

HORSE FEATHERS - CLAPTON-BACKED PEGASUS WIRELESS EVENT STIRS CONCERN

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A strangely familiar press release crossed my desk last week, bearing news of an entertainment event that seemed to echo down the corridors of time.

According to the release, it would appear that rock music icon Eric Clapton has fallen mad crazy in love with the technology being developed by a California company called Pegasus Wireless Corp.

So smitten has Clapton apparently become that - according to the release - he has decided to turn his Madison Square Garden concert on Sept. 28 into what amounts to a warm-up act for the evening's real top banana - Pegasus Wireless itself.

Following the concert, Pegasus is to step into the spotlight for a mini-performance of its own, unfurling various new Pegasus products for "select members of the media and investment communities."

The post-concert event is described as a "private technology fair" that will feature none other than Clapton himself as a guest.

But wait. A "private technology fair?" . . . for "select members of the media and investment communities?"

Why not show the stuff to everyone? Is this really what it purports to be - or maybe just a too-obvious gimmick for taking a free ride on the Clapton name?

In fact, it's dj vu all over again for the world's greatest living rock guitarist and the penny-stock jackals who've been stalking him for much of the past decade.

Their mission: Turn the man behind "Lay Down Sally," "Cocaine," and more than 350 other tunes, into a carnival barker for some of the stock market's trashiest, high-risk investments.

The last time Slowhand's name got dragged through these parts was eight years ago when smooth-talking stock market swindler Peter C. Lybrand used Clapton as bait in a pump-and-dump swindle.

At that time Lybrand managed to pump close to half a billion dollars of hot air into a worthless penny stock called Citron Inc. by hyping it in press releases as the Internet marketing arm of a Clapton-owned drug treatment center in the British West Indies.

For that and several related swindles, Lybrand was convicted and sentenced to seven years in federal prison. He was released last October, and for now at least seems to have left Wall Street and the world of crooked penny stocks far behind.

But the ghost of the pump-and-dumper still stalks the Clapton name, as last week's baloney-stuffed release from the bunch behind Pegasus Wireless plainly underscores.

OVER the years this one time Vancouver-based penny stock has accumulated one of the most convoluted and confusing corporate pedigrees imaginable - including two reverse mergers as well as a failed attempt at a third reverse merger.

Much of the action revolves around the firm's CEO - an attention-hungry self-promoter from South Carolina named Jasper Knabb, who once appeared as an extra in an episode of "CSI: Miami."

In 1998 Knabb set out to make a name for himself in the red-hot dot-com space, launching a small scale Internet service provider called Beach Access, buying what he needed for the enterprise from an obscure West Coast supplier called OTC Telecom.

Knabb claimed Beach Access could provide connection services that ran 100 times faster than rivals. But the business never got off the ground and in early 2000 he sold it to Biofiltration Systems, a Florida-based penny-stock concern.

Biofiltration had no business operations or revenues of its own at the time, so to stir some interest in itself as a stock play, the company had already hired a convicted sex offender named Orville Baldrige to pump up its stock on the Over The Counter market.

Thinking he saw an opportunity for himself in the run-up that followed, Knabb offered to swap ownership of Beach Access for 12 million shares of Biofiltration stock, agreeing to stay on as head of what would now become a Biofiltration subsidiary.

Yet not many months passed before Biofiltration fired Knabb and sued him to recover those shares, claiming Knabb was full of bull about Beach Access and had actually never owned the operation to begin with.

The court agreed with about half of what Biofiltration claimed, and ruled it had the right to fire Knabb but not to force him to hand back his stock. Next, Biofiltration collapsed and in 2003 the Securities and Exchange Commission delisted its shares.

Unfazed by his firing, Knabb landed on his feet with a new job as an aide to the top man at OTC Telecom, Alex Tsao, who had recently changed the company's name to OTC Wireless to reflect the boom in orders that he had been expecting to receive from Knabb and Beach Access.

The orders, of course, failed to materialize and before long Knabb and Tsao began looking elsewhere for opportunities, hooking up finally in late 2004 with what looked to be their meal ticket - a defunct Florida-based penny-stock outfit called Homeskills.

In early November 2004, OTC Wireless and Homeskills merged in a share exchange and began trading on the Over The Counter market under the name of Pegasus Wireless.

The name change reflected the arrival of a new player: a London- based Greek shipowner named Nicos Peraticos, who serves as Pegasus' chairman of the board.

The company's SEC filings describe Peraticos as head of a London shipping firm called Pegasus Ocean Services, LTD. Yet that is hardly the whole story.

U.K. corporate records show the Pegasus operation to be bankrupt and in liquidation, while sources in the closely knit Greek shipping community say Pegasus has been out of business for years.

British shipping industry trade publications place the blame for Pegasus's demise squarely on Peraticos himself.

Hoping to expand the family business, he had issued \$150 million in late 1990s junk bonds to a consortium of lenders that included Lazard Freres and Merrill Lynch, then ruinously poured the money into a fleet of aging rust-bucket oil tankers, leading to the collapse of the business.

None of these things are even hinted at in Pegasus Wireless' SEC filings. And neither is there a coherent discussion of the company's allegedly cutting-edge technology.

To get that, a visitor has to travel to Fremont, Calif., and knock on the door of OTC Wireless' original headquarters, now occupied by a dozen employees of Pegasus Wireless.

Do that and you can walk away with a one-page flier for something the company calls its "WiJet plug 'n' play wireless presentation solution."

The WiJet's big selling point: enabling the user to put on a PowerPoint presentation without the hassle and bother of having to hook up any wires from a laptop too a projector.

Sound impressive? Apparently it did to Eric Clapton. Maybe no one told him he could drop by the nearest Radio Shack and pick up basically the same thing - made by Cisco Systems or any of a number of other competing manufacturers.

Private technology fair? For only "select" members of the media? Maybe Pegasus' brass is playing coy for a reason.

Echo chamber

The Pegasus Wireless/Eric Clapton connection bears some eerie similarity to an earlier promotion involving a fishy penny stock.

* AUG. 24, 2006: 'The enthusiasm that [Clapton] has shown for our company and his desire to assist us in making the Pegasus name one that is recognized by the public as well as across industries is greatly welcomed.' - Jasper Knabb, Pegasus Wireless CEO

* JAN. 15, 1999: Citron Inc. announced that it will have a link to the Crossroads Centre's Web site www.crossroadsantigua.org, a nonprofit organization that was founded by legendary guitarist Eric Clapton.

Pegasus Wireless - Close: \$5.56 (-.26) (last week)