



United States
Attorney's Office
Northern District of California

PRESS RELEASE

Silicon Valley Start-Up Founder Sentenced To 18 Months In Prison For Wire Fraud And Securities Fraud

Friday, April 19, 2024

For Immediate Release

U.S. Attorney's Office, Northern District of California

Former HeadSpin CEO Manish Lachwani Gave Potential Investors False Financial Information While Company Raised More Than \$100 Million

SAN FRANCISCO – Manish Lachwani, a tech entrepreneur who founded a Silicon Valley-based software-as-a-service (SaaS) company that he duped potential investors into supporting, was sentenced today to 18 months in prison, following his conviction on wire and securities fraud charges, announced United States Attorney Ismail J. Ramsey and Federal Bureau of Investigation (FBI) Special Agent in Charge Robert K. Tripp. The sentence was handed down by the Hon. Charles R. Breyer, Senior United States District Judge.

Lachwani, 47, of Los Altos, California, pleaded guilty on April 23, 2023, to two counts of wire fraud, in violation of 18 U.S.C. § 1343, and one count of securities fraud, in violation of 15 U.S.C. §§ 78j(b) and 78ff and 17 C.F.R. § 240.10b-5. He had been charged in a superseding indictment in August 2022 with wire fraud, securities fraud, and money laundering.

According to his plea agreement, Lachwani founded HeadSpin, Inc. in 2015 and served as its Chief Executive Officer until May 2020. Among other things, HeadSpin provided clients with

software tools and access to remote devices to test mobile applications. Between April 2017 and April 2020, HeadSpin raised more than \$100 million from investors. But Lachwani admitted that, to obtain that financing, he provided potential investors with information about the company's business, customers, revenue, and finances that he knew was inaccurate.

For example, Lachwani admitted he sent potential investors financial information that he knew overstated HeadSpin's revenue and annual recurring revenue (ARR), which is a measure of a company's subscription revenue rate at a particular point in time, annualized to show revenue the company would expect to make, at that rate, over the course of a full year. Specifically, he admitted he knew the revenue and ARR figures he provided to investors were overstated because they included amounts from potential customers that had not agreed to pay subscription fees to HeadSpin, amounts that were more than real customers had agreed to pay, and amounts from customers that had stopped using and paying for HeadSpin's services.

Lachwani also admitted that he knowingly sent HeadSpin's accountant false information about customer contracts that was incorporated into HeadSpin's financial statements, as well as invoices that he knew had been altered to show amounts that had not actually been invoiced to clients.

"This defendant admitted he lied about his company's revenue and customers to attract funding from investors, including many in Silicon Valley," said United States Attorney Ismail J. Ramsey. "Today's sentencing should send a message to other entrepreneurs who may be tempted to cross the line into fraud and to 'fake it until they make it.' This Office is committed to protecting investors — including those whose capital powers the engines of innovation in Silicon Valley — from start-ups that misrepresent their finances and try to cut corners."

In addition to sentencing Lachwani to prison, Judge Breyer ordered the defendant to serve three years of supervised release to begin after his prison term is completed. Judge Breyer also ordered Lachwani to pay a \$1 million fine and scheduled a hearing for July 31, 2024, to address the issue of restitution.

The case is being prosecuted by the Corporate and Securities Fraud Section of the United States Attorney's Office. Assistant U.S. Attorneys Lloyd Farnham and Noah Stern are prosecuting the case with assistance from Aarian Beiti. The prosecution is the result of an investigation by the FBI. The U.S. Attorney's Office and the FBI thank the San Francisco Regional Office of the Securities and Exchange Commission (SEC). An SEC civil enforcement action is currently pending against Lachwani in the Northern District of California.

Updated April 19, 2024

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April 4, 2024



Northern District of California

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