

UNITED STATES DISTRICT COURT  
NORTHERN DISTRICT OF ILLINOIS  
EASTERN DIVISION

UNITED STATES OF AMERICA	)	
	)	No. 16 CR 772
v.	)	
	)	Violation: Title 18, United States
NANDU THONDAVADI and	)	Code, Section 1343
DHRU DESAI	)	<b>Information</b>
	)	

The ACTING UNITED STATES ATTORNEY charges:

1. At times material to this information:

a. Quadrant 4 System Corporation (“QFOR”), an Illinois corporation with headquarters located at 1501 East Woodfield Road, Suite 205 South, Schaumburg, Illinois, provided proprietary software packages, platforms, and information technology consulting services to customers in various industries, including the healthcare and education industries. Defendant NANDU THONDAVADI was QFOR’s Chief Executive Officer and defendant DHRU DESAI was QFOR’s Chief Financial Officer.

b. QFOR was a public company since at least 2010. As such, it was required to provide a detailed report of its financial condition to the United States Securities and Exchange Commission (“SEC”) on both a quarterly and an annual basis, on forms known respectively as a Form 10-Q and a Form 10-K. These reports were accompanied by a signed, written statement by both the Chief Executive Officer and Chief Financial

Officer of the company certifying that the periodic report fully complied with the requirements set forth in federal securities laws, and that information contained in the report fairly presented, in all material respects, the financial condition and results or operations of the company. These reports allowed investors and prospective investors to examine information about public companies that may be material to their investing decisions regarding those companies.

c. During 2015, the SEC issued a formal order authorizing an investigation of QFOR pursuant to Section 20(a) of the Securities Act of 1933 and Section 21(a) of the Securities Exchange Act of 1934. The SEC investigation, which was called “In the Matter of Quadrant 4 System Corp. (C-08172),” continued during 2016 and 2017. The SEC was investigating whether QFOR and its officers violated certain federal securities laws.

d. On May 19, 2016, defendant NANDU THONDAVDI testified under oath before the SEC pursuant to a subpoena issued by the SEC Division of Enforcement.

e. On May 20, 2016, defendant DHRU DESAI testified under oath before the SEC pursuant to a subpoena issued by the SEC Division of Enforcement.

f. M2 Interactive Group, Inc., doing business as Momentum Mobile (“Momentum Mobile”), developed applications for mobile devices, such as smartphones. Joshua Carlucci and Christopher Young owned and operated Momentum Mobile.

g. QFOR acquired Momentum Mobile in 2013.

h. On July 14, 2016, the SEC Division of Enforcement sent materially identical subpoenas related to its investigation of QFOR to Joshua Carlucci and Christopher Young. The subpoenas were accompanied by a cover letter that informed Carlucci and Young that the SEC was conducting an investigation of the following matter: “In the Matter of Quadrant 4 Systems Corp.” The subpoenas required Carlucci and Young to produce, among other things, the following: “All documents relating to any of the entities and individuals listed in following chart . . . QFOR . . . Nandu Thondavadi . . . Dhru Desai,” and “All documents relating to the acquisition . . . of M2 Interactive Group, Inc., or Momentum Mobile.”

2. Beginning in or around 2012, and continuing until in or around November 2016, in the Northern District of Illinois, Eastern Division, and elsewhere,

NANDU THONDAVADI and  
DHRU DESAI,

defendants herein, along with others known and unknown, knowingly devised, intended to devise and participated in a scheme to defraud QFOR’s shareholders and others, and to obtain money and property by means of materially false and fraudulent pretenses, representations, and promises, and by concealment of material facts, which scheme is further described below.

3. It was part of the scheme that defendants NANDU THONDAVADI and DHRU DESAI, for the purpose of enriching themselves and making QFOR’s financial

condition appear to be stronger than it actually was, misappropriated more than \$3 million from QFOR, fraudulently inflated QFOR's revenue, and regularly concealed and avoided publicly reporting all of QFOR's liabilities.

4. It was further part of the scheme that defendants NANDU THONDAVADI and DHRU DESAI, in their capacities as CEO and CFO, respectively, signed and certified materially false SEC reports, including Form 10-Ks for 2013, 2014, and 2015, which defendants knew contained misrepresentations related to the defendants' misappropriation, overstatement of revenue, and understatement of liabilities.

5. It was further part of the scheme that to advance and to conceal the scheme, defendants NANDU THONDAVADI and DHRU DESAI deceived and caused others to deceive QFOR's auditor, deceived and caused others to deceive an investigative firm hired to investigate their misconduct, and attempted to obstruct the SEC's investigation.

### **Misappropriation**

6. It was further part of the scheme that defendants NANDU THONDAVADI and DHRU DESAI misappropriated money from QFOR by, among other things, paying themselves for years without disclosing it to QFOR's auditor or shareholders, causing proceeds from QFOR stock sales to be sent to their bank accounts instead of a QFOR bank account, and paying non-QFOR debts with QFOR funds.

7. ***Payments to THONDAVADI and DESAI:*** It was further part of the scheme that between 2012 and 2016, defendants NANDU THONDAVADI and DHRU DESAI

caused to be falsely represented in various documents, including QFOR's Form 10-Ks for 2012 through 2015, that they did not receive salaries from QFOR and that their compensation only consisted of equity-based compensation, such as stock warrants, when the defendants knew they were typically paying themselves between \$10,000 and \$15,000 per month by causing QFOR funds to be transferred to bank accounts of companies they controlled.

8. ***Payments to Lender A:*** It was further part of the scheme that defendant NANDU THONDAVADI misappropriated more than \$700,000 of QFOR funds by causing the funds to be used for payments on a debt to Lender A, which debt was related to one of THONDAVADI's prior business ventures and was unrelated to QFOR.

9. It was further part of the scheme that in order to conceal the nature of the payments from QFOR's auditor and shareholders, defendant NANDU THONDAVADI directed Bookkeeper A to falsely book the payments to Lender A as payments to QFOR vendors or as payments on tax liabilities.

10. ***Payments to Law Firm A:*** It was further part of the scheme that defendant DHRU DESAI misappropriated approximately \$60,000 of QFOR funds by causing the funds to be used for payments on a debt to Law Firm A, which debt was related to one of DESAI's prior business ventures and was not related to QFOR.

11. ***Misappropriation of Proceeds from Sale of Stock to Executive A:*** It was further part of the scheme that in 2013, defendants NANDU THONDAVADI and DHRU

DESAI misappropriated approximately \$50,000 received from QFOR Executive A for the purchase of 133,000 shares of QFOR stock, knowing that those funds belonged to QFOR.

12. It was further part of the scheme that, in order to have the shares issued for the transaction, defendant DHRU DESAI provided QFOR's transfer agent with a forged board resolution that purported to approve the issuance of the shares and told the transfer agent that the shares were for an employee bonus for Executive A, when in fact DESAI knew that Executive A paid for the shares.

13. *Misappropriation of Proceeds from Sale of Stock to Investor A:* It was further part of the scheme that in or around September 2014, after defendants NANDU THONDAVADI and DHRU DESAI had reached an agreement with Investor A pursuant to which Investor A would purchase approximately 2 million shares of QFOR stock for approximately \$1 million, defendants THONDAVADI and DESAI misappropriated the money by splitting the proceeds between themselves, knowing that the money belonged to QFOR.

14. *Use of QFOR funds to pay personal credit cards:* It was further part of the scheme that between 2013 and 2016, defendants NANDU THONDAVADI and DHRU DESAI caused QFOR funds to be used to pay for personal expenses that were charged on personal credit cards. Specifically, during that time period, THONDAVADI caused more than \$150,000 in QFOR funds to be used to pay personal expenses that were charged on

his credit cards and DESAI caused more than \$45,000 in QFOR funds to be used to pay personal expenses that were charged on his credit cards.

### **Fake Revenue**

15. It was further part of the scheme that defendants NANDU THONDAVADI, DHARU DESAI and others fraudulently inflated QFOR's revenue in QFOR's SEC reports, including Form 10-Ks. In 2014, for example, THONDAVADI and DESAI fraudulently inflated QFOR's revenue by more than \$4.2 million, which resulted in QFOR's revenue being overstated by nearly 10% in QFOR's Form 10-K for 2014.

16. ***“Rotate some cash.”*** It was further part of the scheme that defendant NANDU THONDAVADI directed QFOR Bookkeeper A to use a group of bank accounts THONDAVADI controlled to “rotate some cash” at or near the end of every quarter from approximately 2012 until 2016. THONDAVADI's meaning behind this term was to transfer QFOR cash through the network of bank accounts of related entities that THONDAVADI controlled, and then finally back to QFOR. The purpose was to make it appear that QFOR's revenue and accounts receivable—which was the money that was owed to QFOR—were higher than they really were.

17. It was further part of the scheme that when it was time to “rotate some cash,” defendant NANDU THONDAVADI directed Bookkeeper A to generate a fake QFOR invoice, and to then send funds to bank accounts that THONDAVADI controlled. THONDAVADI gave Bookkeeper A the names of specific entities to use as customers for

the purpose of sending cash to QFOR bank accounts. THONDAVADI also typically directed Bookkeeper A as to which THONDAVADI-controlled entities would be paid and receive payments from QFOR; to do this, THONDAVADI either asked Bookkeeper A to create a fake bill to justify QFOR making a payment to a vendor, or THONDAVADI asked Bookkeeper A to make it seem that QFOR was making a payment on a loan or interest on a loan to justify QFOR making a payment. Once those companies had received funds from QFOR into their bank accounts, Bookkeeper A transferred the funds into the bank accounts of other THONDAVADI-controlled entities that would play the role of customer. Bookkeeper A transferred funds from the accounts of these entities back to QFOR, all under the direction of THONDAVADI. The net effect of these payments to and from the bank accounts of QFOR and THONDAVADI-controlled entities was to send QFOR funds in a circle through various entities that THONDAVADI controlled before returning funds to QFOR bank accounts. These transactions had the effect of falsely raising QFOR's revenue at the end of the quarter.

18. It was further part of the scheme that in order to conceal this fake revenue scheme from QFOR's auditors and QFOR's shareholders, defendant NANDU THONDAVADI directed Bookkeeper A to make false accounting entries in Quickbooks, the accounting software QFOR used. Thus, when THONDAVADI directed Bookkeeper A to "rotate some cash" by creating fake invoices and on some occasions also fake bills,



Bookkeeper A made corresponding false accounting entries in Quickbooks for the corresponding amounts of the fake invoices and fake bills.

19. ***Difficulties Making Payroll:*** It was further part of the scheme that on occasions when QFOR had insufficient funds to make its payroll payments to employees, defendant NANDU THONDAVADI directed Bookkeeper A to “raise an invoice,” which meant that THONDAVADI wanted Bookkeeper A to generate a fake invoice to a QFOR customer for which no work had actually been done by QFOR. This allowed QFOR to “capture revenue” in order to meet payroll, as lenders had agreed to loan QFOR money based on the value of QFOR’s accounts receivable.

20. It was further part of the scheme that after raising a fake invoice, Bookkeeper A, acting at defendant NANDU THONDAVADI’s direction, submitted the fake invoice to a QFOR lender, which then loaned QFOR money based on the value of the fake invoice, and QFOR used the money to meet its payroll payments to employees and to falsely inflate revenue.

21. It was further part of the scheme that in order to conceal the fake invoices from QFOR’s auditors and QFOR’s shareholders, defendant NANDU THONDAVADI directed Bookkeeper A to make corresponding false accounting entries in Quickbooks for the fake invoices and for any fake bills associated with them.

22. ***Additional Fake Revenue, Auditor’s Resignation and Obstruction of Investigation into Misconduct:*** It was further part of the scheme that in approximately

early 2015, defendant NANDU THONDAVADI directed Bookkeeper A to create fake invoices and book approximately \$1 million in fake QFOR revenue for the last quarter of 2014, which had the effect of falsely inflating QFOR's 2014 revenue to more than \$50 million. THONDAVADI further directed Bookkeeper A to book this non-existent revenue as a certain type of project for certain customers because the project was a big, costly project and the substantial invoices would not stand out too much to QFOR's auditor. THONDAVADI caused Bookkeeper A to create the fake invoices in Quickbooks and to book the fake revenue in accordance with his instructions.

23. It was further part of the scheme that when QFOR's auditor attempted to verify some of the fake invoices with the customers, defendant NANDU THONDAVADI obstructed the verification process by causing Bookkeeper A to create gmail e-mail addresses controlled by THONDAVADI and Bookkeeper A for the QFOR customers on the fake invoices that the auditor wanted to confirm. When the e-mail accounts received the confirmation requests from the auditor, Bookkeeper A, acting at THONDAVADI's direction, sent bogus confirmations back to the auditor from the fake e-mail addresses.

24. It was further part of the scheme that during subsequent discussions with the auditor and members of QFOR's board of directors, defendants NANDU THONDAVADI and DHRU DESAI—who knew about the fake revenue—lied about what happened and obstructed the investigation into the misconduct. For example, after the board of directors hired an investigative firm (“Investigator A”) to investigate the issues raised by the auditor

and Investigator A concluded that Bookkeeper A created the fake e-mail addresses, THONDAVADI and DESAI used a cover story—that a rogue QFOR employee in India remotely accessed Bookkeeper A’s computer to create the fake invoices and fake e-mail addresses—to attempt to divert suspicion from themselves and Bookkeeper A. THONDAVADI and DESAI used this false cover story with QFOR’s board of directors and during testimony before the SEC.

25. It was further part of the scheme that after Investigator A concluded that Bookkeeper A created the fake e-mail addresses, defendant NANDU THONDAVADI suggested that QFOR’s board of directors hire another investigative firm (“Investigator B”) to investigate the misconduct, though THONDAVADI planned to obstruct the investigation in order to clear Bookkeeper A with QFOR’s board of directors. Specifically, THONDAVADI directed Bookkeeper A to give one of QFOR’s IT employees in India access to Bookkeeper A’s computer so that the IT employee could change the system date in Bookkeeper A’s computer to backdate his access to Bookkeeper A’s computer to make it appear to Investigator B that the employee had accessed Bookkeeper A’s computer at the time when the gmail e-mail addresses were created.

26. It was further part of the scheme that in April 2015, which was shortly after QFOR’s auditor resigned, defendant NANDU THONDAVADI directed QFOR employees to delete the fake invoices related to the fourth quarter of 2014, which fake invoices identified real QFOR customers as the purported customers, and replaced them with new

fake QFOR invoices in the same amounts to a purported customer named Cynosure, which was a front company controlled by THONDAVADI, which allowed THONDAVADI to control any response to the new auditor if the new auditor tried to confirm the authenticity of amounts purportedly owed to QFOR.

27. It was further part of the scheme that, in order to make it appear that Cynosure was a legitimate business to the new auditor, defendant NANDU THONDAVADI created a website for Cynosure and rented a Regus office in Cynosure's name.

### **Concealment of Liabilities**

28. It was further part of the scheme that defendants NANDU THONDAVADI and DHURU DESAI regularly concealed and avoided publicly reporting all of QFOR's liabilities by, among things, falsely representing to QFOR's auditor that debts were paid by QFOR when they were still outstanding and failing to disclose certain liabilities to QFOR's auditor. In 2013, 2014, and 2015, THONDAVADI and DESAI concealed liabilities of between \$1.1 and \$2.4 million per year as measured at year end, which resulted in QFOR's total liabilities being understated by between 5% and 13.5% in QFOR's Form 10-Ks for those years.

29. ***Concealment of Debt to Lender B:*** It was further part of the scheme that during approximately 2013, at which time QFOR owned Lender B more than \$1 million on a debt instrument called a convertible debenture, defendant NANDU THONDAVADI created a fake document pursuant to which Lender B purportedly consented to accept

QFOR stock for the debt, forged the signature of a representative of Lender B on the document, and provided the fake consent to QFOR's auditor to support the removal of a liability of more than \$1 million from QFOR's balance sheet.

30. It was further part of the scheme that in 2014, when defendant NANDU THONDAVADI knew that QFOR's auditor would attempt to confirm whether this QFOR liability was cancelled by contacting Lender B directly, THONDAVADI provided the auditor with fake contact information for Lender B, including a gmail e-mail address that he had created for the purpose of deceiving the auditor. THONDAVADI, who represented that the gmail e-mail address was Lender B's email address, then responded to the auditor's e-mail to the gmail address as if he were a representative of Lender B and falsely represented that the debt had been cancelled.

31. It was further part of scheme that defendant DHRU DESAI—who knew that Lender B had not consented to cancel QFOR's debt by accepting QFOR stock and who knew that the consent to convert document was a forgery—sent an email to QFOR's transfer agent that attached the forged consent to convert document, and directed the transfer agent to send DESAI the shares that were purportedly going to be used to pay off the debt to Lender B.

32. It was further part of the scheme that in order to conceal the misrepresentations regarding the Lender B liability, when QFOR made subsequent payments to Lender B on the loan, defendant NANDU THONDAVADI directed

Bookkeeper A to make false accounting entries in Quickbooks regarding the nature of those payments.

33. ***Concealment of Debt to Lender C:*** It was further part of the scheme that in 2014 defendant DHRU DESAI negotiated approximately \$800,000 in financing for QFOR from Lender C, but THONDAVADI and DESAI never disclosed this loan to QFOR's auditor and the loan never appeared on QFOR's balance sheet.

34. It was further part of the scheme that instead of properly disclosing the loan and booking it as a note payable, defendant NANDU THONDAVADI directed Bookkeeper A to falsely book the money coming to QFOR from Lender C as revenue.

35. It was further part of the scheme that when QFOR paid Lender C interest payments on the undisclosed loan, defendant NANDU THONDAVADI directed Bookkeeper A to falsely book the payments as consulting fees in order to deceive the auditor about the nature of the payments.

36. ***Concealment of Federal Tax Liability:*** It was further part of the scheme that defendant NANDU THONDAVADI concealed a QFOR federal payroll tax liability from its auditor and shareholders. Specifically, QFOR had a 2011 federal payroll tax liability of more than \$480,000 that was still unpaid as of the first quarter of 2013. THONDAVADI directed Bookkeeper A to make a false book entry to indicate that the tax liability had been paid during the first quarter of 2013, and Bookkeeper A did so, which

had the effect of making it appear in the Form 10-Q for the first quarter of 2013 that QFOR's liabilities were lower than they actually were.

37. It was further part of the scheme that defendant NANDU THONDAVADI directed Bookkeeper A to issue QFOR checks to an entity THONDAVADI controlled in an aggregate amount equal to the 2011 unpaid tax liability, in order to deceive QFOR's auditor by showing payments in the amounts of the tax liability in case the auditor later attempted to confirm the payments to the IRS.

38. It was further part of the scheme that after Bookkeeper A told defendant NANDU THONDAVADI that QFOR's auditor requested copies of the checks showing payment of the 2011 federal tax liability, THONDAVADI told Bookkeeper A to recover the check images for the three checks to the THONDAVADI-controlled entity in the aggregate amount of the IRS liability and alter them so that they appeared to be paid to the IRS. Bookkeeper A followed THONDAVADI's directive, and altered the checks to make it appear as though they were paid to the IRS, and affixed a "United States Treasury" stamp image on the altered checks. Bookkeeper A later uploaded the altered check images into a web-based portal used to make documents available to QFOR's auditor in approximately May 2013.

39. ***Concealment of Liability from Lawsuit:*** It was further part of the scheme that defendants NANDU THONDAVADI and DHRU DESAI concealed from QFOR's auditor and shareholders the amount of and method of payment for a significant QFOR

liability stemming from a federal lawsuit against QFOR, THONDAVADI and DESAI. Specifically, in 2011, Lender D, filed a breach of contract lawsuit against QFOR, THONDAVADI, DESAI, and another individual in the Southern District of New York. In 2013, the Court found in favor of Lender D, and entered judgment against the defendants in the amount of \$691,718.93. Based on language in the contract between the parties, Lender D later filed a motion for approximately \$1.2 million in attorney's fees and costs. The defendants, including THONDAVADI and DESAI, subsequently entered into a settlement agreement ("Settlement Agreement 1") with Lender D, requiring cash payments totaling \$1.75 million to settle the judgment and the attorney's fees claim.

40. It was further part of the scheme that defendant NANDU THONDAVADI created a different, fake settlement agreement ("Settlement Agreement 2") between Lender D and the defendants, and in February 2014 e-mailed Settlement Agreement 2 to QFOR's auditor. THONDAVADI affixed the signature of a representative of Lender D on Settlement Agreement 2 without that individual's knowledge or consent. Settlement Agreement 2 reflected materially different settlement terms than Settlement Agreement 1. Specifically, it purported to settle the judgment by providing more than 1.8 million shares of QFOR stock to Lender D, and made no mention of the attorney's fees and costs.

41. It was further part of the scheme that neither defendant NANDU THONDAVADI nor defendant DHRU DESAI ever provided a copy of the true settlement agreement—Settlement Agreement 1—to QFOR's auditor.



42. It was further part of the scheme that defendants NANDU THONDAVADI and DHRU DESAI never disclosed the attorney's fees liability of more than \$1 million to QFOR's auditor or shareholders.

43. It was further part of the scheme that when QFOR made payments to Lender D pursuant to the undisclosed terms of Settlement Agreement 1, defendant NANDU THONDAVADI directed Bookkeeper A to mask the recipient of the payments in order to deceive QFOR's auditor. For example, at THONDAVADI's direction, Bookkeeper A falsely booked payments on Settlement Agreement 1 as QFOR payments on tax liabilities and as acquisition-related payments.

44. *Fake Acquisition Agreements*: It was further part of the scheme that defendants NANDU THONDAVADI and DHRU DESAI misrepresented the deal terms—including liabilities assumed by QFOR—of certain QFOR acquisitions, including the 2013 acquisitions of Teledata Technology Solutions, Inc. ("Teledata") and Momentum Mobile, from QFOR's auditor and shareholders by creating fake acquisition agreements with materially different deal terms and sending the fake acquisition agreements to QFOR's auditor.

45. It was further part of the scheme that in 2013 defendant NANDU THONDAVADI, on behalf of QFOR, entered into a Secured Party Sale Agreement to purchase Teledata, but did not provide the real Secured Party Sale Agreement to QFOR's auditor.

46. It was further part of the scheme that defendant NANDU THONDAVADI created a fake Asset Purchase Agreement and an Amendment to the fake Asset Purchase Agreement—which purported to be the agreement memorializing QFOR’s acquisition of Teledata—and sent those documents to QFOR’s auditor. THONDAVADI forged the signature of Teledata’s CEO on the fake documents. The fake Asset Purchase Agreement and amendment to it contained materially different terms than the Secured Party Sale Agreement, including an earnout—when the real agreement did not contain an earnout—and the issuance of 3,000,000 shares of QFOR stock for the acquisition—when the real agreement only called for 475,000 shares.

47. It was further part of the scheme that in July 2013, defendant DHRU DESAI, who knew that the Asset Purchase Agreement was fake, e-mailed QFOR’s transfer agent and directed the transfer agent to issue the 3,000,000 shares of QFOR stock referenced in the forged Asset Purchase Agreement. DESAI directed the transfer agent to send those shares directly to DESAI at QFOR’s business address.

48. It was further part of the scheme that defendant NANDU THONDAVADI concealed from QFOR’s auditor and shareholders the true amount of the Teledata liabilities that were assumed as part of the acquisition. Specifically, as part of QFOR’s acquisition of Teledata, QFOR agreed to assume approximately \$2.2 million in Teledata liabilities. However, THONDAVADI told QFOR’s auditor that QFOR only assumed approximately \$1.2 million in Teledata liabilities as part of the acquisition.

49. It was further part of the scheme that in 2013 defendant NANDU THONDAVADI, on behalf of QFOR, entered into an Asset Purchase Agreement (“Asset Purchase Agreement 1”) to purchase a company called Momentum Mobile, but did not provide Asset Purchase Agreement 1 to QFOR’s auditor.

50. It was further part of the scheme that defendant NANDU THONDAVADI created a fake Asset Purchase Agreement (“Asset Purchase Agreement 2”)—which purported to be the agreement memorializing QFOR’s acquisition of Momentum Mobile—and in March 2013 sent that document to QFOR’s auditor. Without the knowledge or consent of Momentum Mobile owners Joshua Carlucci and Christopher Young, THONDAVADI inserted the executed signature page from AP Agreement 1—which reflected the signatures of Christopher Young and Joshua Carlucci—at the end of Asset Purchase Agreement 2. Asset Purchase Agreement 2 contained materially different terms than Asset Purchase Agreement 1, including the issuance of 1,000,000 shares of QFOR stock for the acquisition—when the real agreement only called for 250,000 shares.

51. It was further part of the scheme that defendants NANDU THONDAVADI and DHRU DESAI concealed from QFOR’s auditor and shareholders the amount of the Momentum Mobile liabilities that were assumed as part of the acquisition. Specifically, Asset Purchase Agreement 1 included an agreement by QFOR to assume approximately \$165,000 in Momentum Mobile liabilities. Asset Purchase Agreement 2—the fake

agreement that THONDAVADI sent to QFOR's auditor—did not refer to any assumption of Momentum Mobile liabilities.

52. It was further part of the scheme that in July 2013, defendant DHRU DESAI e-mailed QFOR's transfer agent and directed the transfer agent to issue the additional 750,000 shares of QFOR stock referenced in Asset Purchase Agreement 2. DESAI directed the transfer agent to send those shares directly to DESAI at QFOR's business address.

#### **Attempt to Obstruct of SEC Investigation**

53. It was further part of the scheme that during 2016, defendants NANDU THONDAVADI and DHRU DESAI attempted to conceal the scheme to defraud by attempting to obstruct the SEC's investigation of QFOR by, among other things, lying under oath during testimony before the SEC and by paying Momentum Mobile's owners Joshua Carlucci and Christopher Young to send Thondavadi an e-mail in 2016 indicating that Momentum Mobile had authorized and agreed to the fake agreement (AP Agreement 2).

54. *False Testimony before the SEC:* It was further part of the scheme that on May 19, 2016, THONDAVADI repeatedly lied under oath in testimony before the SEC in order to conceal the scheme to defraud.

55. It was further part of the scheme to defraud that on May 19, 2016, when an SEC attorney asked defendant NANDU THONDAVADI about the fake invoices and fake

revenue that led the QFOR board of directors to hire Investigator A and Investigator B, THONDAVADI lied by claiming he did not know who did it, and by suggesting that a back-office employee in India may be responsible for the misconduct, well knowing that he had directed Bookkeeper A to create the fake invoices and to obstruct the auditor's attempt to confirm the invoices by creating the gmail e-mail addresses to respond falsely to the auditor's confirmation emails.

56. It was further part of the scheme that during his SEC testimony, defendant NANDU THONDAVADI lied by stating that he did not receive cash compensation from QFOR, when in fact he caused QFOR to regularly pay him via a bank account he controlled.

57. It was further part of the scheme that during his SEC testimony, defendant NANDU THONDAVADI lied about his control over QFOR-related entities, which entities THONDAVADI had used to further the fake revenue aspect of the scheme.

58. It was further part of the scheme that on May 20, 2016, defendant DHRU DESAI repeatedly lied under oath in testimony before the SEC in order to conceal the scheme to defraud.

59. It was further part of the scheme to defraud that when an SEC attorney asked defendant DHRU DESAI about the fake invoices and fake revenue that led the QFOR board of directors to hire Investigator A and Investigator B, DESAI, like THONDAVADI, lied by claiming he did not know who did it, and by suggesting that a back-office employee

in India may be responsible for the misconduct, well knowing that THONDAVADI was responsible for the fake invoices and fake revenue and the obstruction of the auditor's attempt to confirm the invoices.

60. It was further part of the scheme that during his SEC testimony, defendant DHRU DESAI lied by stating that he never received any cash compensation from QFOR, when in fact QFOR regularly paid him cash compensation via a bank account he controlled.

61. It was further part of the scheme that during his SEC testimony, defendant DHRU DESAI lied by claiming that Congruent Ventures performed approximately \$10,000 to \$15,000 worth of monthly consulting work for QFOR, well knowing that Congruent Ventures did not do consulting work for QFOR and that DESAI simply used Congruent Ventures as a vehicle to receive undisclosed cash compensation from QFOR.

62. ***Obstruction related to Momentum Mobile:*** It was further part of the scheme that defendants NANDU THONDAVADI and DHRU DESAI, after they learned that the SEC had issued a subpoena to Momentum Mobile owner Joshua Carlucci and learned that the SEC was seeking to interview the other Momentum Mobile owner Christopher Young, agreed to pay Carlucci and Young in exchange for Carlucci and Young's agreement to send Thondavadi an e-mail in 2016 indicating that Momentum Mobile had agreed to Asset Purchase Agreement 2, which was the fake agreement that THONDAVADI created in 2013 without Momentum Mobile's knowledge or consent.

63. It was further part of the scheme that defendants NANDU THONDAVADI and DHRU DESAI requested that Christopher Young lie if he was interviewed by the SEC, by telling the SEC that Momentum Mobile had agreed to and authorized Asset Purchase Agreement 2.

64. It was further part of the scheme that defendants NANDU THONDAVADI and DHRU DESAI agreed to pay Joshua Carlucci \$60,000 and to pay Christopher Young \$102,900 in exchange for Carlucci and Young sending e-mails to THONDAVADI in 2016 falsely indicating that Momentum Mobile had agreed to and authorized Asset Purchase Agreement 2.

65. It was further part of the scheme that defendants NANDU THONDAVADI and DHRU DESAI also agreed to send Christopher Young the difference in QFOR stock set forth in Asset Purchase Agreement 1 and Asset Purchase Agreement 2, which was 750,000 shares, in exchange for Carlucci and Young sending e-mails to THONDAVADI in 2016 falsely indicating that Momentum Mobile had agreed to and authorized Asset Purchase Agreement 2.

66. It was further part of the scheme that defendants NANDU THONDAVADI and DHRU DESAI exchanged numerous e-mails with Christopher Young and Joshua Carlucci to cover up the reason for the 2016 payments from QFOR to Carlucci and Young, and to make it appear that the 2016 payments were for legitimate work, including the

following e-mail, which was sent on July 25, 2016 from Young to THONDAVADI and DESAI:

Documents attached. Please let me know when the same day wire transfer has been sent today for the project fee deposit and we can begin asset delivery for the initial wireframes.

67. It was further part of the scheme that Christopher Young attached to the July 25, 2016 e-mail (1) a document entitled “Business Advisory Agreement,” which falsely identified Young as an “advisor” to QFOR and pursuant to which Young purportedly agreed to “educate [QFOR] with best practices within the wellness discipline” and which identified Young’s fees as “\$25,000 paid on 7/25/16” and “\$25,000 paid on 8/1/16,” and (2) an invoice from Young to QFOR that billed QFOR for the two \$25,000 payments, which according to the invoice were for “consulting,” when in fact the funds were not related to any consulting or advisory work Young performed for QFOR, as the funds were payments for Young’s agreement to send THONDAVADI an e-mail in 2016 falsely stating that Momentum Mobile had previously authorized and agreed to AP Agreement 2.

68. It was further part of the scheme that on or about July 25, 2016, defendant NANDU THONDAVADI sent the following e-mail to Joshua Carlucci, which e-mail was intended to cover up the true reason for the 2016 payments from QFOR to Carlucci and Young: “PFA [please find attached] our development agreement. Let’s connect this morning and wrap the design specs. Please complete the blanks and edit as necessary.



Thanks.” THONDAVADI attached to the e-mail an unsigned copy of a “Business Advisory Agreement” between Carlucci and QFOR.

69. It was further part of the scheme that later that day, Carlucci responded to defendant NANDU THONDAVADI’s e-mail and wrote, “Executed agreement is attached.” Carlucci attached a signed copy of the “Business Advisory Agreement,” which falsely identified Carlucci as an “advisor” to QFOR and pursuant to which Carlucci purportedly agreed to “educate [QFOR] with best practices within the wellness discipline” and which identified Carlucci’s fees as \$60,000, when in fact the funds were not related to any consulting or advisory work Carlucci performed for QFOR, as the funds were payments for Carlucci’s agreement to send THONDAVADI an e-mail in 2016 falsely stating that Momentum Mobile had previously authorized and agreed to AP Agreement 2.

70. On or about December 18, 2012, in the Northern District of Illinois, Eastern Division, and elsewhere,

NANDU THONDAVADI and  
DHRU DESAI,

defendants herein, for the purpose of executing the scheme, knowingly transmitted and caused to be transmitted in interstate commerce by wire communication through a Quadrant 4 System Corporation e-mail account, certain writings, signs and signals, namely, an e-mail to Bookkeeper A and another individual that was routed through computer servers located outside the state of Illinois, asking Bookkeeper A to set up recurring ACH payments from QFOR to Global Technology Ventures, Congruent Ventures, and Lender A;

In violation of Title 18, United States Code, Section 1343.

## **FORFEITURE ALLEGATION**

The ACTING UNITED STATES ATTORNEY further charges:

1. Upon conviction of an offense in violation of Title 18, United States Code, Section 1343, as set forth in this Indictment, defendants shall forfeit to the United States of America any property which constitutes and is derived from proceeds traceable to the offense, as provided in Title 18, United States Code, Section 981(a)(1)(C) and Title 28, United States Code, Section 2461(c).

2. The property to be forfeited includes, but is not limited to a personal money judgment.

3. If any of the property described above, as a result of any act or omission by a defendant: cannot be located upon the exercise of due diligence; has been transferred or sold to, or deposited with, a third party; has been placed beyond the jurisdiction of the Court; has been substantially diminished in value; or has been commingled with other property which cannot be divided without difficulty, the United States of America shall be entitled to forfeiture of substitute property, as provided in Title 21, United States Code Section 853(p).

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ACTING UNITED STATES ATTORNEY