



Department of Justice

United States Attorney Robert E. O'Neill
Middle District of Florida

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**LOU PEARLMAN SIGNS PLEA AGREEMENT THAT INCLUDES
ADDITIONAL CHARGES THAT HE DEFRAUDED INVESTORS**

Orlando, FL - U.S. Attorney Robert E. O'Neill announced today that Orlando businessman Lou Pearlman has signed a plea agreement that adds additional charges and requires him to cooperate with the government to help identify any assets that may be available for restitution to victims of his criminal conduct. The new charges include two counts of conspiracy to commit an offense against the United States (Counts one and two), one count of money laundering (Count three), and one count of presenting or using a false claim in a bankruptcy proceeding (Count four). Counts one, two, and four each carry a maximum sentence of five years imprisonment, and a fine of \$250,000. Count three carries a maximum sentence of ten years imprisonment and a fine of \$250,000. Pearlman is scheduled to plead guilty before Senior U.S. District Judge G. Kendall Sharp at 10:00 a.m. on Thursday, March 6, 2008, in Orlando Federal Court.

According to the plea agreement, Pearlman agrees to make full restitution to each and every victim who has been directly and proximately harmed as a result of the commission of the offenses to which the defendant is pleading guilty, including, but not limited to, each and every victim who purchased stock in Transcontinental Airlines Travel

Services, Inc., each and every victim who invested money in an Employee Investment Savings Account, and each and every federally insured financial institution (including, but not limited to, Integra Bank N.A., Bank of America, American Bank of St. Paul, First International Bank & Trust, MB Financial Bank NA, Northside Community Bank, Mercantile, Washington Mutual, First National Bank & Trust, and HSBC Bank) that loaned money or provided a line of credit to the defendant or one of his entities.

Pearlman is also required to forfeit to the United States immediately and voluntarily any and all assets and property. The assets to be forfeited specifically include, but are not limited to, the following: a \$200 million money judgment; the administrative forfeiture of the following assets: 2004 Cadillac Escalade, 2005 Chrysler 300, Check from Bank of America (\$71,935.33), Check from Wachovia Bank (\$25,000.00), 2004 Rolls Royce Phantom, and a 2006 Cadillac Professional Limousine; and any assets to be discovered in the future to satisfy the \$200 million money judgment.

According to the plea agreement, for more than twenty years Pearlman was successful in raising millions of dollars based on false representations about two companies affiliated with him. One of those companies was Transcontinental Airlines Travel Services, Inc. The other was Transcontinental Airlines, Inc. Pearlman represented to thousands of investors and several federally insured financial institutions that those two companies were successful companies in the airline business and that Pearlman's ownership interest in those companies was worth millions of dollars. That was not true. To the contrary, Transcontinental Airlines Travel Services, Inc. and Transcontinental Airlines, Inc. existed only on paper. Those companies had minimal employees, business operations, and revenue.

This case involves three conspiracies and schemes to defraud perpetrated by PEARLMAN and others: (1) a “Ponzi” scheme based on fraudulent investments offered in connection with Transcontinental Airlines Travel Services, Inc. and Transcontinental Airlines, Inc., (2) a bank fraud scheme involving misrepresentations about the financial condition of PEARLMAN and his companies, and (3) a bankruptcy fraud scheme. The amount of loss for these three schemes is currently estimated at over \$300 million.

This case is being investigated by the Federal Bureau of Investigation, the Internal Revenue Service -- Criminal Investigation Division, the Federal Deposit Insurance Corporation Office of Inspector General, and the State of Florida Office of Financial Regulation. The case is being prosecuted by Assistant United States Attorneys Roger B. Handberg and Daniel W. Eckhart.