



Department of Justice



**United States Attorney Melinda Haag
Northern District of California**

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WWW.USDOJ.GOV/USAO/CAN
d@usdoj.gov

CONTACT: JACK GILLUND
(415) 436-

Jack.Gillun

FORMER CEO OF PEGASUS WIRELESS SENTENCED TO 21 YEARS FOR HIS ROLE IN SECURITIES FRAUD SCHEME

SAN FRANCISCO – Jasper Knabb, the former CEO of Pegasus Wireless Corporation, a wireless technology company based in Fremont, Calif., was sentenced today to 253 months (21 years and one month) in prison for his role in a complex securities fraud scheme in which nearly half a billion shares of company stock were issued under false pretenses, United States Attorney Melinda Haag announced.

Knabb, 46, of East Wenatchee, Wash., pleaded guilty on July 28, 2011, to one count each of conspiracy to commit securities fraud, securities fraud, and falsifying books and records in violation of Title 18 U.S.C. § 1349; Title 18 U.S.C. § 1348, and Title 15 U.S.C. §§ 78m(b)(2)(A), 78m(b)(5) and 78ff, respectively. According to the plea agreement, Knabb admitted that he carried out a scheme to defraud in which thirty-one fraudulent promissory notes and other documents were created in order to make it appear that Pegasus had outstanding debt. Knabb had Pegasus issue shares to satisfy the purported debt and then had those shares, or assets from their sale, funneled to himself, his family, friends, and associates. All told, between May 2005 and January 2008, Pegasus issued more than 490 million shares to satisfy bogus debt.

By February 2008, Pegasus had issued more than 75 percent of its outstanding shares through this fraudulent scheme. According to court documents, sales of fraudulently-issued

shares netted Knabb, his family, friends and associates more than \$35 million. During this time, Pegasus filed reports with the SEC that falsely reported that the company had issued shares to satisfy a legitimate debt and that masked that Knabb and his associates had received most of those shares. At the height of the scheme, in May 2006, Pegasus stock traded on the NASDAQ for more than \$18 a share and Pegasus had a market capitalization of more than \$4 billion. By September 2006, the stock traded for less than \$1 a share.

The sentence was handed down by U.S. District Court Judge Jeffrey S. White. Judge White also sentenced the defendant to a five-year period of supervised release. The defendant was remanded into custody to begin serving his sentence immediately. In a parallel civil case, *SEC v. Pegasus Wireless Corp. et al*, 09-CV-02302-JSW, on March 9, 2012, the Court entered a judgment in favor of the SEC against Knabb for \$40,847,800.79.

Assistant United States Attorney Jonathan Schmidt prosecuted the case with the assistance of legal assistant Elizabeth Garcia.

This law enforcement action is part of President Barack Obama's Financial Fraud Enforcement Task Force. President Obama established the interagency Financial Fraud Enforcement Task Force to wage an aggressive, coordinated and proactive effort to investigate and prosecute financial crimes. The task force includes representatives from a broad range of federal agencies, regulatory authorities, inspectors general, and state and local law enforcement who, working together, bring to bear a powerful array of criminal and civil enforcement resources. The task force is working to improve efforts across the federal executive branch, and with state and local partners, to investigate and prosecute significant financial crimes, ensure just and effective punishment for those who perpetrate financial crimes, combat discrimination in the lending and financial markets, and recover proceeds for victims of financial crimes.

Further Information:

Case #: CR 11-00009 JSW

A copy of this press release may be found on the U.S. Attorney's Office's Web site at www.usdoj.gov/usao/can.

Electronic court filings and further procedural and docket information are available at <https://ecf.cand.uscourts.gov/cgi-bin/login.pl>.

Judges' calendars with schedules for upcoming court hearings can be viewed on the court's Web site at www.cand.uscourts.gov.

All press inquiries to the U.S. Attorney's Office should be directed to Jack Gillund at (415) 436-6599 or by email at Jack.Gillund@usdoj.gov.

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