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## Pearlman case draws crowd

### Frustrated investors hear grim news at a bankruptcy meeting. They are urged to file a loss claim.

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More than 100 frustrated Lou Pearlman investors flooded a bankruptcy court meeting Monday, only to hear suggestions of their worst fears: If there is any money left from Pearlman's enterprises, it might not be much, it might not be easy to find or obtain, and it could almost all wind up going to banks.

"No hope at all," Berle Sue Phillips, 70, of Brooksville said after hearing a U.S. Bankruptcy Court trustee and other officials explain their efforts to find investors' missing money, including Phillips' \$108,000. "I came here hoping I might get something, but I don't think I'll get anything back now."

That may not have been the intended message of Soneet Kapila, the bankruptcy trustee overseeing Pearlman's personal finances and Pearlman's Trans Continental Airlines, both of which were dragged into bankruptcy in March. But a grim picture emerged as Kapila and other officials described the Pearlman bankruptcy case as enormous and complicated -- and compared it to that of Evergreen Security Ltd.

An investment scam involving that Orlando-based company in the 1990s cost investors \$215 million, only \$17 million of which has been recovered so far for investors. Evergreen is not related to the Boston-based family of mutual funds of the same name.

Many of the Trans Continental investors, like Phillips, reported losing their life savings earlier this year after Pearlman's investment program collapsed. The Orlando music mogul fled the country in January, shortly before courts began seizing his properties and the FBI raided his home and offices.

Investigators say Trans Continental's "employee savings and investment accounts" took in hundreds of millions of dollars in what appeared to be, as Kapila told investors, a classic "Ponzi scheme." Kapila knows of more than 1,412 investors thus far and is still counting.

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The bankruptcy court is now compiling loss claims, which is one reason the investors were invited to hear updates Monday from Kapila, Assistant U.S. Trustee Kenneth C. Meeker, and their attorneys. So far, investors and others have officially registered more than \$17 million in claims against Pearlman and his flagship company. Kapila urged those who haven't filed a claim to do so through the bankruptcy court's clerk's office in Orlando.

A number of banks and business vendors have already sued Pearlman over delinquent loans and contracts totaling more than \$150 million, including some secured by liens, which puts them ahead of many investors if any money is recovered. So far, just \$250,000 in cash has been found.

Kapila and his staff have at least 1,500 boxes of seized Trans Continental files to examine. And those files, which Kapila described as "total shambles," don't include the many files taken and held by the FBI in its ongoing investigation of Pearlman.

"It is going to take a long time to put these pieces together. It is a huge jigsaw puzzle," Kapila said. "However, we have a team of people working on this."

He cautioned that the nature of Ponzi schemes is that much of the investors' money is used to pay back earlier investors, leaving almost nothing to be recovered later, once everything collapses. What money does exist from the investments, Kapila speculated, "is hidden. It's in foreign accounts, if it exists at all. So it's going to be time-consuming. It's going to be expensive to recover."

Even simple questions are still unanswered, Meeker added.

"We don't know where Lou Pearlman is. We don't know what the FBI and U.S. Attorney's Office are doing. We don't know where a lot of the assets are," he said. "We're really in the dark on a lot of issues."

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