

Sonnet R. Kapila

Federal Bankruptcy Trustee
Southern District of Florida

Post Office Box 14213
Fort Lauderdale, Florida 33302

STATUS UPDATE #10

February 13, 2008

Re: **Louis J. Pearlman, Debtor**
– **Case No. 6-07-bk-00761-ABB**
Trans Continental Airlines, Inc., Debtor
– **Case No. 6:07-bk-00762-ABB**
United States Bankruptcy Court
Middle District of Florida
Orlando Division

Dear Investors and Potential Creditors:

This is an interim update to my previous communiqués, all of which can be viewed at www.pearlmantranscon.com – click on **Status Reports**.

Complaint Filed

The Trustee filed a complaint on February 11, 2008 against HSBC Bank USA, N.A. (www.us.hsbc.com) for the recovery of fraudulent transfers and preference payments under the Bankruptcy Code. The Trustee is seeking to recover approximately \$5.3 million in this suit.

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The Louis J. Pearlman Estate Home

The Bankruptcy Court approved the retention of Fisher Auction Co., Inc. to handle the auction of Pearlman's residence located at 12488 Park Avenue in Windemere, Florida. Fisher Auction is aggressively marketing this estate home and the auction date is Saturday, March 8, 2008 at 1 p.m. Go to www.kapilatrustee.com and click on the photographs of the home to navigate to the Fisher Auction website.

Bahamas Settlement

The Trustee settled and recovered funds relating to the deposits Pearlman had made on four condominiums located at The Residences at Atlantis, Paradise Island, Bahamas. The settlement brings an additional \$1.6 million into the bankruptcy estate.

Atlantic Palace

The Trustee sold Pearlman's one bedroom suite at The Atlantic Palace Suites Hotel in Atlantic City, New Jersey for in excess of \$300,000.

EBay Auctions

Certain jewelry and celebrity memorabilia are being auctioned on the internet's EBay.

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Yours sincerely,

Soneet R. Kapila

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Chapter 11 Trustee