

STATUS UPDATE #13

May 31, 2010

Re: **Louis J. Pearlman, Debtor**
– Case No. 6-07-bk-00761-ABB
Trans Continental Airlines, Inc., Debtor
– Case No. 6:07-bk-00762-ABB
Trans Continental Records, Debtor
– Case No. 6-07-bk-00832-ABB
Trans Continental Studios, Debtor
– Case No. 6-07-bk-01504-ABB
Louis J. Pearlman Enterprises, Inc., Debtor
– Case No. 6:07-bk-01505-ABB
Louis J. Pearlman Enterprises, LLC, Debtor
– Case No. 6:07-bk-01779-ABB
Trans Continental Television Productions, Debtor
– Case No. 6-07-bk-01856-ABB
Trans Continental Aviation, Debtor
– Case No. 6:07-bk-02431-ABB
Trans Continental Management, Debtor
– Case No. 6:07-bk-02432-ABB
Trans Continental Publishing, Debtor
– Case No. 6-07-bk-04160-ABB
Trans Continental Leasing, Debtor
– Case No. 6:07-bk-04161-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**.

Assets Recovered

The Trustee has recovered in total, gross proceeds of approximately \$9.5 million which includes the sale of real estate, auction proceeds, royalty payments, sales of personal property and automobiles and various settlements. The aggregate cash balance as of April 30, 2010 was approximately \$5.51 million. The amount on hand does not include a recent settlement with Willamette Capital and Stuart Harrington that will result in a consent judgment to the estate of approximately 2.4 million dollars. The consent judgment may result in future funds coming into the estate through the Trustee's efforts to enforce the consent judgment, but at this time the Trustee is unable to predict with any certainty what the ultimate recovery, if any, will be.

The Trustee is currently working to sell the remaining personal property of the estates and is in the process of securing the services of an auctioneer to facilitate this process. The Trustee expects the auctions to take place in August or September. The Trustee is also working to sell the remaining intellectual property assets of the estates and is in the process of securing the services of a broker to facilitate this process, if the Trustee can do so. To date the Trustee has had difficulty in locating a broker, and thus may sell this property through an auctioneer.

Complaints Filed

To date, the Trustee, through counsel, has filed in excess of 650 lawsuits in the Pearlman bankruptcy cases for the recovery of transfers made by Pearlman and his affiliated companies currently in bankruptcy under both federal and state fraudulent transfer and similar laws. A listing of all adversary proceedings filed, and their case numbers, may be viewed at www.pearlmantranscon.com – click on Trustee Status Reports and ***Complaints Filed***. Approximately 237 suits remain.

The adversary proceedings filed by the Trustee can be divided into five (5) main categories:

- a. Persons and entities who invested in the Employee Investment Savings Account Ponzi scheme established by Pearlman and TCA and who received transfers from the EISA Program (the "EISA Cases");
- b. Persons and entities who invested in another Ponzi scheme established by Pearlman and TCA, which scheme offered investments in an entity called "Transcontinental Airlines Travel Services, Inc.," and received transfers from the TCTS Stock Program (the "TCTS Stock Cases");
- c. Individuals, law firms, and vendor corporations that received a transfer from a Debtor without providing reasonably equivalent value for such transfer ("Vendor Cases");
- d. Those individuals and corporations, such as "brokers," whose circumstances differ from the EISA Cases, TCTS Stock Cases, Vendor Cases, and Bank Cases; and
- e. Financial institutions that allegedly received actual and constructively fraudulent transfers (the "Bank Cases"). Some of the Bank Cases are currently stayed and subject to a Test Case Order.

In October 2009, the Bankruptcy Court entered an Order providing for, among other things, dismissal of certain identified EISA Cases and TCTS Stock Cases. The dismissed adversary proceedings consisted of EISA Cases and TCTS Stock Cases where the individual investor defendant received no more than \$20,000 in excess of that individual's investment in the Ponzi scheme.

To date, Trustee has settled 25 adversary proceedings resulting in a recovery of over \$7.75 million dollars for the bankruptcy estates.

A listing of pending adversary proceedings, and their case numbers, may be viewed at www.pearlmantranscon.com – click on Trustee Status Reports and ***Pending Lawsuits***.

The Trustee anticipates that the legal process to bring these remaining adversary proceedings to resolution may be prolonged and will depend on the course of the litigation.

Please be advised that, with regard to the complaints filed, the Trustee, his counsel and his professionals cannot provide legal advice. The adversary party should seek independent legal advice and counsel and not look to the Trustee or his professionals. The Trustee will consider reasonable settlement proposals which should be submitted through his counsel in writing. If adversaries require additional information, they may leave a message with the Trustee's counsel at 407-423-4000, ext. 28418.

Claims Bar Date

The Claims Bar date of January 31, 2008 has passed and all claims should now be of record in this case.

Information Relating to Assets

If you believe you have information or leads which would be of help to the Trustee to investigate for potential asset recovery, please forward these facts via email to: Pearlman@kapilaco.com.

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Yours sincerely,

Soneet R. Kapila

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Chapter 11 Trustee