

Lou Pearlman Charged With Bank Fraud

Contributed by Lou Pearlman Writer
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ORLANDO, Fla. -- Lou Pearlman was forced out of hiding Thursday after being expelled by Indonesian authorities and turned over to the FBI. He was flown to Guam to appear before a judge, officials said.

Pearlman's arrest on one felony count of bank fraud ended several months of hiding for the boy-band mogul, who created the Backstreet Boys and 'N Sync. He also faces several lawsuits and two involuntary bankruptcy proceedings, but hasn't responded to court subpoenas and doesn't have an attorney in either bankruptcy case.

"We expect that he will be returned to Florida," said Steve Cole, a spokesman for the U.S. Attorney's Office in Tampa.

Pearlman was also involved in airplane charters, talent scouting, restaurants and other ventures.

Banks are hounding Pearlman and his companies for more than \$120 million, according to bankruptcy court documents. It wasn't entirely clear how he allegedly committed bank fraud in the federal charges, which were filed in a criminal complaint March 2 and sealed until Thursday.

However, court documents filed by the Florida Office of Financial Regulation and in lawsuits against Pearlman allege he created a fake accounting firm that prepared bogus statements for investors.

Federal and state authorities raided Pearlman's home and offices in February.

The FBI forwarded information about Pearlman to Indonesian authorities. He was deemed an "undesirable visitor" and thrown out of the country. Pearlman was apprehended at a hotel on the resort island of Bali, the FBI said.

Pearlman lost control of several companies in February when a state judge appointed a receiver to take over the books.

The receiver, Jerry McHale, said Pearlman appears to have defrauded about 1,000 individual investors of more than \$315 million.

Pearlman allegedly sold a bogus savings-account plan promising large dividends, then transferred payments to himself, his associates and across his companies.

Soneet Kapila, the court-appointed trustee in the bankruptcy cases, said the arrest should help authorities sort through Pearlman's confusing financial picture.

"I'm looking forward to seeing him on American soil," Kapila said. "I'm anxious to see what he had in his possession, where he was located, and how anything he had in his possession will help me locate the assets."

Pearlman's books are convoluted and incomplete, investigators say. He apparently created more than 100 companies _ a separate one for each business venture _ but treated them all as one by blindly transferring assets and paying bills.

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