not customers)
- The company also claim that we have more than 1,000 customers worldwide but the real number would be closer to 150-200 customers (my estimate)

## Questionable customers example - Booking.com

- Booking.com is not a customer, yet it is shown as “signed ACV” on internal spreadsheet that measures ARR
- This spreadsheet is being shared with potential investors for them to measure ARR

### Internal - HeadSpin Revenue & Customer Forecast Model ★

File Edit View Insert Format Data Tools Add-ons Help Last edit was made 2 days ago by Manish Lachwani



| B          | C   | D                               | E                 | F            | G                     | H  | I |
|------------|---|---------------------------------|-------------------|--------------|-----------------------|--|---|
|            | <i>*excludes expansion and assumes zero churn for now</i> |                                 |                   |              |                       |  |   |
|            |   |                                 |                   |              |                       | <i>*Assumption that 80% of ACV is A set up cost is not recurring = 20%</i> |   |
| Type       | Leads   | % likelihood of full deployment | One time revenues | ACV signed   | ACV (on % likelihood) | ARR  |   |
| Direct ARR | Bookings  | 100%                            |                   | \$500,000.00 | \$500,000.00          | \$500,000.00   |   |

## Poor (or non-existent) governance

- **Lack of financial controls** - The company entire financial department consists of one, external accountant that works from home most of the time and who does only the books
- Company has **never been audited. CEO refused multiple times requests from investors (ICONIQ, Nextworld Capital) to get audited.** ICONIQ's insistence on adding controls and understanding better our financials has resulted in a rift between them and the CEO. Now the CEO wants to return the investment from ICONIQ mainly because of these requests
- **CEO calculates ARR and pipeline in a spreadsheet**
- CEO makes all wires and payments to contractors / employees and approves all expenses
- Systems and governance do not exist
- The company does not have HR, org chart or any structure whatsoever. Responsibilities are given and taken ad-hoc and most people report to the CEO

## Possibility of misusing cash reserves & non-existent Data centers

- Not sure if the CEO has gotten board approval for this, but he is using the company cash to invest in risky assets like stocks and options and the Board should investigate this (especially now that the stock market has crashed)

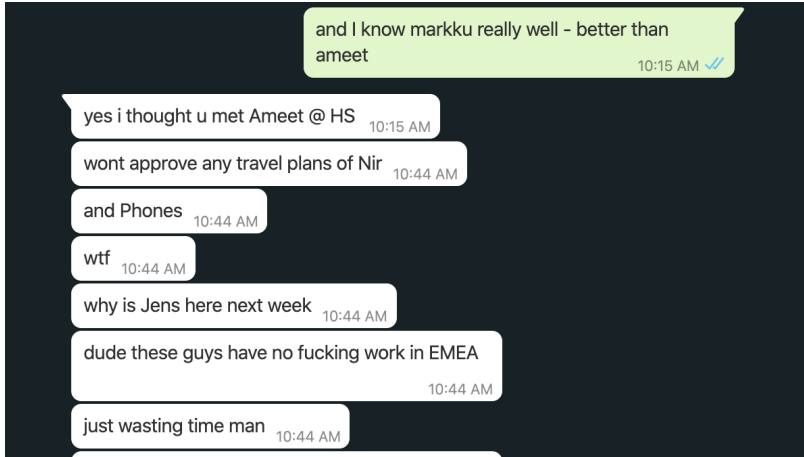
|   |    |      |      |               |                  |                  |                  |
|---|----|------|------|---------------|------------------|------------------|------------------|
| 4. LPL Strategic Wealth Management II (*0597)       |    |      | 0.00 | 0.00          | 0.00             | 0.00             |                  |
| Cash  |    |      | 0.00 | 3,022,881.13  | 920,721.45       | 22,368.62        |                  |
| Equities & Options                                  |    |      | 0.00 | 0.00          | 0.00             | 0.00             |                  |
| Tax basis   |    |      | 0.00 | 17,612,262.92 | 37,553,472.44    | 36,697,983.10    |                  |
| Unrealized Gain/Loss                                |    |      | 0.00 | 60,326.36     | -3,309,875.44    | -64,221.60       |                  |
| Total Equities & Options                            | \$ | 0.00 | \$   | 0.00          | \$ 17,672,589.28 | \$ 34,243,597.00 | \$ 36,633,761.50 |
| Total 4. LPL Strategic Wealth Management II (*0597) | \$ | 0.00 | \$   | 0.00          | \$ 20,695,470.41 | \$ 35,164,318.45 | \$ 36,656,130.12 |

- Global Data centers** - most of our global device deployment reside in privately owned apartments and operated by individuals and not in data centers as claimed, which results in compliance and security issues for our clients

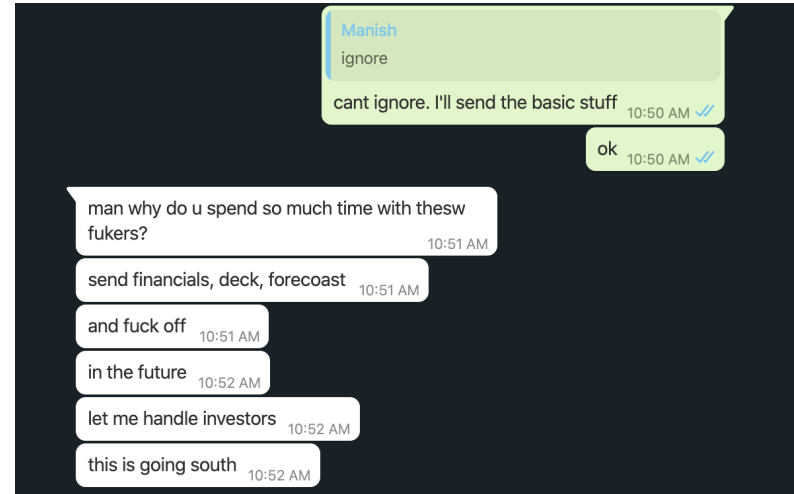


## Abusive CEO behaviour (1/4)

- The CEO is often abusive and acts on impulse towards employees, investors and partners. Firing people on the spot without any reason or process

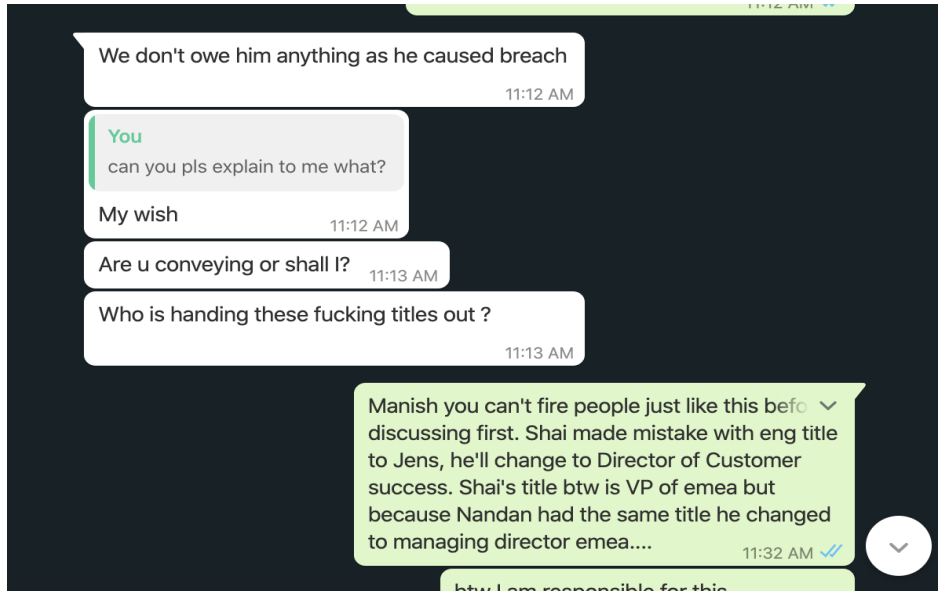


Nir, Jens started in January 2020 in EMEA, the only EMEA team members to fly to HQ for 'onboarding'



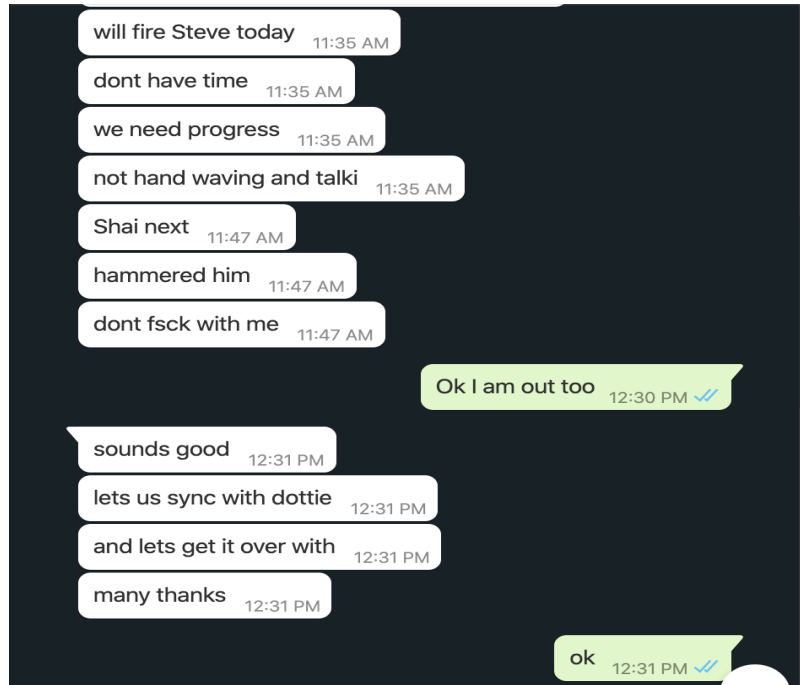
Towards Iconiq

## Abusive CEO behaviour (2/4)

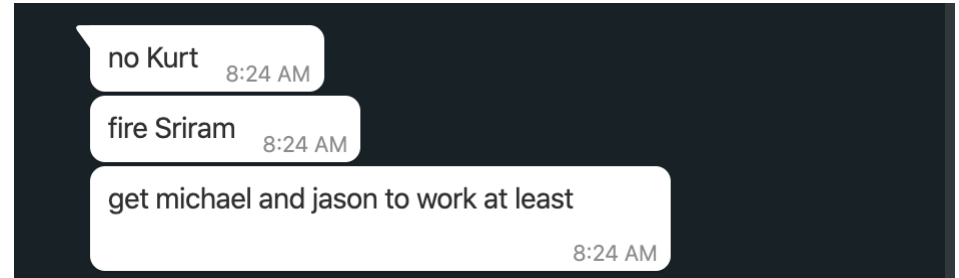


Shai came from Google in mid November as head of EMEA and hired 6 fairly senior individuals ( from Google Cloud, Amdocs and several mature startups)

## Abusive CEO behaviour (3/4)



Steve (from EMEA) was fired on the spot for no reason and his email was disconnected on the spot, during a hangout (video) with a major Telco client



Sriram is SVP of product & marketing and 3 years at the company. Manish wanted to fire him for no reason

# Abusive CEO behaviour (4/4)

No payment for Shai Inbox x



**Manish Lachwani** <manish@headspin.io> Wed, Nov 27, 2019, 11:12 AM ☆ ↶ ⋮  
to Sana, me ▾

Shai has been let go. Stefanos will convey.

Sana - pls don't send any payments as he caused a breach

**Sana Okmyanskaya** <sana@headspin.io> Wed, Nov 27, 2019, 11:52 AM ☆ ↶ ⋮  
to Manish, me ▾

Confirmed.

...

**Manish Lachwani** Wed, Nov 27, 2019, 12:15 PM ☆  
We have fixed the issue now. So sorry but he will stay. Sana pls do the payment

**Sana Okmyanskaya** <sana@headspin.io> Wed, Nov 27, 2019, 2:07 PM ☆ ↶ ⋮  
to Manish, me ▾

confirmed, no issues at all. Same timing for payment as planned?

...

ALL EMEA WIRES - NO APPROVAL Inbox x



**Manish Lachwani** <manish@headspin.io> Thu, Jan 16, 10:49 AM ☆ ↶ ⋮  
to Sana, me, Dottie ▾

Sana - pls disconnect. I won't approve anything.

+ Dottie as FYI.

Best,  
Manish Lachwani  
[HeadSpin](#)  
"Done Is Better Than Perfect!"

**Sana Okmyanskaya** <sana@headspin.io> Thu, Jan 16, 11:23 AM ☆ ↶ ⋮  
to Manish, Dottie, me ▾

Acknowledged.

...

**Manish Lachwani**  
just remove all of them from our systems.

**Manish Lachwani** Sat, Mar 7, 11:47 PM (1 day ago) ☆ ↶ ⋮  
to me ▾

Yes pls good idea. Divide and rule

Thanks

Best Regards,  
Manish Lachwani.

Please let us know what improvements we can make to any aspect of HeadSpin! Critical feedback is much appreciated.

...

**Manish Lachwani** Sat, Mar 7, 11:49 PM (1 day ago) ☆ ↶ ⋮  
to Dottie, me ▾

We will only do this again and again. Don't teach me professionalism please. I built every dollar of revenue here

How much sales did u close ? Oh let me guess ... \$0

Adding Dottie to figure out how to deal with this shit of people blaming me all the damn time. If you don't like it here then don't work here. It's that simple

- Firing EMEA team and Shai (the VP of EMEA) for no reason and cc'ing Sana (accountant) to stop payments
- Dottie (Legal/HR) and Sana (accountant) never actually challenge this behaviour