



Pareteum - The Wild West of Telecoms

Breach of Iran sanctions, related party and non-operational customers, anemic cash flows, uncollectable revenues.

June 25, 2019 – Pareteum (NASDAQ:TEUM) provides services to Mobile Virtual Network Operators (**MVNOs**), who sell data/minutes to users and purchase data/minutes from telecom network operators. Recently Pareteum has been subject to criticism from other short sellers. Given the discourse, Viceroy believe it is prudent that we also share our findings.

- Further to recent research reports, Pareteum has a history of promotional press releases of customer wins. A deeper investigation into these customers show much larger number are insignificant, and the companies behind them appear in no way capable of fulfilling the contract values advertised by Pareteum.
- Two of Pareteum's customer wins appear to be undisclosed related parties tied to Pareteum consultant Dinesh "Danny" Patel.
- One of Pareteum's announced customer wins is a company under a historic investigation and charged with significant VAT evasion fraud. Information on this is easily available, leading us to believe that Pareteum was aware of the company's issues while announcing the customer win.
- Pareteum appears to be in breach of US sanctions against Iran through its provision of services to Iranian MVNO Amin SMC. Amin SMC appears to be chaired by Hamid Reza Amirinia, an individual suspected of breaching sanctions with an Iranian government mandate to launder money for the regime.
- Several entities on the pareteum.cloud domain are small companies or have no web presence whatsoever, leading us to believe that they are Pareteum customers who are unable to pay or have no operations.
- Pareteum's 36-month contractual backlog measurement is not an accurate predictor of future profits. An analysis of the company's backlog and management comments shows it should have reported 73.10% more revenue in Q1 2019 than it did. Management appears to be inflating this figure to hype up the share price and reassure investors.
- Pareteum's management has a history of dishonest reporting. Notably, CFO Ted O'Donnell who was sued by former employer AudioEye for fabricating US\$8.1m worth of revenue over 3 quarters which was found to have no supporting documentation. This was an overstatement of revenues in the period of more than 3,000%.
- Pareteum's rapid-fire announcement of customer wins mirrors its announcements regarding cryptocurrency in 2017, which were put to an abrupt halt when a response to an SEC letter revealed TEUM had made no revenue, nor planned to do so, from cryptocurrency.
- Pareteum has made an US\$3.7m loan to Yonder Media Mobile, an early stage MVNO operated by serial failure entrepreneur Adam Kidron. Kidron has burned at least US\$100m in his enterprises, having already cratered the Yonder brand with a music streaming service which collapsed in 2017.
- A breakdown of Pareteum's revenues, cash flows and receivables show the majority of its revenue from sources other than Vodafone and acquired businesses iPass and Artilium appears to be uncollectable. Accordingly, we believe total revenue is overstated by 42%, corroborating our findings regarding Pareteum's customers.

We are as yet unable to quantify the impact of the company's apparent breach of sanctions against Iran and have not assigned a discount. We have reported this apparent breach to the relevant federal authorities.

A token valuation on an EV/Revenue basis presents a 44% - 76% downside for Pareteum's share price (State Current Price), with the more severe scenario more probable. However, based on the numerous subjective issues highlighted in this report and the dependence of the valuation on our already-conservative revenue adjustment, we cannot fully quantify the downside, which we believe to be significant.



Attention: Whistleblowers

Viceroy encourage any parties with information pertaining to misconduct within Pareteum or any other entity to file a report with the appropriate regulatory body.

We also understand first-hand the retaliation whistleblowers sometimes face for championing these issues. Where possible, Viceroy is happy act as intermediaries in providing information to regulators and reporting information in the public interest in order to protect the identities of whistleblowers.

You can contact the Viceroy team via email on viceroy@viceroyresearch.com

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1. Background

Pareteum provides services to **Mobile Virtual Network Operators** (MVNOs) who sell data/minutes to users and purchase data/minutes from telecom network operators. Pareteum was formerly Elephant Talk Communications Corporation (NYSE:ETCC). The company's largest historical customer is Vodafone Enabler S.L., an MVNO operating on Vodafone Spain's network.

Pareteum acquired 2 companies in the past year: Artilium, an organic-growth-challenged roll-up of telco service-related assets, and iPass, a rapidly shrinking, negative free cash flow Wi-Fi hotspot provider.

2. Customers: fakes, related parties, non-operational entities

Several of Pareteum's customers are either related parties, small companies incapable of accounting for the revenue reported by Pareteum or have no discernible web presence. The most egregious examples are some of the customers in Pareteum's press releases detailing large contract wins.

We have further reviewed Pareteum's customers by searching the pareteum.cloud domain, together with Pareteum's press releases.

Since the release of Aurelius Value's report, Pareteum has retracted and modified slide decks, specifically their customer lists.

2.1. Possibly non-existent customers

A search of Pareteum's sub-domains for pareteum.cloud turns up customers which we detail below. Some customers have very little information or web presence other than their Pareteum cloud login.

iboconnect.com

Iboconnect has not been announced by Pareteum as a customer but uses a Pareteum sub-domain, ibo.pareteum.cloud.

Not secure | ibo.pareteum.cloud/account/login

IBO

Log In

Email Address

Password

Submit

Figure 1 ibo.pareteum.cloud/account/login¹

The website is operated by ibo connect Limited incorporated by Isaac Blankson and Christina Danquah on July 25, 2018². The largely incomplete website lists pre-paid SIM cards for purchase and many of the pages are unfinished with broken links.

¹ <https://web.archive.org/web/20190609070901/http://ibo.pareteum.cloud/account/login>

² <https://beta.companieshouse.gov.uk/company/11483310>



Business Opportunity

I am text block. Click edit button to change this text. Lorem ipsum dolor sit amet, consectetur adipiscing elit. Ut elit tellus, luctus nec ullamcorper mattis, pulvinar dapibus leo.

Figure 2 iboconnect.com Business Opportunities page³

Ecrosspay Limited

Ecrosspay is a company registered in the UK owned by Tajudeen Osoba incorporated on October 31, 2017 but dormant until October 2018⁴. The company does not have a website, but does have a pareteum.cloud domain in its name.

Note : ecrosspay.pareteum.cloud is no longer operational at the time of publication.

Voiptrade.pareteum.cloud & BigAppleMarketing.pareteum.cloud

No online presence for either of these companies could be found. There are potential connections to the barely-operational website voip-trade.com operated by VOIP-TRADE LTD, a UK entity incorporated on May 4, 2018.

Figure 3 voiptrade.pareteum.cloud/account/login⁵

Note : voiptrade.pareteum.cloud is no longer operational at the time of publication.

Exactta.pareteum.cloud

This domain displays the logo of newweb.tuttogroup.com, a website purporting to sell SIM cards and associated services but has no way of online ordering. Newweb.tuttogroup.com⁶ also looks extremely similar to exactta.com (the Pareteum URL appears to be a typo), both of which are operated by Voiceserve Limited according to Tutto's privacy policy.

This privacy policy covers Exactta Group s.r.l and group companies and our websites, products and services.
Websites:
www.tuttogroup.com
www.exactta.com
Please read this privacy policy carefully. By accessing and using our websites, products and services you confirm that you have read, understood and agree to this privacy policy.
You must not register with us or sign up to any of our Services if you do not accept this privacy policy.
Our principal activity is to provide telecommunications software, applications, systems, solutions, products and services ("Services").
In this privacy policy, "we" "us" and "our" mean **Voiceserve Limited** and group companies and "you" and "your" means the person accessing our websites and Services.
This privacy policy provides you with details about the personal information we collect from you, how we use your personal information and your rights to control personal

Figure 4 tuttogroup.com Privacy Policy⁷

Voiceserve Limited is a UK subsidiary of Voiceserve Inc⁸, a Delaware company formerly listed on the NASDAQ as VSRV⁹. Considering neither tuttogroup nor exactta have any method of selling their products we doubt Pareteum derives any revenue from these entities.

³ <https://web.archive.org/web/20190609071008/https://www.iboconnect.com/business-opportunity/>

⁴ <https://beta.companieshouse.gov.uk/company/11039221/filing-history>

⁵ <http://voiptrade.pareteum.cloud/account/login>

⁶ <https://web.archive.org/web/20190609080346/http://newweb.tuttogroup.com/>

⁷ https://web.archive.org/web/20190609080403/http://newweb.tuttogroup.com/?page_id=2256

⁸ <https://beta.companieshouse.gov.uk/company/04401935/filing-history>

⁹ <https://en.wikipedia.org/wiki/Voiceserve>



Not secure | exaccta.pareteum.cloud/Account/Login

tuto
don't pay roaming anymore

SELF-CARE

Customer area

Order Number

Password

SIGN IN

2018 © Tutto Terms & Conditions

f

Figure 5 exaccta.pareteum.cloud¹⁰

JVT.pareteum.cloud

JVT Log In

Email Address

Email Address

Password

Submit

Figure 6 jvt.pareteum.cloud¹¹

No corresponding entity could be found.

Integral.pareteum.cloud

Integral Organization Pricing Sales Log In

Log In

Email Address

Email Address

Password

Submit

Figure 7 integral.pareteum.cloud¹²

No corresponding entity could be found. The other pages accessible at the top are all broken except for “Organization” which leads to a blank page.

¹⁰ <https://web.archive.org/web/20190609080240/http://exaccta.pareteum.cloud/account/login?path=/account>

¹¹ <https://web.archive.org/web/20190609080842/http://jvt.pareteum.cloud/account/login>

¹² <https://web.archive.org/web/20190609081004/https://integral.pareteum.cloud/account/login>



Inactive domains

Subdomains that exist on the pareteum.cloud domain but don't seem to be active:

- Grafana.pareteum.cloud
- Hawkins.pareteum.cloud
- Apeiron.pareteum.cloud
- Ota.pareteum.cloud
- rgw.pareteum.cloud
- sd.pareteum.cloud

2.2. Pareteum's Breach Party: Iran Sanctions Violation

Pareteum appears to be in breach of US sanctions against Iran by providing hosting services, and potentially extending mobile virtual network services, to Amin S.M.C. (**Amin**), an Iranian MVNO established in 2017. Amin is chaired by Hamid Reza Amirinia, an individual suspected of skirting sanctions with an Iranian government mandate and money laundering for the regime through an entity specifically sanctioned by the Office of Foreign Asset Controls.

Amin's website is either managed or created by Pareteum judging by the 2017 Pareteum copyright in the lower left hand corner of the page and the use of the amin.pareteum.cloud domain¹³.

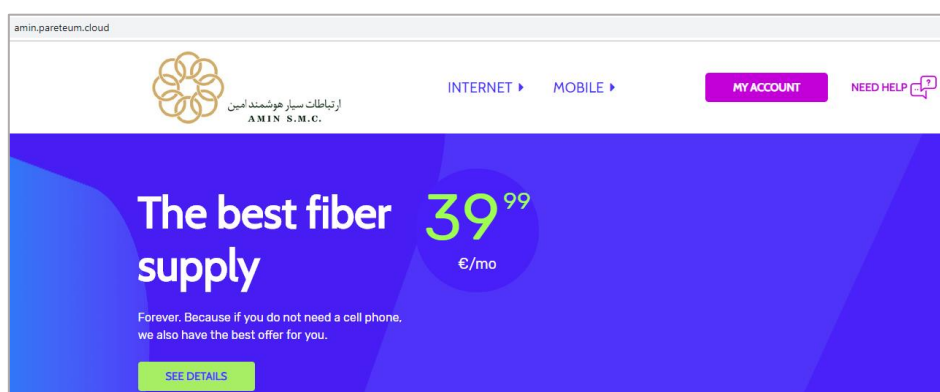


Figure 8 amin.pareteum.cloud¹⁴

There are several inconsistencies on the Amin website: prices are quoted in Euros, the website itself is in English by default and does not appear to redirect to Amin's local Iranian website. One would expect the website to be in Farsi and the currency to be denominated in Rials. The photos on the site still have watermarks.

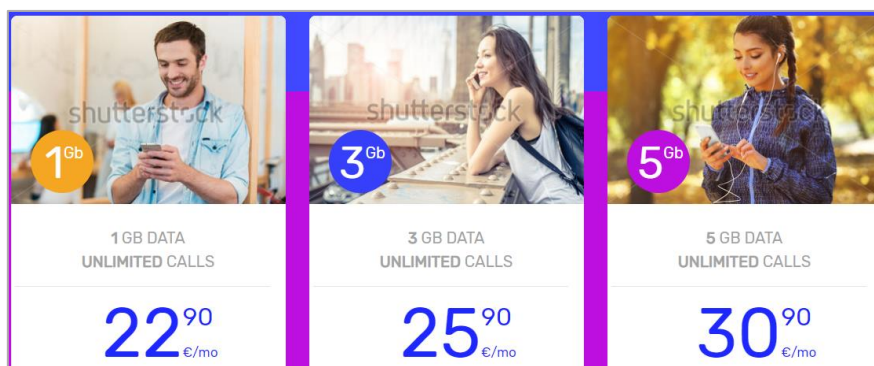


Figure 9 amin.pareteum.cloud

¹³ NB: pareteum.cloud domains are somehow still held by ValidSoft UK, a Pareteum purchase and subsequent spin-off. Validsoft UK filed for bankruptcy and restructured, largely due to a defaulted receipt from Pareteum

<https://beta.companieshouse.gov.uk/company/04023940/filing-history/MzE3MDA5NzEyOWFkaXF6a2N4/document?format=pdf&download=0>

¹⁴ <https://web.archive.org/web/20190609065132/http://amin.pareteum.cloud/>



Beyond that the website appears to be either broken or incomplete; most links redirect back to the homepage or don't work at all. While checkout functionality appears to work, no details on any of its plans are available; there is also no list for countries when entering customer details. We are unsure who is processing these payments.

Figure 10 amin.pareteum.cloud/checkout¹⁵

Pareteum is hosting an Iranian company's website: providing a service that is not exempted. Other web-host providers have taken note¹⁶.

Amin also has an Iranian language site: www.aminmvno.com¹⁷ which displays the same logo as amin.pareteum.cloud and a **page claiming to be working with Pareteum as an MVNO partner**.

Figures 11 & 12 aminmvno.com¹⁸

¹⁵ <http://amin.pareteum.cloud/checkout>

¹⁶ <https://www.internetgovernance.org/2017/01/13/icanns-jurisdiction-sanctions-and-domain-names/>

¹⁷ <https://web.archive.org/web/20190609065402/http://aminmvno.com/>

¹⁸ <https://web.archive.org/web/20190609065457/http://aminmvno.com/article/mvne-mvno-enabler-%DA%86%DB%8C%D8%B3%D8%AA%D8%9F/>



Amin SMC was granted a license to operate a MVNO in September 2018, and a now-defunct [api.dowjones](#) link to the license press release shows the full name of the company as “Ertebatate Sayar Houshmande Amin”. The Chairman of the Board is noted as **Hamid Reza Amirinia**.

capital. 48 ? IRAN Country Report ? September 2018 [www.intellinews.com](#) 9.2.4 ?TMT corporate news Iran's Communications Regulatory Authority (CRA) has permitted Ertebatate Sayar Houshmande Amin (AMIN S.M.C) to begin offering a new mobile virtual network operator (MVNO) that is directed at young children and teenagers. ICTNA reported on July 30. More than a dozen MVNOs that rent bandwidth from main providers are currently in existence in Iran, but the market segment has low profitability. Several smaller virtual operators have struggled to gain a foothold given the competition with major players including Mobile Communications of Iran (MCI), MTN-Irancell and Rightel, all three of which have managed to retain their customers in recent years. The new MVNO brand called Teen Taak was launched on the sidelines of the ongoing Elecomp digital industries exhibition in northern Tehran. Hamid Reza Amirinia, chairman of the board of directors of Amin S.M.C., said that with the emphasis placed by the company on the safety of children and young people in the digital domain, “we believe that Iranian children and teens can participate in a healthy digital environment”. The new operator has been awarded a five-year licence. The leading MVNO in Iran is operated by the country's largest fixed-line ADSL provider ? Shatel ?. It uses MCI's

Figure 13 [api.dowjones](#) defunct link

Hamid Reza Amirinia is listed in a report by the People's Mojahedin Organization of Iran as the Director of the Center for Innovation and Technology Co-operation, an organization allegedly used to skirt sanctions against the country.

Hierarchy of Center for Innovation and Technology Co-operation of the President's office:

Director: **Hamid Reza Amirinia**
 Director of international affairs: Ali Morteza Birang
 Director for Western Europe: Ahmadi
 Director for international affairs: Morteza Birang, works with Hamid Reza Amirinia to provide regime's needs from various countries.

Hamid Reza Amirinia, the director of the organisation, personally follows issues related to skirting sanctions in Austria. He has been working with the regime's lobby network in Austria in various fields for more than eight years and has set up a widespread network. Part of Amirinia's recent report to the Presidential institution reads: “Austria's capacities are very high and we have had good capacities with them since the Islamic revolution. Currently we are in contact with some groups there, regarding technology production who are indeed active in political economy too and have independent lobbies as well. It is also possible to use Austrian banks.”

1. Identifying one of the agencies to skirt sanctions in the office of Ahmadinejad


One of the agencies in the presidential office assigned for skirting sanctions is the Center for Innovation and Technology Co-operation (CITC) of the President's Office. This organization was established 10 years ago and is located in a building separate from the presidential office. In the beginning it was not set up for skirting sanctions, but it focused on this task gradually and currently it is explicitly involved in this matter. The core of activities in this center and its main task is “technology diplomacy,” which is in fact to explore ways to skirt sanctions. One of its institutions is its international affairs office that pursues the ways to skirt sanctions under the guise of “technology diplomacy.”

Figures 14, 15 & 16 Center for Innovation and Technology Co-operation¹⁹

The Center for Innovation and Technology Co-Operation is listed by the Office of Foreign Assets Control (OFAC) in its Specifically Designated Nationals (SDN) List, which lists entities “controlled by, or acting for or on behalf of, targeted countries. It also lists individuals, groups, and entities, such as terrorists and narcotics traffickers designated under programs that are not country-specific.”

¹⁹ <https://web.archive.org/web/20190609065249/https://docplayer.net/4440611-People-s-mojahedin-organization-of-iran-pmoi-mek-10-october-2012-1-identifying-one-of-the-agencies-to-skirt-sanctions-in-the-office-of-ahmadinejad.html>





OFAC

Office of Foreign Assets Control

Sanctions List Search

This Sanctions List Search application ("Sanctions List Search") is designed to facilitate the use of the Specially Designated Nationals and Blocked Persons list ("SDN List") and all other sanctions lists administered by OFAC, including the Foreign Sanctions Evaders List, the List of Persons Identified as Blocked Solely Pursuant to E.O. 13590, the Non-SDN Iran Sanctions Act List, the Part 561 list, the Sectoral Sanctions Identifications List and the Non-SDN Palestinian Legislative Council List. Given the number of lists that now reside in the Sanctions List Search tool, it is strongly recommended that users pay close attention to the program codes associated with each returned record. These program codes indicate how a true hit on a returned value should be treated. The Sanctions List Search tool uses approximate string matching to identify possible matches between word or character strings as entered into Sanctions List Search, and any name or name component as it appears on the SDN List and/or the various other sanctions lists. Sanctions List Search has a slider-bar that may be used to set a threshold (i.e., a confidence rating) for the closeness of any potential match returned as a result of a user's search. Sanctions List Search will detect certain misspellings or other incorrectly entered text, and will return near, or proximate, matches, based on the confidence rating set by the user via the slider-bar. OFAC does not provide recommendations with regard to the appropriateness of any specific confidence rating. Sanctions List Search is one tool offered to assist users in utilizing the SDN List and/or the various other sanctions lists; use of Sanctions List Search is not a substitute for undertaking appropriate due diligence. The use of Sanctions List Search does not limit any criminal or civil liability for any act undertaken as a result of, or in reliance on, such use.

[Download the SDN List](#)
[Visit The OFAC Website](#)

[Download the Consolidated Non-SDN List](#)
[Program Code Key](#)

Details:

Type:	Entity	List:	SDN
Entity Name:	CENTER FOR INNOVATION AND TECHNOLOGY COOPERATION	Program:	IFSR: NPWMD
		Remarks:	

Identifications:

Type	ID#	Country	Issue Date	Expire Date
Additional Sanctions Information -	Subject to Secondary Sanctions			

Aliases:

Type	Category	Name
a.k.a.	weak	CITC
a.k.a.	strong	TECHNOLOGY COOPERATION OFFICE
a.k.a.	weak	TCO
a.k.a.	strong	OFFICE OF SCIENTIFIC AND TECHNICAL COOPERATION
f.k.a.	strong	PRESIDENCY OFFICE OF SCIENTIFIC AND INDUSTRIAL STUDIES
f.k.a.	strong	OFFICE OF SCIENTIFIC AND INDUSTRIAL STUDIES
f.k.a.	weak	POSI
f.k.a.	weak	OSIS

Addresses:

Address	City	State/Province	Postal Code	Country
	Tehran			Iran

Figure 17 Center for Innovation and Technology Co-operation – OFAC Sanction Search²⁰

630. Is the provision or delivery of goods or services to an Iranian counterparty after November 4, 2018 allowed?

The wind-down period has ended and the United States intends to fully enforce the sanctions that have come back into effect. The provision or delivery of goods or services and/or the extension of additional loans or credits to an Iranian counterparty after November 4, 2018 — even pursuant to written contracts or written agreements entered into prior to May 8, 2018 — may result in the imposition of U.S. sanctions unless such activities are exempt from regulation, authorized by OFAC, or otherwise not sanctionable.

The United States maintains authorizations and exceptions under U.S. sanctions that allow for the sale of agricultural commodities, food, medicine, and medical devices to Iran by U.S. persons and non-U.S. persons. However, these authorizations and exceptions do not apply to transactions involving persons on OFAC's List of Specially Designated Nationals and Blocked Persons (SDN List) that have been designated in connection with Iran's support for international terrorism or proliferation of weapons of mass destruction, including designated Iranian financial institutions or the Islamic Revolutionary Guard Corps (IRGC), or activity that is subject to other sanctions (see [FAQ 637](#)). [11-05-2018]

Figure 18 OFAC FAQ 630²¹

The assets of these entities are blocked, and U.S. persons are prohibited from dealing with them without exemption from OFAC. The Center of Innovation and Technology Cooperation is specifically listed under the **Iranian Financial Sanctions** program AND the **Weapons of Mass Destruction Proliferators Sanctions Regulations** program. Amirinia's position as chairman of Amin SMC and director of the Center for Innovation and Technology Cooperation certainly makes him "involved" with Pareteum's Amin SMC dealings.

More recent evidence is the listing of jobs in Iran by Elephant Communications, Pareteum's former name on LinkedIn and recruitment agency hamijobs, the latter bearing the company's logo. Google's snippets show the listings are fairly recent; July and December 2018. The hamijobs listing appears to be the only listing on the website for jobs in Iran.

This further complicates matters as it appears Pareteum might still be operating in the country, not just rendering services to Iranian entities. We have not been able to find a Pareteum subsidiary in Iran so far.

²⁰ <https://sanctionssearch.ofac.treas.gov>

²¹ https://www.treasury.gov/resource-center/faqs/Sanctions/Pages/faq_iran.aspx#630



Elephant Talk Communications hiring Platform Operations Manager in ...
<https://ir.linkedin.com/.../platform-operations-manager-at-elephant-talk-communications...>
 Jul 31, 2018 - Platform Operations Manager. Elephant Talk Communications Tehran Province, Iran. 7 months ago 94 applicants. No longer accepting applications ...

Elephant Talk Communications hiring Core Network & IN Engineer in ...
<https://ir.linkedin.com/.../core-network-in-engineer-at-elephant-talk-communications-99...>
 Dec 1, 2018 - Core Network & IN Engineer. Elephant Talk Communications Tehran Province, Iran. 6 months ago 80 applicants. No longer accepting applications ...

Figure XX Google search result



ElephantTalk

ELEPHANT TALK COMMUNICATION COMPANY

I. Job Opening

- Database Administrator
- Service Desk & NOC Agent

Figure XX Hamijobs listing²²

Pareteum may also be involved with another sanctioned group, Etemad Amin Invest Co Mobin (Etemad). The Iranian language aminmvno.com domain was administered by Ali Shogi using a teminvestco.com domain according to a Whois record on August 17, 2016.

Whois Record on Aug 17, 2016

```

Domain Name: aminmvno.com
Registry Domain ID: 2052955235_DOMAIN_COM-VRSN
Registrar WHOIS Server: whois.yoursrs.com
Registrar URL: http://www.realtimeregister.com
Updated Date: 2016-08-17T12:36:41Z
Creation Date: 2016-08-17T12:35:21Z
Registrar Registration Expiration Date: 2019-08-17T12:35:21Z
Registrar: REALTIME REGISTER B.V.
Registrar IANA ID: 839
Reseller: Hostcontrol
Domain Status: renewPeriod http://www.icann.org/epp#renewPeriod
Registry Registrant ID: Not Available From Registry
Registrant Name: ali shoghi
Registrant Organization:
Registrant Street: sattarkhan,habibalah st.
Registrant City: tehran
Registrant State/Province: tehran
Registrant Postal Code: 1455746491
Registrant Country: IR
Registrant Phone: +98.9121181957
Registrant Phone Ext:
Registrant Fax:
Registrant Fax Ext:
Registrant Email: shoghi@teminvestco.com
  
```

Figure 19 Whols report of aminmvno.com dated August 17, 2016

Teminvestco.com is the website of Etemad Amin Invest Co Mobin. The group was sanctioned by the EU, Australia²³, South Korea and Japan in 2010 over its involvement with the Islamic Revolutionary Guard Corps (IRGC).

²² <http://www.hamijobs.com/etc>

²³ <https://www.legislation.gov.au/Details/F2010L02342/de9aa0fb-2425-4068-989b-199bef207081>



	Name	Identifying information	Reasons	Date of listing
12.	Etemad Amin Invest Co Mobin	Pasadaran Av. Tehran, Iran	A company owned or controlled by IRGC that contributes to financing the strategic interests of the regime.	26.7.2010

Figure 20 COUNCIL DECISION amending Decision 2010/413/CFSP concerning restrictive measures against Iran

The SEC have previously questioned Pareteum regarding their Zain business in 2017 regarding exposure to Syria and Sudan, which the company asserted did not exist²⁴. In light of the newly imposed sanctions against Iran and its officials we do not believe this will be taken lightly by the relevant authorities²⁵.

At best, Pareteum is likely in ongoing violation of US sanctions, at worst they are facilitating a money laundering scheme. Note the People's Mojahedin Organization of Iran report was released in 2012, and the api.dowjones site has the story published in September 2018. For Pareteum be so negligent would be a major failure of due diligence. We have informed the relevant authorities including the Treasury's Office of Foreign Assets

2.3. October 2, 2018: Pareteum Adds \$15 Million in New Contracts

Pareteum Adds \$15 Million in New Contracts

UNCATEGORIZED

Share:     

Pareteum Adds \$15 Million in New Contracts
Platform as a Service Unleashes Multiple Use Cases

NEW YORK, NEW YORK – PRNewswire – October 2, 2018 – Pareteum Corporation (NYSE American: TEUM), ("Pareteum" or the "Company"), today announced that it has signed new contracts with Parallax Health Sciences in the U.S., oneCentral in the Netherlands, and Naledi in South Africa totaling \$15 Million over three years. New customers will use Pareteum's cloud platform as a service offering to enable voice, mobile, and device and data-monitoring for their companies. These use cases are made possible through the recently-merged Artilium and Pareteum products.

Figure 21 Pareteum Press Release²⁶

On October 2, 2018 Pareteum announced US\$15m in new contracts with Parallax Sciences, oneCentral and Naledi. Our investigation showed none of these entities can be expected to generate this level of revenue.

Parallax Health Sciences

Parallax Health Sciences (OTCPK:PRLX) is a penny stock public company with no discernable asset base, ~US\$12,000 in sales for 2018 sales and 7 employees on LinkedIn²⁷ at the time of writing.

As noted by Aurelius Value, Parallax's executives include the Pareteum CFO, Edward O'Donnell and former business associates from AudioEye including AudioEye's former CEO who was named alongside O'Donnell in a case alleging fraud.

²⁴ <https://www.sec.gov/Archives/edgar/data/1084384/000114420418000813/filename1.htm>

²⁵ <https://home.treasury.gov/news/press-releases/sm716>

²⁶ <https://web.archive.org/web/20190609071832/https://www.pareteum.com/news/pareteum-adds-15-million-in-new-contracts/>

²⁷ <https://www.linkedin.com/company/parallax-health-sciences-inc-/about/>



oneCentral

oneCentral is a business telephony IT services company domiciled in the Netherlands. It has 9 employees on LinkedIn and lists 9 employees on its corporate website including administrative roles.

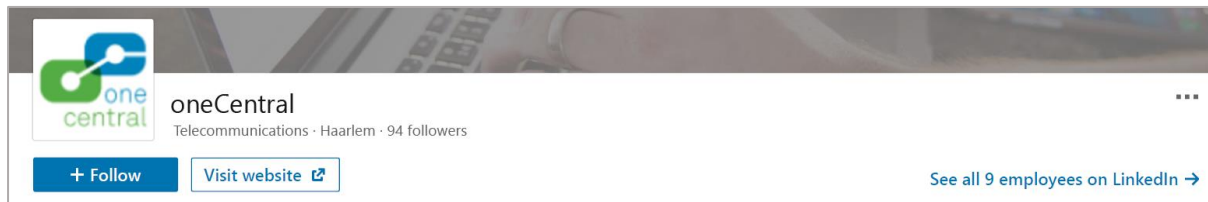


Figure 22 oneCentral LinkedIn profile²⁸

Of the three businesses, oneCentral is by far the largest with various sources claiming the company generated US\$5.5m in sales 2018.

Naledi

Naledi Telecoms is a South African startup MVNO that appears to still not have launched. A Google South Africa search of “Naledi” returns no results and the company has no employees on LinkedIn.

Aurelius Value investigators found no activity at Naledi locations, where the founder confirmed that the business was not yet in operation.

2.4. October 8, 2018: Pareteum Expands Customer Base in Asia with 3-year \$50 Million Contract



Figure 23 Pareteum Press Release²⁹

On October 2, 2018 Pareteum announced a 3-year US\$50m contract with One Development. Our investigation shows that One-Development has no way of fulfilling this contract. We question whether One Development even signed such a contract given how far beyond its scale it is.

²⁸ <https://www.linkedin.com/company/onecentral/about/>

²⁹ <https://web.archive.org/web/20190609071832/https://www.pareteum.com/news/pareteum-adds-15-million-in-new-contracts/>



One Development

One Development was incorporated in 2014 and awarded an MVNO license in July 2018³⁰. The company has 7 employees on LinkedIn³¹ and has had no meaningful business in the 4 years since its incorporation. None of its founders have a particularly impressive background.

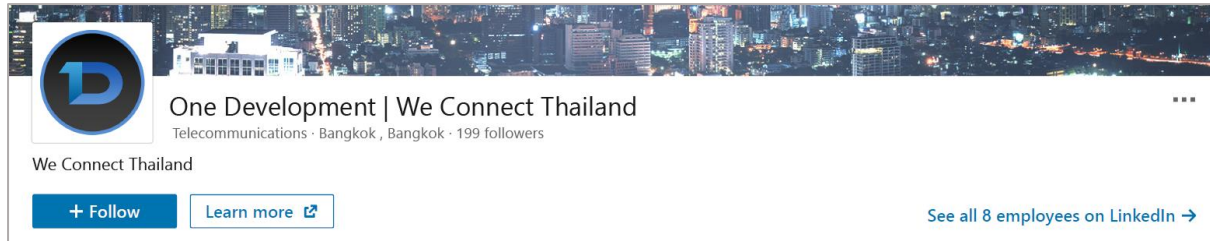


Figure 24 One Development – We Connect Thailand LinkedIn profile³²

One Development does business through weconnectthailand.com but is actually called “The One Development (Thailand) Company Limited”. Financials of Thai companies are publicly available through the Department of Business Development’s DBD Warehouse³³. Filings for One Development shows a small loss-making company with no capacity to fulfil a US\$50m, 3-year contract. The entity made a 2018 gross profit of US\$5,685.54.

Registered No : 0105556016266

Income Statement of THE ONE DEVELOPMENT (THAILAND) COMPANY LIMITED
For the year 2016 – 2018

Unit : Baht	2016		2017		2018	
	Amount	%Change	Amount	%Change	Amount	%Change
Revenue from Sales&Services	N/A	N/A	N/A	N/A	N/A	N/A
Total Revenue	214,694.78	13.46	182,853.37	-14.83	N/A	-100.00
Cost of Goods Sold	N/A	N/A	N/A	N/A	N/A	N/A
Gross Profit (Loss)	N/A	N/A	N/A	N/A	178,470.68	N/A
Selling&Admin Expenses	219,500.00	-70.61	241,972.00	10.23	234,025.00	-3.28
Total Expenses	219,500.00	-70.61	241,972.00	10.23	234,025.00	-3.28
Interest Expenses	N/A	N/A	N/A	N/A	N/A	N/A
Profit(Loss) before Income Tax	-4,805.22	-99.13	-59,118.63	1,130.30	-55,554.32	-6.02
Income Tax Expense	N/A	N/A	N/A	N/A	N/A	N/A
Net Profit (Loss)	-4,805.22	-99.13	-59,118.63	1,130.30	-55,554.32	-6.02

Remark(s) :

1. This statement includes only important accounts.
2. % Change is a year-over-year change of the current fiscal year and the previous fiscal year amount.
3. The accounts showing in the statement depend on the accounting format submitted.

Figure 25 DBD Warehouse The One Development (Thailand) Company Limited Income Statement

Pareteum’s US\$50m, 3-year contract with One Development³⁴ implies that it is several multiples larger than its contract with Vodafone.

³⁰ <https://web.archive.org/web/20190609071945/http://www.yozzo.com/news-and-information/mvno-mobile-operator-s/mvna-mvne-one-development-awarded-mvna-license-in-thailand>

³¹

³² <https://www.linkedin.com/company/one-development-we-connect-thailand/>

³³ <http://datawarehouse.dbd.go.th/>, click “คลิกที่นี่”, complete the captcha, search for “0105556016266”

³⁴ <https://www.prnewswire.com/news-releases/pareteum-expands-customer-base-in-asia-with-3-year-50-million-contract-300726721.html>



2.5. October 17, 2018: Pareteum Announces \$8 Million in New Agreements

Pareteum Announces \$8 Million in New Agreements

UNCATEGORIZED

Pareteum Announces \$8 Million in New Agreements

Four Use Cases Revealed during MVNO North America Conference for Internet of Things, Broadband Home, Smart Metering, and Pet Tech

NEW YORK, NEW YORK– PRNewswire – October 17, 2018 – Pareteum Corporation (NYSE American: TEUM), a global cloud software company, today at the MVNO North America Conference in Miami, Florida announced agreements with four new customers valued at \$8 million, including [monogoto](#) and [Nextelle](#).

Pareteum's new use cases include the following:

- Global Software Defined Cloud Platform and SuperAPI white label for [monogoto](#), a platform as a service company providing an interface to onboard devices, build out internet of things solutions, and program APIs to scale with existing apps and services.
- Global Software Defined Cloud Platform solutions via real-time connectivity, monitoring, and billing for [Nextelle](#), a mobile virtual network operator offering broadband home services and pre-paid wireless.
- Global Software Defined Cloud Platform and SuperAPI solution to capture water analysis data wirelessly and in real time for an international water technologies company handling smart metering.
- Global Software Defined Cloud Platform and SuperAPI solution for the pet tech industry, enabling a pet device monitoring company to connect its internet of things devices wirelessly, and securely manage massive volumes of data with real-time access for monitoring and billing solutions.

Figure 26 Pareteum Press Release³⁵

Pareteum did not disclose the “international water technologies company handling smart metering” nor the “pet device monitoring company” but the other two entities, Monogoto and Nextelle are both either inactive or small scale enterprises.

Monogoto

Monogoto was incorporated in 2014 and lists 8 employees on LinkedIn.

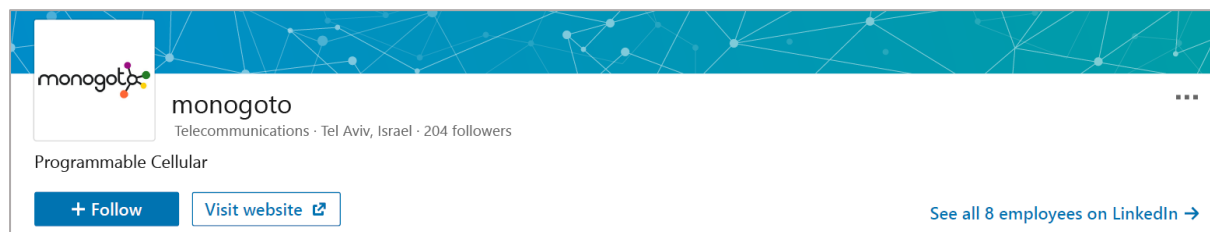


Figure 27 monogoto LinkedIn profile³⁶

The company's website does not have any way to order online or by phone and has no payment mechanism available³⁷. The sign-in link is inactive at the time of writing³⁸.

Nextelle

Nextelle³⁹ is something of a curiosity: the company claims to be a US company but appears to be solely owned by Dave Sharma and operated out of a mail box in Queensland, Australia. Nextelle.com does have a functioning website and appears to sell SIM cards and other internet services. The company also advertises its services on classified sites.

³⁵ <https://www.prnewswire.com/news-releases/pareteum-announces-8-million-in-new-agreements-300732535.html>

³⁶ <https://www.linkedin.com/company/monogoto-io/about/>

³⁷ <https://web.archive.org/web/20190609072134/https://iot.monogoto.io/>

³⁸ <https://web.archive.org/web/20190609072305/https://console.monogoto.io/#/login>

³⁹ <https://web.archive.org/web/20190609072806/http://www.nextelle.net/>



Wireless internet - move with the internet - heaps of data

Wireless internet - move with the internet - heaps of data < Phones & telecoms < Electronic < For sale (free) < Home

NEXTELLE
HOME INTERNET
Nationwide @4G
GO WIRELESS
Heaps of Data
FAST INTERNET
On Australia's best network coverage
NO CREDIT CHECK

Enlarge View

Price : **AUS 74.95** Ad ID : qbp0gM1

Published on : 17 August 2018

Ad Type : I am offering

Contact Details

State : Queensland
City : Brisbane
Postal Code : 4133
Street : P O Box 602 Waterford, Queensland 4133
Phone : 731068930
Email : Nextelle001@gmail.com
Us

Figure 28 domesticsale.com.au Nextelle advertisement ⁴⁰

The company's only review reported the business as a scam:

Wireless_Nextelle

★☆☆☆☆ 0% positive lifetime (1 total ratings)

Wireless_Nextelle is committed to providing each customer with the highest standard of customer service.

Feedback Returns & Refunds Shipping Policies Help Products

★☆☆☆☆ "This Nextelle SIM is a Fraud. Looks like a way to cheat People. They don't ship You anything. You pay \$5 for shipping and You don't even get a tracking number...."

Read more

By Lion Roars on July 20, 2017.

Figure 29 Amazon.com Nextelle review ⁴¹

The company has no official documentation in either the US or Australia and possibly operates three other identical sites: nextgwireless.net⁴², nextgtelecom.com.au⁴³ and nextelle.co.nz⁴⁴.

2.6. October 23, 2018: Pareteum Adds \$11 Million in New Business

Pareteum Adds \$11 Million in New Business

UNCATEGORIZED

Pareteum Adds \$11 Million in New Business
Three-Year Contracts with Five New Brands
Represents 800,000 Connections

NEW YORK, NEW YORK - PRNewswire - October 23, 2018 - Pareteum Corporation (Nasdaq: TEUM), a cloud software platform company, today announced that it has signed three-year mobility as a service agreements totaling \$11 million and 800,000 in connections with five new brands, including Global Connect and Moby.

Pareteum Adds \$11 Million in New Business

Three-Year Contracts with Five New Brands Represents 800,000 Connections

NEWS PROVIDED BY Pareteum Corporation - Oct 23, 2018, 09:00 ET

SHARE THIS ARTICLE

NEW YORK, Oct. 23, 2018, /PRNewswire/ - Pareteum Corporation (Nasdaq: TEUM), a cloud software platform company, today announced that it has signed three-year mobility as a service agreements totaling \$11 million and 800,000 in connections with five new brands, including Global Connect, WorldSIM, and Moby.

New business sales summaries include the following:

- Connectivity, monitoring, and billing for Global Connect, a communication services internet of things company with multinational clients focused on home automated solutions.
- Connectivity solutions for customers in India via WorldSIM, an international travel mobility offering the WorldSIM International SIM card for travel.
- Mobility platform solutions via connectivity, monitoring, and billing for Moby, a mobile virtual network operator offering pre-paid wireless.

Figure 30 Pareteum Press Releases^{45,46}

On October 23, 2018 Pareteum announced US\$11m in new business. The press release on Pareteum's website differs from that on prnewswire.com as the latter mentions WorldSim in addition to Global Connect and Moby.

⁴⁰https://web.archive.org/web/20190609073153/http://www.domesticsale.com.au/classified/clsId/1275/wireless_internet_move_with_the/

⁴¹https://www.amazon.com/sp?_encoding=UTF8&asin=B06ZYFLXKW&isAmazonFulfilled=0&isCBA=&marketplaceID=ATVPDKIKX0DER&orderID=&seller=ANC9TVVT7TX55&tab=&vasStoreID=

⁴²<https://web.archive.org/web/20190609072915/nextgwireless.net>

⁴³<https://web.archive.org/web/20190609073023/nextgtelecom.com.au>

⁴⁴<https://web.archive.org/web/20190609073101/nextelle.co.nz>

⁴⁵<https://web.archive.org/web/20190609074430/https://www.pareteum.com/news/pareteum-adds-11-million-in-new-business/>

⁴⁶<https://www.prnewswire.com/news-releases/pareteum-adds-11-million-in-new-business-300736015.html>



SJ Global Investments London and Global Connect.

Global Connect and SJ Global appear to be undisclosed Pareteum related parties and customers. Neither of these companies appear large enough to account for the value assigned to their contracts by Pareteum.

While only Global Connect was announced by the company SJ Global is also a customer and more clearly illustrates the connections between Pareteum and some of its customers.

SJ Global Investments London Limited – Introducing the Patels

SJ Global is a customer of Pareteum as shown by the siglobal.pareteum.cloud domain, a login page.

Not secure | siglobal.pareteum.cloud/account/login

SJ Global Log In

Log In

Email Address

Figure 31 siglobal.pareteum.cloud/account/login⁴⁷

Dinesh “Danny” Patel, a Pareteum consultant, is also the Director of SJ Global Worldwide Investment Limited.

Danny Patel. (Dinesh) Patel , • 3rd
.Global consulting for. pareteum
Harrow, United Kingdom

[Connect](#) [...](#)

Experience

Director
SJ Global Investments world wide limited
Jan 2016 – Present · 3 yrs 5 mos
London ,dubai, africa, asia usaand europe

Investment in sector as listed Telecom .Smart cities.Prestige Metal . Solar green Energy . Real Estate, Relocation , Recruments, Travel and holidays , Theme Parks Aviation, Commodities, Banking financial Instruments, insurance ,mortgages

Companies

- SJ Global Investments world wide limited
- Golders Green

[See contact info](#)
500+ connections

Figures 32 & 33 Dinesh “Danny” Patel LinkedIn profile⁴⁸

We do not believe the SJ Global on the Pareteum site is SJ Global Investments Worldwide, but SJ Global Investments London, a separate company wholly owned by Rahul Patel incorporated on January 8, 2018. Rahul is the business associate and possible relative (likely son, based on his date of birth) of Dinesh “Danny” Patel.

⁴⁷ <https://web.archive.org/web/20190609065541/http://siglobal.pareteum.cloud/account/login>

⁴⁸ <https://www.linkedin.com/in/dannyatthesimcompany/?originalSubdomain=uk>



PATEL, Rahul

Correspondence address

107 Cheapside, London, United Kingdom, EC2V 6DN

Role **ACTIVE**

Director

Date of birth

August 1995

Appointed on

8 January 2018

Nationality

British

Country of residence

United Kingdom

Occupation

Company Director

Figure 34 SJGlobal Investments London Limited companieshouse.gov.uk profile⁴⁹

SJ Global Investments Worldwide does list its address as Suite 16, 107 Cheapside London and Danny Patel does work for SJ Global Investments Worldwide as he appears in a UK team photo on the company's website.



Figure 35 SJ Global Investment Worldwide UK Team photo (Patel second from right)⁵⁰

It appears Pareteum's global consultant Danny Patel has been used to create related party contracts of questionable integrity. Given the minor size of many of these companies we suspect these parties are being used to generate false revenue.

Global Connect

Global Connect is described in the release as "a communication services internet of things company with multinational clients focused on home automated solutions."

Rahul Patel acquired 50% of Global Connect Solutions⁵¹ from Andrew Kemp on May 1, 2018, six months prior to the contract announcement.

⁴⁹ <https://beta.companieshouse.gov.uk/company/11138120/officers>

⁵⁰ <https://web.archive.org/web/20190609065724/https://siglobalinvestments.com/our-cases/>

⁵¹ <https://beta.companieshouse.gov.uk/company/10298192>



Full details of Shareholders	
The details below relate to individuals/corporate bodies that were shareholders during the review period or that had ceased to be shareholders since the date of the previous confirmation statement.	
Shareholder information for a non-traded company as at the confirmation statement date is shown below	
Shareholding 1: Name:	50 ORDINARY shares held as at the date of this confirmation statement SANDEEP SINGH
Shareholding 2: Name:	50 transferred on 2018-05-01 0 ORDINARY shares held as at the date of this confirmation statement ANDREW KEMP
Shareholding 3: Name:	50 ORDINARY shares held as at the date of this confirmation statement RAHUL PATEL

Figure 36 Global Connect Solutions confirmation statement

Global Connect's web presence makes extensive use of free web domains, and the company's filings depict a financially insignificant entity.

- http://www.imxprs.com/free/ssingh_uk/gcpartnerships⁵² shows an incomplete Global Connect page created on free website tool imxprs.com. The URL suggests Sandeep Singh, 50% shareholder and founder of Global Connect Solutions is responsible for its creation
- www.globalconnect.org.uk⁵³ only displays links to another imxprs domain: http://www.imxprs.com/free/ssingh_uk/connectedhomes⁵⁴.

Ownership of these domains is held by Global Connect Communication Ltd⁵⁵. Both Global Connect Solutions and Global Connect Communication are small companies not representative of the importance Pareteum assigns them in its press release.

Global Connect Solutions Limited (Registered number: 10298192)				
Balance Sheet				
31 July 2018				
	Notes	31.7.18 £		31.7.17 £
CURRENT ASSETS				
Debtors	3	-		262
CREDITORS				
Amounts falling due within one year	4	1,755		2,109
NET CURRENT LIABILITIES		(1,755)		(1,847)
TOTAL ASSETS LESS CURRENT LIABILITIES		(1,755)		(1,847)

Global Connect Communications Ltd (Registered number: 10111449)				
Balance Sheet				
30 April 2018				
	Notes	30.4.18 £		30.4.17 £
FIXED ASSETS				
Tangible assets	4	4,700		-
CURRENT ASSETS				
Stocks	5	18,650		-
Debtors	6	42,077		1,777
Cash at bank		14,154		5,151
		74,881		6,928
CREDITORS				
Amounts falling due within one year	7	22,436		5,983
NET CURRENT ASSETS		52,445		945
TOTAL ASSETS LESS CURRENT LIABILITIES		57,145		945

Figures 37 Global Connect Solutions Limited & Global Connect Communications Limited 2018 Balance Sheets, respectively

⁵² https://web.archive.org/web/20190618062127/http://www.imxprs.com/free/ssingh_uk/gcpartnerships

⁵³ <https://web.archive.org/web/20190618062227/http://www.globalconnect.org.uk/>

⁵⁴ https://web.archive.org/web/20190618062344/http://www.imxprs.com/free/ssingh_uk/connectedhomes

⁵⁵ <https://beta.companieshouse.gov.uk/company/10111449>



WorldSim

WorldSim's is operated by Synectiv Limited, currently run by Asif Chandoo. Synectiv and its operators were part of a fraud case in the UK regarding VAT evasion. The former directors of the company, including Asif's brother, Arif, were arrested in 2001 over this evasion.

Introduction

1. This appeal, by Synectiv Limited ("Synectiv"), is against the decision of HM Revenue and Customs ("HMRC"), contained in a letter dated 16 February 2010, which denied a claim for deduction of £1,418,900 input tax. This sum is consists of £788,900 incurred in relation to six transactions during the VAT period ending 30 April 2006 (04/06) and £630,000 incurred in relation to three transactions during for the VAT period ending 30 June 2006 (08/06).

2. HMRC's primary case is that these nine transactions were connected to Missing Trader Intra-Community ("MTIC") fraud and that Synectiv knew of that connection. Alternatively HMRC contend that Synectiv should have known that the nine transactions were connected to MTIC fraud.

25 **Operation Venison**

41. On 3 November 2001 former directors of Synectiv, Aqeel Ali and Kamal Uddin along with Anjad Baig, were arrested in connection with MTIC fraud. On 7 January 2002 all three were charged with conspiracy to cheat the revenue. On 5 February 2002 Arif Chandoo was arrested and charged with conspiring with Aqeel Ali and others to cheat the revenue during the period between 16 November 1999 and 4 November 2001. Sandeep Golechha was also charged with the same offence in August 2002

Figure 38 Appeal number: TC/2010/06699⁵⁶

While the appeals are ongoing, this effectively means that Synectiv T/A Worldsime is likely barred from trading.

7.1 You can manage your preferences relating to the use of cookies on our website.

8. Our details

8.1 This website is owned and operated by Synectiv Limited (T/A WorldSIM).

Figure 39 worldsime.com cookie policy⁵⁷

Note that information on the VAT fraud case is easily found through internet search and the former directors of Synectiv are all listed on the companieshouse database, implying Pareteum knows full well they were dealing with an entity under investigation for fraud at the time of their announcement.

Moby

The link in Pareteum's press release, mobywireless.com redirects to a different company, Hawaiian MVNO Moby, Inc.

Saving page <http://mobywireless.com/> Done!

A snapshot was captured. Visit page: </web/20190618063012/https://mobi.com/>

<https://mobi.com/>
<https://www.googletagmanager.com/gtag/js?id=UA-120722267-1>
<https://mobi.com/wp-content/themes/pofo/assets/css/et-line-icons.css?ver=1.1.6>
<https://mobi.com/wp-content/themes/pofo/assets/css/font-awesome.min.css?ver=5.3.1>
<https://mobi.com/wp-content/plugins/revslider/public/assets/css/settings.css?ver=5.4.8>
<https://mobi.com/wp-content/themes/pofo/assets/css/bootstrap.min.css?ver=3.3.6>
<https://mobi.com/wp-content/themes/pofo/assets/css/animate.min.css?ver=3.5.2>
<https://mobi.com/wp-content/plugins/contact-form-7/includes/css/styles.css?ver=5.1.3>
<https://mobi.com/wp-includes/css/dist/block-library/style.min.css?ver=5.2.1>
<https://mobi.com/wp-content/themes/pofo/assets/css/themify-icons.css?ver=1.1.6>

Downloaded elements: 67

Figure 40 web.archive.org saving mobywireless.com

Neither Moby nor Pareteum have ever disclosed doing business with each other.

⁵⁶ <https://web.archive.org/web/20190609074529/http://bcp2.telng.com/ftt/judgmentfiles/j7492/TC03059.pdf>

⁵⁷ <https://web.archive.org/web/20190609074712/https://www.worldsim.com/cookie-policy?store=usa>



Moby Wireless also has a facebook.com page⁵⁸ on which it posts advertising and more links that redirect to Moby web pages including a mobywireless.com/imei.php link that results in a 404 error on Moby's servers.

The company's manta.com⁵⁹ profile lists its website as wirelesslinkgroup.com, which redirects to wlgwholesale.com an electronics wholesaler headquartered at an electronics store in Long Island City, New York operated by Bo Guo.



Figure 41 wlgwholesale.com⁶⁰

We have as yet found no other connection between the WirelessLink Group mentioned above and the entity mentioned in Pareteum's press release that is operating the Facebook pages selling SIM cards. Strangely the shares on the Facebook page are highly concentrated in the Jamestown, NY area.

We do not believe Moby Wireless will be generating any significant revenue for Pareteum.

2.7. September 17: Pareteum Secures \$50 Million in New Contracts During August

The following customers are among those recently newly contracted:

- ACN Europe
- Wing Tel Communications
- Secure Watch
- Eyethu Mobile Network

Figure 42 Pareteum Press Release⁶¹

On September 17, 2018, Pareteum announced US\$50m in new contracts in August citing amongst the new customers ACN Europe, Wing Tel Communications, Secure Watch and Eyethu Mobile Network. Of the four, only ACN Europe and Wing Tel Communications appear to be able to pay Pareteum: Secure Watch is a security company and Eyethu Mobile Network appears to be an inactive South African MVNO startup.

⁵⁸ <https://www.facebook.com/pages/category/Business-Service/Moby-Wireless-166234850725116/>

⁵⁹ <https://web.archive.org/web/20190618064140/https://www.manta.com/c/mhw64zf/moby-wireless>

⁶⁰ <https://web.archive.org/web/20190609075253/http://wlgwholesale.com/Ecommerce/General/Default.aspx>

⁶¹ <https://www.prnewswire.com/news-releases/pareteum-secures-50-million-in-new-contracts-during-august-300713495.html>



Secure Watch

Secure Watch is a 1 or 2 employee operation started by Brandon Clyde according to his LinkedIn profile⁶².

Secure Watch's appears to sell security systems, but their website appears to simply be a quote generator with no sign-up or email facilities⁶³.

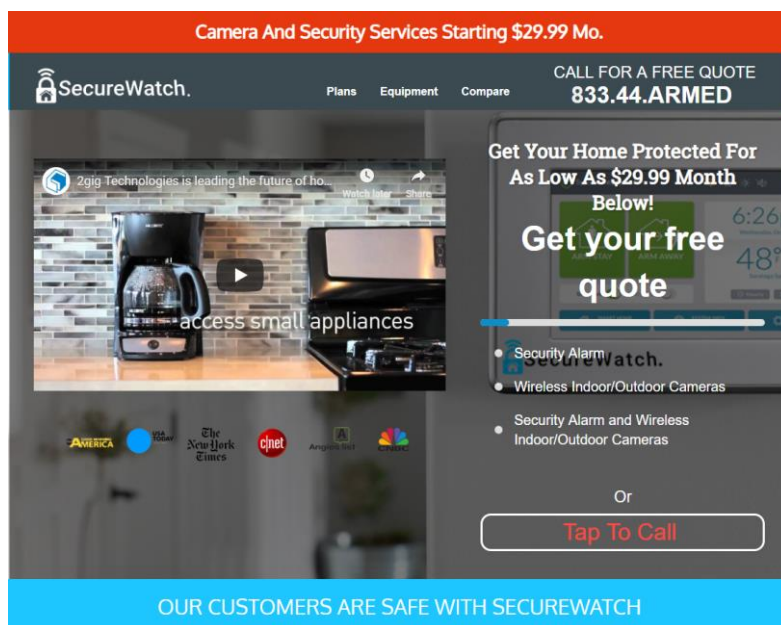


Figure 43 mysecurewatch.com

Clyde has recently founded Link Mobile, a relatively small MVNO operation⁶⁴.

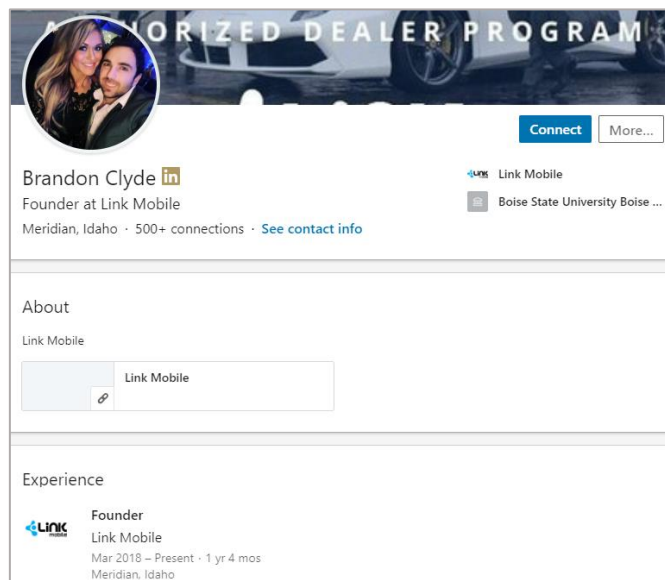


Figure 44 Brandon Clyde LinkedIn profile

⁶² [https://www.linkedin.com/in/brandon-clyde-27a80547/detail/treasury/summary/?entityUrn=urn%3Ali%3Afs_treasuryMedia%3A\(ACoAAAnocz4BMYQI1QTNhVNoBFrCMAInDbh8seU%2C1550441764318\)§ion=summary&treasuryCount=1](https://www.linkedin.com/in/brandon-clyde-27a80547/detail/treasury/summary/?entityUrn=urn%3Ali%3Afs_treasuryMedia%3A(ACoAAAnocz4BMYQI1QTNhVNoBFrCMAInDbh8seU%2C1550441764318)§ion=summary&treasuryCount=1)

⁶³ <https://web.archive.org/web/20190609075432/https://www.mysecurewatch.com/i-want-a-free-quote17981756>

⁶⁴ <https://web.archive.org/web/20190609075625/https://www.mylinkmobile.com/>



Eyethu Mobile Network

Eyethu Mobile Network appears to have been launched by an unemployed South African individual with no history in the industry. The link in the Pareteum press release leads to an unavailable domain page⁶⁵.

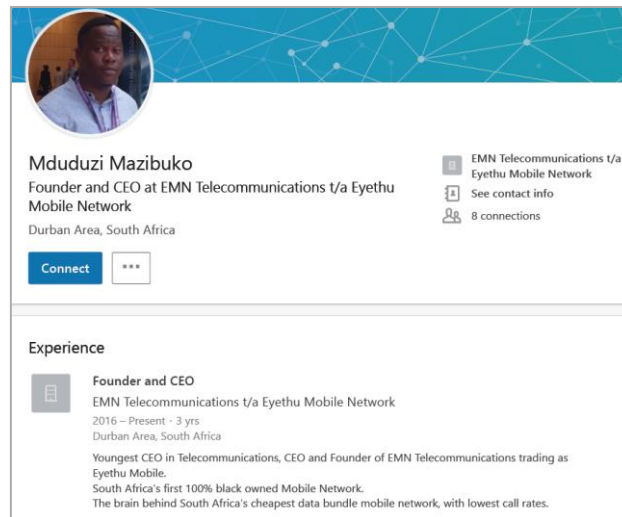


Figure 45 Mduduzi Mazibuko LinkedIn profile⁶⁶



Figure 46 @Mduh_Mazibuko Twitter Profile⁶⁷

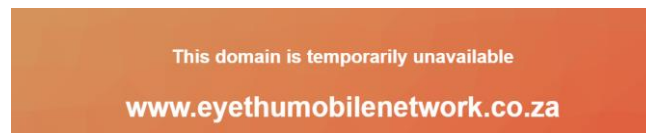


Figure 47 eyethumobilenetwork.co.za

There have been no relevant updates on Eyethu since the tweet below, leading us to believe the operation is dormant or non-existent, further supported by the non-functioning website.



Figure 48 @Eyethu_Network tweet dated January 7, 2019

⁶⁵ <https://www.eyethumobilenetwork.co.za/>

⁶⁶ <https://www.linkedin.com/in/mduduzi-mazibuko-922918175/?originalSubdomain=za>

⁶⁷ https://twitter.com/eyethu_network?lang=en



2.8. Customers No Longer Operational

Robert Turner

Allen, I would just add to that, that we've been - Allen, I just want to add one thing to what Denis said, we've been very fortunate so far. We've had virtually no bad debt associated with the customers in that 36 month contractual revenue backlog. But that certainly by the law of large numbers is going to change. There's going to be some.

We haven't had anybody go out of business yet. Somebody will. We haven't had any competitive takeaways. That's certainly possible. Now, we work hard to fight against that.

Figure 49 Pareteum Q4 2018 Earnings Call

Despite comments made by Hal Turner on their Q4 2018 call, at least one of Pareteum's customers have shut down.

Sol Mobile

Sol Mobile was the first MVNO customer on Pareteum's cloud platform announced on December 7, 2016⁶⁸. The company was dissolved on August 8, 2017 according to local filings and its website indicates it was never fully operational⁶⁹.



Figure 50 Sol Mobile Limited Final Gazette dissolved via compulsory strike-off⁷⁰

3. Yonder Media Mobile

Pareteum has loaned a total of US\$3.7m to yet-to-be operational customer Yonder Media Mobile (marketed as Yo Mobile) as of Q1 2019. Yonder Media Mobile's CEO and founder is Adam Kidron⁷¹ who has a history of failed entrepreneurship.

On November 26, 2018, the Company executed a senior secured promissory note for \$500,000 from Yonder Media Mobile (an unrelated entity), with interest accruing at a simple rate of 6% per annum with a maturity date of May 26, 2020. On January 9, 2019, February 12, 2019 and February 28, 2019, the Company issued additional notes of \$500,000, \$200,000, and \$2,000,000, respectively (the "2019 Notes"). The 2019 Notes each bear an interest rate of 12% per annum and mature 18 months following the issuance date. All principal and interest are due on the maturity date. At March 31, 2019 and December 31, 2018, the remaining outstanding principal amounts were \$3,257,967 and \$505,667, respectively.

Figure 51 Pareteum Q1 2019 10-Q

⁶⁸ <https://web.archive.org/web/20190609075841/https://www.pareteum.com/news/pareteum-announces-sol-mobile-as-1st-new-mvno-customer-of-its-enabled-news-63427134621/>

⁶⁹ <https://web.archive.org/web/20190609075913/http://www.solmobile.co/>

⁷⁰ <https://beta.companieshouse.gov.uk/company/09658272/filing-history>

⁷¹ <https://web.archive.org/web/20190609082841/https://yomobile.com/>



The company was incorporated in July 2018 in Delaware and has 9 employees on LinkedIn and a boilerplate website. Yonder Media Mobile describes its plans to launch a “Mobile Virtual Experience Platform” but its profile on Kidron’s website Adam+co claims the company plans to launch in Latin America in fall 2019⁷².

Yonder Media Mobile’s founder and CEO Adam Kidron’s history of failed entrepreneurship:

- Urban Box Office Network

A web portal linking several sites for urban music, entertainment and information. A 2001 New York Times article claims a total of US\$34m has thus far been invested and presumably lost: the company did not deny allegations it had a “burn rate” of US\$1m a day⁷³.

- Beyond Oblivion

Beyond Oblivion was the subject of an Evolver.FM investigative article describing the company’s wild promises and subsequent implosion⁷⁴. The article paints a picture of Kidron as an irresponsible and erratic CEO; Beyond Oblivion failed spectacularly before launch, taking US\$87m of investors’ money with it⁷⁵.

- 4food

A “build your own burger” chain founded in New York in 2010. While investment was planned to launch 3 locations⁷⁶, only one ever opened on September 7, 2010⁷⁷ and closed its doors on April 25, 2014⁷⁸. 4food’s website is still operational though parts of it are broken.

- Yonder Music

The “Yonder” brand has already crashed; Kidron launched Yonder Music in parts of Asia (Nepal, Malaysia and Indonesia that we could ascertain) from 2016 through 2017. The platform was discontinued effective June 15, 2018 with a facebook update claiming it was unable to secure investments for the platform.

Investors should be asking: why is Pareteum lending to Kidron?

Yonder Media Mobile’s instances on the Pareteum.cloud have no content associated with them.

⁷² <https://web.archive.org/web/20190609082906/http://www.adamplusco.com/projects/yonder-media-mobile/>

⁷³ <https://web.archive.org/web/20190609083028/https://www.nytimes.com/2000/11/02/nyregion/entertainment-web-venture-expects-layoffs.html>

⁷⁴ <https://web.archive.org/web/20190610063715/http://evolver.fm/2012/03/02/beyond-oblivion-how-a-promising-music-startup-imploded/>

⁷⁵ <https://www.americanexpress.com/en-us/business/trends-and-insights/articles/after-some-90-million-in-funding-a-music-startup-goes-bankrupt/>

⁷⁶ <https://www.wsj.com/articles/SB10001424052748703685404575307191182043842>

⁷⁷ <https://web.archive.org/web/20190610064144/http://midtownlunch.com/2010/09/08/lunch-at-4food-was-a-complete-mess-today/>

⁷⁸ <https://web.archive.org/web/20190610064256/http://www.grubstreet.com/2014/04/4food-midtown-closed.html>



4. Financial Issues

4.1. Revenue Collection Analysis

Pareteum's filings state they bill monthly, and that "the term between invoicing and payment is due is not significant". Realistically, this would imply a days receivable figure of between 30-45 days, allowing for some delinquent customers.

Pareteum has 4 months accounts receivable sitting on its balance sheet. When combined with the drastic increase in receivable days since the end of 2017, it appears that Pareteum's new customers are not paying their bills. Despite this Pareteum's management continues to recognize this apparent uncollectable revenue from customers.

The analysis below breaks down revenue, cash and receivables from:

1. Artium and iPass, the acquired entities;
2. Vodafone, the anchor customer; and
3. Pareteum's other customers

Revenue Collection Analysis (US\$ 000's)	TTM 2019 Q1	2019 Q1	2018 Q4	2018 Q3	2018 Q2	2018 Q1
Revenue total	51,363	23,040	14,312	8,008	6,003	4,113
Vodafone and acquired entity revenue:						
Vodafone (%)		20.1%	40%			
Vodafone (US\$)	14,362	4,631	3,244	3,244	3,244	3,244
Artium	10,320	5,148	5,172			
iPass	3,726	3,726	-			
Revenue less acquisitions & Vodafone	22,955	9,535	5,897	4,764	2,760	869
Accounts receivable analysis						
Accounts receivable total	28,645	28,645	15,362	7,200	3,853	1,954
Change in accounts receivable	26,690	13,283	8,162	3,347	1,898	104
Less: accounts receivable acquired*						
Artium	4,391	-	4,391			
iPass	4,344	4,344	-			
Vodafone accounts receivable	1,015	1,015	711	711	711	711
Accounts receivable less acquisitions & Vodafone	23,286	23,286	10,260	6,489	3,142	1,244
Change in accounts receivable less acquisitions & Vodafone	22,042	13,026	3,771	3,347	1,898	727
Cash collection analysis						
Revenue collected	24,673	9,757	6,150	4,661	4,105	4,216
Revenue collected as % of total revenue	48.0%	42.3%	43.0%	58.2%	68.4%	102.5%
Revenue collected less acquisitions & Vodafone	913	3,491	2,126	1,417	861	1,596
Revenue collected less acquisitions & Vodafone as % of total revenue	4.0%	-36.6%	36.1%	29.7%	31.2%	183.6%

*Assumption based on "typical" payment terms of 30 days.

Figure 52 Viceroy Cash Collection Analysis

We assume that:

- The significant customer accounting for 40% of revenue in the 2018 10-K and 20.1% of revenue in Q1 2019 is Vodafone.
- Pareteum is getting paid by Vodafone on regular billing terms; Vodafone has historical days receivable between 7 and 30 days from 2016 onward. We assume a consistent 20 days outstanding through 2018 and Q1 2019.

For the year ended December 31, 2018, the Company had one customer that accounted for 40% of total revenue. For the year ended December 31, 2017, the Company had two customers that accounted for 96.9% of total revenue.

As of December 31, 2018, the Company had two customers that accounted for 47.3% and 47.2% respectively of accounts receivable and unbilled revenue. As of December 31, 2017, the Company had two customers that accounted for 49.7% and 23.9% of accounts receivable and unbilled revenue.

Figure 53 Pareteum 2018 10-K



- Pareteum's acquired businesses iPass and Artilium are getting paid on "typical" billing terms of 30 days, per management assertion. It is noteworthy that *this is not strictly true*:
 - Artilium's last publicly available financials show **77.473 receivable days** and claim that the average credit period on sales to be **87 days** as of June 30, 2018.
 - iPass's Q3 2018 10-Q revenue and receivables figures show **78.155 receivable days** with standard credit terms of **30 days**.
- iPass' purchase price accounting allocated US\$4.344m in accounts receivable to Pareteum's balance sheet.
- Artilium's purchase price accounting allocated a negligible amount of accounts receivable to Pareteum's balance sheet: it appears Pareteum wrote a significant balance off. We have not accounted for this negligible balance.

According to our model Pareteum has collected only 4% of the revenue recognized from these customers in the 12 months trailing Q1 2019. While this figure is probably lower than Pretium's actual collections, it creates a Catch-22 situation where receivables from Artilium and iPass are also growing exponentially.

4.2. Cash Flow Irregularities

As a sign of reality beginning to kick in, Pareteum has taken to paying its suppliers in equity as seen in Q1 2019's US\$1.5m figure of "Services settled by issuance of shares".

	Three Months Ended	
	March 31, 2019	March 31, 2018
CASH FLOWS FROM OPERATING ACTIVITIES:		
Net loss	\$ (5,778,515)	\$ (2,134,101)
Adjustments to reconcile net loss to net cash (used in) provided by operating activities:		
Depreciation and amortization	2,843,403	965,290
Provision for doubtful accounts	285,892	-
Stock based compensation	3,713,614	1,077,625
Change in fair value of warrant liability	-	313,733
Amortization of deferred financing costs	49,690	6,142
Interest expense relating to debt discount and conversion feature	71,981	29,566
Services settled by issuance of shares	1,522,636	-

Figure 54 Pareteum 2019 10-Q



5. Management

5.1. History of fraud, collapsing stocks

Several of Pareteum's senior management have a history of involvement with collapsing stocks and poor governance. In particular:

- Robert Harold "Hal" Turner – Executive Chairman and Principal Executive Officer
- Edward "Ted" O'Donnell – Chief Financial Officer
- Victor "Vic" Bozzo – Chief Executive Officer
- Denis McCarthy – President

Robert Harold "Hal" Turner

Pareteum's Executive Chairman and Principal Executive Hal Turner has a history of collapsed business and misleading shareholders. Turner joined Pareteum as Executive Chairman on November 17, 2015⁷⁹

Turner has previously:

- Served as CEO of Davnet, an Australian-listed company which collapsed with the dotcom bubble due to massive liquidity issues. A full account of the Davnet fraud is detailed in the book "Dot. Bomb Australia" by Kate Askew:

"It turned out that Hal Turner, the American who took over at the helm of Davnet from Stephen Moignard in February 2001, had excellent money-dissipating skills. He did a great job of regularly racking up monthly expenses bills of \$50,000."

"In hindsight, there was little doubt that when Turner had been in charge in 2000–01 there was much going on in the company—and in its financials. Davnet's asset position fell by \$100 million to not much more than \$21 million. At the same time, its cash reserves shrank by \$72 million, leaving about \$11 million in the once-bursting company coffers. And Turner was anything if not generous. He parted company with Davnet after writing himself a \$200,000 cheque for services rendered, and made sure to include a \$16,000 expenses bill."

"Turner's next stop was back in the USA. In February 2007 he was brought in to run a company called Catcher Holdings. By December, only 10 months later, Turner had again resigned. When Turner departed, the company had about \$US100,000 to keep it going. "

"Turner was last seen in 2010 at a company called Pac-West Telecomm. He was brought in to run the company in January 2008 after it had emerged as a private company following filing for Chapter 11 bankruptcy in May 2007 as a publicly listed company"

- Director of LastMile Communications from December 14, 2005 to June 6, 2006⁸⁰ a UK telecoms company liquidated in 2007.
- CEO of Pac-West Telecomm, Inc. from January 2008 to May 2011. Pac-West Telecomm had previously reorganized from Chapter 11 bankruptcy in 2007⁸¹. On March 28, 2013, Pac-West filed again for Chapter 11 protection⁸².

⁷⁹ <https://www.prnewswire.com/news-releases/elephant-talk-communications-announces-the-appointment-of-robert-h-turner-as-executive-chairman-names-etna-president-tim-payne-as-interim-ceo-300179683.html>

⁸⁰ https://beta.companieshouse.gov.uk/officers/H_DqLpI6YgRAzL5n8yE3t3cabz8/appointments

⁸¹

https://web.archive.org/web/20190610064402/http://cliffordgately.com/pdf/ANNUAL_REPORTS/2007_Jenner_Block_Highlights.pdf

⁸²

<https://web.archive.org/web/20190610064443/http://docs.cpuc.ca.gov/PublishedDocs/Published/G000/M144/K903/144903959.PDF>



- CEO of Catcher Holdings from February 21, 2007 through December 18, 2007 whose share price fell from US\$1.40 to US\$0.73 amid going concern issues. Turner made enthusiastic quotes similar to those now being issued at Pareteum regarding large customer wins. The revenues never materialized and Catcher Holdings' stock price fell to US\$0 and was suspended from trading by the SEC in January 2012 for lack of filings since September 2007⁸³.

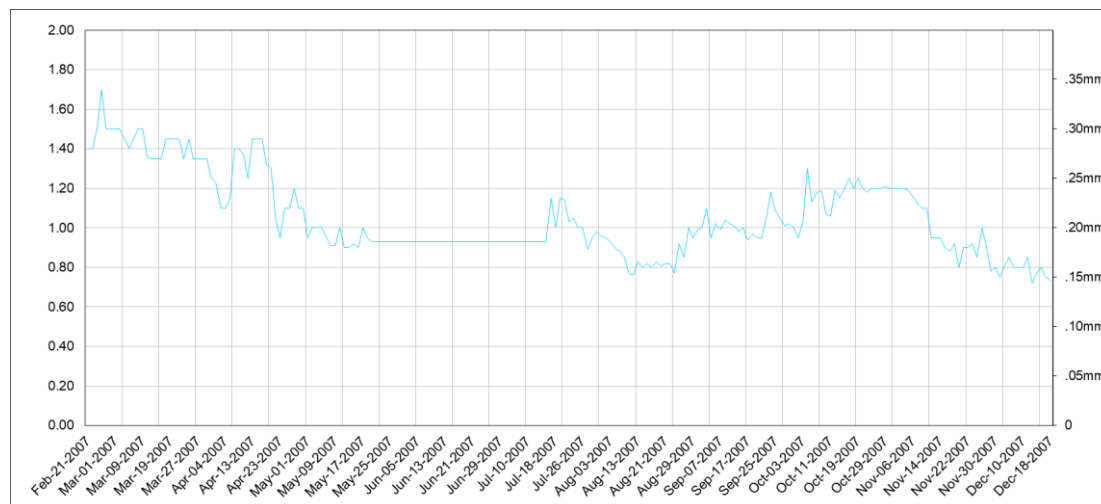


Figure 55 Catcher Holdings Share Price chart

Along for the “Hal Turner ride” were Denis McCarthy and Vic Bozzo; McCarthy served as CFO at Catcher Holdings from December 6, 2006 to January 29, 2008 and Bozzo served as Chief Sales and Marketing Officer and President and GM of Telastic services at Pac-West Telecomm from July 2010 to August 2011.

Edward “Ted” O’Donnell

If Hal Turner is the architect of the Pareteum current predicament, then Edward O’Donnell is the chief foreman in its construction. O’Donnell has a history of poor financial management, involvement with fraud and dishonest disclosure to investors.

- CFO of Radbourne Property Group which was charged with fraud. The Radbourne Property Group was run by John Van Clief about whom there is a surprising amount of information online showing the group was engaged in small-time fraud and failure to pay several liens⁸⁴. O’Donnell’s Bloomberg profile states: “[O’Donnell’s] primary responsibilities included raising capital, external reporting, outlining capital structure and budgeting.”.
- CFO of AMERI Holdings, Inc (AMRH) from January 2016 through December 2016. which sank from US\$6.50 to US\$0.44. Trading in this time was largely dominated by Lone Star Value Management, the vehicle managed by Jeff Eberwein, who was later the subject of a cease-and-desist order by the SEC for beneficial ownership reporting breaches⁸⁵. We believe it is telling that AMERI Holdings is the only company at which O’Donnell was the CFO whose share price did not deteriorate during his tenure.

⁸³ <https://s3.amazonaws.com/public-inspection.federalregister.gov/2012-01455.pdf?1327076236>

⁸⁴ <https://web.archive.org/web/20190610064514/https://www.orlandosentinel.com/business/os-xpm-2013-12-05-os-festival-bay-mall-artegon-20131205-story.html>

⁸⁵ <https://www.sec.gov/litigation/admin/2017/34-80038.pdf>



- CFO of spinoff AudioEye (NASDAQCM:AEYE) from December 2010 through January 2013 which sank from US\$28.00 to US\$12.13 during his tenure.
- VP of Finance at Augme Technologies which sank from US\$2.94 to US\$0.45 during his tenure.
- CFO of Carlyle Capital Group LLC, a company aping the name of The Carlyle Group to make VC and PE investments. As far as we have found the only mentions of the Carlyle Capital Group LLC are on Pareteum releases and as the employer of William C. Samuels, a New York progressive Democrat. Samuels also founded ACTV, at which O'Donnell worked. We are still unsure of the purpose, existence and scale of the Carlyle Capital Group.
- President at construction firm Aloysius Lyons which declared chapter 7 bankruptcy in 2007 after petitioning for chapter 11 bankruptcy in 2007 as well. The company's website was non-functioning from at least March 2004 to February 2005⁸⁶.

ALOYSIUS LYONS: Case Summary & 20 Largest Unsecured Creditors

Debtor: Aloysius Lyons, LLC
1040 First Avenue 377
New York, NY 10022

Bankruptcy Case No.: 07-10726

Chapter 11 Petition Date: March 17, 2007

Court: Southern District of New York (Manhattan)

Debtor's Counsel: Avrum J. Rosen Law, Esq.
38 New Street
Huntington, NY 11743
Tel: (631) 423-8527
Fax : (631) 423-4536

Total Assets: \$795,289

Total Debts: \$1,417,037

Figure 56 Troubled Company Reporter March 19, 2007 Vol. 11, No. 66⁸⁷

It is O'Donnell's actions at AudioEye that first caught our attention. **Action was later taken against O'Donnell for his actions at Audioeye, which include fabrication of revenue and contract value, allegedly overstating the company's revenues by more than 3,000% with no supporting documentation.** We believe this has parallels to the situation at Pareteum with non-operating customers.

122. Furthermore, the revenues associated with the nonmonetary licensing transactions were highly material, comprising virtually all of the Company's reported revenues in the first three quarters of 2014, as alleged above in ¶¶66, 81, 91. In the aggregate, the \$8.1 million in revenues from the nonmonetary licensing transactions for the first three quarters of 2014 constituted 92% of the Company's total \$8.9 million in revenues reported for those quarters. Put differently, Defendants overstated the Company's revenues during the Class Period by more than 3,000%.

123. The restatements also had a colossal impact on the Company's gross profits and operating income. Defendants had reported \$7.4 million in gross profits, and \$914,830 in operating income, for the nine months ended September 30, 2014. Under the restatements, gross profits were reduced by \$7.8 million to become a gross loss of -\$355,185. Similarly, operating income was reduced by \$7.4 million to become an operating loss of -\$6.5 million.

Figure 57 Case 4:15-cv-00163-DCB

⁸⁶ https://web.archive.org/web/2005*/http://alloysiuslyons.com/

⁸⁷ http://bankrupt.com/TCR_Public/070319.mbx



5.2. Misleading and promotional behavior

Pareteum management has made misleadingly promotional statements, more regularly in the past 2 years.

Backlog promotion and backlog spreadsheet

Pareteum management often discusses and promotes the company in the context of its 36-month contract revenue backlog. While the company's financial performance has been less than stellar this internal metric has skyrocketed since Q1 2017 when it was first discussed.

While this would appear to be a proxy for future profitability there are several inconsistencies in both the company's disclosure of this figure and of its past performance.

Hal Turner defined the backlog in the Q1 2019 earnings call as:

*"We do review these sales and their revenue under contract on a snapshot basis at any given point in time, and we look at it for the following 36 months and that gives us a view of revenues under contract. **We call this our 36 month contract revenue backlog.**" [emphasis added]*

1. Pareteum's revenue should be far higher based on its past disclosure regarding backlog.
2. There are periods in which net backlog increases by the amount of additions in the quarter implying no backlog revenue was converted, contrary to management comments.

Backlog does not predict revenue

An analysis of Pareteum's backlog shows the company is not converting its revenue at the rate it claims to be.

We conducted two analyses:

1. Backlog conversion occurs at the rate management claimed in the **Q1 2018 earnings call**: 15% of contract value in the first year, 30% in the second and 55% in the third.
2. Backlog conversion occurs at the rate management claimed in the **Q3 2018 earnings call**: 20% of contract value in the first year, 43% in the second and 89% in the third. If you're thinking "wait, that's more than 100%!", you have not considered, as Pareteum management have, that customers can arbitrarily exceed their backlog quote. Management have worked this into their forecast. **In true Spinal-Tap fashion, couldn't you just make 10 louder?**

...talking about converting a backlog into billable revenue. Now when I look at your numbers they're above 100% which is great but I just want understand, 100% total backlog was converted into revenue I can understand maybe even a lesser number say but the numbers that you have which are greater than 100% conversion, I am just trying to wrap my hands around what exactly is going into this to cause that to be greater than 100%?

Robert H. Turner

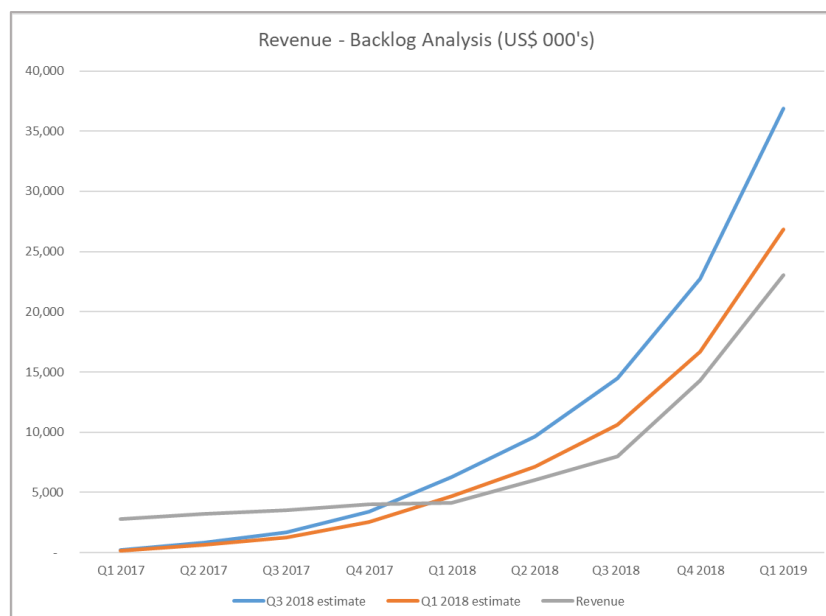
Okay, that's great I'm going to give you the top line answer then I'm going to turn to Denis McCarthy and Ted O'Donnell. So the bottom line is that we have a schedule from each of the customers contract schedules that define numbers of connections by month and by quarter and the amount of revenue. Within the revenue piece there is the platform charge and then there depending upon the level of connectivity whether it is IoT or cloud there's a variable usage charge. So when we see more than 100% it means that they have actually used more of the usage base than they had planned and/or they have converted more

subscribers than they had originally planned to convert, that's the general basis of it. On

Figure 58 Pareteum Conference Call transcript, Q1 2018



Our analysis was performed by finding the difference in backlog between periods, multiplying it by the percentage collected in the relevant year of the contract's life, then dividing it into quarters equally. By doing this for every quarter's "generation" of new backlog, we can build a picture of expected revenue from backlog.



Pareteum Backlog - Viceroy Analysis (USD 000's)											
Backlog and revenue											
	Q3 2016	Q4 2016	Q1 2017	Q2 2017	Q3 2017	Q4 2017	Q1 2018	Q2 2018	Q3 2018	Q4 2018	Q1 2019
Backlog	26,018	30,000	42,553	60,000	94,000	147,000	200,000	276,000	403,000	615,000	938,000
Revenue	3,171	3,145	2,795	3,239	3,499	4,015	4,113	6,003	8,008	14,312	23,040
Q1 2018 estimate											
Year	1	2	3								
% of contract revenue	15%	30%	55%								
Time Period	Q3 2016	Q4 2016	Q1 2017	Q2 2017	Q3 2017	Q4 2017	Q1 2018	Q2 2018	Q3 2018	Q4 2018	Q1 2019
Q4 2016			149	149	149	149	299	299	299	299	548
Q1 2017				471	471	471	471	941	941	941	941
Q2 2017					654	654	654	654	1,309	1,309	1,309
Q3 2017						1,275	1,275	1,275	1,275	2,550	2,550
Q4 2017							1,988	1,988	1,988	1,988	3,975
Q1 2018								1,988	1,988	1,988	1,988
Q2 2018									2,850	2,850	2,850
Q3 2018										4,763	4,763
Q4 2018											7,950
Q1 2019											
Total			149	620	1,274	2,549	4,686	7,144	10,649	16,686	26,873
Difference			2,646	2,619	2,224	1,466	(574)	(1,141)	(2,641)	(2,374)	(3,833)
Q3 2018 estimate											
Year	1	2	3								
% of contract revenue	20%	43%	89%								
Time Period	Q3 2016	Q4 2016	Q1 2017	Q2 2017	Q3 2017	Q4 2017	Q1 2018	Q2 2018	Q3 2018	Q4 2018	Q1 2019
Q4 2016			199	199	199	199	428	428	428	428	886.06
Q1 2017				627.66	627.66	627.66	627.66	1,349	1,349	1,349	1,349
Q2 2017					872.34	872.34	872.34	872.34	1,876	1,876	1,876
Q3 2017						1,700	1,700	1,700	1,700	3,655	3,655
Q4 2017							2,650	2,650	2,650	2,650	5,698
Q1 2018								2,650	2,650	2,650	2,650
Q2 2018									3,800	3,800	3,800
Q3 2018										6,350	6,350
Q4 2018											10,600
Q1 2019											
Total			199	827	1,699	3,399	6,278	9,650	14,453	22,758	36,864
Difference			2,596	2,412	1,800	616	(2,166)	(3,647)	(6,445)	(8,446)	(13,824)

Figures 59 & 60 Pareteum Backlog – Viceroy Analysis



The following assumptions were made in the analysis:

- The net change in backlog is equal to the value of new contracts signed in that period. Note that customers dropping off contracts is irrelevant as we use net change in backlog for our calculations.
- *While Pareteum does disclose the new contract backlog added in the quarter in some disclosures, this is not consistent enough to build a useful picture of the backlog conversion.*
- Contracts signed within the quarter are treated as being effective as of the last day of the quarter. For example, the change in backlog between Q3 & Q4 2016 would start to generate revenue in Q1 2017.
- Backlog is evenly billed throughout the year. For example, if 15% of contract value is converted in a year then 3.75% of that contract revenue would be recognized each quarter.
- We have used backlog data from Q3 2016 onward, as a result our analysis underrepresents the backlog revenue in earlier periods for this reason. Were we to include earlier figures the discrepancy would be larger, not smaller, as the backlog has never shrunk. Further as backlog has increased exponentially the significance in future periods of excluding earlier periods is reduced.

Based on the Q1 2018 earnings call estimates, Pareteum should have made at least US\$3.833m (16.85%) more in revenue in Q1 2019 than it reported in revenue.

Based on the more recent Q3 2018 earnings call estimates Pareteum should have made US\$13.824m (73.10%) more in Q1 2019 than it reported in revenue.

In conclusion, we believe backlog has been significantly overstated, either in its conversion rate or its value. Its exponential increase has made it an inaccurate tool for modelling Pareteum's future revenue and management should revise its backlog figures or retire the measurement altogether. Investors should be wary of using it as any sign of the company's performance.

Pareteum not collecting on Backlog

For example, in Q2 2018 Pareteum's backlog was stated as US\$276m with US\$21m incremental from existing contracts, and the increase in the quarter was stated as US\$55m based on newly awarded contracts. The company's Q1 2018 backlog was US\$200m implying that the US\$76m difference was only newly awarded contracts and incremental revenue leaving no net reduction in backlog.

The math leaves no space for Pareteum to have collected any backlog in this period.

Key Business Highlights for Second Quarter 2018:

- Awarded 13 contracts aggregating to \$55 million in total contract value, which added \$55 million to 36-month Contractual Revenue Backlog
- Increased 36-month Contractual Revenue Backlog from \$200 million at End of the first quarter of 2018 to \$276 million; includes \$21 million incremental from existing contracts
- Contractual Revenue Backlog conversion rate at 106%
- Ended the second quarter of 2018 with 2,713,600 Connections, an increase of 225% over the end of the second quarter of 2017 and 23% higher than the first quarter of 2018

Figure 61 Pareteum Announces Record Second Quarter 2018 Results⁸⁸

⁸⁸ <https://investors.pareteum.com/investors/news/press-release-details/2018/Pareteum-Announces-Record-Second-Quarter-2018-Results/default.aspx>



It was a similar story in Q3 2018 when Pareteum's backlog was stated as US\$403m with US\$72m in incremental from existing contracts, and the increase in the quarter from newly awarded contracts was US\$127m.

Key Business Highlights for Third Quarter 2018:

- Awarded 19 contracts aggregating to \$403 million in total contract value, which added \$127 million to 36-month Contractual Revenue Backlog
- Increased 36-Month Contractual Revenue Backlog from \$276 million at end of the second quarter of 2018 to \$403 million; includes \$72 million incremental from existing contracts
- Contractual Revenue Backlog conversion rate at 100%
- Ended the third quarter of 2018 with 2,903,000 Connections, an increase of 127% over the end of the third quarter of 2017 and 7% higher than the second quarter of 2018

Figure 62 Pareteum Announces Record Third Quarter 2018 Results⁸⁹

Considering the difference between the Q3 and Q2 backlogs is equal to the newly awarded contracts we question where the US\$72m from existing contracts is accounted for. The only reason the backlog addition in Q2 reconciled was the incremental backlog.

Pareteum bills monthly so its backlog additions should exceed the net increase of the backlog. This is not the case.

Perhaps unsurprisingly the backlog is not kept by CFO Ted O'Donnell but President Denis McCarthy in a spreadsheet according to the Q4 2018 earnings call Q&A (given O'Donnell's history, we doubt this makes much a difference).

Robert Turner

Denis maintains our 36-month contractual revenue backlog spreadsheets and analysis. So I'll turn to him for more detail on that. Denis?

Figure 63 2018 Q4 Earnings Call Transcript

Since McCarthy joined the company in January 2018 the backlog has skyrocketed. Note that McCarthy does not sign off on the company's SEC filings.

Blockchain promotion

Through 2017 and 2018 Pareteum management heavily promoted their blockchain business in several press releases. Readers will remember 2017 as the year that blockchain went berserk and it appears Pareteum management wanted to cash in on the craze.

Pareteum Adds Blockchain Settlement for Cryptocurrency to Its Global Cloud Platform

UNCATEGORIZED

Pareteum Adds Blockchain Settlement for Cryptocurrency to Its Global Cloud Platform
Smart City, Mobile Virtual Network Operators and Internet of Things Service Providers now Able to Exchange Digital Currency and Subsidize Service

NEW YORK, NEW YORK, December 26 2017 - Pareteum Corporation (NYSE American: TEUM), ("Pareteum" or the

Pareteum Showcases Efficiency of Global Cloud with Expedited Deployment of India Based Customer

UNCATEGORIZED

Pareteum Showcases Efficiency of Global Cloud with Expedited Deployment of India Based Customer
Platform Positioned to Deliver Connections, Brand Management, and Settlement Including Blockchain and Cryptocurrency

NEW YORK, NEW YORK, January 2, 2018 - Pareteum Corporation (NYSE American: TEUM), ("Pareteum" or the "Company"),

Pareteum and AirFox Expand Blockchain Technology Partnership

UNCATEGORIZED

Pareteum and AirFox Expand Blockchain Technology Partnership
AirFox Now Supports Pareteum's Blockchain Initiative by Providing MVNOs in Emerging Markets with Mobile Payments and Micro Lending

NEW YORK, NEW YORK - January 22, 2018 - Pareteum Corporation (NYSE American: TEUM), ("Pareteum" or the

Pareteum Publishes Blockchain White Paper Defining Opportunities in the Mobile Market

UNCATEGORIZED

Pareteum Publishes Blockchain White Paper Defining Opportunities in the Mobile Market
Extending our SaaS Platform with Blockchain Technology

NEW YORK, NY - PRNewswire - February 6, 2018 - Pareteum Corporation (NYSE American: TEUM), ("Pareteum" or the

⁸⁹ <https://investors.pareteum.com/investors/news/press-release-details/2018/Pareteum-Announces-Record-Third-Quarter-2018-Results/default.aspx>



Pareteum Awarded \$10 Million Contract from Asian Mobile and Cryptocurrency Enterprise

UNICATEGORIZED

Pareteum Awarded \$10 Million Contract from Asian Mobile and Cryptocurrency Enterprise
Utilizing Pareteum's Insights Engine to Increase Subscriber Base

NEW YORK, NEW YORK – PRNewswire – July 18, 2018 – Pareteum Corporation (NYSE American: TEUM), ("Pareteum" or

Pareteum Wins \$22 Million Contract with Digital Currency Wi-Fi Provider

PRESS RELEASES

Pareteum Wins \$22 Million Contract with Digital Currency Wi-Fi Provider
Blockchain Wi-Fi sharing solution to harness Pareteum's global cloud

New York, NY, April 2nd, 2019 – Pareteum Corporation (Nasdaq: TEUM), a rapidly growing global cloud software

Figure 64 Various Pareteum Press Releases

On November 19, 2018 Pareteum received a comment letter from the SEC questioning, amongst other things, the company's actual involvement in cryptocurrency.

Regarding claims to be a blockchain-enabler platform, its status and the existence of any revenue from that platform:

When mobile phone subscribers interact with their service providers to pay them they are typically connecting through a payment "gateway." These payment gateways are common in all forms of ecommerce platforms. Many of these payment gateways have recently added support for blockchain settlement systems and crypto currency. As a software vendor we have developed a pseudo-enterprise resource planning cloud – a software suite for accounting and other services. To date, blockchain in this example is only used to allow for the deployment of a payment gateway to mobile phone subscribers, allowing customers to extend into a dual purpose payment gateway and deploy their own or existing blockchain functionality. We are not involved in any blockchain transactions, we merely facilitate the mechanism by which a mobile phone subscriber can use any form of payment their service provider will accept.

To date presumably due to the fluctuation of crypto currency we don't believe any services have been launched as of yet that will accept crypto currency for payment. We currently generate no revenue from customers utilizing this platform for blockchain-related services and do not plan to do so in the future. We do not believe this previously-proposed offering is material to our business at this time.

Figure 65 Pareteum response letter ⁹⁰

"To date, blockchain in this example is only used to allow for the deployment of a payment gateway to mobile phone subscribers, allowing customers to extend into a dual purpose payment gateway and deploy their own or existing blockchain functionality. We are not involved in any blockchain transactions, we merely facilitate the mechanism by which a mobile phone subscriber can use any form of payment their service provider will accept.

To date presumably due to the fluctuation of crypto currency we don't believe any services have been launched as of yet that will accept crypto currency for payment. We currently generate no revenue from customers utilizing this platform for blockchain-related services and do not plan to do so in the future. We do not believe this previously-proposed offering is material to our business at this time."

Regarding their claims of a cryptocurrency payment system and the deployment of new or existing digital tokens:

We had outlined several use cases in the future that mobile phone service providers might consider including them generating their own crypto-currency. We have no plans to engage in any crypto currency mining, have no plans to create our own digital currency and have no plans to act as a verification service for digital currency only to provide access to existing functionality for our customers using the power of blockchain.

Figure 66 Pareteum response letter

"We have no plans to engage in any crypto currency mining, have no plans to create our own digital currency and have no plans to act as a verification service for digital currency only to provide access to existing functionality for our customers using the power of blockchain."

Regarding their relationship with cryptocurrency provider AirFox:

⁹⁰ <https://www.sec.gov/Archives/edgar/data/1084384/000114420418062787/filename1.htm>



We formed a partnership with AirFox originally during a time in which AirFox planned to utilize their platform to for advertising-sponsored mobile phone service. AirFox asked us to act as a referral to our customers for their service.

Though we continue to maintain a professional relationship with AirFox and have not terminated our partnership arrangement with AirFox at this time, AirFox has not deployed any mobile-phone related services and has discontinued this portion of their business for the time being. We have not and do not plan in the near future to generate any revenue from our relationship with AirFox.

Figure 67 Pareteum response letter

“AirFox asked us to act as a referral to our customers for their service.

Though we continue to maintain a professional relationship with AirFox and have not terminated our partnership arrangement with AirFox at this time, AirFox has not deployed any mobile-phone related services and has discontinued this portion of their business for the time being. We have not and do not plan in the near future to generate any revenue from our relationship with AirFox.”

This response was after a year’s worth of heavy promotion of blockchain on Pareteum’s platform in the form of press releases and white papers. The facts of the case are that Pareteum never had, nor were there real plans for, any blockchain related business or revenue.

6. Valuation

Pareteum management have made a point of claiming that EBITDA and free cash flow will be positive through 2019. Our adjustment shows that to be incorrect returning negative EBITDA and free cash flow. We believe our adjustments are fairly conservative due to the assumptions made regarding iPass and Artidium operating on regular billing terms.

We do not believe EBITDA and free cash flow will be positive in 2019 or beyond unless the company significantly changes its customer base, billing practices and sales operations (likely in a scaled down manner).

Additionally there is the governance issue of sanctions breaches, possible disclosure breaches, related party issues and the very real possibility of financial restatements.

In light of this, a valuation using only the adjusted revenue figure is something of a moot point – we believe the business, in its current form, is terminally unprofitable. We have included one for the sake of completeness. Finding accurate comparisons is tricky, as many MVNOs are privately held, and listed MVNO’s are much larger and profitable.



Pareteum Valuation - Viceroy Analysis				
Ticker	NASDAQ:TEUM			
Date	25/06/2019			
Currency	USD			
Company data			2019	
Market cap		USD m		278.0
Shares outstanding		m		112
Share price		USD		2.490
Cash & ST investments		USD m		10.7
Minority interests		USD m		-
Total debt (excl. hybrids)		USD m		25.8
EV		USD m		293.1
Comps		Ticker	EV/EBITDA (trailing, LTM)	EV/Revenue Market Cap
Pareteum Corporation		NASDAQ:TEUM	NM	10.00 278.0
8x8, Inc.		NYSE:EGHT	NM	6.07 2,269.5
Vonage Holdings Corp.		NYSE:VG	27.94	3.15 2,783.2
Amdocs Limited		NASDAQ:DOX	10.80	2.01 8,540.5
CSG Systems International, Inc.		NASDAQ:CSGS	12.03	2.00 1,535.3
Telefonaktiebolaget LM Ericsson (publ)		OM: ERIC B	16.66	1.39 32,596.5
Average			16.86	2.92
All Comps				
Revenue		USD m	51.4	
Viceroy adjusted revenue		USD m	29.3	
Target EV		USD m	85.7	
Target market cap		USD m	70.6	
Downside		%	-76%	
8x8, Inc.				
Revenue		USD m	51.4	
Viceroy adjusted revenue		USD m	29.3	
Target EV		USD m	177.9	
Target market cap		USD m	162.8	
Downside		%	-44%	

Figure 68 Viceroy Valuation

Pareteum is also an outlier with 8x8, Inc regarding EV/Revenue. Using only 8x8, Inc's EV/Revenue results in a downside of 44%.

A token valuation on an EV/Revenue basis presents a 44% - 76% downside for Pareteum's share price. Further risks highlighted in this report are difficult to quantify. Together with a conservative revenue adjustment, we believe the downside risk is much greater.

7. Conclusion

At a glance Pareteum's growth story could be described as suspicious. After our investigation we believe this growth story is completely broken and may not have ever existed at all. Investors should take a look at the damage inflicted on Catcher Holdings, Davnet and AudioEye as a sign of things to come if management is investigated or held accountable for its actions.

We advise investors to call for a fully independent investigation of management, in particular: Hal Turner and Ted O'Donnell and for an investigation of the company's revenue recognition practices and internal controls.