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PGWC's Links To The "Corporate Scandal Of The Century."

On January 16, 2006 Pegasus Wireless Corporation (NASDAQ: PGWC, \$7.09) completed the acquisitions of partial interests in three tiny and seemingly unrelated companies. One of the companies was incorporated in the Cayman Islands but headquartered in Taiwan, another was a Taiwanese company, and the third California based but headed by a Chief Executive Officer ("CEO") of Taiwanese origin.

The Taiwanese connection continues with PGWC's involvement with a Taiwanese national who stands accused of using over 100 bogus companies to embezzle in excess of \$525 million from three different companies and who is a director of one of Pegasus' major shareholders. The shareholding company is the same company that owns an interest in a Pegasus subsidiary, and which had dealings with PGWC's President and newly announced Co-CEO, Jasper Knabb, since at least 2001. Mr. Knabb has seen legal and financial controversies of his own.

According to Securities and Exchange Commission filings, Vision 2000 Ventures, Ltd ("Vision") owns approximately 13% of PGWC. Vision is a Taiwanese based corporation also incorporated in the Cayman Islands whose director is Taiwanese citizen Hung Chiu-Hu.

Mr. Hu was arrested on May 18, 2005 for his involvement in what is notoriously referred to by the Taiwanese press as the "corporate scandal of the century."

Mr. Hu was arrested, along with two co-conspirators, in connection with the embezzlement of over \$456 million from the Taiwan-based Pacific Electric Wire and Cable, Co. Ltd ("Pacific Electric").

Mr. Hu is accused of embezzling the funds during his tenure as Director of Finance of Pacific Electric.

Mr. Hu stands accused of setting up 146 dummy corporations and taking out loans in their names, for which Pacific Electric acted as the guarantor. The dummy corporations defaulted on the loans and Pacific Electric shouldered the debt.

According to the Taipei Times, during the investigation of the Pacific Electric, investigators also found evidence that Mr. Hu had embezzled in excess of \$68 million from two more Taiwanese companies where he had served as a board member.

As of July, 2005 Mr. Hu was awaiting trial and prosecutors were seeking a 20 plus year jail term.

The ties between Mr. Hu and Mr. Knabb existed prior to Vision acquiring shares of PGWC. Mr. Knabb's dealings with Mr. Hu goes back at least to 2001, when both were involved in OTC Wireless ("OTC").

Vision's PGWC stock holding resulted from Pegasus' acquisition of OTC in November, 2004. Mr. Knabb served as OTC's Managing Director from 2001-2002.

Mr. Knabb, who suffered a boat repossession in 2004, and the January 2002 dismissal of an attorney defending Mr. Knabb in a civil lawsuit, after Mr. Knabb didn't pay his attorney's fees, currently owes Pegasus \$10 million.

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