

Federal Complaint: Boy Band Mogul Lou Pearlman Used Fake Accountants for Loans

Contributed by Administrator
Friday, 15 June 2007

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HAGATNA, Guam — Federal authorities allege the creator of the Backstreet Boys and *NSYNC defrauded a bank by securing nearly \$20 million in personal and business loans with fake documents from a nonexistent accounting firm.

Lou Pearlman, who had been in hiding for several months, was found in Indonesia and expelled from the country Thursday. He was handed over to the FBI, who took him to the U.S. territory of Guam to appear before a federal judge on a bank fraud charge. Pearlman was held over Friday for another hearing next week.

In a criminal complaint filed in March and unsealed after Pearlman's arrest, an FBI investigator said the boy-band mogul used an accounting firm named Cohen & Siegel to prepare documents for lenders and investors. Authorities said the firm appears to be nonexistent, and was created by Pearlman or his associates.

Similar allegations have been raised in a lawsuit and a lengthy state complaint accusing Pearlman of operating a long-running, multimillion-dollar scam.

Integra Bank officials told investigators they relied on Cohen & Siegel documents as a "clean opinion" in approving and monitoring four loans: two in 2004 for \$19 million to Pearlman's Trans Continental Airlines and two in 2006 to Pearlman totaling just under \$1 million.

Investigators didn't find any licensed, state-registered accountants for the firm.

Federal authorities also allege Pearlman promised lenders payments from a large account in German Savings, an entity that also appears to be nonexistent. Banks told federal authorities the payments never arrived.

Besides boy bands and airplane charters, Pearlman was also involved in talent scouting, restaurant and other ventures.

He stopped paying bank loans months before he allegedly went into hiding, and lost control of several companies in February when a judge appointed a receiver to take over.

Pearlman faces several lawsuits from individual investors and two involuntary bankruptcy proceedings. He hadn't responded to court subpoenas and doesn't have an attorney in the bankruptcy cases.

The state receiver says it appears Pearlman has defrauded more than 1,000 investors out of more than \$315 million in a long-running Ponzi scheme. Banks are also hounding Pearlman and his many companies for more than \$120 million, according to bankruptcy court documents.

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