

Pearlman offices in Orlando searched

Contributed by Lou Pearlman Writer
Friday, 16 February 2007

By HELEN HUNTLEY at Sptimes.com
Published February 16, 2007

State regulators say he owes investors \$317-million.

Federal agents poured into the home and offices of Orlando music producer Lou Pearlman Thursday, the first public acknowledgement that he and his crumbling entertainment empire are the targets of a criminal investigation.

Pearlman and his Trans Continental companies owe investors more than \$317-million in what state regulators say was a giant Ponzi scheme. The state says he used money from new investors to pay off old investors and transferred millions of dollars to himself and his companies. Many investors were from the Tampa Bay area, most of them older people attracted by false claims of FDIC insurance. In addition, lenders say Pearlman owes them more than \$160-million.

About two dozen agents from the FBI, IRS, FDIC and Florida Office of Financial Regulation moved into Pearlman's offices at Church Street Station on Thursday morning and searched his lavish home in the Orlando suburb of Windermere. Financial records were the primary object of their search.

"The U.S. Attorney's Office and the FBI are looking into various allegations leveled against Mr. Pearlman and his entities," said Steve Cole, spokesman for the U.S. attorney for the middle district of Florida. He declined to provide details.

Pearlman is believed to be out of the country. A reporter for television station WESH said he spoke to Pearlman this week, but Pearlman refused to answer questions about his finances and hung up on him.

Three of Pearlman's Trans Continental companies have been in state receivership since Feb. 2. Receiver Jerry McHale said his first task was to copy the computer hard drives to protect the originals from tampering. His lawyers were on hand to meet the agents Thursday morning and McHale is expected to have continued access to the seized records. The search warrant included Pearlman companies outside the receiver's control.

McHale said the U.S. Attorney's Office for the Eastern District of New York also is investigating and has subpoenaed records. About half the money invested in Trans Continental came from outside Florida, with the largest amount - 18 percent - from New York. Pearlman, best known for launching the boy bands *NSync and the Backstreet Boys, is from Queens.

McHale said the Trans Continental companies are largely worthless shells, with their few assets heavily encumbered. Banks that have mortgages or liens on property have first claim on those assets. Bank of America is foreclosing on Church Street Station, and two operable planes that have been found have bank liens against them.

McHale said there isn't even enough money left in the companies to keep his investigation going. The banks that lent money to Pearlman and the state may end up financing the receivership. So far, he said, the state has agreed to pay only for a mailing to investors and some minor bills such as changing the locks on the offices.

"Investors need to know that regardless of what happens, it's going to take time," McHale said. "From a recovery standpoint, if and when there is any, it will be a year at the earliest."

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