



# Pareteum - Related party share incentive schemes

Pareteum's unsolicited press releases are laughable.

July 2, 2019 – Pareteum yesterday announced that its Q2 2019 performance will exceed analysts expectations on Revenue and Adjusted EBITDA will beat consensus. This press release is laughable in light of Viceroy and Aurelius' exploration of Pareteum's "customers", who are financially unable to fulfil the multi-million dollar contracts announced by management.

These results are preliminary and unaudited and are subject to change based on the completion of the company's normal quarter-end review process. As a result, **these preliminary results may be different from the actual results** that will be reflected in Pareteum's consolidated financial statements for the quarter ended June 30, 2019 when they are released.

Pareteum will release its full second quarter 2019 financial results for the quarter ended June 30, 2019 on August 6, 2019. On that day, management will hold a conference call and webcast at 4:30 p.m. ET to review and discuss the Company's results. The webcast will be available live on the Investors section of the Company's website at <https://investors.pareteum.com>.

<sup>1</sup> Source: Thomson Reuters as of July 1, 2019

Figure 1 Pareteum Announces Its Second Quarter 2019 Financial Results Will Exceed Analysts' Consensus

Pareteum can record as much revenue on paper as they like from their "customers", however this will not improve the Company's dire cash position and ballooning payables balance. Readers should note that we have previously identified and reported numerous instances of customers being related parties and/or not existing in any financial substance<sup>1</sup>.

*We challenge Pareteum to transparency through the provision end-of-quarter receivables, payables, and cash balances to its stakeholders. Without these, there is no way to grasp the quality of Pareteum's income.*

With the data available to us, we can make an educated and empirical opinion that Pareteum will continue to generate limited cash revenues outside of its Vodafone contract, and revenues accruing as receivables will eventually collapse.

## 1. More 'fake' customers

In a desperate attempt at legitimacy, Pareteum introduced a "Customer Panel" in its most recent shareholder meeting.



Figure 2 Company Presentation including a Customer Panel since deleted of Pareteum Website.

<sup>1</sup> <https://viceroyresearch.org/2019/06/26/pareteum-the-wild-west-of-telecoms/>



## 1.1. Ali Davachi, Realware and Cognativ

We focus in on Ali Davachi, Realware Founder & CEO and former employee and subcontractor of Pareteum in a development reminiscent of the Global Connect entities.

Davachi's LinkedIn profile lists him as Founder of Realware and Cognativ as well as COO/CTO at Pareteum.

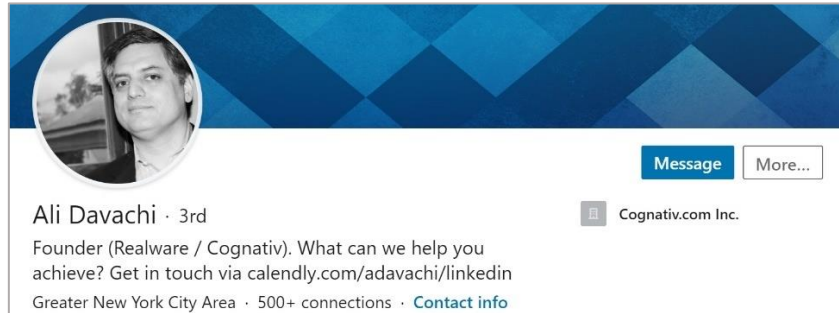


Figure 3 Ali Davachi LinkedIn profile<sup>2</sup>

At no point throughout Pareteum's presentation does it mention Davachi's status as a Chief Operating Officer and Chief Technology Officer at Pareteum simultaneous to his employment at Realware and Cognativ<sup>3</sup>.

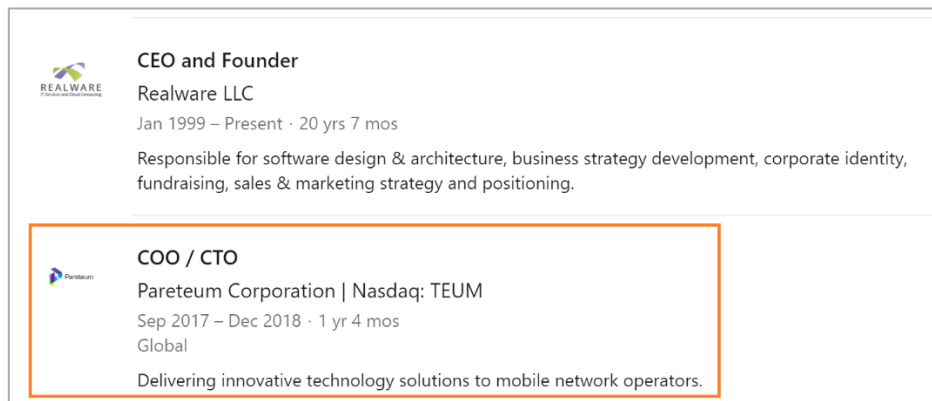


Figure 4 Ali Davachi LinkedIn

According to the Freelancer page of former Realware LLC programmer Miodrag Radojkovic, Realware served as a subcontractor for Pareteum.

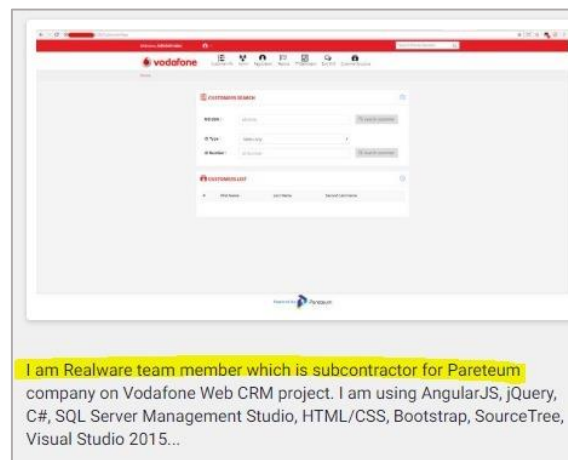


Figure 5 Miodrag1 freelancer.com profile<sup>4</sup>

<sup>2</sup> <https://www.linkedin.com/in/alidavachi>

<sup>3</sup> <https://www.prnewswire.com/news-releases/pareteum-appoints-robert-l-lippert-to-board-of-directors-300751875.html>

<sup>4</sup> <https://www.freelancer.com/u/miodrag1/portfolio/vodafone-web-crm-current-home-page-3212965>



Davachi's other venture, Cognativ.com Inc, appears to be non-functional at the time of writing based on its website and lack of web presence.

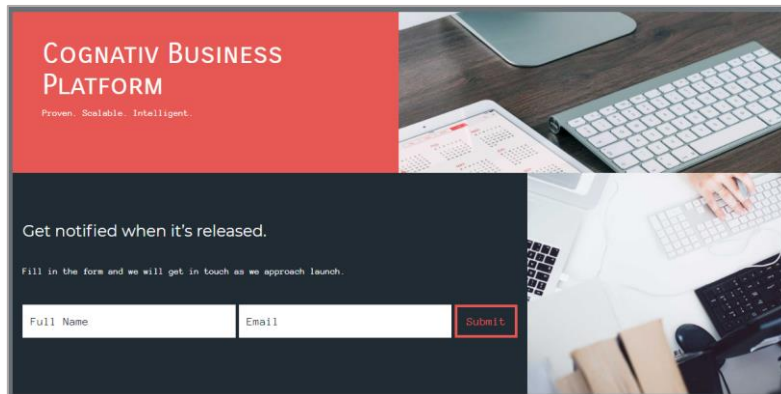


Figure 6 Cognativ.com

Despite his position as an employee and subcontractor, Pareteum prefer to use the following biography for Davachi:

*“Ali Davachi has over 25 years of hands-on experience with all facets of complex technology implementation at scale. He has both functional and non-functional hands on experience spanning the entire information architecture stack (hardware, network, virtualization, cloud and applications). His “roll your sleeves up” strategy informs his team execution approach.”*

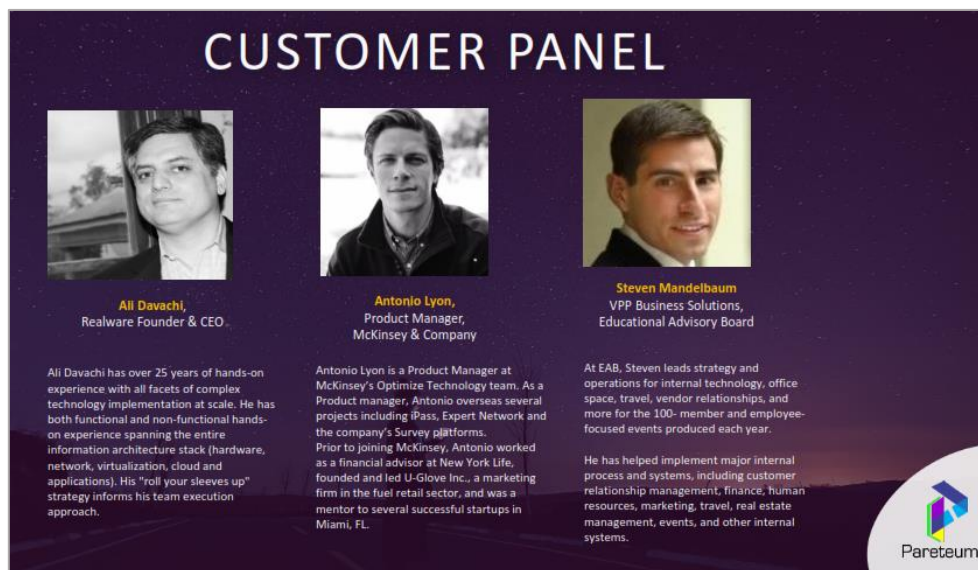


Figure 7 Slide 50 of 60 Pareteum Presentation

Possibly a “benefit” of appearing on the customer panel are the 150,000 shares only disclosed in a Pareteum Form S-3<sup>5</sup>.

On May 29, 2019, the Company issued **Ali Davachi** 150,000 shares as compensation for software development services.

The Company is obligated to issue to Roth Capital Partners, LLC 300,000 shares as compensation for services.

Unless otherwise indicated, each selling stockholder has sole voting and investment power with respect to its shares of Common Stock. All of the information contained herein is known by us. In addition to the shares offered hereby, the selling stockholders may otherwise beneficially own our shares of Common Stock as a result of, an expense. The selling stockholders may have sold, transferred or otherwise disposed of, or may sell, transfer or otherwise dispose of, at any time or from time to time since a portion of the shares beneficially owned in transactions exempt from the registration requirements of the Securities Act.

Information concerning the selling stockholders may change from time to time and any changed information will be set forth in supplements to this prospectus, if and when we cannot advise you as to whether the selling stockholders will in fact sell any or all of such shares of Common Stock.

Figure 8 Form S3 filing dated June 19, 2019.

<sup>5</sup> [https://www.sec.gov/Archives/edgar/data/1084384/000114420419031376/tv523640\\_s3.htm](https://www.sec.gov/Archives/edgar/data/1084384/000114420419031376/tv523640_s3.htm)



The shares issued to Davachi were also sold: not only is this further evidence the company’s stated cash figures is in question, but the receivables being collected are in serious question. Pareteum are running what Viceroy believe is a confetti share issuance scheme, with shareholders bearing the effects of the dilution.

Davachi was not the only beneficiary, Roth partners and Devicescape Software all sold their awarded shares.

Name of Selling Stockholders	Number of Shares Beneficially Owned Prior to the Offering		Number of Shares Offered	Number of Shares Beneficially Owned After the Offering(1)	
	Number	Percentage		Number	Percentage
Devicescape Software, Inc.	400,000	*	400,000	0	0
Alj Davachi	150,000	*	150,000	0	0
Roth Capital Partners LLC	300,000	*	300,000	0	0

\* Represents less than 1%.

(1) Assumes that all shares registered hereunder will be sold by the selling stockholders and that the selling stockholders do not acquire any additional shares.

Figure 9 Form S3 filing dated June 19, 2019

Pareteum’s omission of Davachi’s role is made more suspect by their full disclosure regarding the Pareteum directorship of Luis Jimenez Tunon, former Vodafone Spain Enabler CEO. Our research shows no indication that Tunon or any associated entities currently do business with Pareteum.

## 2. Iran Sanctions

### 2.1. Licenses do not exempt Pareteum’s transactions

One point Pareteum did make in its response was regarding the existence of a GL-H or GL-D1 license which it implies makes the Iran connections made in our first report entirely legitimate. This is not the case.

Firstly, a GL-D1 license explicitly states:

*“the general license does not authorize any transaction prohibited by any part of chapter V of 31 C.F.R. other than part 560”*

As a reminder, the chairman of Amin MVNO was Hamid Reza Amirinia who is also the chairman of the Center of Innovation and Technology Cooperation. The Center of Innovation and Technology Cooperation is sanctioned under two programs; the Iranian Financial Sanctions Regulations and the Weapons of Mass Destruction Proliferators Sanctions Regulations. Neither of these programs are 560<sup>6</sup>.

<sup>4</sup> This general license does not authorize any transaction prohibited by any part of chapter V of 31 C.F.R. other than part 560. Accordingly, the transfer of funds may not be by, to, or through any of the following: (1) a person whose property and interests in property are blocked pursuant to the Weapons of Mass Destruction Proliferators Sanctions Regulations, 31 C.F.R. part 544, or the Global Terrorism Sanctions Regulations, 31 C.F.R. part 594; or (2) a person whose property and interests in property are blocked pursuant to any other part of 31 C.F.R. chapter V, or any Executive order, except an Iranian financial institution whose property and interests in property are blocked solely pursuant to 31 C.F.R. part 560.

Figure 10 Slide 50 of 60 Pareteum Presentation

Secondly, GL-H was revoked on June 27, 2018 with immediate effect<sup>7</sup>. GL-H also did not authorize the actions described above.

<sup>6</sup> <https://www.law.cornell.edu/cfr/text/31/chapter-V>

<sup>7</sup> [https://www.treasury.gov/resource-center/sanctions/Programs/Documents/iran\\_glh.pdf](https://www.treasury.gov/resource-center/sanctions/Programs/Documents/iran_glh.pdf)



## 2.2. Breach of disclosure requirements

Setting aside the above, Pareteum is in breach of SEC disclosure requirements regarding their dealings in Iran. Section 13(r) of the Securities Exchange Act of 1934 states requires listed entities to disclose in their annual or quarterly reports if it or its affiliates has knowingly engaged in specified activities involving contacts with, or support for Iran<sup>8</sup>.

Companies are required to file the extent and details of their dealings with certain Iranian entities under section 219 of the Iran Threat Reduction and Syrian Human Rights Act of 2012. These entities are generally characterized as entities associated with the Iranian Government and the Iranian Revolutionary Guard Corps.

Below is a copy of T-Mobile's disclosure in their most recent 10-Q. Section 219 requires an issuer to disclose its dealings with Iranian entities **whether or not the activities are sanctionable under US Law**. Pareteum has never made any such disclosure, nor filed any IRANNOTICE filings with the SEC.

### *Disclosure of Iranian Activities under Section 13(r) of the Securities Exchange Act of 1934*

Section 219 of the Iran Threat Reduction and Syria Human Rights Act of 2012 added Section 13(r) to the Exchange Act of 1934, as amended ("Exchange Act"). Section 13(r) requires an issuer to disclose in its annual or quarterly reports, as applicable, whether it or any of its affiliates knowingly engaged in certain activities, transactions or dealings relating to Iran or with designated natural persons or entities involved in terrorism or the proliferation of weapons of mass destruction. Disclosure is required even where the activities, transactions or dealings are conducted outside the U.S. by non-U.S. affiliates in compliance with applicable law, and whether or not the activities are sanctionable under U.S. law.

As of the date of this report, we are not aware of any activity, transaction or dealing by us or any of our affiliates for the three months ended March 31, 2019, that requires disclosure in this report under Section 13(r) of the Exchange Act, except as set forth below with respect to affiliates that we do not control and that are our affiliates solely due to their common control with DT. We have relied upon DT for information regarding their activities, transactions and dealings.

DT, through certain of its non-U.S. subsidiaries, is party to roaming and interconnect agreements with the following mobile and fixed line telecommunication providers in Iran, some of which are or may be government-controlled entities: Gostaresh Ertebatat Taliya, IranCell Telecommunications Services Company, Telecommunication Kish Company, Mobile Telecommunication Company of Iran, and Telecommunication Infrastructure Company of Iran. In addition, during the three months ended March 31, 2019, DT, through certain of its non-U.S. subsidiaries, provided basic telecommunications services to Telecommunication Company of Iran and to three customers in Germany identified on the Specially Designated Nationals and Blocked Persons List maintained by the U.S. Department of Treasury's Office of Foreign Assets Control: Bank Melli, Bank Sepah, and Europäisch-Iranische Handelsbank. These services have been terminated or are in the process of being terminated. For the three months ended March 31, 2019, gross revenues of all DT affiliates generated by roaming and interconnection traffic and telecommunications services with the Iranian parties identified herein were less than \$0.1 million, and the estimated net profits were less than \$0.1 million.

In addition, DT, through certain of its non-U.S. subsidiaries, operating a fixed-line network in their respective European home countries (in particular Germany), provides telecommunications services in the ordinary course of business to the Embassy of Iran in those European countries. Gross revenues and net profits recorded from these activities for the three months ended March 31, 2019 were less than \$0.1 million. We understand that DT intends to continue these activities.

Figure 11 Extract from T-Mobile 10-Q

## 3. Conclusion

Viceroy reiterates its belief that the company should be independently investigated due to the issues in this and previous reports including but not limited to dealings with individuals on the OFAC sanctions list, backlog figures that make no sense, apparently uncollectable revenues and undisclosed related party customers.

<sup>8</sup> <https://www.sec.gov/divisions/corpfin/cfannouncements/itr-act2012.htm>