

**IN THE CIRCUIT COURT OF THE NINTH JUDICIAL CIRCUIT
IN AND FOR ORANGE COUNTY, FLORIDA
CIVIL DIVISION**

STATE OF FLORIDA,
OFFICE OF FINANCIAL REGULATION,

Plaintiff,

vs.

CASE NO.: 48-2006-CA-011136-O

TRANS CONTINENTAL AIRLINES, INC.,
TRANS CONTINENTAL AIRLINES TRAVEL
SERVICE, INC.,
TRANS CONTINENTAL ENTERPRISES, LLC
a/k/a TRANS CONTINENTAL ENTERPRISES LLC,
LOUIS J. PEARLMAN,
ROBERT FISCHETTI, and
MICHAEL CRUDELE,

Defendants,

and,

LOUIS J. PEARLMAN ENTERPRISES, INC.,
TRANS CONTINENTAL RECORDS, INC.,
TC LEASING, LLC,
TRANS CONTINENTAL TALENT, INC.,
FASHION ROCK, LLC,
TRANS CONTINENTAL TRAVEL SERVICE, INC.,
F.F. STATION, LLC,
TRANS COUNTRY MUSIC GROUP, INC.,
TRANS CONTINENTAL STUDIOS, INC.,
TRANS CONTINENTAL AVIATION, INC.,
AEGIS CONSULTING, INC., and
KRISTIN FINGER,

Relief Defendants.

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**AMENDED VERIFIED COMPLAINT
FOR TEMPORARY AND PERMANENT INJUNCTION
AND APPOINTMENT OF RECEIVER**

Plaintiff, State of Florida, Office of Financial Regulation files this Amended Verified Complaint, having obtained the written consent to this amendment from the sole Defendant named in the original Complaint (Defendant Trans Continental Airlines, Inc.), as authorized by Fla. R. Civ. P. 1.190, and alleges as follows with respect to the Defendants and Relief Defendants:

SUMMARY OF CLAIM

1. Plaintiff, State of Florida, Office of Financial Regulation (“OFR”) herein alleges that the Defendants have violated the registration and anti-fraud provisions of Chapter 517, Florida Statutes, and the prohibitions against soliciting or receiving funds for deposit without being authorized to do business in the state of Florida as a financial institution as found in Chapter 655, Florida Statutes. Unless enjoined and placed in receivership, the Defendants will continue to squander investor dollars by continuing to transfer funds to themselves and the closely related Relief Defendant business entities.

For at least 15 years, the Defendants have offered and sold unregistered securities identified as the “Employee Investment Savings

Account” program or “E.I.S.A.” Records obtained by the OFR indicate that outstanding E.I.S.A. program “deposits” are at a minimum between \$95 million and \$153 million.

The Defendants have engaged in securities fraud by making a variety of misrepresentations that lulled individual E.I.S.A. investors into believing their investment “deposit” was safe, secure and residing in U.S. financial institutions, where FDIC and other insurance guaranteed the investment. The existence of FDIC, Lloyd’s of London or AIG insurance, however, was simply a fabrication that went hand in hand with the false representations that all E.I.S.A. funds were maintained in U.S. institutions such as Citibank, where above market interest rates were provided to purportedly cash laden companies such as Defendant Trans Continental Airlines, Inc.

Like a financial institution, Defendant Trans Continental Airlines, Inc. used a “Deposit” slip filled out by investors to facilitate the deposit of the investments into its coffers. These dollars were then deposited into various checking accounts in the name of Trans Continental Airlines, Inc. Under the E.I.S.A. program, these funds were to be transferred to FDIC insured financial institutions where the funds would generate higher than average dividends. Under the E.I.S.A. program investors further were led to believe that Defendant Trans Continental Airlines, Inc. would continue to provide

account information on “Trans Continental” account statements reflecting “available balance,” “insured amount,” and “interest rate.” Such account statements in fact were provided.

Rather than invest these millions of investor dollars as promised, these Trans Con Defendants have instead **transferred** and **concealed** the true disposition of the funds. Bank records indicate the investors’ deposits of approximately \$118 million have been utilized to pay earlier investors both dividends and cash withdrawals as is the case in Ponzi schemes, to pay commissions of approximately \$7 million to sales agents who marketed the program, and to funnel approximately \$50 million to the cash coffers of Defendants Pearlman, Fischetti, and Crudele as well as the business entities named as Relief Defendants. Most egregious beneficiaries during the last four years include Defendant Pearlman’s closely held corporation, Louis J. Pearlman Enterprises, Inc., which has received more than \$34 million in E.I.S.A. program dollar transfers and Louis J. Pearlman individually, who has received more than \$4.2 million in transfers.

While OFR is aware of at least \$10 million in E.I.S.A. investors who have formally demanded the return of funds, and while one source within the company indicates investors have formally demanded the return of approximately \$32 million, bank records indicate that the Defendant Trans

Continental Airlines, Inc. has less than \$15,000 in four E.I.S.A. related/FDIC insured checking accounts it has utilized for the past four years.

An alleged \$40 million balance in a German business entity identified as German Invest- Und Finanzberatung GmbH or “German Savings” remains out of U.S. jurisdiction. Plaintiff OFR’S investigation has disclosed that despite German Savings’ website representation that it has assets of \$2.9 billion and a “national investment banking franchise,” a Dun & Bradstreet report for this GmbH (abbreviation of Gesellschaft mit beschränkter Haftung - a type of legal German legal entity with shareholders and limited liability) shows “insufficient information available” to provide a Risk Indicator rating. The report indicates “sole authority in the business” resides in its Managing Director, Mitchell L. van Balen, born 4-12-84 (22 years of age). The German Savings account statement provided to the OFR as proof of this \$40 million, reflects the business address of Gewerbering 5-47623 Kevelaer, Deutschland.

Audited Financial Statements for Trans Continental Airlines, Inc., issued by Cohen & Siegel CPA’s, Coral Gables, Florida, however, neither reflect a \$100 million plus liability for E.I.S.A. accounts nor any corresponding asset (such as the \$40 million) or receivable associated with

the transfers to the other Defendants and Relief Defendants. OFR'S investigation has disclosed that the Cohen & Siegel's Corral Gables office is actually the location of an answering service, whose services were paid for in part from the same Trans Continental Airlines, Inc. bank account utilized by the Defendants to receive, transfer and conceal investor funds.

Moreover, an internet website for Cohen & Siegel identifies the accounting firm as having headquarters outside Frankfurt, Germany, and one office in Coral Gables, Florida. The address listed for Cohen & Siegel on its internet website mimics the address the German Savings account documents:

Gewerbering 5, DG Raum Links, 47623 Kevelaer.

Further complicating this dire situation are four recently filed law suits by banks alleging Defendant Trans Continental Airlines, Inc. has past due loans of \$14 million and past due loan guarantees of a total of \$49 million (\$27 million, \$14 million, and \$8 million). In August 2006, two bank wires totaling \$611,289.04 in E.I.S.A. program funds were made to one of the banks for what appears as a monthly loan payment. What is further alleged in these bank suits is that large blocks of the outstanding stock of Defendant Trans Continental Airlines, Inc. was pledged by the Defendant Louis J. Pearlman as collateral for these loans. For example, 190,000 shares of pledged preferred stock and approximately 347,000 shares of pledged

common stock are at issue as collateral as alleged in the American Bank litigation, securing indebtedness in excess of \$27 million. To the detriment of the E.I.S.A. investors, the future control of Defendant Trans Continental Airlines, Inc. by Defendant's Pearlman and Fischetti is at issue, and the outcome is bleak. The company either remains under current management, who show no reluctance to use E.I.S.A. funds to pay its debts, or the company falls under the control of a creditor that is seeking cash to satisfy its own debts.

On Friday, January 25, 2007, the OFR learned of yet another sale of the E.I.S.A. program to a Florida investor. This time in the amount of \$1 million by wire transfer to an account never before associated by the OFR with this scheme. The account is in the name of "Trans Continental Enterprises LLC." The sale occurred on December 20, 2006, while the Plaintiff, the Defendant Trans Continental Airlines, Inc., and the Defendant Louis J. Pearlman, each through counsel, negotiated the terms of an agreement, later entered by the parties and adopted by this court, to halt further sales. The then continuing OFR investigation was downplayed to the investor as a limited problem associated with a few Clearwater, FL transactions. There was also no mention of the fact that the investor would be transferring the \$1 million to an account not in the name of Trans

Continental Airlines, Inc., but to an account in the name of the new participant in the E.I.S.A. scheme. The new participant account identifies two signatories on the account: Louis J. Pearlman and Robert Fischetti. While the \$1 million was deposited on December 20, 2006, the \$1 million had been **transferred** and **concealed** by the end of the month, when the account balance stood at \$32,000. In fact, on the day following the deposit, the account statement reflects five separate “commercial loan payments” were made from these E.I.S.A. funds in the total amount of \$327,229.85 (\$119, 715.07; \$68,524.51; \$65,110.25; \$40,405.06; and \$33,474.96).

2. The OFR brings this action to enjoin the Defendants from continuing to violate the Florida Securities and Investor Protection Act, Chapter 517, Florida Statutes, and the Florida Financial Institution Code, Chapter 655, Florida Statutes.

3. The OFR seeks additional relief through the imposition of a Receiver over the assets of Defendant Trans Continental Airlines, Inc., Defendant Trans Continental Airlines Travel Services, Inc., and Defendant Trans Continental Enterprises, LLC a/k/a Trans Continental Enterprises LLC.

4. The OFR also brings this action to enjoin the Relief Defendants as persons “concerned in” and “participating in” such practices in violation

of Chapter 517, Florida Statutes; for doing any act or acts in furtherance of a violation of Chapter 517; and from continuing fraudulent practices or doing any act in furtherance of a fraudulent practice in violation of Chapter 517.

5. The OFR also seeks injunctive relief against all the Defendants and the Relief Defendants in the form of an order of restitution requiring the Defendants and the Relief Defendants to disgorge ill gotten gains and unjust enrichment, to include: (i) requiring all Defendants and Relief Defendants to submit an accounting of investor funds and other assets in their possession, (ii) an order freezing the Defendants' and the Relief Defendants' assets, including all assets held for the direct or indirect benefit, or subject to the direct or indirect control, of the Defendants and Relief Defendants; (iii) an order requiring disgorgement/restitution of funds and assets equal to the amount of investor funds received by the Defendants and the Relief Defendants; (iv) a schedule for expedited discovery; (v) an order requiring the repatriation of all assets abroad which were obtained or derived from the illegal securities and banking transactions, (vi) an order prohibiting the Defendants and Relief Defendants from accepting or depositing additional investor funds; and, (vii) an order prohibiting the alteration or destruction of relevant documents.

JURISDICTION AND VENUE

6. This action is within the jurisdiction of this Court under Article V, Section 5(b) of the Constitution of the State of Florida and by operation of § 26.012(2)(c) and (3) and §§ 517.191 and 655.922, Florida Statutes.

7. This action is pursuant to §§ 517.191(1) and 655.922(4), Florida Statutes, which authorizes the OFR to bring this action before this Court in order to enjoin violations of Chapters 517 and 655 and to enforce compliance with each Chapter.

8. This action seeks restraint of acts and practices of the Defendants that have occurred, are occurring or are about to occur in and from Orange County, Florida, and from counties throughout the state of Florida.

9. Venue is appropriate in Orange County, Florida, as the Defendants and Relief Defendants are principally located in Orange County and the Defendants issued securities and accepted deposits from offices within Orange County.

PARTIES AND CORPORATE RELATIONSHIPS

10. Plaintiff OFR is authorized to maintain the instant action to enforce the Securities and Investor Protection Act, pursuant to §§ 20.12, and 517.03, and 655.012, Florida Statutes.

11. Plaintiff OFR is specifically authorized to bring this suit pursuant to §§ 517.191 and 655.922, Florida Statutes.

12. Defendant Trans Continental Airlines, Inc. (“Trans Con Airlines”) is a Florida corporation with its principal place of business in Orlando, Florida.

13. Defendant Trans Continental Airlines Travel Service, Inc. (“Trans Con Airlines Travel”) is a “void” Delaware corporation, which does business, as alleged in more detail below, in the form of issuing Federal Tax Form 1099-INT under its own name and FEI number to Defendant Trans Con Airlines’ E.I.S.A. investors, from offices at 127 West Church Street, Orlando, Florida.

14. Defendant Trans Continental Enterprises, LLC a/k/a Trans Continental Enterprises LLC (“Trans Con Enterprises”) is a Florida limited liability company with its principal place of business in Orlando, Florida.

15. Defendant Louis J. Pearlman (“Pearlman”) is a Florida resident.

16. Defendant Robert Fischetti (“Fischetti”) is a Florida resident.

17. Defendant Michael Crudele (“Crudele”) is a Florida resident.

18. Relief Defendant Louis J. Pearlman Enterprises, Inc. (“Pearlman Enterprises”) is a Florida corporation with its principal place of business in Orlando, Florida.

19. Relief Defendant Trans Continental Records, Inc. (“Trans Con Records”) is a Florida corporation with its principal place of business in Orlando, Florida.

20. Relief Defendant TC Leasing, LLC (“TC Leasing”) is a Florida limited liability company with its principal place of business in Orlando, Florida.

21. Relief Defendant Trans Continental Talent, Inc. (“Trans Con Talent”) is a Florida corporation with its principal place of business in Orlando, Florida.

22. Relief Defendant Fashion Rock, LLC (“Fashion Rock”) is a Florida limited liability company with its principal place of business in Orlando, Florida.

23. Relief Defendant Trans Continental Travel Service, Inc. (“Trans Con Travel”) is a “void” Delaware corporation with its principal place of business in Orlando, Florida.

24. Relief Defendant F.F. Station, LLC (“F.F. Station”) is a Florida limited liability company with its principal place of business in Orlando, Florida.

25. Relief Defendant Trans Country Music Group, Inc. (“Trans Country Music”) is a Florida corporation with its principal place of business in Orlando, Florida.

26. Relief Defendant Trans Continental Studios, Inc. (“Trans Con Studios”) is a Florida corporation with its principal place of business in Orlando, Florida.

27. Relief Defendant Trans Continental Aviation, Inc. (“Trans Con Aviation”) is a Florida corporation with its principal place of business in Orlando, Florida.

28. Relief Defendant Aegis Consulting, Inc. (“Aegis Consulting”) is a Florida corporation with its principal place of business in Valrico, Florida.

29. Relief Defendant Kristin Finger (“Finger”) is a Florida resident.

30. Defendant Pearlman is listed as the President and Registered Agent by the Florida Department of State, Division of Corporations for the following Defendant and Relief Defendant entities: Tran Con Airlines, Trans Con Records, and Trans Con Aviation.

31. Defendant Pearlman is listed as the Managing Member or Manager and Registered Agent for the following Relief Defendant entities: TC Leasing, Fashion Rock, and F.F. Station.

32. Defendant Pearlman is listed as a Director and Registered Agent of the following Relief Defendant entities: Pearlman Enterprises and Trans Con Studios.

33. Defendant Fischetti is listed as Director and Registered Agent of Relief Defendant Trans Country Music.

34. Defendant Pearlman is listed as a Chairman and Director for Trans Con Talent.

35. Defendant Crudele is listed as Director and Registered Agent for Aegis Consulting.

36. Defendant Trans Con Airlines Travel and Relief Defendant Trans Con Travel are “void” Delaware corporations, are not registered with the Florida Department of State, Division of Corporations, and list Delaware entities as Registered Agents.

37. On information and belief, Defendant Pearlman owns a majority interest or otherwise controls all of the Defendant and Relief Defendant business entities with the exception of Relief Defendants Trans Country Music and Aegis Consulting, which on information and belief are controlled respectively by Defendant Fischetti (as “Director”) and Defendant Crudele (as “Director”).

38. On information and belief, Defendant Trans Con Airlines Travel is the alter ego of Defendant Trans Con Airlines.

THE E.I.S.A. PROGRAM

39. Plaintiff OFR has conducted an investigation of the activities of the Defendants and Relief Defendants with respect to their involvement in the Employee Investment Savings Account program or E.I.S.A. program. The investigation has disclosed the following facts.

40. From as early as 1989 through December 2006, Trans Con Airlines has offered Florida and non-Florida residents the opportunity to invest funds in its “Employee Investment Savings Account” program or “E.I.S.A.” program (hereinafter the “E.I.S.A. program”).

41. E.I.S.A. program investors were not required to be employees of Trans Con Airlines, Inc., and with few exceptions E.I.S.A. program investors in fact were not employees or family members of the employees of Defendant Trans Con Airlines.

42. Funds invested in the E.I.S.A. program have been provided to Trans Con Airlines at its offices in Orlando, Florida.

43. These funds have been deposited into Trans Con Airlines Florida based bank accounts.

44. Defendant Pearlman is the President of Trans Con Airlines.

45. Defendant Pearlman is a signatory on Trans Con Airlines bank accounts.

46. Defendant Fischetti is an officer of Tran Con Airlines.

47. Defendant Fischetti's signature appears on virtually all checks issued by Trans Con Airlines associated with the E.I.S.A. program, with the exception of a few checks containing Pearlman's signature.

48. Defendant Crudele markets the E.I.S.A. program on behalf of Trans Con Airlines.

49. Defendant Crudele, through Relief Defendant Aegis Consulting, contracts with other sales agents to market the E.I.S.A. program.

50. At least four E.I.S.A. program investors have maintained to the OFR that they dealt directly with Defendant Pearlman in regards to sales and marketing information and did not deal with a sales agent (other than Pearlman).

51. Defendant Crudele provided E.I.S.A. marketing materials to E.I.S.A. sales agents with whom he dealt.

52. Investors in the E.I.S.A. program were advised by the Trans Con Airlines E.I.S.A. offering documents as well as by sales agents, who were under the direction of Defendants Pearlman and Crudele, that in exchange for an investor depositing funds in the E.I.S.A. program, an

investor would earn “high yield Money Market” interest rates.

53. Investors utilized “Deposit” slips to facilitate investments.

54. Investors were also entitled to the return of initial investment through a redemption process lasting 14 days.

55. Investors utilized “Withdrawal” slips to facilitate returns.

56. Investors received quarterly statements on letterhead utilizing the identification of “TRANS CONTINENTAL.”

57. The quarterly statements reflected deposits, interest earned, and account balance.

58. The quarterly statements reflected either “Insured Amount” or “Insured Account Balance,” when in fact no insurance existed.

59. A limited number of E.I.S.A. program participants received Federal Tax Form 1099-INT for the year 2005.

60. The 1099’s were issued by Defendant Trans Con Airlines Travel, not Defendant Trans Con Airlines.

61. Defendant Tran Con Airlines Travel identified itself on the 1099’s with Federal Employment Identification #133065160.

62. Defendant Trans Con Airlines utilizes FEI #133056529 in its registration with the Florida Department of State, Division of Corporations and in conjunction with opening and operating its bank accounts.

63. There is no evidence that suggests Form 1099 recipients were advised of the transfer of their deposit to the corporate entity “Trans Continental Airlines Travel Service, Inc.”

64. E.I.S.A. investors were to be passive and were not expected or obligated to perform any entrepreneurial effort in conjunction with Trans Con Airlines’ effort to produce the income or profit, which would result in the payment of the interest.

65. E.I.S.A. investors were falsely advised that “corporate rates” were available on E.I.S.A. deposits through FDIC insured institutions such as Citibank, NationsBank, and in more recent years Bank of America.

66. Investors were falsely advised that “corporate rates” were paid by these financial institutions to purportedly cash laden companies such as Defendant Trans Continental Airlines, Inc.

67. E.I.S.A. investors were falsely advised that their accounts were to be held at the financial institutions “individually” in the investor’s name and with a separate account number.

68. E.I.S.A. investors were falsely advised that their accounts were covered by FDIC insurance up to \$100,000.

69. While recent quarterly statements received by E.I.S.A. investors no longer contain a second page reflecting FDIC insurance coverage, earlier

E.I.S.A. quarterly statements explicitly reflected such coverage as evidenced in the 1989 and 1991 statements received by “Investor S” (whose identity will not be disclosed in this public document).

70. Defendant Trans Con Airlines is not an FDIC insured financial institution.

71. The OFR has obtained an FDIC certification confirming this fact.

72. E.I.S.A investors were falsely advised that all E.I.S.A. accounts were reinsured through Lloyd’s of London or AIG Insurance Company.

73. Defendant Trans Con Airlines’ E.I.S.A. accounts were not insured by Lloyd’s of London or AIG Insurance Company.

74. The OFR has obtained Lloyd’s corporate records and a verified statement confirming the lack of Lloyd’s of London insurance on the E.I.S.A. accounts.

75. The OFR has obtained a verified statement from AIG confirming the lack of AIG insurance on the E.I.S.A. accounts.

76. The E.I.S.A. program sales agents utilized Dun & Bradstreet reports for Defendant Trans Con Airlines.

77. On information and belief, the Dun & Bradstreet reports were based on the Cohen & Siegel financial statements, self-reported to Dun &

Bradstreet by the Defendant Trans Con Airlines.

78. The Dun & Bradstreet reports did not reference the E.I.S.A. program or associated program assets and liabilities.

79. The OFR has obtained by subpoena and analyzed bank records for four accounts in the name of Trans Continental Airlines, Inc. for the years 2003 through 2006.

80. The OFR has also had direct contact with in excess of 300 E.I.S.A. account investors.

81. The OFR has interviewed sales agents, who offered the E.I.S.A. program.

82. The OFR has subpoenaed the testimony and documents of two additional sales agents, William Kress and Samuel Troncalli. Each have invoked their 5th Amendment rights.

83. Plaintiff OFR has subpoenaed the testimony and documents of Defendant Crudele and Relief Defendant Aegis. Defendant Crudele has invoked his 5th Amendment right individually and as the sole associate of Aegis Consulting.

84. Based on the above investigation, the OFR can establish that there is a minimum of \$95.9 million in outstanding E.I.S.A. program investments among a minimum of 1,374 investors.

85. The OFR investigation has disclosed that a minimum of 73 investors have requested the closure of their accounts totaling \$7 million.

86. The OFR has also attempted through negotiations with Defendant Trans Con Airlines, through its counsel Foley & Lardner, to determine the amount and location of funds in the E.I.S.A. program.

87. Counsel for the Defendant provided a document on behalf of Defendant Trans Con Airlines that indicated there was \$38,461,926.94 in “active” E.I.S.A. program accounts.

88. Following receipt, the OFR contacted more than 100 E.I.S.A. investors whose names did not appear on the “active” list but whose names were discovered by OFR in its investigation. Each of the investors contacted maintained they still had investment funds in the E.I.S.A. program.

89. Counsel for Defendant Trans Con Airlines also provided a two-page account statement and related that Defendant Trans Con Airlines maintained this document evidenced approximately \$39.5 million of E.I.S.A. program funds were located in an entity entitled “German Invest- Und Finanzberatung GmbH” or “German Savings,” a German domiciled entity (hereinafter collectively referred to as “German Savings.”)

90. The account statement identifies what appears to be the account holder as TRANS CONTINENTAL AIRLINES EISA ACCOUNT, 127

WEST CHURCH STREET, ORLANDO, FLORIDA, 32801 USA.

91. The account statement written in German appears to reflect an account balance of \$39,487,691.83 USD.

92. The OFR has been unable to confirm the authenticity of the account statement or to locate any U.S. branch of this entity.

93. The OFR investigation has disclosed that despite a German Savings website representation that it has assets of \$2.9 billion and a “national investment banking franchise,” a Dun & Bradstreet report pulled by the OFR for this GmbH (abbreviation of Gesellschaft mit beschränkter Haftung - a type of legal German legal entity with shareholders and limited liability) shows “insufficient information available” to provide a Risk Indicator rating. The report indicates “sole authority in the business” resides in its Managing Director, Mitchell L. van Balen, born 4-12-84 (22 years of age).

94. The German Savings account statement reflects the business address of Gewerbering 5-47623 Kevelaer, Deutschland. As related below in paragraph 204, this is the same address associated with Cohen & Siegel, the accounting firm that provides audited financial statements for the Defendant Trans Con Airlines.

95. As a German domiciled investment banker (as distinguished

from a U.S. or state chartered bank or other financial institution), as the entity maintains on its website, German Savings is not FDIC insured.

96. Plaintiff OFR has also attempted through negotiations with counsel for Defendant Trans Con Airlines to obtain access to the Defendant's books and records associated with the E.I.S.A. program.

97. Based on these negotiations, on January 3, 2007, Oscher Consulting, P.A. ("Oscher"), an independent auditing and forensic accounting firm, was granted limited access to certain books and records of the Defendant.

98. Oscher was provided access by Defendant Trans Con Airlines to "Quick Books" entries reflecting outstanding liabilities associated with the E.I.S.A. program at \$153,712,030.42.

99. Oscher was provided limited access to an "SQL Server," which was alleged by Trans Con Airlines' M.I.S. Director, Barry Irving, to be the principal computer system utilized to maintain detailed E.I.S.A. program account information.

100. As of Friday, January 5, 2007, Oscher was still being advised by Barry Irving that a report for all outstanding E.I.S.A. account holders was not available on the SQL server.

101. Despite subsequent representations by agents for Trans Con

Airlines that a separate print-out for each account on the SQL server would be provided, Oscher has not received such documents.

102. The partial explanation provided to Oscher for the inability to provide E.I.S.A. account information has been explained by agents of Trans Con Airlines as being tied to the absence of former employee and Relief Defendant Kristin Finger.

103. Agents for Defendant Trans Con Airlines maintained Relief Defendant Finger was principally in charge of E.I.S.A. operations.

104. Agents for Defendant Trans Con Airlines maintained Finger is the only person who fully understands the E.I.S.A. operations.

105. On information and belief, Relief Defendant Finger terminated her employment relationship with Trans Con Airlines in November 2006.

106. On November 1, 2006, Finger deposited a \$5,000 check from one of the Defendant Trans Con Airlines bank accounts containing E.I.S.A. proceeds. The check bears the signature of what appears as that of Louis J. Pearlman. The memo section notes, "Best wishes!"

107. At the time Relief Defendant Finger deposited the check, Finger was aware that E.I.S.A. program funds were being used to fund the check.

108. Plaintiff OFR has subpoenaed the testimony of Finger. Finger has invoked her 5th Amendment right.

109. On January 18, 2007, Plaintiff OFR was contacted by an informant. The informant maintains he/she has direct contact with Defendants Pearlman and Fischetti.

110. The informant maintained the following:

a. a printout for the SQL server exists (and existed as of the first week of January despite contrary representations to Oscher);

b. the total outstanding E.I.S.A. liabilities currently are in excess of \$300 million;

c. Defendant Trans Con Airlines has received withdrawal requests in excess of \$32 million;

d. The \$32 million in requests were listed on a document printed off the SQL server, and a copy of the document was provided by the informant to Plaintiff OFR;

e. Additional liabilities associated with stock issued by Defendant Trans Con Airlines Travel (which issued the 1099s) total \$200 million.

111. Plaintiff OFR has obtained documents provided by investors who have invested in shares of Defendant Trans Con Airlines Travel.

112. Like E.I.S.A. program accounts, these shares of stock generated

“interest” at a fixed rate.

113. Like E.I.S.A. program accounts, an investor could withdraw the “available balance” by submitting a request to Tran Con Airlines.

114. Account statements issued in connection with these shares, as recently as June 30, 2006, are on Defendant Trans Con Airlines’ letterhead, rather than on Trans Con Airlines Travel letterhead, additionally evidencing the symbiotic relationship between these entities.

115. Further evidencing this relationship is the fact that one bank account in the name of the Defendant Trans Con Airlines, which was created utilizing FEI #133056529, was utilized to accept incoming investor funds provided to purchase shares of stock in Defendant Trans Con Airlines Travel as well as to fund outgoing dividend payments made to Trans Con Airlines Travel stock holders.

116. The OFR review of Defendant Trans Con Airlines’ bank records disclosed that between January 2003 and December 2006, proceeds of \$523,000 from the sale of Defendant Trans Con Airlines Travel stock were deposited into Defendant Trans Con Airlines bank account.

117. The OFR review of Defendant Trans Con Airlines’ bank records disclosed that between January 2003 and December 2006, Defendant Trans Con Airlines dispersed \$332,000 from its accounts to stockholders of

Defendant Trans Con Airlines Travel.

TRANSFER AND CONCEALMENT OF E.I.S.A. PROGRAM FUNDS

118. Based on misrepresentations or omissions of fact by Defendant Tran Con Airlines and its agents including Defendants Pearlman, Fischetti and Crudele, investors were led to believe that E.I.S.A. accounts were held at U.S. financial institutions “individually” (in each investor’s name) and under separate account numbers.

119. Based on misrepresentations or omissions of fact by Defendant Trans Con Airlines and its agents including Defendants Pearlman, Fischetti and Crudele, investors were led to believe that their investments were safe, secure, and protected by FDIC insurance or additional re-insurance.

120. The OFR analysis of Defendant Trans Con Airlines’ bank records indicates that between January 2003 and December 2006, approximately \$118 million in proceeds from the sale of the E.I.S.A. program were received and deposited in the Defendant Trans Con Airlines bank accounts.

121. The OFR analysis of these bank records indicates that approximately \$43 million was paid out by Trans Con Airlines during this period to E.I.S.A. program investors as account closures or interest

payments.

122. The OFR analysis of these bank records indicates that approximately \$7 million was paid out during this period to sales agents as commissions for the sale of the E.I.S.A. program.

123. The OFR analysis of these bank records indicates that between January 2003 and December 2006, approximately \$48 million in proceeds from the sale of the E.I.S.A. program were transferred to the other Defendants and to the Relief Defendants, as specified below.

124. Defendant Trans Con Airlines transferred approximately \$4.2 million to Defendant Pearlman.

125. Defendant Trans Con Airlines transferred approximately \$399,000 to Defendant Fischetti in the form of checks payable directly to Fischetti or checks payable on Fischetti's behalf to a mortgage company, GMAC, and American Express.

126. Defendant Trans Con Airlines transferred approximately \$732,000 to Defendant Crudele in the form of checks payable directly to Crudele or checks payable on Crudele's behalf to a church, a pre-paid tuition plan, and a ReMax account.

127. Defendant Trans Con Airlines transferred approximately \$34 million to Relief Defendant Pearlman Enterprises.

128. Defendant Trans Con Airlines transferred approximately \$2 million to Relief Defendant Trans Con Records.

129. Defendant Trans Con Airlines transferred approximately \$950,000 to Relief Defendant TC Leasing.

130. Defendant Trans Con Airlines transferred approximately \$1.7 million to Relief Defendant Trans Con Talent.

131. Defendant Trans Con Airlines transferred approximately \$710,000 to Relief Defendant Fashion Rock.

132. Defendant Trans Con Airlines transferred approximately \$700,000 to Relief Defendant Trans Con Travel.

133. Defendant Trans Con Airlines transferred approximately \$350,000 to Relief Defendant F.F. Station.

134. Defendant Trans Con Airlines transferred approximately \$228,000 to Relief Defendant Trans Country Music.

135. Defendant Trans Con Airlines transferred approximately \$218,000 to Relief Defendant Trans Con Studios.

136. Defendant Trans Con Airlines transferred approximately \$135,000 to Relief Defendant Tran Con Aviation.

137. Defendant Trans Con Airlines transferred approximately \$2.5 million to Relief Defendant Aegis Consulting.

138. Defendant Trans Con Airlines transferred \$5,000 to Relief Defendant Kristin Finger.

139. Investors were not advised that their funds would be paid out to earlier E.I.S.A. program investors for account closures or as interest payments.

140. Investors were not advised that their funds would be paid to third parties in any manner, including to a church.

OTHER MISREPRESENTATIONS AND OMISSIONS BY DEFENDANTS PEARLMAN, FISCHETTI, and CRUDELE

141. E.I.S.A. sales agent Charlotte Oliver maintains she had direct discussions concerning the E.I.S.A. program with Defendant Pearlman, beginning in approximately 1995 and continuing through 2006.

142. Charlotte Oliver maintains that during these discussions, Defendant Pearlman represented E.I.S.A program details including the following:

- a. that the E.I.S.A. program investor funds were held in U.S. bank accounts;
- b. that the FDIC insured each E.I.S.A. account up to \$100,000;
- c. that a Lloyd's of London insurance policy and

subsequently an AIG insurance policy covered each E.I.S.A. account;

d. that a Florida C.P.A. firm, Cohen & Siegel, issued an opinion concerning the E.I.S.A. program on May 3, 1995.

143. Charlotte Oliver maintains Defendant Pearlman provided her a copy of a document that served as proof that Lloyd's of London insured E.I.S.A. accounts in U.S. financial institutions.

144. The OFR has obtained a copy of the document from Oliver.

145. The document reflects Lloyd's Policy # 823/AM9100780 and the "Assured" is Trans Continental Airlines, Inc... Orlando, Florida, 32819 U.S.A.

146. The document further provided:

The risk, interest, location, and sum insured hereunder

Add endorsement to policy to insure all deposited funds (Corporate and Employee Investment Savings Accounts – E.I.S.A.) maintained with approved Federal Deposit Insurance Corporation (FDIC) United States Banking Institutions, to a maximum liability of US \$500,000,000.00 against default, foreclosure, bankruptcy or the inability of the Institution to return any balance of deposited funds within fourteen days of applicable notice thereof. Approved Institutions shall include: Citicorp/Citibank, N.A; NCNB/C&S – Nations Bank; Southeast Bank, N.A./First Union National Bank of Florida. Deposited funds and EISA statements shall be available calendar quarterly for inspection by Insurer or its representatives. EISA accounts shall be insured on an individualized basis, net of the applicable

FDIC insurance coverage. If such FDIC insurance is not paid within fourteen days, said FDIC proceeds will be assigned to Insurer and accounts will be insured in full and covered under this policy.

147. The policy period reflected at the bottom of the letter is from “1st September, 1991 to 1st September 1996.”

148. The policy date reflected at the bottom of the document is “1st September, 1991.”

149. The OFR has obtained a verified statement from Lloyd’s that provides that no such Lloyd’s policy number or policy has ever existed.

150. Charlotte Oliver maintains Defendant Pearlman provided her a copy of the Cohen & Siegel, May 3, 1995, opinion letter.

151. The OFR has obtained a copy of the document from Oliver.

152. The Cohen & Siegel letter, which is directed to “Mr. Louis Pearlman, President, Trans Continental Airlines...,” provides:

With reference to your Employee Investment Savings Account (E.I.S.A.) program, we hereby are responding to your request as to our opinion:

We certify this program meets all ...Internal Revenue Service requirements and is available to all employees and shareholders of Trans Continental. The reference literature fully depicts the plan and its deferment policy as well as insurance coverage by F.D.I.C. and Lloyds of London as maintained on file in your office...

153. As alleged in more detail at paragraphs 197 through 204 below,

the OFR has determined that Cohen & Siegel, C.P.A. did not do business in 1995 at the address reflected on its letterhead but instead was represented at that address and phone number by a secretarial service that forwarded correspondence and calls to a phone number in Orlando.

154. “Investor M” (whose identity will not be disclosed in this public document) received a letter dated August 1, 1995, from M’s sales agent Stephen Muench in conjunction with the offer to invest in the E.I.S.A. program.

155. The OFR has obtained a copy of the letter from Investor M.

156. The August 1, 1995, letter was on Defendant Trans Con Airlines’ letterhead, addressed to To Whom This May Concern, and bears a signature purporting to be that of Louis J. Pearlman, President.

157. The August 1, 1995, letter (which is similar to Cohen & Siegel letter) provided:

The Employee Investment Savings Account (E.I.S.A.) is available to all employees and shareholders of Trans Continental. The reference literature depicts the plan as well as the insurance coverage by F.D.I.C. and Lloyd’s of London as maintained on file in our office....

158. The letter also contains a two-page attachment.

159. Page one of the attachment is titled Lloyd’s Policy and appears to be a cover page of an insurance policy.

160. Page two of the letter reflects the same policy number as that provided to Charlotte Oliver, Policy # 823/AM9100780, reflects the “Assured” as Trans Continental Airlines, Inc, and contains the identical provision set forth above at paragraph 146, which begins:

The risk, interest, location, and sum insured hereunder

Add endorsement to policy to insure all deposited funds (Corporate and Employee Investment Savings Accounts – E.I.S.A.) maintained with approved Federal Deposit Insurance Corporation... to a maximum of US \$500,000,000.00....

161. The policy period reflected at the bottom of the letter is from “1st September, 1996 to 1st September 1999.”

162. The policy date reflected at the bottom of the document is “1st September, 1996.”

163. Charlotte Oliver also maintains she had direct discussions concerning the E.I.S.A. program with Defendant Crudele.

164. Oliver maintains she signed an “Independent Consultant Contract” with Crudele’s firm, Relief Defendant Aegis Consulting, in August 2003, to market E.I.S.A.

165. Defendant Crudele also provided Oliver marketing materials, which indicated the E.I.S.A. program was FDIC insured.

166. Charlotte Oliver also offered and sold the E.I.S.A. program to

individual investors utilizing the representations made to her by Defendant Pearlman and by Defendant Crudele.

167. E.I.S.A. sales agent Jack Arnold maintains he had direct discussions concerning the E.I.S.A. program with Defendants Pearlman and Crudele.

168. Jack Arnold maintains he first learned of the program in 1996 through Defendant Crudele.

169. Jack Arnold maintains Crudele provided Arnold various marketing materials.

170. Jack Arnold maintains he had direct discussions concerning the E.I.S.A. program with Defendant Pearlman in 2000.

171. Jack Arnold maintains Defendant Pearlman represented the following:

- a. that the E.I.S.A. program investor funds were held “individually” in U.S. bank accounts;
- b. that the FDIC insured each E.I.S.A. account up to \$100,000;
- c. that a Lloyd’s of London insurance policy covered each E.I.S.A. account.

172. Jack Arnold maintains that Defendant Pearlman provided a one-

page document concerning the E.I.S.A. insurance coverage entitled “The Schedule.”

173. The OFR has obtained a copy of the document from Jack Arnold.

174. The document reflects “The Insured” as Trans Continental Airlines, Inc. The document is dated 25 September, 1996, Policy No. 823/AM9100780.

175. The document reflects the “Sum Insured US \$500,000,000.00 (Five Hundred Million Dollars US).

176. The document reflects “The Interest Insured:” and provides the identical provision set forth above at paragraphs 146 and 160, which begins:

Add endorsement to policy to insure all deposited funds (Corporate and Employee Investment Savings Accounts – E.I.S.A.) maintained with approved Federal Deposit Insurance Corporation...to a maximum of US \$500,000,000.00....

177. The policy period reflected at the bottom of the letter is from “1st September, 1996 to 1st September 1999.”

178. Jack Arnold maintains he also offered and sold the E.I.S.A. program to individual investors utilizing the representations made to him by Defendant Pearlman and Crudele.

179. The OFR has obtained documents from the FDIC indicating an

E.I.S.A. sales agent made an inquiry in 1995 concerning the applicability of FDIC insurance to the E.I.S.A. program.

180. The documents also reflect that the FDIC responded to the inquiry on November 2, 1995.

181. The response, provided by FDIC Senior Attorney, J. Michael Payne, includes the following:

...Some of the materials you provided, those which were used by TransContinental, indicate that the deposits are an employee benefit plan. **I briefly spoke with Louis Pearlman, President of TransContinental. He informed me that the EISA was a 410(k) plan which was available only to employees and shareholders. He indicated that the funds in the plan were invested in CD's....** (emphasis added)

182. The OFR has obtained documents from the FDIC indicating the FDIC made an inquiry to Defendant Pearlman ("Mr. Louis Pearlman, Trans Continental Airlines...Orlando, Florida), by letter dated October 26, 2001.

183. The FDIC letter by Senior Attorney, Phillip D. Telford, provided:

...I am writing you concerning FDIC insurance of Employee Investment Savings Accounts at Trans Continental Airlines...

My concerns center around the use of the word "FDIC" and the confusing manner in which insurance on the Employee Investment Savings Account is discussed...

184. The FDIC records indicate it received a response by letter dated

November 6, 2001.

185. The response is on Trans Continental Airlines, Inc. letterhead and is signed at the bottom over the name “Louis J. Pearlman” and title “President.”

186. The letter provides:

...Our company is Trans Continental Airlines, Inc. We do not offer to anyone other than employees or our private shareholders our Employee Investment Savings Account plan.

Our employees have their own individual accounts set up with approved banking institutions. Our matching plan is based on years of service. We have not solicited anyone nor have accepted anyone to this plan that does not qualify and certainly not the general public....

187. Based on a consumer complaint in 2003, Plaintiff OFR inquired of Defendant Trans Con Airlines as to the offer and sale of the E.I.S.A. program as well as to a private placement of securities being made by Trans Con Records, Inc.

188. By letter dated January 30, 2004, counsel for Trans Continental Companies - Peter Antonacci, Esq., responded as follows:

This is a followup to our conversation this past week with respect to my client the Trans Continental Companies, **specifically with regard to the Trans Continental Airlines Employee Investment Savings Account (TCA EISA)** and the Trans Continental Records, Inc., Confidential Private Placement memoradum...

Neither of these products has been offered for sale to the public by

the company since at least 2002. Accordingly, the company has not authorized any broker to offer for sale either of these products to the public since then. If your office receives any information to the contrary, please contact me so that immediate and appropriate action can be taken by the company. (emphasis added)

189. The January 30, 2004, letter also included the following certification from Defendant Louis J. Pearlman and a signature:

I certify that the information contained herein is true and accurate. (emphasis added)

190. The OFR'S investigation, without the benefit of the Defendant's books and records, has concluded that in calendar year 2003, the Defendants at a minimum sold \$13.8 million in the E.I.S.A. program.

191. The limited review of Defendant Trans Con Airlines' books and records by Oscher Consulting, PA, reflects an increase of \$18 million for the year 2003 in E.I.S.A. account liabilities (as reflected in the Defendant's Quick Books, Account/200-101, EISA Loan Payable Account), to the 12/30/02 balance of \$52 million. At 12/30/03, the E.I.S.A. liability account had an ending balance of \$62 million, after reductions in liabilities of approximately \$8 million.

192. Defendants Pearlman and Fischetti, in addition to failing to disclose to E.I.S.A. investors Defendant Trans Con Airlines' continuing circumvention of legitimate regulatory inquiries and the lack of FDIC and

other insurance, failed to disclose and otherwise omitted material information concerning the financial position of Defendant Trans Con Airlines.

193. Without full and fair disclosure, a basic tenant of securities law, E.I.S.A. investors were unable to make an informed decision concerning their investment.

194. As reflected in audited financial statements titled Financial Statements and Auditor's Report, Trans Continental Airlines, Inc., Period May 1, 2004 to April 30, 2005, issued by Cohen & Siegel, Certified Public Accountants, there is no mention of E.I.S.A. program liabilities or corresponding assets of any type associated with the E.I.S.A. program, including any reference to inter-company or related company loans.

195. Subsequent audited Financial Statements for Defendant Trans Con issued by Cohen & Siegel for the period May 1, 2005 to April 30, 2006, also contain no reference to the E.I.S.A. program.

196. The OFR investigation has not disclosed any instance when an E.I.S.A. program investor was provided copies of Defendant Trans Con Airlines' financial statements nor has it disclosed an instance where E.I.S.A. program assets and liabilities were fully and fairly identified.

197. Defendant Trans Con Airlines and the other Defendants also

failed to mention that the audited financial statements mentioned above, which on information and belief were also provided to such firms as Dun & Bradstreet, were issued by an alleged C.P.A. firm, Cohen & Siegel, that did not reside at the address listed in the audit report.

198. The OFR investigation has disclosed that the address and phone of Cohen & Siegel were instead operated by a Coral Gables answering service, Coral Gables Secretarial Services, Inc. (“Coral Gables Secretarial”).

199. Business records and a verified statement obtained by the OFR from Coral Gables Secretarial and its owner indicate mail forwarding and bills were initially (at the time of the account creation in March of 1995) to be forwarded to 9235 Ridge Pine Trail, Orlando, FL, c/o Alan Siegel.

200. Per Coral Gables Secretarial’s records, Alan Siegel was alleged to have a “boss” named Louis Pearlman, “who owns a company called Air Ship International.”

201. According to the records of the Florida Secretary of State, Division of Corporations, the 1996 Annual Report filing for Air Ship International Ltd. Corporation listed the following name and address for its President (P) and Director (D): Louis J. Pearlman, 9235 Ridge Pine Trail, Orlando, FL 32819. The company listed the following for Registered Agent: Alan Siegel, 7380 Sand Lake Road, Suite 350, Orlando, FL 32819.

202. The OFR investigation has disclosed two instances where E.I.S.A. program funds were provided to Coral Gables Secretarial: \$2,000.00 on July 6, 2005, check #18847; and \$160.00 on May 11, 2005, check #18302.

203. The OFR investigation has located a website identified as that of Cohen & Siegel, Certified Public Accountants. The website provides that Cohen & Siegel GmbH is an independent partnership with “one office located in downtown Coral Gables, Florida with headquarters outside Frankfurt, Germany... Licensed to practice as certified public accountants in the States of New York and Florida....”

204. The Cohen & Siegel website identifies the firms address as “Gewerbering 5, DG Raum Links, 47623 Kevelaer,” the same address of German Savings.

205. E.I.S.A. investors were not advised their funds would be utilized to pay a secretarial service, which answered calls and forwarded mail on behalf of the Defendant’s accounting firm.

206. Defendant Trans Con Airlines also appears to have substantial liabilities that were not disclosed to investors, which are identified in four recent lawsuits by banks seeking to collect approximately \$14 million in past due loans and \$49 million in loan guarantees that have been called.

207. Further alleged in these suits are that vast amounts of the outstanding stock of Defendant Trans Continental Airlines, Inc. was pledged by the Defendant Louis J. Pearlman as collateral for these loans. For example, 190,000 shares of pledged preferred stock and approximately 347,000 shares of pledged common stock are at issue as collateral as alleged in the American Bank litigation, securing indebtedness in excess of \$27 million.

208. E.I.S.A. investors were not advised that control of the very entity the investors entrusted with their funds was potentially subject to change based on claims by these creditors.

209. These four law suits are as follows:

a. *Integra Bank N.A. v. Louis J. Pearlman and Trans Continental Airlines, Inc.*, Civil Action No. 6:06-CV-01952-PCF-DAB in the United States District Court for the Middle District of Florida, Orlando Division. (\$14 million claim on loan made directly to Trans Con Airlines; 190,000 shares of preferred at issue as pledged by Pearlman).

b. *American Bank of St. Paul v. Louis J. Pearlman, TOTP, LLC, Trans Continental Records, Inc. and Trans Continental Airlines, Inc.* Civil Action No. 0:07-CV-00137 pending in the United States District Court for the District on Minnesota (\$27 million claim on guarantee by Trans Con Airlines, 190,000 shares of preferred and approx. 347,000 shares of common as pledged by Pearlman at issue).

c. *First National Bank of Williston v. Louis J. Pearlman, Trans Continental Airlines, Inc., Trans Continental*

Records, Inc., Rocks Timepieces, Inc. and Rocks Fine Jewelry, Inc., Civil Action No. 07-CV-00195 in the United States District Court for the District of Minnesota (\$14 million claim on guarantee and repurchase agreement by Trans Con Airlines; 269,700 shares of common as pledged by Pearlman at issue.)

d. *First International Bank & Trust v. Trans Continental Jet Shares, LLC, Trans Continental Airlines, Inc., Trans Continental Records, Inc., Louis J. Pearlman, J. Cheney Mason, P.A., Williams B. Pringle, III, P.A. and Kenneth D. Morse, Esq.*, Case No. 48-2007-CA-000460-O in the Ninth Judicial Circuit Court in and for Orange County, Florida. (\$8 million claim on guarantee by Trans Con Airlines; 200.000 shares of preferred as pledge by Pearlman at issue.)

210. On August 11 and August 15, 2006, bank wires totaling \$611,289.04 in E.I.S.A. program funds were provided to American Bank of St. Paul by Defendant Trans Con Airlines.

211. On information and belief, on December 15, 2006, Counsel for American Bank of St. Paul notified Defendants Trans Con Airlines and Pearlman that the American Bank loan in the principal amount of \$28.5 million was past due in the amount of \$612,289.04

212. On information and belief, the August 2006 two wires totaling \$611,289.04 were to make payment on the American Bank loan, which loan is now the subject of litigation as referenced above at paragraph 209 b.

213. E.I.S.A. investors were not advised their funds would be provided to American Bank of St. Paul as payment on a loan.

214. On information and belief, Defendant Trans Con Airlines has significant ties to Germany as evidenced by an “Office Location; Lease” schedule referenced in loan document filings associated with the Integra Bank litigation, at paragraph 209 a. above. Per the schedule, as of September 18, 2004, Trans Con Airlines maintained offices/leases at 127 West Church Street, Orlando; 5th Ave, New York; and Essen Mulheim, Germany.

215. On Friday, January 25, 2007, the OFR learned of yet another sale of the E.I.S.A. program to a Florida investor.

216. In late December 2006, “Investor C” (whose identity will not be disclosed in this public document) invested \$1 million in the E.I.S.A. program.

217. The sale occurred on December 20, 2006, while the Plaintiff, Defendant Trans Con Airlines, Inc., and Defendant Louis J. Pearlman, each through counsel, negotiated the terms of an agreement, later entered by the parties and adopted by this court, to halt further sales

218. The bank account receiving this E.I.S.A. program investment was never before linked or associated by the OFR with this scheme.

219. The \$1 million was wired to a Bank of America account in the name of “Trans Continental Enterprises LLC.”

220. The \$1 million in funds were provided to Defendant Trans Con Enterprises, an LLC, which lists its principal address with the Florida Secretary of State, Division of Corporations as 127 West Church Street, Orlando, Florida.

221. Defendant Trans Con Airlines resides at this same address, Suite 350, along with several other Defendants and Relief Defendants.

222. The OFR has obtained certified business records from Bank of America concerning the account. The account records identify the following two individuals, who are also Defendants in this action, as signatories:

Louis J. Pearlman and Robert Fischetti.

223. The mailing address for the Bank of America account is Trans Continental Enterprises LLC, 12488 Park Ave., Windemere, FL 34786-7712.

224. On information and belief, this is the same address as the home address of Defendant Pearlman.

225. The account records reflect the account was opened in October 2006.

226. The account records reflect Investor C's \$1 million was deposited by wire on December 20, 2006.

227. The account records reflect the account balance on December 19, 2006, before the \$1 million deposit, was approximately \$55,600.

228. The account records reflect that on December 20, 2006, after the deposit, the balance was approximately \$1,055,600.

229. The account records reflect that on December 21, 2006, five separate “commercial loan payments” were made in the total amount of \$327,229.85 (\$119, 715.07; \$68,524.51; \$65,110.25; \$40,405.06; and \$33,474.96).

230. The account records also reflect ten other “debit account per client request” or “wire transfers” reduced the balance by approximately \$625,000 to \$101,500 by December 21, 2006. Included in these ten transactions is one wire for \$25,000 that is made to an account in the name of a party whose name also appears on OFR’S list of E.I.S.A. investors.

231. The OFR has obtained a sworn statement from Investor C.

232. Investor C maintains the following:

- a. Investor C learned about the E.I.S.A. program from Kyran Britt Murphy.
- b. Murphy provided marketing materials in July 2005 indicating the E.I.S.A. program was FDIC insured, had secondary insurance through AIG, and funds were held in the

U.S.

c. In August 2005, Murphy took Investor C to Orlando and met with Defendants Pearlman and Crudele at Pearlman's office at Church Street.

d. During the meeting, Defendant Pearlman showed Investor C documents indicating there was an AIG policy.

e. During the meeting, Investor C was given a Dun & Bradstreet Business Scope for Trans Continental Airlines, Inc.

f. Investor C invested \$30,000 in October 2005 and \$15,000 in March 2006.

g. In December 2006, Murphy advised Investor C that the E.I.S.A. program would be ending soon and that the only way to secure an 8.08% return was to deposit \$1 million right away.

h. Investor C had heard about the OFR investigation and enquired about it with Murphy. Murphy advised that the OFR investigation only related to a Clearwater business that was promoting the program incorrectly.

i. Murphy provided wire instructions and on December 20, 2006, Investor C wired \$1 million to the

provided account #.

j. Late in December, Investor C called Murphy after failing to get confirmation that the wire was received.

k. On January 3 or 4, 2007, Investor C received a call from a party identifying themselves as Robert Fischetti. Fischetti nervously confirmed the wire receipt, said the company was in chaos, that they were getting new administration, and were planning to get things back in order.

233. Investor C was not advised that his E.I.S.A. program investment of \$1 million would be deposited into the coffers of Defendant Trans Con Enterprises.

234. Investor C was not advised that his E.I.S.A. program investment would be transferred by Trans Con Enterprises as “commercial loan payments” or transferred to an individual who is an earlier E.I.S.A. program investor.

THE E.I.S.A. PROGRAM INVESTMENT IS A “SECURITY”

235. Section 517.021, Florida Statutes, entitled **Definitions**, provides at subsection (20) the following definition of a security:

(20) “Security” includes any of the following:

(a) ...

(f) An evidence of indebtedness.

(q) An investment contract.

236. The E.I.S.A. program investment is a “security” as defined by Section 517.021(20)(f) and (q), Florida Statutes.

237. The E.I.S.A. program investment is not a “federal covered security” as defined by Section 517.021(10), Florida Statutes.

REGISTRATION STATUS UNDER CHAPTERS 517 & 655

238. At all times material to this action Defendants Trans Con Airlines, Trans Con Airlines Travel, Trans Con Enterprises, Pearlman, Fischetti, and Crudele were not registered as an “issuer,” “dealer” or “associated person” pursuant to the registration provisions of Chapter 517, Florida Statutes.

239. At all times material to this action, the E.I.S.A. program offered by Defendant Trans Con Airlines was not registered as a “security” pursuant to the registration provisions of Chapter 517, Florida Statutes.

240. At all times material to this action, Defendant Trans Con Airlines was not authorized to do business pursuant to the Financial Institutions Codes of the State of Florida or the codes of any state, or authorized by federal law.

CHAPTER 517: SECURITIES AND INVESTMENT FRAUD

AS ALLEGED IN COUNTS I, II, and III

241. Section 517.301, Florida Statutes, entitled **Fraudulent transactions; falsification or concealment of facts**, provides at section (1)(a)1, 2, and 3, the following:

- (1) It is unlawful and a violation of the provisions of this chapter for a person:
 - (a) In connection with the rendering of any investment advice or in connection with the offer, sale, or purchase of any investment or security, including any security exempted under the provisions of s. 517.051 and including any security sold in a transaction exempted under the provisions of s. 517.061, directly or indirectly:
 1. To employ any device, scheme, or artifice to defraud;
 2. To obtain money or property by means of any untrue statement of a material fact necessary in order to make the statements made, in the light of the circumstances under which they were made, not misleading; or
 3. To engage in any transaction, practice, or course of business which operates or would operate as a fraud or deceit upon a person.

COUNT I
SECURITIES FRAUD: § 517.301(1)(a)1

242. Paragraphs 1 through 240 are hereby realleged and are incorporated herein by reference.

243. Defendants Trans Con Airlines, Trans Con Airlines Travel, Trans Con Enterprises, Pearlman, Fischetti, and Crudele, acting in concert

with various sales agents at their control, and in connection with the offer and sale of an investment or security as represented by the E.I.S.A. program investments/securities, did employ various devices, schemes, or artifice to defraud E.I.S.A. program investors.

244. By reason of the foregoing, the Defendants violated and unless enjoined, may continue to violate § 517.301(1)(a)1, Florida Statutes.

245. Pursuant to § 517.191, **Injunction to restrain violations**, Plaintiff OFR is entitled to an injunction and other equitable relief requested below.

COUNT II
SECURITIES FRAUD: § 517.301(1)(a)2

246. Paragraphs 1 through 240 are hereby realleged and are incorporated herein by reference.

247. Defendants Trans Con Airlines, Trans Con Airlines Travel, Trans Con Enterprises, Pearlman, Fischetti, and Crudele, acting in concert with various sales agents under their control, and in connection with the offer and sale of an investment or security as represented by the E.I.S.A. program investments/securities, did directly or indirectly obtain money or property by means of an untrue statement of a material fact or by an omission to state a material fact necessary in order to make the statements

made, in the light of the circumstances under which they were made, not misleading.

248. By reason of the foregoing, the Defendants violated and unless enjoined, may continue to violate § 517.301(1)(a)1, Florida Statutes.

249. Pursuant to § 517.191, **Injunction to restrain violations**, Plaintiff OFR is entitled to an injunction and other equitable relief requested below.

COUNT III
SECURITIES FRAUD: § 517.301(1)(a)3

250. Paragraphs 1 through 240 are hereby realleged and are incorporated herein by reference.

251. Defendants Trans Con Airlines, Trans Con Airlines Travel, Trans Con Enterprises, Pearlman, Fischetti, and Crudele, acting in concert with various sales agents under their control, and in connection with the offer and sale of an investment or security as represented by the E.I.S.A. program investments/securities, did engage in a transaction, practice, or course of business which operated as a fraud or a deceit upon the E.I.S.A. program investors.

252. By reason of the foregoing, the Defendants violated and unless enjoined, may continue to violate § 517.301(1)(a)3, Florida Statutes.

253. Pursuant to § 517.191, Plaintiff OFR is entitled to an injunction and other equitable relief requested below.

COUNT IV
SALE OF UNREGISTERED SECURITIES
WITHIN FLORIDA: § 517.07

254. Paragraphs 1 through 240 are hereby realleged and are incorporated herein by reference.

255. Section 517.07, Florida Statutes, entitled **Registration of securities**, provides at subsection (1) the following:

(1) It is unlawful and a violation of this chapter for any person to sell or offer to sell a security within this state unless the security is exempt under s. 517.051, is sold in a transaction exempt under s. 517.061, is a federally covered security, or is registered pursuant to this chapter.

256. Defendants Trans Con Airlines, Trans Con Airlines Travel, Trans Con Enterprises, Pearlman, Fischetti, and Crudele, acting in concert with various sales agents under their control, offered and sold unregistered securities within the state of Florida in the form of the E.I.S.A. program.

257. By reason of the foregoing, the Defendants violated and unless enjoined, may continue to violate § 517.07(1), Florida Statutes.

258. Pursuant to § 517.191, Plaintiff OFR is entitled to an injunction and other equitable relief requested below.

COUNT V
SALE OF SECURITIES BY UNREGISTERED DEALER,
ISSUER OR ASSOCIATED PERSON: § 517.12(1)

259. Paragraphs 1 through 240 are hereby realleged and are incorporated herein by reference.

260. Section 517.12, Florida Statutes, entitled **Registration of dealers, associated persons, investment advisers, and branch offices**, provides at subsection (1) the following:

(1) No dealer, associated person, or issuer of securities shall sell or offer for sale any securities in or from offices in this state, or sell securities to persons in this state from offices outside this state, by mail or otherwise, unless the person has been registered with the office pursuant to the provisions of this section. The office shall not register any person as an associated person of a dealer unless the dealer with which the applicant seeks registration is lawfully registered with the office pursuant to this chapter.

261. Defendants Trans Con Airlines, Trans Con Airlines Travel, Trans Con Enterprises, Pearlman, Fischetti, and Crudele offered and sold securities, from offices within the state of Florida or to persons within the state of Florida, in the form of the E.I.S.A. program, without being registered by the Plaintiff OFR.

262. By reason of the foregoing, the Defendants violated and unless enjoined, may continue to violate § 517.12(1), Florida Statutes.

263. Pursuant to § 517.191, Plaintiff OFR is entitled to an injunction and other equitable relief requested below.

COUNT VI
ACTION TO ENJOIN DEFENDANTS
AND RELIEF DEFENDANTS AS AUTHORIZED BY § 517.191(1)

264. Paragraphs 1 through 240 are hereby realleged and are incorporated herein by reference.

265. Section 517.191(1), Florida Statutes, provides as follows:

(1) When it appears to the office, either upon complaint or otherwise, that a person has engaged or is about to engage in any act or practice constituting a violation of this chapter or a rule or order hereunder, the office may investigate; and whenever it shall believe from evidence satisfactory to it that any such person **has engaged, is engaged, or is about to engage** in any act or practice constituting a violation of this chapter or a rule or order hereunder, **the office may, in addition to any other remedies, bring action in the name and on behalf of the state against such person and any other person concerned in or in any way participating in or about to participate in such practices or engaging therein or doing any act or acts in furtherance thereof or in violation of this chapter to enjoin such person or persons from continuing such fraudulent practices or engaging therein or doing any act or acts in furtherance thereof or in violation of this chapter.** In any such court proceedings, the office may apply for, and on due showing be entitled to have issued, the court's subpoena requiring forthwith the appearance of any defendant and her or his employees, associated persons, or agents and the production of documents, books, and records that may appear necessary for the hearing of such petition, to testify or give evidence concerning the acts or conduct or things complained of in such application for injunction. **In such action, the equity courts shall have jurisdiction of the subject matter, and a**

judgment may be entered awarding such injunction as may be proper. (emphasis added)

266. As alleged in Counts I through V, the Defendants have engaged in acts and practices in violation of Chapter 517, Florida Statutes.

267. On information and belief, each Relief Defendants is controlled by one or more of the Defendants.

268. Actual knowledge of the underlying violations of Chapter 517, while not statutorily required, should be imputed to the Relief Defendants.

269. The Relief Defendants are “concerned in” the Defendants’ violative acts and practices by having received portions of the ill gotten gains generated by the Defendants’ schemes, misrepresentations, omissions, and registration violations.

270. The Relief Defendants have “participated” in the practices of the Defendants “in any way” by accepting the transfer of E.I.S.A. program funds.

271. The Relief Defendants are not FDIC insured financial institutions and therefore have no basis to be the repository of E.I.S.A. program investments.

272. Pursuant to § 517.191(1), Plaintiff OFR is entitled to the issuance of an injunction against each Defendant and Relief Defendant to

enjoin such persons from continuing such fraudulent practices or engaging therein or doing any act or acts in furtherance thereof or in violation of Chapter 517.

COUNT VII
BANKING BUSINESS
BY UNAUTHORIZED PERSONS: § 655.922(1)

273. Paragraphs 1 through 240 are hereby realleged and are incorporated herein by reference.

274. Section 655.922, Florida Statutes, entitled **Banking business by unauthorized persons**, provides at subsection (1) the following:

(1) No person other than a financial institution authorized to do business in this state pursuant to the financial institutions codes of any state or federal law shall, in this state, engage in the business of soliciting or receiving funds for deposit....

275. Defendants Trans Con Airlines, Trans Con Airlines Travel, Trans Con Enterprises, Pearlman, Fischetti, and Crudele solicited E.I.S.A. (Employee Investment **Savings Account**) program investment “deposits” in the state of Florida.

276. The Defendants received E.I.S.A. funds for deposit in the state of Florida.

277. The Defendants characterized these investments as “deposits” covered by FDIC insurance.

278. The Defendants utilized “Deposit” and “Withdrawal” slips.

279. By reason of the foregoing, the Defendants violated § 655.922(1), Florida Statutes.

280. Plaintiff OFR is entitled to injunctive relief as provided in § 655.922(4), and as requested in more detail below.

COUNT VIII
BANKING BUSINESS
BY UNAUTHORIZED PERSONS: § 655.922(2)(c)

281. Paragraphs 1 through 240 are hereby realleged and are incorporated herein by reference.

282. Section 655.922, Florida Statutes, entitled **Banking business by unauthorized persons**, provides at subsection (2) the following:

- (2) No person other than a financial institution shall in this state:
 - (a)...
 - (b)...
 - (c) Circulate or use any letterhead, billhead, circular, paper, or writing of any kind or otherwise advertise or represent in any manner, which indicates or reasonably implies that the business being conducted or advertised is the kind or character of business transacted or conducted by a financial institution or lead any person to believe that such business is that of a financial institution...

283. Defendants Trans Con Airlines, Trans Con Airlines Travel, Trans Con Enterprises, Pearlman, Fischetti, and Crudele solicited E.I.S.A. program investment deposits in the state of Florida.

284. The Defendants received E.I.S.A. funds for deposit in the state of Florida.

285. The Defendants characterized these investments in circulars and other documents as “deposits” covered by FDIC insurance.

286. The Defendants utilized “Deposit” and “Withdrawal” slips to facilitate investor deposits and withdrawals.

287. By reason of the foregoing, the Defendants violated § 655.922(2)(c), Florida Statutes.

288. Plaintiff OFR is entitled to injunctive relief as provided in § 655.922(4), and as requested in more detail below.

**IRREPARABLE INJURY
AND INADEQUACY OF REMEDY AT LAW**

289. Plaintiff OFR is not obligated to allege or establish irreparable injury or inadequacy of remedy at law as § 517.191(1), Florida Statute, provides the conditions for the issuance of injunctive relief.

290. Plaintiff OFR also notes that when a government entity seeks an injunction in order to enforce its police power, any alternative remedy is ignored and irreparable harm is presumed.

291. Plaintiff OFR nonetheless notes that literally 10's of millions dollars have been **transferred**, **concealed**, and dissipated by the Defendants. FDIC insurance does not exist to repair the injury. Lloyd's of London insurance does not exist to repair the injury. AIG insurance does not exist to repair this injury.

292. This ongoing course of injury, fraud and deception continues as evidenced by the alleged German Savings account, which remains mysterious and out of U.S. jurisdiction, the continuing misleading tactics associated with producing the SQL server documents, the half-truths and lies that have been provided not only to investors but in response to government inquiries like those of the FDIC and the Plaintiff OFR, and the utilization of a new bank account to facilitate what may well be ongoing sales.

**APPLICATION FOR APPOINTMENT OF RECEIVER
AS AUTHORIZED BY § 517.191(2)**

293. Section 517.191(2), Florida Statutes, provides as follows:

(2) In addition to all other means provided by law for the enforcement of any temporary restraining order, temporary injunction, or permanent injunction issued in any such court proceedings, the court shall have the power and jurisdiction, upon application of the office, to impound and to appoint a receiver or administrator for the property, assets, and business of the defendant, including, but not limited to, the books, records, documents, and papers appertaining thereto. Such receiver or administrator, when appointed and qualified, shall have all powers and duties as to custody,

collection, administration, winding up, and liquidation of said property and business as shall from time to time be conferred upon her or him by the court. In any such action, the court may issue orders and decrees staying all pending suits and enjoining any further suits affecting the receiver's or administrator's custody or possession of the said property, assets, and business or, in its discretion, may with the consent of the presiding judge of the circuit require that all such suits be assigned to the circuit court judge appointing the said receiver or administrator.

294. Plaintiff herein applies and requests the appointment of a receiver over the assets of the following three Defendants: Trans Con Airlines, Trans Con Airlines Travel, and Trans Con Enterprises.

295. The facts set forth in this Amended Verified Complaint detail not only the reckless use of investor funds but also that the Defendants are clearly operating a fraudulent securities scheme housed within an unauthorized financial institution. The Defendants have no legal authority whatsoever to operate either this securities issuer/dealer investment house nor start-up financial institution. Taking this creature out of the control of the Defendants is clearly in the public interest.

296. In addition to protecting the public interest, the facts detailed throughout this Amended Verified Complaint also indicate the possibility that E.I.S.A. program assets may be or already may have been moved beyond the jurisdiction of this Court or to locations where the assets could not be recovered for the investors. Appointment of a receiver under the

direction of this Court will also facilitate the location and protection of remaining assets and facilitate disgorgement of the ill gotten gains.

297. Appointment of a receiver will also serve to protect the documents.

**APPLICATION FOR RESTITUTION ORDER
AGAINST THE DEFENDANTS AND RELIEF DEFENDANTS
AS AUTHORIZED BY § 517.191(3)**

298. Section 517.191(2), Florida Statutes, provides as follows:

(3) In addition to any other remedies provided by this chapter, **the office may apply to the court hearing this matter for an order of restitution whereby the defendants in such action shall be ordered to make restitution of those sums shown by the office to have been obtained by them in violation of any of the provisions of this chapter.** Such restitution shall, at the option of the court, be payable to the administrator or receiver appointed pursuant to this section or directly to the persons whose assets were obtained in violation of this chapter.

299. Plaintiff herein applies and requests orders of restitution against each of the Defendants and Relief Defendants for disgorgement of the ill gotten gains identified and such other ill gotten gains yet to be uncovered.

RELIEF REQUESTED

WHEREFORE, Plaintiff OFR respectfully requests that this Court utilize its legal and equitable powers as follows:

A. Enter a temporary and permanent injunction against the Defendants and Relief Defendants, and each of their agents, servants,

employees and attorneys and any other person concerned in or in any way participating in or about to participate with them in the offer or sale of any security or investment in violation of Sections 517.301, 517.07, 517.12, Florida Statutes, and from any act or acts in furtherance thereof or in violation of Chapter 517, Florida Statutes; and from engaging in banking business as an unauthorized person in violation of Sections 655.922, Florida Statutes.

B. Appoint a Receiver over the assets of the Defendants Trans Continental Airlines, Inc., Trans Continental Airlines Travel Service, Inc., and Trans Continental Enterprises, LLC.

C. Enter an order prohibiting the Defendants and Relief Defendants from accepting or depositing additional E.I.S.A. program funds.

D. Enter an Order requiring all Defendants and Relief Defendants to submit an accounting of E.I.S.A. program investor funds and other assets in their possession.

E. Enter an order of restitution requiring the Defendants and the Relief Defendants to disgorge ill gotten gains and unjust enrichment equal to the amount of investor funds received.

F. Enter an order prohibiting the alteration or destruction of relevant documents.

G. Enter an order requiring the repatriation of all assets abroad which were obtained or derived from the illegal securities and banking transactions.

H. Enter an order freezing the Defendants' and the Relief Defendants' assets, including all assets held for the direct or indirect benefit, or subject to the direct or indirect control, of the Defendants and Relief Defendants pending a showing to the satisfaction of the Court that each Defendant and Relief Defendant has satisfied the conditions identified in A through G herein.

I. Enter an Order allowing expedited discovery as pertains to any issues arising under A through G above.

Respectfully submitted,

A. Gregory Melchior
Assistant General Counsel
Fla. Bar No. 0407290
Office of Financial Regulation
Legal Services Office
1313 Tampa Street, Suite 615
Tampa, Florida 33602-3394
(813) 218-5308

VERIFICATION

Under penalties of perjury, I declare that I have read the foregoing Amended Verified Complaint for Temporary and Permanent Injunction and Appointment of Receiver and the facts stated in it are true.

Danielle Brooks
Financial Investigator
State of Florida
Office of Financial Regulation
1313 Tampa Street, Suite 615
Tampa, FL 33602

The foregoing instrument was acknowledged before me this _____ by _____, who is personally known to me or who has produced _____ as identification and who did so declare the above verification under oath.

Notary Public
State of Florida at Large
My Commission expires _____