

# ***NEWS RELEASE***

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***For Immediate Release***

## **FORMER FEDEX DRIVER WHO SET UP FAKE HEDGE FUND SENTENCED TO 33 MONTHS**

***Defendant stole over \$500,000 from local victims***

**NEWS RELEASE SUMMARY – March 27, 2017**

SAN DIEGO – Joshua Knaup, the founder and chief investment officer of EquityPro Capital, was sentenced Friday to 33 months in prison and ordered to pay \$556,629 in restitution for stealing over half a million dollars from local investors.

In addressing Knaup, U.S. District Judge Cathy Ann Bencivengo said, “You didn’t steal from a stranger, you stole as a friend, and in this court’s opinion that’s even worse. That’s a theft that goes right to the heart and soul and stays with the victim for a very long time.” Knaup was remanded into custody at the conclusion of the hearing.

After losing his job as a FedEx driver, Knaup opened up EquityPro Capital, an investment management firm based in downtown San Diego. Near the end of 2013, Knaup falsely claimed to have established a new hedge fund and began soliciting investors. Knaup gave potential investors a prospectus that provided detailed information about his purported hedge fund, which Knaup called “The F2 Fund.” According to the prospectus, The F2 Fund derived its name “from a passage in the Bible about giving of the ‘First Fruits’ of your income.” In order to attract investors, Knaup guaranteed that investors would receive a certain return on their investment and falsely claimed to have invested his own money in the hedge fund.

According to court documents, Knaup conned victims into giving him hundreds of thousands of dollars. Knaup ingratiated himself with Lois and Henry Mathews, who live in Bankers Hill, while attending their 45<sup>th</sup> wedding anniversary celebration. Knaup promised to help Ms. Mathews retire and claimed that her \$240,000 investment would be safe. Instead, Ms. Mathews, a small-business owner, lost it all. As she wrote to the court, “I am 72 years old and work very hard in a very physical and stressful business and I will have to continue to work this hard for the rest of my life because of what Josh [Knaup] stole from us.”

Knaup met another victim, Lewis Barnum from Coronado, at a Rotary Club meeting. Knaup boasted about his success in the stock market and promised a substantial return. Barnum ultimately lost over \$130,000 to Knaup. Yet another victim met Knaup on the side of a freeway while changing a tire. Knaup talked a lot about his investment company, and the victim, a Border Patrol agent, decided to invest \$10,000. When the victim told Knaup he was about to have a child and needed his money, Knaup wrote him a \$10,000 check that bounced.

With the thousands of dollars he stole from investors, Knaup rented prime office space in a building near Petco Park. Inside the office, Knaup created a wall using 30 flat screen televisions that displayed stock trading information—a fact that duped investors would later mention as an apparent sign of the business’ legitimacy. Knaup even threw a party for the investors at the Hotel Indigo with sushi, an open bar and gift bags.

Despite these outward indications of success, The F2 Fund did not exist. Knaup had not even opened a brokerage account for the investors’ funds. Investors ultimately poured over half a million dollars into the non-existent hedge fund. Knaup did not invest a single dollar of investors’ funds, and instead used the money for personal and business purchases. In the fall of 2014, Knaup’s business began to unravel as investors realized that Knaup had not invested their money. Knaup fled to Mexico shortly thereafter, without ever repaying the victims he had defrauded.

“Mr. Knaup perpetrated a scheme weaved with facades and lies to prey on trusting, hard-working people intending to make legitimate investments,” said Special Agent in Charge Eric S. Birnbaum. “Today’s sentence will prevent Mr. Knaup from victimizing investors for a long while and serve as a reminder that the FBI will continue to protect the American public by pursuing fraudsters and bringing them to justice.”

**DEFENDANT:**

**Case Number 16-CR-560-CAB**

Joshua Knaup

Age: 41

Santa Rosa, CA

**SUMMARY OF CHARGES**

Wire Fraud – Title 18, U.S.C., Section 1343

Maximum penalty: 20 years' imprisonment and \$250,000 fine

**AGENCY**

Federal Bureau of Investigation