

State's case against Pearlman shrinks

By Helen Huntley, Times Personal Finance Editor

Published April 26, 2007

The state's case against Trans Continental Airlines and its alleged \$317-million Ponzi scheme just got a little smaller and eventually could be dropped now that federal authorities are leading the investigation.

The Office of Financial Regulation asked to drop Robert Fischetti, Michael Crudele, Kristin Finger and Aegis Consulting Inc. as defendants in the case filed against music producer Lou Pearlman and his associates last December.

The state says it is assisting federal law enforcement in investigating the case and "does not wish to compromise ... the ongoing federal investigation by subjecting otherwise confidential information to the discovery process" that would be available to defendants in the state case.

Ultimately, the case appears likely to end up in the hands of federal prosecutors and the bankruptcy court.

The state accused Pearlman, the man behind popular boy bands 'N Sync and the Backstreet Boys, of running a massive Ponzi scheme. Investors and banks say he owes them nearly \$500-million. No criminal charges have been filed.

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