

Hon. Ricardo S. Martinez

Presented to the Court by the foreman of the Grand Jury in open Court, in the presence of the Grand Jury and FILED in The U.S. DISTRICT COURT at Seattle, Washington.

JUNE 4 20 09
BRUCE RIFKIN, Clerk

By [Signature] Deputy

UNITED STATES DISTRICT COURT
WESTERN DISTRICT OF WASHINGTON
AT SEATTLE

UNITED STATES OF AMERICA,

Plaintiff,

v.

JEFFREY I. GREENSTEIN,
CHARLES H. WILK, and
MATTHEW G. KRANE,

Defendants.

NO. CR08-0296RSM

SUPERSEDING INDICTMENT

THE GRAND JURY CHARGES THAT:

COUNT 1
(Conspiracy to Defraud IRS)

1. Beginning at a time unknown, but no later than in or about June 1999, and continuing until in or about August 2006, at Seattle, Washington, within the Western District of Washington and elsewhere, JEFFREY I. GREENSTEIN and CHARLES H. WILK, and others known and unknown, did knowingly conspire, combine, confederate and agree to defraud the United States and an agency thereof, to wit, the Internal Revenue Service (hereinafter, "IRS") of the United States Department of Treasury, for the purpose of impeding, impairing, defeating and obstructing the lawful governmental functions of the IRS in the ascertainment, evaluation, assessment, and collection of incomes taxes, interest, and penalties.

1 **I. INTRODUCTION**

2 **A. Defendants and Other Relevant Parties.**

3 At all times relevant to this Superseding Indictment:

4 2. Quellos Group, L.L.C. (hereinafter "Quellos"), formerly known as Quadra
5 Capital Management, L.P., was an investment management services firm founded in or
6 about 1994 and headquartered in Seattle, Washington.

7 3. Defendant JEFFREY I. GREENSTEIN was a founder and Chief Executive
8 Officer of Quellos. JEFFREY I. GREENSTEIN has a bachelors degree in finance and
9 extensive experience dealing in complex securities and derivative markets. Prior to
10 founding Quellos, JEFFREY I. GREENSTEIN was a General Partner of another
11 registered investment advisory firm that provided alternative investment strategies
12 through the use of derivatives and hedging transactions. Previous to that, JEFFREY I.
13 GREENSTEIN had been affiliated with a national investment advisory firm, marketing
14 derivative securities to institutional clients.

15 4. Beginning in or about 1996, JEFFREY I. GREENSTEIN gained knowledge
16 and experience in tax shelters through work with certain national accounting firms on tax
17 shelter strategies to include, among others, FLIP (Foreign Leveraged Investment
18 Program), OPIS (Offshore Portfolio Investment Strategy), and CDS (Contingent Deferred
19 Swaps). JEFFREY I. GREENSTEIN, with others at Quellos, assisted national accounting
20 firms by designing aspects of FLIP and OPIS, and provided execution services in
21 connection with approximately 150 individual FLIP and OPIS transactions. JEFFREY I.
22 GREENSTEIN, with others at Quellos, also promoted and provided execution services
23 for a number of CDS transactions. Through JEFFREY I. GREENSTEIN's work on the
24 various tax shelters, Quellos earned tens of millions of dollars in fees. Through
25 JEFFREY I. GREENSTEIN's involvement in FLIP and OPIS alone, Quellos earned
26 between \$25 million and \$50 million in fees. In addition, JEFFREY I. GREENSTEIN
27 gained further knowledge about tax shelters by personally participating in a FLIP shelter
28 for himself.

1 5. Quellos Customs Strategies, LLC (hereinafter "QCS"), was formed in or
2 about March 1999 as a wholly owned subsidiary of Quellos. QCS was formed with the
3 goal of providing customized services to high net-worth individuals and families,
4 including designing and implementing customized tax shelter strategies to minimize or
5 defer payment of taxes. Through QCS, JEFFREY I. GREENSTEIN sought to capture a
6 part of the lucrative tax shelter market from the national accounting firms for themselves.
7 JEFFREY I. GREENSTEIN also sought to use these tax shelter strategies as a means to
8 attract wealthy clients to the firm who could then be persuaded to invest their assets with
9 Quellos, thereby expanding Quellos's investment business. One such tax shelter strategy
10 developed and implemented by QCS was a strategy that came to be known as "POINT"
11 (Portfolio Optimized INvestment Transaction).

12 6. Defendant CHARLES H. WILK, a lawyer with a Masters Degree in tax
13 law, joined Quellos in or about June 1999 as a principal. As part of his duties,
14 CHARLES H. WILK directed QCS's tax shelter business. Prior to joining Quellos,
15 CHARLES H. WILK was a senior manager with a national accounting firm, whose duties
16 included providing tax shelter strategies for the accounting firm's wealthy clients.
17 Previous to his position at the accounting firm, CHARLES H. WILK was an associate in
18 the tax department of a national law firm.

19 7. European American Investment Holdings NV was incorporated in or about
20 June 1999 in the Netherlands Antilles. European American Investment Holdings NV was
21 a holding company under which a group of companies known as European American
22 Investment Group (hereinafter "Euram") was organized. Euram was formed by American
23 and European investors, in part, to acquire an Austrian bank, which came to be known as
24 European American Investment Bank AG.

25 8. In or about 1999, principals from Quellos, including JEFFREY I.
26 GREENSTEIN, became shareholders in Euram and stood to profit from Euram's
27 business.

28 9. Of the other Euram companies, two United Kingdom-based subsidiaries,

1 European American Corporate Services Limited and European American Advisors
2 Limited, focused on advising and providing structured financial products for high net
3 worth individuals. The key members of the management of Euram included:

- 4 a. C.D., Euram's Chief Executive Officer;
- 5 b. J.S., Euram's Head of Tax and Structured Products; and
- 6 c. R.P., Euram's Head of Risk Management and Alternative

7 Investments.

8 10. Beginning in or about late 1999 and continuing through in or about 2002,
9 C.D., J.S., and R.P. of Euram assisted Quellos by providing execution services, such as
10 drafting transactional documents and finding and appropriating offshore shell companies,
11 in furtherance of tax shelter strategies developed by QCS. Euram earned large fees for its
12 participation in the tax shelter transactions developed and marketed by QCS, generally
13 1% of the tax loss desired by the taxpayer client.

14 11. Beginning in or about 1999 and continuing through in or about 2000,
15 Partner L.S. of Law Firm C.S. & M. LLP provided legal advice to JEFFREY I.
16 GREENSTEIN and CHARLES H. WILK with respect to the development and
17 implementation of POINT, and issued legal opinion letters to at least four clients who
18 entered into POINT tax shelter transactions.

19 12. In 2001 and 2002, Law Firm B.C. LLP provided legal opinion letters to at
20 least two clients who entered into POINT tax shelter transactions.

21 **B. The POINT Tax Shelter.**

22 13. Beginning in or about 1999 and continuing through in or about 2001,
23 JEFFREY I. GREENSTEIN and CHARLES H. WILK designed, marketed and
24 implemented the tax shelter strategy known as POINT. In or about 2000 and 2001, six
25 POINT tax shelters were executed on behalf of five wealthy individuals:

26 a. In 2000, Client M.Z. executed a POINT tax shelter transaction with
27 Quellos. Client M.Z.'s POINT tax shelter transaction was known as "Torens."

28 b. In 2000, Client R.J. executed a POINT tax shelter transaction with

1 Quellos. Client R.J.'s POINT tax shelter transaction was known as "Reka."

2 c. In 2000, Client B.J. executed a POINT tax shelter transaction with
3 Quellos. Client B.J.'s POINT tax shelter transaction was known as "Burgundy."

4 d. In 2000 and then in 2001, Client M.S. executed two POINT tax
5 shelter transactions with Quellos. Client M.S.'s POINT tax shelter transactions were
6 known respectively as "Platinum" and "Cobalt."

7 e. In 2001, Client H.S. executed a POINT tax shelter transaction with
8 Quellos. Client H.S.'s POINT tax shelter transaction was known as "Titanium."

9 14. The total amount of fees paid by the clients to participate in POINT was
10 approximately \$86 million. The clients who participated in the POINT tax shelter
11 collectively sought to shelter approximately \$2 billion in capital gains and avoid payment
12 of more than \$400 million in federal taxes.

13 15. The objective of POINT was to offset capital gains and defer and reduce
14 taxes on those gains. In furtherance of this tax saving objective, JEFFREY I.
15 GREENSTEIN and CHARLES H. WILK, with the assistance of C.D., J.S., and R.P. of
16 Euram, designed a series of transactions and executed those transactions on behalf of
17 their clients in order to obtain the desired tax benefits. While each of the six POINT
18 transactions varied somewhat in actual implementation, they typically included the
19 following steps:

20 a. During late 1999 and continuing through 2000, an "offshore
21 investment fund" purportedly purchased shares of stock in well known, publicly-traded
22 technology companies. The fund then formed a number of offshore partnership entities
23 and contributed portions of its portfolio of stock to such partnerships. These partnership
24 entities were known generically as "Special Purpose Vehicles" or "SPVs."

25 b. The fund then purportedly caused each SPV to issue "Covered
26 Warrants" against their respective baskets of stocks. The Covered Warrants operated like
27 a long-dated call, meaning that an outside investor could purchase the Warrant for a
28 premium in return for the right in five years to purchase the stocks in the SPV at a set

1 price. In this case, each Covered Warrant was purportedly placed with a "bank" or some
2 other financial institution that purportedly paid millions in premiums to the SPVs for the
3 Warrants. The institution then was purportedly responsible for further marketing the
4 Warrant to others.

5 c. Once the Warrants were issued, a U.S. taxpayer acquired from the
6 offshore fund the partnership interests in an SPV. At the time the client acquired his or
7 her partnership, the technology stocks that the fund had purportedly contributed to the
8 partnership had fallen in value and, therefore, the partnership had built-in, unrealized
9 losses.

10 d. After the client acquired the partnership, he or she contributed to the
11 partnership his or her own assets. These assets, typically other stock that the client
12 desired to sell, had unrealized gains.

13 e. Shortly after the client contributed his or her own assets, within a
14 matter of two or three months, all or most of the assets within the partnership were sold,
15 including the purported shares of technology stock with the built-in loss. The sale of the
16 pre-existing portfolio also purportedly triggered a cancellation of the "Covered Warrant"
17 under terms that ultimately resulted in no economic impact on the partnership or the client
18 who acquired the partnership. The client then offset the gains from his or her contributed
19 assets with the alleged losses stemming from the pre-existing portfolio.

20 f. Subsequently, the client was able to draw out of the partnership, tax
21 free, the proceeds up to the client's basis in the partnership, or continue to maintain the
22 proceeds within the partnership tax free, and invest it further.

23 **C. IRS Treatment of Tax Shelters.**

24 16. During all times relevant to this Superseding Indictment, JEFFREY I.
25 GREENSTEIN and CHARLES H. WILK knew and understood that tax shelters that the
26 IRS concluded were designed, marketed and implemented solely for the purpose of
27 providing clients with a way to defer or reduce tax, would be challenged by the IRS. In
28 that event, the IRS would seek to collect the unpaid taxes plus interest, and might also

1 seek to impose substantial penalties upon the clients.

2 17. During all times relevant to this Superseding Indictment, JEFFREY I.
3 GREENSTEIN and CHARLES H. WILK knew and understood that in order for a tax
4 shelter strategy to survive challenge by the IRS, taxpayers were generally required to
5 demonstrate the following:

6 a. First, the individual transactions that comprised the shelter possessed
7 real economic substance and were not sham transactions;

8 b. Second, the transactions that comprised the shelter were not pre-
9 arranged and orchestrated solely for the purpose of obtaining a tax benefit; and

10 c. Third, the various parties involved in the transactions had a bona fide
11 business purpose for engaging in the transactions, i.e., that the client and others had a
12 reasonable profit motive to take part in the transaction other than for tax savings.

13 18. During all times relevant to this Superseding Indictment, JEFFREY I.
14 GREENSTEIN and CHARLES H. WILK also knew and understood in the event that the
15 IRS disallowed a benefit obtained as a result of a tax shelter, the IRS could impose
16 substantial penalties ranging from 20% to 40% of the underpayment attributable to the
17 shelter, unless the claimed tax benefit was supported by an independent legal opinion,
18 reasonably relied upon by the taxpayer in good faith. Therefore, JEFFREY I.
19 GREENSTEIN and CHARLES H. WILK knew and understood that in order to induce
20 clients to participate in a shelter, and to shield the clients from possible penalties, they had
21 to obtain legal opinion letters from reputable law firms concluding that a shelter will at
22 least "more likely than not" survive IRS challenge.

23 II. OBJECT OF THE CONSPIRACY

24 19. It was a part of and an object of the conspiracy that JEFFREY I.
25 GREENSTEIN and CHARLES H. WILK, together with others known and unknown, to
26 unlawfully and knowingly defraud and attempt to defraud the IRS by impeding,
27 impairing, defeating and obstructing the lawful governmental functions of the IRS in the
28 ascertainment, evaluation, assessment, and collection of income taxes, interest, and

1 penalties by designing, marketing, implementing, and defending and aiding in the defense
2 before the IRS of a fraudulent tax shelter known as POINT.

3 III. MANNER AND MEANS OF THE CONSPIRACY

4 20. It was a part of the conspiracy that JEFFREY I. GREENSTEIN and
5 CHARLES H. WILK designed and developed the POINT tax shelter to consist of a pre-
6 ordained series of sham transactions, executed in precise steps in accordance with the
7 directions of JEFFREY I. GREENSTEIN and CHARLES H. WILK, for the sole purpose
8 of providing a means for wealthy individuals to reduce and/or defer the payment of taxes
9 on capital gains income.

10 21. It was further a part of the conspiracy that JEFFREY I. GREENSTEIN and
11 CHARLES H. WILK implemented the POINT tax shelter in a manner that minimized
12 costs to Quellos and maximized their profits. Specifically, JEFFREY I. GREENSTEIN
13 and CHARLES H. WILK knew and understood that the procurement of sufficient
14 amounts of actual stocks to generate the losses for the POINT clients would cost more
15 than they or others involved in the implementation of the shelter were able or willing to
16 pay. Furthermore, JEFFREY I. GREENSTEIN and CHARLES H. WILK were
17 unsuccessful in locating any bona fide, independent third-party who had real assets with
18 sufficient built-in losses willing to participate in the POINT transaction. Therefore,
19 JEFFREY I. GREENSTEIN and CHARLES H. WILK caused the creation of a fictional
20 "offshore investment fund" with a fictional portfolio of stocks that had been obtained
21 through a series of sham paper transactions in which no stocks and no money ever
22 exchanged hands.

23 22. It was further a part of the conspiracy that JEFFREY I. GREENSTEIN and
24 CHARLES H. WILK knew at the time they designed, marketed and implemented the
25 POINT tax shelters that the various clients who participated in the shelter would likely be
26 audited by the IRS. Therefore, JEFFREY I. GREENSTEIN and CHARLES H. WILK
27 drafted and disseminated, and caused to be drafted and disseminated, marketing material,
28 transactional documents, and legal opinions designed to conceal from the IRS the facts

1 that first, each aspect of the POINT tax shelter, including the actions of the “offshore
2 investment fund” was wholly conceived, orchestrated, and directed by JEFFREY I.
3 GREENSTEIN and CHARLES H. WILK for the purpose of implementing a tax shelter,
4 and second, that the purported stocks that generated the off-setting losses for POINT
5 clients were, in truth and fact, non-existent.

6 **A. Fraudulent POINT Marketing Materials.**

7 23. It was further a part of the conspiracy that in order to conceal and attempt to
8 conceal from the IRS the true nature of the POINT tax shelter, JEFFREY I.
9 GREENSTEIN and CHARLES H. WILK drafted and disseminated and caused to be
10 drafted and disseminated to POINT clients and their advisors, false, fraudulent and
11 misleading descriptions of the POINT transaction in a marketing document entitled
12 “POINT Strategy,” knowing and expecting that such clients and their advisors would rely
13 upon the document to claim false and fraudulent tax benefits as well as in defense of any
14 audit before the IRS. The POINT Strategy document purportedly set forth the genesis
15 and business rationale for the POINT transaction. According to the document, the
16 POINT Strategy was an investment opportunity independently fashioned by offshore
17 parties to replicate a popular European investment vehicle, and only fortuitously
18 discovered by Quellos. The document described this supposed investment opportunity as
19 follows:

20 a. A certain unnamed “offshore investment fund” desired to profit from
21 replicating a European financial product sold by large European financial institutions
22 known as “Covered Warrants,” “BLOCS,” or “HYPOS.”

23 b. In order to replicate this product, the fund formed a partnership
24 entity known generically as an SPV (“Special Purpose Vehicle”). Once the SPV was
25 formed, the fund contributed certain publicly traded “stocks” it purportedly owned to the
26 SPV. The fund then caused the SPV to issue a “Covered Warrant” on the stocks in the
27 SPV. The terms of the Covered Warrant gave the acquirer of the Warrant the right to
28 purchase the SPV’s stocks in five years at a set price in return for a large premium.

1 According to the POINT Strategy document, a "bank" agreed to subscribe to the Covered
2 Warrant and paid millions in premiums to the SPV with the intention of marketing the
3 Warrant to other investors.

4 c. Once the SPV was formed, funded and the Covered Warrant placed
5 with the bank, the fund, with the assistance of the bank, sought to sell the entirety of the
6 SPV interests to potential investors with the goal of profiting from the sale. According to
7 the POINT Strategy document, Quellos only became involved in marketing this
8 opportunity because the bank, which had a pre-existing relationship with Quellos,
9 approached Quellos to assist them in marketing the SPV units to U.S. investors.

10 24. It was further a part of the conspiracy that JEFFREY I. GREENSTEIN and
11 CHARLES H. WILK knew, in truth and fact, that contrary to what was stated in the
12 POINT Strategy document, the "offshore investment fund" was not an independent
13 investment fund who formed and marketed the SPV interests with the desire to replicate a
14 popular European investment vehicle, but rather, a shell corporation whose actions were
15 wholly controlled by JEFFREY I. GREENSTEIN, CHARLES H. WILK and their Euram
16 associates for the sole purpose of implementing a tax shelter.

17 25. It was further a part of the conspiracy that JEFFREY I. GREENSTEIN and
18 CHARLES H. WILK knew, in truth and fact, that contrary to what was stated in the
19 POINT Strategy document, the "offshore investment fund" owned no stocks to contribute
20 to the SPVs.

21 26. It was further a part of the conspiracy that JEFFREY I. GREENSTEIN and
22 CHARLES H. WILK knew, in truth and fact, that contrary to what was stated in the
23 POINT Strategy document, the "Covered Warrant" was a sham paper transaction, that no
24 "bank" subscribed to any Warrant, that no premiums were ever paid for the Warrant by
25 any such bank, and that there was never any intent by any bank to market the Warrant.

26 27. It was further a part of the conspiracy that JEFFREY I. GREENSTEIN and
27 CHARLES H. WILK knew, in truth and fact, that contrary to what was stated in the
28 POINT Strategy document, Quellos was not fortuitously introduced by the bank to the

1 POINT Strategy and asked to assist in marketing the product to U.S. investors but, rather,
2 JEFFREY I. GREENSTEIN and CHARLES H. WILK conceived, designed and
3 orchestrated the entire POINT strategy, including the actions of the purported “offshore
4 investment fund,” and intended from the beginning to market the strategy to U.S.
5 taxpayers as a tax shelter.

6 **B. Fraudulent POINT Transaction Documents.**

7 28. It was further a part of the conspiracy that in order to conceal and attempt to
8 conceal the true nature of the POINT tax shelter from the IRS, JEFFREY I.
9 GREENSTEIN and CHARLES H. WILK drafted and executed and caused to be drafted
10 and executed false, fraudulent and misleading contracts and agreements to document the
11 various steps in the POINT transaction, knowing and expecting that clients who
12 participated in POINT would rely upon such documents to claim a false and fraudulent
13 tax benefit as well as in defense of any audit by the IRS.

14 29. It was further a part of the conspiracy that JEFFREY I. GREENSTEIN and
15 CHARLES H. WILK represented and caused to be represented to clients and others that
16 an Isle of Man entity known as Barnville Ltd. (hereinafter “Barnville”) was the “offshore
17 investment fund” that created the SPVs and contributed the loss generating stocks.

18 30. It was further a part of the conspiracy that JEFFREY I. GREENSTEIN and
19 CHARLES H. WILK caused to be drafted and executed a series of false, fraudulent, and
20 misleading “Purchase Agreements” dated December 28, 1999, January 3, 2000, January
21 10, 2000, February 28, 2000, and June 6, 2000, through which Barnville purportedly
22 purchased more than \$9 billion worth of stocks in a number of publicly traded technology
23 companies from another Isle of Man entity known as Jackstones Ltd. (hereinafter
24 “Jackstones”).

25 31. It was further a part of the conspiracy that JEFFREY I. GREENSTEIN and
26 CHARLES H. WILK knew, in truth and fact, that the Purchase Agreements were false,
27 fraudulent and misleading in that Jackstones possessed no stocks to sell and Barnville had
28 no means to pay for any such stocks.

1 32. It was further a part of the conspiracy that JEFFREY I. GREENSTEIN and
2 CHARLES H. WILK, in order to conceal the fact that Barnville never acquired any
3 stocks from Jackstones on the dates subscribed to in the various Purchase Agreements,
4 and that the purchases were a sham, caused to be drafted and executed a "Securities
5 Lending Agreement" between Barnville and Jackstones. According to the terms of the
6 Securities Lending Agreement, Barnville, on each day it purchased stocks from
7 Jackstones, immediately loaned the same stocks back to Jackstones in return for "cash"
8 collateral purportedly equal to the purchase price. JEFFREY I. GREENSTEIN and
9 CHARLES H. WILK knew and understood that this lending arrangement would be used
10 to provide an explanation to the clients and their advisors, who, in turn, would provide the
11 explanation to the IRS, as to the reason for the apparent lack of delivery or transfer of any
12 stocks and cash between brokerage accounts of Barnville and Jackstones at the time of
13 the purported purchase and, therefore, conceal the fact that Barnville never owned any
14 stocks in the first place.

15 33. It was further a part of the conspiracy that JEFFREY I. GREENSTEIN and
16 CHARLES H. WILK, in 2000 and 2001, drafted and executed and caused to be drafted
17 and executed false, fraudulent and misleading "Subscription Agreements" to the Global
18 Call Warrants that were purportedly issued by each of the SPVs associated with the
19 POINT clients. According to the "Subscription Agreement," a company known as EA
20 Investment Services Limited subscribed to the Global Call Warrants and in return paid a
21 "Subscription Price" to the SPVs. The purported Subscription Price, in each instance,
22 amounted to millions of U.S. dollars, and, according to the Subscription Agreement, the
23 payments were credited to an account at EA Investment Services Limited for the benefit
24 of each SPV. JEFFREY I. GREENSTEIN and CHARLES H. WILK knew, in truth and
25 fact, that no subscription payments were ever made or going to be made, that EA
26 Investments Limited had neither the intention nor the ability to make any such payments,
27 and that the "Subscription Agreements" were shams, implemented solely to provide a
28 fraudulent business purpose for the transaction.

1 **C. False, Fraudulent and Misleading Information Given to Legal Opinion**
2 **Writers.**

3 34. It was further a part of the conspiracy that JEFFREY I. GREENSTEIN and
4 CHARLES H. WILK knew and understood that in order to induce clients to participate in
5 POINT, they would need to provide an opinion from respected law firms concluding that
6 the shelter would at least “more likely than not” survive a challenge from the IRS.

7 35. It was further a part of the conspiracy that JEFFREY I. GREENSTEIN and
8 CHARLES H. WILK knew and understood that in the event of an audit, these legal
9 opinions would likely be produced to the IRS in defense of the audit and to avoid possible
10 penalties.

11 36. It was further a part of the conspiracy that JEFFREY I. GREENSTEIN and
12 CHARLES H. WILK secured the participation of Law Firm C.S. & M. LLP and Law
13 Firm B.C. LLP to opine on the various POINT transactions implemented by the five
14 clients. Law Firm C.S. & M. LLP opined on the first four POINT transactions executed
15 by Quellos in 2000; specifically, Law Firm C.S. & M. LLP opined on the POINT
16 transactions known as Torens, Reka, Burgundy, and Platinum. Law Firm B.C. LLP
17 opined on the last two POINT transactions executed by Quellos in 2001; specifically,
18 Law Firm B.C. LLP opined on POINT transactions known as Titanium and Cobalt. Each
19 opinion concluded that the POINT transaction would “more likely than not” survive a
20 challenge from the IRS.

21 37. It was further a part of the conspiracy that in order to conceal and attempt to
22 conceal the true nature of the tax shelter from the opinion writers and, ultimately, the IRS,
23 JEFFREY I. GREENSTEIN and CHARLES H. WILK knowingly and willfully made and
24 caused to be made false, fraudulent and misleading representations to Law Firm C.S. &
25 M. LLP and Law Firm B.C. LLP about the POINT transaction, knowing that Law Firm
26 C.S. & M. LLP and Law Firm B.C. LLP would rely upon their representations in order to
27 understand the POINT transactions and to render their “more likely than not” opinions.
28 These false, fraudulent and misleading representations included the following:

a. JEFFREY I. GREENSTEIN and CHARLES H. WILK falsely,

1 fraudulently and misleadingly represented and caused to be represented that the source of
2 the losses utilized by the clients in the POINT transactions was derived from “stocks” in
3 well-known publicly traded companies that had been purchased by a “non-U.S.
4 investment fund” or “foreign investment fund,” and contributed to the various SPVs.

5 b. JEFFREY I. GREENSTEIN and CHARLES H. WILK falsely,
6 fraudulently and misleadingly represented and caused to be represented that Barnville was
7 the independent “non-U.S. investment fund” or “foreign investment fund” that formed the
8 SPVs, and that Barnville formed the SPVs independent of any pre-conceived plan to
9 utilize the SPVs for a tax shelter; specifically, that Barnville formed the SPVs in order to
10 profit from the issuance and sale of the “Covered Warrants.”

11 38. It was further a part of the conspiracy that JEFFREY I. GREENSTEIN and
12 CHARLES H. WILK provided and caused to be provided to Law Firm C.S. & M. LLP
13 and Law Firm B. C. LLP the same false, fraudulent, and misleading POINT Strategy
14 document that they had provided to their clients, knowing that the document was false,
15 fraudulent and misleading and knowing and expecting that the firms would rely upon the
16 document to understand the POINT transaction and to render their opinions.

17 39. It was further a part of the conspiracy that JEFFREY I. GREENSTEIN and
18 CHARLES H. WILK provided and caused to be provided to Law Firm C.S. & M. LLP
19 and Law Firm B.C. LLP the same false, fraudulent, and misleading transactional
20 documents, including the Purchase Agreements and the Securities Lending Agreement
21 between Barnville and Jackstones, and the Subscription Agreements for the Covered
22 Warrants that they had provided to their clients, knowing that the transactional documents
23 were false, fraudulent and misleading, and knowing and expecting that the firms would
24 rely upon such documents to understand the POINT transaction and to render their
25 opinions.

26 40. It was further a part of the conspiracy that JEFFREY I. GREENSTEIN and
27 CHARLES H. WILK provided and caused to be provided to Law Firms C.S. & M. LLP
28 and B.C. LLP, false, fraudulent and misleading documents regarding the fees paid by the

1 Clients to implement the POINT tax shelter strategy, in order to hide the actual amount of
2 fees they paid and, thereby, make it falsely appear that the Clients had a reasonable
3 potential of earning a profit from the POINT tax shelter strategy aside from the tax
4 benefits.

5 41. It was further a part of the conspiracy that Law Firm C.S. & M. LLP and
6 Law Firm B.C. LLP provided JEFFREY I. GREENSTEIN and CHARLES H. WILK with
7 drafts of their opinion letters, and relied upon JEFFREY I. GREENSTEIN and
8 CHARLES H. WILK to provide corrections and edits to the factual descriptions of the
9 POINT transactions in the opinion letters.

10 42. It was further a part of the conspiracy that as a result of their reliance upon
11 JEFFREY I. GREENSTEIN's and CHARLES H. WILK's representations regarding the
12 POINT transactions, Law Firm C.S. & M. LLP and Law Firm B.C. LLP issued opinion
13 letters that included false, fraudulent, and misleading descriptions of the POINT
14 transactions.

15 43. It was further a part of the conspiracy that JEFFREY I. GREENSTEIN and
16 CHARLES H. WILK provided the false, fraudulent, and misleading opinion letters issued
17 by Law Firm C.S. & M. LLP to clients and prospective clients in order to induce them to
18 participate in the transaction, knowing that the opinion letters were false, fraudulent, and
19 misleading.

20 **D. Kickbacks Paid to Matthew G. Krane, the Personal Attorney of Client H.S.**

21 44. It was further a part of the conspiracy that in 2001, CHARLES H. WILK
22 met Matthew G. Krane, a tax attorney and advisor to Client H.S. CHARLES H. WILK
23 learned from Matthew G. Krane that Client H.S. anticipated having more than \$1 billion
24 in capital gains in 2001.

25 45. It was further a part of the conspiracy that in 2001, JEFFREY I.
26 GREENSTEIN, CHARLES H. WILK and Matthew G. Krane agreed to kickback to
27 Matthew G. Krane a portion of the fees Quellos obtained from Client H.S.

28 46. It was further a part of the conspiracy that in 2001, JEFFREY I.

1 GREENSTEIN, CHARLES H. WILK and Matthew G. Krane did not disclose to Client
2 H.S. the kickback arrangement. Instead, beginning in or about March 2001 and
3 continuing through in or about October 2001, JEFFREY I. GREENSTEIN, CHARLES H.
4 WILK and Matthew G. Krane drafted and executed and caused to be drafted and executed
5 a series of false, fraudulent, and misleading fee agreements between Client H.S. and
6 Quellos, wherein Client H.S. was led to believe that he would pay a specific Quellos
7 entity identified in the agreements as "Quellos Financial Advisors LLC" or "QFA,"
8 approximately \$46 million for work in connection with the POINT transaction, whereas,
9 in truth and fact, JEFFREY I. GREENSTEIN and CHARLES H. WILK, knew that they
10 would divert a majority of those fees to Matthew G. Krane, Client H.S.'s own attorney.

11 47. It was further a part of the conspiracy that in or about October 2001,
12 CHARLES H. WILK introduced Matthew G. Krane to J.S. and R.P. of Euram, and
13 requested that J.S. and R.P. assist Matthew G. Krane in setting up an offshore entity and
14 an offshore account for Matthew G. Krane.

15 48. It was further a part of the conspiracy that in or about October 2001,
16 Matthew G. Krane, with the assistance of a Swiss associate, B.H., appropriated an
17 existing offshore shell entity and changed its name to "QFS Consulting Ltd."

18 49. It was further a part of the conspiracy that in or about October 2001,
19 Matthew G. Krane, with the assistance of a Swiss associate, B.H., opened a bank account
20 at European American Investment Bank A.G. in Vienna, Austria in the name of QFS
21 Consulting Ltd.

22 50. It was further a part of the conspiracy that in or about October 2001,
23 JEFFREY I. GREENSTEIN and CHARLES H. WILK agreed that the kickback payments
24 for Matthew G. Krane would be paid not to Matthew G. Krane directly, but to QFS
25 Consulting Ltd.

26 51. It was further a part of the conspiracy that JEFFREY I. GREENSTEIN,
27 CHARLES H. WILK, and Matthew G. Krane knew and intended that the name of the
28 foreign entity and foreign account controlled by Matthew G. Krane, "QFS Consulting

1 Ltd.”, appeared very similar to a number of Quellos entities that were commonly known
2 by acronyms starting with the letter “Q,” including but not limited to “QFA” (Quellos
3 Financial Advisors, LLC), “QCS,” (Quellos Customs Strategies, LLC), “QBS,” (Quellos
4 Brokerage Services, LLC), “QCM,” (Quellos Capital Management, LP), “QFV,” (Quellos
5 Financial Ventures, LP), and “QCI” (Quellos Capital International). JEFFREY I.
6 GREENSTEIN, CHARLES H. WILK, and Matthew G. Krane knew and intended that by
7 using the name “QFS,” parties who were unaware of the kickback arrangement, including
8 bank representatives overseeing the flow of funds, other advisors of Client H.S., and
9 Client H.S. himself, would be mislead into believing that fees that were in truth diverted
10 to Matthew G. Krane was paid to a Quellos entity consistent with the fee agreements
11 signed by Client H.S.

12 52. It was further a part of the conspiracy that on or about October 24, 2001,
13 CHARLES H. WILK instructed a bank to wire approximately \$28 million into the “QFS”
14 account in Vienna, Austria, knowing that the money was derived from fees Client H.S.
15 believed he was paying Quellos.

16 53. It was further a part of the conspiracy that on or about October 25, 2001,
17 CHARLES H. WILK instructed R.P. to wire approximately \$8 million into the “QFS”
18 account in Vienna, Austria, knowing that the money was derived from fees Client H.S.
19 believed he was paying Euram.

20 54. It was further a part of the conspiracy that in or about November 2001, after
21 the funds had already been transferred, JEFFREY I. GREENSTEIN, CHARLES H.
22 WILK, and Matthew G. Krane executed and caused to be executed a false, fraudulent,
23 and misleading fee sharing agreement between Quellos and “QFS Consulting Ltd.” The
24 agreement specified that Quellos would pay approximately \$28 million to QFS
25 Consulting for “certain advisory and consulting services,” which “did not constitute the
26 provision of legal advice.”

27 55. It was further a part of the conspiracy that JEFFREY I. GREENSTEIN,
28 CHARLES H. WILK, and Matthew G. Krane did not execute any written agreements to

1 document or otherwise account for the additional \$8 million that was wired to QFS on or
2 about October 25, 2001.

3 56. It was further a part of the conspiracy that in 2001 and 2002, CHARLES H.
4 WILK knowingly and willfully provided and caused to be provided false, fraudulent and
5 misleading information to Law Firm B.C. LLP about the fees paid by Client H.S. in
6 connection with the Titanium transaction, including providing false, fraudulent and
7 misleading fee calculation documents that excluded large portions of fees paid to Quellos
8 as well as the amounts paid to Matthew G. Krane.

9 **E. False and Fraudulent Tax Returns.**

10 57. It was further a part of the conspiracy that JEFFREY I. GREENSTEIN and
11 CHARLES H. WILK caused Clients M.Z., R.J., B.J., M.S, and H.S. to file false and
12 fraudulent income tax returns, specifically Form 1040s, claiming capital losses from the
13 sale of the stocks within their respective SPVs which, in truth and fact, JEFFREY I.
14 GREENSTEIN and CHARLES H. WILK knew did not exist.

15 58. It was further a part of the conspiracy that the following Quellos clients
16 claimed the following false and fraudulent capital losses on their Form 1040s as a result
17 of their participation in the POINT transactions:

Taxpayer	Tax Year	Approx. Date of Filing	Approx. amount of Fraudulent Capital Loss
Client M.Z.	2000	1/12/02	\$122 million
Client R.J.	2000	12/27/01	\$133 million
Client B.J.	2000	12/26/01	\$178 million
Client M.S.	2000	4/15/01	\$159 million
Client H.S.	2001	10/15/02	\$730 million
Client M.S.	2001	10/16/02	\$59 million

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26 **F. False, Fraudulent, and Misleading Representations in Anticipation of and**
During POINT Clients' IRS Audits.

27 59. It was further a part of the conspiracy that sometime between 2003 and
28 2006, CHARLES H. WILK and JEFFREY I. GREENSTEIN knew that Clients M.Z.,

1 R.J., B.J., M.S., and H.S. were under or anticipated to be under IRS audit as a result of
2 their participation in the POINT tax shelter strategy.

3 60. It was further a part of the conspiracy that CHARLES H. WILK, beginning
4 in 2003 and continuing through 2005, when asked by the clients and clients'
5 representatives for assistance responding to IRS inquiries or anticipated IRS inquiries
6 about the POINT transaction, provided and caused to be provided to such clients the same
7 false, fraudulent, and misleading documents that purportedly described and documented
8 the POINT transaction, including the "POINT Strategy" document and underlying
9 transactional documents, such as the stock Purchase Agreements between Barnville and
10 Jackstones, the Securities Lending Agreement between Barnville and Jackstones, and the
11 Warrant Subscription Agreements purportedly executed by the SPVs.

12 61. It was a further part of the conspiracy that CHARLES H. WILK, beginning
13 in 2003 and continuing through 2005, when asked by clients and clients' representatives
14 for assistance in responding to the IRS inquiries or anticipated IRS inquiries about the
15 POINT transaction, knowingly and willfully made and caused to be made false,
16 fraudulent, and misleading statements to clients' representatives, including the following:

17 a. In or about March 2003, CHARLES H. WILK falsely, fraudulently
18 and misleadingly represented and caused to be represented to attorneys for Clients R.J.
19 and B.J. that the source of the capital losses derived through the POINT transactions were
20 shares of stock in a number of publicly traded companies that Barnville had contributed to
21 the SPVs.

22 b. In or about March 2003, CHARLES H. WILK falsely, fraudulently
23 and misleadingly represented and caused to be represented to attorneys for Clients R.J.
24 and B.J. that Barnville formed the SPVs and contributed the securities to those SPVs for
25 an independent business purpose, i.e. to issue "Covered Warrants" for which the SPVs
26 received tens of millions of dollars in premiums.

27 c. In or about June 2004, CHARLES H. WILK falsely, fraudulently,
28 and misleadingly represented and caused to be represented to the attorneys for Clients

1 R.J. and B.J. that the only reason Quellos was unable to provide independent
2 documentary evidence of the existence of stocks that were purportedly purchased by
3 Barnville from Jackstones, such as brokerage statements or confirmations, was because
4 Quellos did not have access to the internal records of Barnville and Jackstones, whereas,
5 CHARLES H. WILK knew, in truth and fact, that the real reason Quellos could not
6 provide such records was that no such stocks ever existed.

7 d. In or about October 2004, in response to demands by attorneys for
8 Clients R.J. and B.J. that Quellos provide a written explanation of the transaction between
9 Barnville and Jackstones to provide to the IRS, CHARLES H. WILK provided a false,
10 fraudulent, and misleading written document in which he stated that Euram introduced
11 Quellos to Barnville who happened to be holding a "stock portfolio", and that Barnville
12 contributed the "Stock" to the SPVs.

13 e. On or about November 15, 2004, in response to demands by Clients
14 R.J. and B.J. to JEFFREY I. GREENSTEIN for a detailed step-by-step explanation of the
15 transaction between Barnville and Jackstones, CHARLES H. WILK provided the clients
16 with a false, fraudulent, and misleading letter in which he stated, among other things, that
17 "... [Quellos was] not party to the original transactions (Purchase Agreements and
18 Securities Lending Agreements) between Barnville and Jackstones, and therefore, this
19 part of our step-by-step explanation is based on documentation we have reviewed",
20 whereas, CHARLES H. WILK knew, in truth and fact, that he and JEFFREY I.
21 GREENSTEIN were involved in the original transactions between Barnville and
22 Jackstones. CHARLES H. WILK knew that he and JEFFREY I. GREENSTEIN devised
23 the sham sale and loan-back arrangement between Barnville and Jackstones, that
24 JEFFREY I. GREENSTEIN, himself selected the very stocks that were to be used for the
25 sham transactions, and CHARLES H. WILK and JEFFREY I. GREENSTEIN directed
26 C.D., J.S. and R.P. to appropriate the companies and execute the transactions.

27 f. On November 15, 2004, CHARLES H. WILK further wrote in the
28 letter to Clients R.J. and B.J. that "[t]he Purchase Agreements between Jackstones (as

1 seller) and Barnville (as purchaser) reflect that Jackstones sold to Barnville the right to
2 beneficial ownership of shares” whereas CHARLES H. WILK knew, in truth and
3 fact, that the Purchase Agreements falsely stated that actual shares were purchased, and
4 that Barnville engaged in neither a transaction for the “right to beneficial ownership of
5 shares” nor an actual stock purchase since the entire transaction with Jackstones was a
6 sham.

7 g. In or about January 2005, CHARLES H. WILK, falsely,
8 fraudulently, and misleadingly represented to attorneys for Client H.S. that Barnville was
9 a “fund” that held a stock portfolio and that this fund was “discovered” by Euram, giving
10 the false, fraudulent and misleading impression that Barnville held actual stock and that
11 its stock portfolio pre-existed Quellos’s involvement with the company, whereas
12 CHARLES H. WILK knew, in truth and fact, that Barnville held no stock, and that
13 JEFFREY I. GREENSTEIN and CHARLES H. WILK, together with Euram,
14 appropriated Barnville and directed it to enter into sham stock purchase agreements for
15 the sole purpose of utilizing it in the POINT tax shelter strategy.

16 62. It was a further part of the conspiracy that beginning in or about April 2003
17 and continuing in or about October 2005, representatives of Clients M.Z., R.J., B.J., M.S.,
18 and H.S. responded to various IRS Information Document Requests (also known as
19 “IDRs”) which sought explanations and documents relating to their respective POINT
20 transactions by forwarding to the IRS the same false, fraudulent and misleading
21 documents that had earlier been provided or caused to be provided by CHARLES H.
22 WILK to such clients, including the “POINT Strategy” document and/or underlying
23 transactional documents, such as the stock Purchase Agreements between Barnville and
24 Jackstones, the Securities Lending Agreement between Barnville and Jackstones, and the
25 Warrant Subscription Agreements purportedly entered into by the various SPVs.

26 G. False, Fraudulent and Misleading Testimony During Senate Investigation

27 63. It was further a part of the conspiracy that by 2006, the IRS had expanded a
28 “promoter” examination of Quellos to include Quellos’ role in the POINT transactions.

1 64. It was further a part of the conspiracy that in or about August 2006,
2 JEFFREY I. GREENSTEIN, in an effort to continue to hide and conceal the true nature
3 of the POINT tax shelter transactions from the IRS and others, knowingly and willfully
4 gave the following false, fraudulent, and misleading testimony before the United States
5 Senate Permanent Subcommittee on Investigations (hereinafter "PSI") that was
6 conducting an investigation into, among other things, the POINT transactions:

7 a. JEFFREY I. GREENSTEIN testified that the circular stock purchase
8 and lending agreement entered into between Barnville and Jackstones through which the
9 portfolio of loss stocks were generated was "not dissimilar to swaps or contract for
10 differences or single stock futures," in an effort to mislead the PSI and others into
11 believing that Barnville and Jackstones engaged in legitimate derivative trades, whereas
12 JEFFREY I. GREENSTEIN knew, in truth and fact, that the Barnville/Jackstones
13 purchase and loan-back arrangement was a sham, paper transaction.

14 b. JEFFREY I. GREENSTEIN testified that the purported derivative
15 nature of these transactions between Barnville and Jackstones was, to his understanding,
16 disclosed in detail to clients and the clients' advisors, whereas JEFFREY I.
17 GREENSTEIN knew, in truth and fact, that the clients and the clients advisors were never
18 so informed, that none of the descriptions of the POINT transactions provided to the
19 clients and clients advisors described the POINT transaction as such, that none of the
20 transactional documents provided to the clients and the clients' advisors described the
21 transactions between Barnville and Jackstones as such, that none of the opinion letters
22 issued by Law Firm C.S. & M. LLP and Law Firm B.C. LLP described the Barnville and
23 Jackstones transaction as such, and, to the contrary, all representations and materials
24 provided to the clients and client representatives were designed and contrived to mislead
25 them into believing that what Barnville purchased and contributed to the SPVs were
26 actual stock.

27 c. JEFFREY I. GREENSTEIN testified that the Covered Warrants
28 issued through each of the SPVs provided a potential for profit for the clients who

1 participated in POINT, whereas JEFFREY I. GREENSTEIN knew, in truth and fact, that
2 the Covered Warrants were sham transactions, and that no real premiums were paid or
3 were ever going to be paid, and that the Covered Warrants never provided any profit
4 potential to the clients who participated in POINT because each transaction was designed
5 to be unwound and completed before the Clients could ever profit from such Covered
6 Warrants.

7 IV. OVERT ACTS

8 65. In furtherance of the conspiracy and to effect the illegal objects thereof,
9 JEFFREY I. GREENSTEIN and CHARLES H. WILK, and their co-conspirators, known
10 and unknown, committed or caused to be committed the following overt acts, among
11 others, in the Western District of Washington and elsewhere:

12 a. Beginning in or about August 4, 1999, and continuing through on or
13 about August 11, 1999, JEFFREY I. GREENSTEIN and CHARLES H. WILK together
14 drafted and edited the "POINT Strategy" document.

15 b. On or about August 30, 1999, CHARLES H. WILK sent an email to
16 Partner L.S. at Law Firm C.S. & M. LLP, attaching the "POINT Strategy" document,
17 which, according to CHARLES H. WILK, described the POINT transaction in its "most
18 basic facts."

19 c. On or about January 7, 2000, CHARLES H. WILK, with the
20 knowledge and consent of JEFFREY I. GREENSTEIN, forwarded to Partner L.S. at Law
21 Firm C.S. & M. LLP a document that purportedly described how the offshore fund
22 originally obtained its stocks.

23 d. On or about January 14, 2000, JEFFREY I. GREENSTEIN sent an
24 email to C.D., attaching a list of stocks that JEFFREY I. GREENSTEIN selected to
25 generate the fake capital losses for the POINT transactions.

26 e. On or about January 19, 2000, JEFFREY I. GREENSTEIN sent an
27 email to Partner L.S. of Law Firm C.S. & M. LLP, forwarding a schematic that
28 purportedly explained the POINT transaction in diagram form. The schematic described

1 the transaction as involving the transfer of "stock" from one entity to another entity.

2 f. On or about January 20, 2000, JEFFREY I. GREENSTEIN sent an
3 email to an associate at Law Firm C.S. & M. LLP, who was assisting Partner L.S.,
4 attaching calculations purportedly demonstrating the potential profits and losses that
5 could be incurred by a POINT investor from the Covered Warrants.

6 g. On or about January 24, 2000, JEFFREY I. GREENSTEIN and
7 CHARLES H. WILK received by facsimile from Partner L.S. of Law Firm C.S. & M.
8 LLP, a draft of Law Firm C.S. & M. LLP 's opinion letter regarding the POINT
9 transaction.

10 h. On or about February 2, 2000, JEFFREY I. GREENSTEIN,
11 CHARLES H. WILK, C.D., and J.S. of Euram conducted a telephone conference call to
12 discuss the POINT transaction, including, among other things, how Euram had "set up"
13 the companies to be used to generate the sham portfolio; how the parties could increase
14 the size of the sham portfolio to accommodate additional tax shelter clients; how Partner
15 L.S. had not been fully informed as to the manner in which the sham portfolio was
16 created; and the fact that the legal opinion issued by Partner L.S. regarding POINT could
17 be viewed by the IRS as having been "predicated on a fact that [was] not true,"
18 specifically, regarding whether the SPVs owned any shares in stock.

19 i. On or about February 16, 2000, M.P., an individual in Britain, at the
20 direction of C.D. and J.S., who were, in turn, following the instructions of JEFFREY I.
21 GREENSTEIN and CHARLES H. WILK, met with the Isle of Man corporate
22 administrators of Barnville and Jackstones. During the meeting, M.P. explained the
23 following, which he learned from J.S. and C.D.:

24 1. Barnville and Jackstones were both beneficially owned by one
25 individual, L.B., and that individuals at Quellos and Euram, with the permission of L.B.,
26 sought to appropriate Barnville and Jackstones for the purpose of executing a tax shelter
27 strategy;

28 2. Barnville and Jackstones were being asked, in furtherance of

1 this tax shelter strategy, to enter into a "virtual share transaction" in which Barnville buys
2 a portfolio of non-existent stocks from Jackstones and Jackstones borrows those same
3 shares from Barnville, resulting in no actual exchange of shares or exchange of money;

4 3. M.P. acknowledged to the administrators of Barnville and
5 Jackstones that over time, as a result of this transaction, one party would have a large debt
6 owed to the other on the books, but that in the end, because the two entities were
7 beneficially owned by the same person, the companies could eventually be merged and
8 any debts eliminated from the books;

9 4. M.P. stated that L.B. would benefit from allowing the entities
10 to be utilized in this manner through the large fees that Euram was expecting to earn as a
11 result of assisting in executing this transaction because L.B. was a shareholder in Euram;
12 and

13 5. M.P. agreed that for assisting in the POINT strategy, the
14 corporate administrators for each of the companies would receive a flat fee of £5000 in
15 addition to normal costs and disbursements.

16 j. On or about February 29, 2000, JEFFREY I. GREENSTEIN emailed
17 J.S. and C.D. another selection of stocks to be added to the sham portfolio being created
18 between the two offshore companies for use in the POINT transactions.

19 k. On or about March 13, 2000, C.D. emailed JEFFREY I.
20 GREENSTEIN that he was greatly disturbed by a meeting he had with an advisor for
21 Client R.J. during which it was made clear to C.D. that this advisor had no idea how the
22 loss stocks were generated, and C.D. demanded a formal letter from Quellos assuring
23 Euram that they had fully informed POINT clients and their advisors of the manner in
24 which the loss stocks were "created."

25 l. On or about March 13, 2000, JEFFREY I. GREENSTEIN responded
26 to C.D. in an email stating that the advisor C.D. had met with had no involvement in
27 advising Client R.J. in the POINT transaction, and that he was confident that Partner L.S.
28 had fully advised the Client.

1 m. On or about March 29, 2000, CHARLES H. WILK and JEFFREY I.
2 GREENSTEIN received from J.S. proposed transactional documents for the POINT
3 transaction, including the sham stock Purchase Agreements and the Securities Lending
4 Agreement to be executed between Barnville and Jackstones.

5 o. On or about April 4, 2000, J.S. emailed CHARLES H. WILK and
6 asked whether the tax shelter clients and their advisors had been fully informed as to the
7 true nature of the sham stock portfolio between Barnville and Jackstones as promised.
8 CHARLES H. WILK responded that per the advice of Partner L.S., the clients should not
9 be informed about the nature of how the shares were created and how they were
10 contributed into the SPVs.

11 p. On or about April 5, 2000, J.S., in response to requests by the
12 corporate administrator for Jackstones for written assurances from Quellos confirming
13 that the POINT clients and their advisors were fully informed of the nature of the share
14 trading transaction between the two offshore companies, stated that they were not able to
15 provide any such written assurances. J.S. further explained that no such written
16 assurances could be provided because Quellos was sensitive about "having anything in
17 writing which suggests that the investment strategy contemplated for the client is
18 completely pre-ordained and exists only for the possibility of achieving a U.S. tax
19 advantage."

20 q. In or about April 2000, CHARLES H. WILK edited and caused to be
21 edited transactional documents for the POINT transaction, including the stock Purchase
22 Agreement and the Securities Lending Agreement between Barnville and Jackstones.

23 r. On or about the following dates, JEFFREY I. GREENSTEIN and
24 CHARLES H. WILK initiated and then unwound the following POINT transactions in
25 order to generate the fake losses for the POINT clients:

26

Approx. Date Initiated	Approx. Date Unwound	Client	Name of Transaction
April 28, 2000	May 19, 2000	M.Z.	Torens

27
28

Approx. Date Initiated	Approx. Date Unwound	Client	Name of Transaction
May 5, 2000	June 5, 2000	R.J.	Reka
May 10, 2000	June 5, 2000	B.J.	Burgundy
Nov. 29, 2000	Dec. 18, 2000	M.S.	Platinum
Sept. 24, 2001	Nov. 18, 2001	H.S.	Titanium
Nov 7, 2001	Dec. 10, 2001	M.S.	Cobalt

s. On or about the following dates, JEFFREY I. GREENSTEIN and CHARLES H. WILK caused Law Firm C.S. & M. LLP and Law Firm B.C. LLP to issue false, fraudulent and misleading opinion letters to each of the POINT Clients as follows:

Approx. Date	Law Firm	Transaction
Aug. 29, 2000	Law Firm C. S.& M LLP	Reka
Sept. 6, 2000	Law Firm C. S.& M LLP	Burgundy
Sept. 6, 2000	Law Firm C. S.& M LLP	Torens
Dec. 22, 2000	Law Firm C. S.& M LLP	Platinum
Dec. 14, 2001	Law Firm B.C. LLP	Cobalt
Oct. 14, 2002	Law Firm B.C. LLP	Titanium

t. Beginning on or about September 9, 2001, and continuing through September 20, 2001, CHARLES H. WILK informed J.S. through a series of emails and telephone conversations that in order for Euram to be paid for work on Client H.S.'s POINT transaction, they must enter into an advisory services agreement with Client H.S. despite the fact that Euram provided no advisory services to Client H.S.

u. On or about September 20, 2001, Matthew G. Krane and CHARLES H. WILK drafted an advisory agreement between Euram and Client H.S., backdated to appear to have been effectuated on May 1, 2001, wherein Client H.S. purportedly agreed to pay Euram fees for advising Client H.S. on European aspects of Client H.S.'s business holdings and forwarded the agreement to J.S. for signature.

v. In or about October 2001, CHARLES H. WILK and Matthew G. Krane telephoned J.S. seeking assistance in setting up a non-U.S. corporation and bank

1 account for Matthew G. Krane.

2 w. On or about October 24, 2001, CHARLES H. WILK and Matthew
3 G. Krane caused to be drafted and signed a final fee agreement between Quellos and
4 Client H.S. in which Client H.S. agreed to pay a specific Quellos entity more than \$46
5 million in fees for their work on Client H.S.'s transaction.

6 x. On or about October 24, 2001, CHARLES H. WILK by email
7 directed a bank representative to divert approximately \$28 million of Client H.S.'s \$46
8 million in fees that had previously been instructed to go to Quellos to, instead, be
9 deposited into an account in the name of "QFS".

10 y. On or about October 24, 2001 and October 26, 2001, CHARLES H.
11 WILK, with the knowledge of JEFFREY I. GREENSTEIN, directed J.S. and R.P. in
12 emails to wire transfer approximately \$8 million in additional fees collected from Client
13 H.S. to an account in the name of "QFS".

14 z. On or about November 5, 2001, JEFFREY I. GREENSTEIN signed
15 on behalf of Quellos a fee splitting agreement, back-dated to October 25, 2001, in which
16 Quellos agreed to pay "QFS Consultants Ltd." approximately \$28 million for services it
17 rendered as an "independent advisor" in connection with Client H.S.'s transaction.

18 aa. On or about October 26, 2004, CHARLES H. WILK, in response to
19 requests from the audit attorneys for Clients R.J. and B.J. for a written explanation of the
20 POINT transaction, emailed a document in which CHARLES H. WILK explained that
21 Euram introduced Quellos to Barnville, and that Barnville had in its possession a portfolio
22 of stock that was ultimately contributed to the SPVs for use by the clients.

23 bb. On or about November 15, 2004, CHARLES H. WILK, in response
24 to further requests by Clients R.J. and B.J. to JEFFREY I. GREENSTEIN for a written
25 description and explanation of the POINT transaction, sent by facsimile a letter stating
26 that Quellos was not a party to the original transaction between Barnville and Jackstones,
27 but from an examination of the documents it appeared that Barnville obtained "rights to
28 an underlying portfolio of stock."

1 cc. On or about June 7, 2004, during a meeting with representatives of
2 Client H.S. who were handling an audit of Client H.S., CHARLES H. WILK represented
3 and caused to be represented that he had discovered Barnville during a trip to London and
4 was told that it held losses in stocks that it could not use.

5 dd. On or about October 21, 2004, CHARLES H. WILK caused to be
6 sent by email the "POINT Strategy" document purporting to describe the POINT
7 transaction to the representatives of Client H.S. who were responding to an audit of the
8 POINT transaction by state taxing authorities and who were also anticipating an audit by
9 the IRS.

10 ee. On or about January 24 and 25, 2005, CHARLES H. WILK met with
11 representatives of Client H.S. and represented that Euram found Barnville and Jackstones;
12 that CHARLES H. WILK gave instructions to Euram to find loss stocks and did not think
13 it would be so easy to find the loss stocks. CHARLES H. WILK further stated that while
14 he had no additional information regarding the existence of the stocks, perhaps Client
15 H.S.'s representatives could write a letter to Barnville and Jackstones asking for
16 documentation. CHARLES H. WILK additionally stated that he did not know what
17 advice Euram gave to Client H.S. to earn its fees and that he had simply referred Matthew
18 G. Krane to Euram and they entered into a separate engagement. CHARLES H. WILK
19 also represented that Euram got two fees.

20 ff. On or about August 1, 2006, JEFFREY I. GREENSTEIN testified
21 under oath before the Permanent Subcommittee on Investigations of the Committee on
22 Governmental Affairs United States Senate regarding POINT. JEFFREY I.
23 GREENSTEIN testified that it appeared to him that Jackstones and Barnville engaged in
24 a transaction "not dissimilar to swaps or contract for differences or single stock futures",
25 that the Covered Warrants provided clients with a potential for profit, and that it was his
26 understanding that the clients and their advisors were made fully aware of the nature of
27 the POINT transaction.

28 66. In furtherance of the conspiracy, and to accomplish one or more of its

1 objects, one or more of the conspirators committed or caused to be committed the overt
2 acts described in Counts 2-14 of this Superseding Indictment.

3 All in violation of Title 18, United States Code, Section 371.

4 **COUNTS 2-9**
5 **(Tax Evasion)**

6 67. The allegations set forth in paragraphs 1-65 of this Superseding Indictment
7 are incorporated and re-alleged as if fully set forth herein.

8 68. From in or about June 1999 through at least about October 2005, in the
9 Western District of Washington and elsewhere, JEFFREY I. GREENSTEIN and
10 CHARLES H. WILK, unlawfully, willfully and knowingly did attempt to evade and
11 defeat and aid and abet in the attempt to evade and defeat a substantial part of the income
12 tax due and owing by the POINT tax shelter clients set forth below to the United States of
13 America for the calendar years set forth below, by committing and causing to be
14 committed the following affirmative acts, among others:

15 a. preparing and executing and causing to be prepared and executed
16 false and fraudulent documents to deceive the IRS, including promotional documents
17 purporting to describe the POINT transaction, transactional documents, and opinion
18 letters;

19 b. creating and causing to be created entities to be used in executing the
20 POINT tax shelter transaction;

21 c. preparing and filing, and causing to be prepared and filed, false and
22 fraudulent tax returns; and

23 d. taking various steps to attempt to defeat the audit of the POINT tax
24 shelter clients by causing clients' representatives to provide false, fraudulent and
25 misleading information and documents to the IRS, purporting to describe and document
26 their respective POINT transactions, including, but not limited to, the "POINT Strategy"
27 document and/or underlying transactional documents, such as the stock Purchase
28 Agreements between Barnville and Jackstones, Securities Lending Agreements between
Barnville and Jackstones, and the Warrant Subscription Agreements purportedly entered

1 into by the various SPVs.

Count	Client	Tax Returns	Approx. Amount of Fraudulent Tax Savings	Approx. Date of Filing
2	Client M.Z.	2000 Form 1040	\$24 million	1/12/02
3	Client R.J.	2000 Form 1040	\$18 million	12/27/01
4	Client R.J.	2003 Form 1040	\$3 million	10/18/04
5	Client R.J.	2004 Form 1040	\$2 million	10/18/05
6	Client B.J.	2000 Form 1040	\$36 million	12/26/01
7	Client M.S.	2000 Form 1040	\$32 million	4/15/01
8	Client H.S.	2001 Form 1040	\$276 million	10/15/02
9	Client M.S.	2001 Form 1040	\$11 million	10/16/02

12 All in violation of Title 26, United States Code, Section 7201 and Title 18, United
13 States Code, Section 2.

14 **COUNTS 10-14**
15 **(Counseling False Tax Filings)**

16 69. The allegations set forth in paragraphs 1-65 of this Superseding Indictment
17 are incorporated and re-alleged as if fully set forth herein.

18 70. On or about the dates hereinafter set forth, in the Western District of
19 Washington, and elsewhere, JEFFREY I. GREENSTEIN and CHARLES H. WILK, did
20 willfully aid and assist in, and procure, counsel, and advise the preparation and
21 presentation to the Internal Revenue Service, of U.S. Returns of Partnership Income,
22 Forms 1065, for the partnership entities and calendar years hereinafter specified. The
23 returns were false and fraudulent as to material matters, in that they represented and
24 caused to be represented that the partnership entities were entitled under the provisions of
25 the Internal Revenue laws to report the following capital losses in amounts hereinafter
26 specified, whereas, as JEFFREY I. GREENSTEIN and CHARLES H. WILK then and
27 there knew, the partnership entities were not entitled to report the capital losses in such
28 amounts.

Count	Partnership	Tax Year	Approx. Date of Filing	Approx. amount of Fraudulent Capital Loss
10	Torens Limited	2000	10/24/01	\$137 million
11	Reka Limited	2000	10/15/01	\$137 million
12	Burgundy Limited	2000	10/15/01	\$158 million
13	Titanium Trading Partners LLP	2001	10/15/02	\$614 million
14	Cobalt Trading Partners LLP	2001	6/17/02	\$54 million

All in violation of Title 26, United States Code, Section 7206(2).

**COUNTS 15-17
(Wire Fraud)**

71. Beginning at a time unknown, but no later than in or about June 1999 and continuing until in or about January 2005, in Seattle, Washington, within the Western District of Washington, and elsewhere, JEFFREY I. GREENSTEIN and CHARLES H. WILK, together with others known and unknown, did knowingly devise and intended to devise, and aided and abetted in devising, a scheme and artifice to defraud, and to obtain money and property by means of materially false and fraudulent pretenses, representations, and promises, and concealment of material facts, knowing that they were false and fraudulent when made, and transmitting and causing to be transmitted certain wire communications in interstate commerce for the purpose of executing the scheme.

I. INTRODUCTION.

72. The allegations set forth in paragraphs 2-18 of this Superseding Indictment are incorporated and re-alleged as if fully set forth herein.

**II. ESSENCE OF THE
SCHEME AND ARTIFICE TO DEFRAUD.**

73. The essence of the scheme and artifice to defraud was for JEFFREY I. GREENSTEIN and CHARLES H. WILK to design, market and execute a fraudulent tax

1 as if fully set forth herein.

2 **IV. EXECUTION OF THE**
3 **SCHEME AND ARTIFICE TO DEFRAUD.**

4 76. On or about the dates set forth below, at Seattle, Washington, within the
5 Western District of Washington, and elsewhere, having devised the above-described
6 scheme and artifice to defraud, JEFFREY I. GREENSTEIN and CHARLES H. WILK,
7 for the purpose of executing this scheme and artifice to defraud, did knowingly cause to
8 be transmitted by wire communication in interstate or foreign commerce writings, signals,
9 picture, and sounds, each transmission of which constitutes a separate count of this
10 Superseding Indictment.

Count	Date	Sender	Recipient	Wire Transmission
11 15	10/21/04	Employee of Quellos	Attorney for Client H.S.	Email sent from Seattle, Washington to Los Angeles, California attaching the "POINT Strategy" document, which falsely, fraudulently and misleadingly described the POINT transaction as involving the acquisition by the taxpayer of high/basis low value "stock" that had been contributed to a partnership by an "offshore investment fund."
12 16	10/26/04	CHARLES H. WILK	Attorney for Clients R.J. and B.J.	Email sent from Seattle, Washington to New York, New York attaching a document entitled "Barnville," which falsely stated that Barnville contributed "stock" to the SPV acquired by the clients.
13 17	11/15/04	CHARLES H. WILK	Clients R.J. and B.J.	Faxed letter sent from Washington D.C. to New York, New York in which CHARLES H. WILK falsely suggests that Quellos was not involved in the original transaction between Barnville and Jackstones; that the documents appear to indicate that Jackstones sold to Barnville "the right to beneficial ownership of shares"

14 All in violation of Title 18, United States Code, Sections 1343 and 2.

COUNT 18
(Conspiracy to Launder Monetary Instruments)

1
2
3 77. Beginning at a time unknown, but no later than in or about March 2001, and
4 continuing through in or about January 2008, at Seattle, Washington, within the Western
5 District of Washington, and elsewhere, MATTHEW G. KRANE, JEFFREY I.
6 GREENSTEIN, and CHARLES H. WILK, together with others known and unknown to
7 the Grand Jury, did knowingly combine, conspire, and agree with each other to commit
8 offenses against the United States in violation of Title 18, United States Code, Section
9 1956, to wit, to knowingly conduct and attempt to conduct a financial transaction
10 affecting interstate and foreign commerce, which involved the proceeds of a specified
11 unlawful activity, that is Deprivation of Honest Services Wire Fraud, in violation of Title
12 18, United States Code, Sections 1343 and 1346, knowing that the transactions were
13 designed in whole or in part to conceal and disguise the nature, location, source,
14 ownership, and control of the proceeds of specified unlawful activity, and that while
15 conducting and attempting to conduct such financial transactions, knew that the property
16 involved in the financial transactions represented the proceeds of some form of unlawful
17 activity, in violation of Title 18, United States Code, Section 1956(a)(1)(B)(i).

I. INTRODUCTION.

18 At various times relevant to this Superseding Indictment:

19
20 78. The allegations set forth in paragraphs 2-18 of this Superseding Indictment
21 are incorporated and re-alleged as if fully set forth herein.

22 79. Defendant MATTHEW G. KRANE was an attorney, licensed in the State
23 of California. MATTHEW G. KRANE was a sole practitioner who specialized in the
24 area of tax.

25 80. Client H.S. was a Los Angeles based business man. Beginning
26 approximately in 1990 or 1991, MATTHEW G. KRANE was engaged by Client H.S. to
27 provide tax advice and tax planning services to Client H.S. and Client H.S.'s business.

28 81. B.H. is a resident of Switzerland and a business associate of MATTHEW
G. KRANE.

1 **II. THE ESSENCE OF THE SPECIFIED UNLAWFUL ACTIVITY:**
2 **DEPRIVATION OF HONEST SERVICES WIRE FRAUD.**

3 82. Attorneys practicing law in California owe both a fiduciary duty to their
4 clients and a duty of loyalty to act in their clients' best interests, both financially and
5 otherwise, and to comply with the California Rules of Professional Conduct.

6 83. Rule 3-310 of the California Rules of Professional Conduct requires that
7 members of the California Bar "shall not accept or continue representation of a client
8 without providing written disclosure to the client where...the member has or had a legal,
9 business, financial, or professional interest in the subject matter of the representation."

10 84. The essence of the Specified Unlawful Activity is that beginning in or about
11 January 2001 and continuing through in or about December 2002, MATTHEW G.
12 KRANE, knowingly and willfully devised and intended to devise a scheme and artifice to
13 defraud, to obtain money and property by means of materially false and fraudulent
14 pretenses, representations, promises, and omissions, and to deprive Client H.S. of his
15 intangible right to honest services as his attorney.

16 85. It was part of the scheme and artifice to defraud that in late 2000, Client
17 H.S. engaged MATTHEW G. KRANE to find a means to minimize anticipated capital
18 gains taxes stemming from a sale of certain of Client H.S.'s assets.

19 86. It was a further part of the scheme and artifice to defraud that sometime in
20 early 2001, MATTHEW G. KRANE introduced Client H.S. to Quellos and CHARLES H.
21 WILK who, according to MATTHEW G. KRANE, had devised a financial transaction
22 through which Client H.S. could shelter his capital gains.

23 87. It was a further part of the scheme and artifice to defraud that MATTHEW
24 G. KRANE represented to Client H.S. that he would need to pay approximately \$46
25 million in fees to Quellos for their work in implementing the transaction. MATTHEW G.
26 KRANE represented that the fees were reasonable because the transaction would save
27 Client H.S. substantially more in taxes than it cost.

28 88. It was a further part of the scheme and artifice to defraud that Client H.S.,
relying upon the advice and representations of MATTHEW G. KRANE that the

1 transaction was legitimate and that the fees and costs were reasonable, agreed to enter
2 into the tax shelter transaction with Quellos.

3 89. It was a further part of the scheme and artifice to defraud that, contrary to
4 what MATTHEW G. KRANE represented to Client H.S. about the fee arrangements,
5 MATTHEW G. KRANE, JEFFREY I. GREENSTEIN, and CHARLES H. WILK had
6 entered into a separate agreement whereby JEFFREY I. GREENSTEIN and CHARLES
7 H. WILK promised to kickback to MATTHEW G. KRANE more than half of the fees
8 that Client H.S. agreed to pay Quellos.

9 90. It was a further part of the scheme and artifice to defraud that MATTHEW
10 G. KRANE, contrary to his duties as Client H.S.'s attorney, never disclosed to Client H.S.
11 the kickback arrangement he had entered into with JEFFREY I. GREENSTEIN and
12 CHARLES H. WILK.

13 91. It was a further part of the scheme and artifice to defraud that MATTHEW
14 G. KRANE knew about and participated with CHARLES H. WILK and others in creating
15 false and misleading documents to hide from the Internal Revenue Service and others the
16 true amount of fees and costs paid by Client H.S. to take part in the tax shelter
17 transaction.

18 92. It was a further part of the scheme and artifice to defraud that in or about
19 October and November 2001, when Client H.S.'s tax shelter transaction was completed,
20 CHARLES H. WILK, in Seattle, Washington, in fulfillment of the kickback arrangement
21 with MATTHEW G. KRANE, caused, by means of international wire transfers, the
22 following payments totaling approximately \$36 million:

- 23 a. On or about October 31, 2001, the transfer of approximately \$28
24 million from HSBC Bank in New York, New York, to European
25 American Investment Bank AG in Vienna, Austria, for the benefit of
26 an account in the name of QFS Consultants, Ltd;
- 27 b. On or about October 25, 2001, the transfer of approximately \$7.5
28 million from HSBC Bank in New York, New York, to European

1 American Investment Bank AG in Vienna, Austria, which amount
2 was further transferred on or about November 1, 2001, to another
3 account in European American Investment Bank AG in Vienna,
4 Austria for the benefit of an account in the name of QFS
5 Consultants, Ltd.

- 6 c. On or about November 7, 2001, the transfer of approximately
7 \$600,000 from HSBC Bank in New York, New York, to European
8 American Investment Bank AG in Vienna, Austria, for the benefit of
9 an account in the name of QFS Consultants, Ltd.

10 **C. Manner and Means of the Conspiracy to Launder Monetary Instruments.**

11 93. The manner and means by which MATTHEW G. KRANE, JEFFREY I.
12 GREENSTEIN, CHARLES H. WILK, and their coconspirators sought to accomplish the
13 object of the conspiracy included, among other things, the following:

14 94. In or about October 2001, CHARLES H. WILK, who was working in
15 Seattle, Washington, introduced MATTHEW G. KRANE to J.S. and R.P. in London,
16 England, and requested that J.S. and R.P. assist MATTHEW G. KRANE in establishing
17 an offshore company and an offshore bank account to hold MATTHEW G. KRANE's
18 share of fees generated from Client H.S.'s tax shelter transaction.

19 95. In or about October 2001, MATTHEW G. KRANE and B.H. agreed that in
20 return for a payment of \$1 million, B.H. would act on behalf of MATTHEW G. KRANE
21 as the sole beneficial owner of the offshore company to be set up through the assistance
22 of J.S. and R.P. B.H. further agreed with MATTHEW G. KRANE that he would manage
23 an offshore account in the name of this offshore company on MATTHEW G. KRANE's
24 behalf.

25 96. In or about October 2001, B.H., through the assistance of R.P. and others,
26 utilized a corporate administrator based in Gibraltar to obtain the use of a shell company
27 known as Eldred Ltd., incorporated in the British Virgin Islands.

28 97. On or about October 24, 2001, at the behest of MATTHEW G. KRANE,

1 B.H. instructed the corporate administrator of Eldred Ltd. to change the name of the
2 company to QFS Consultants Ltd. QFS was similar to acronyms used by various
3 subsidiaries of Quellos. MATTHEW G. KRANE chose the name QFS so that documents
4 regarding fees that were, in truth, being paid to MATTHEW G. KRANE in fulfillment of
5 the kickback arrangement with JEFFREY I. GREENSTEIN and CHARLES H. WILK,
6 would fraudulently appear to others as if they were being paid to Quellos.

7 98. On or about October 24, 2001, at the behest of MATTHEW G. KRANE,
8 B.H. opened a bank account in Vienna, Austria, at European American Investment Bank
9 AG in the name of QFS.

10 99. On or about October 31, 2001, at the behest of MATTHEW G. KRANE,
11 CHARLES H. WILK, from Seattle, Washington, emailed instructions to HSBC, a bank in
12 New York, to transfer approximately \$28 million from the fees generated from Client
13 H.S.'s tax shelter transaction to the QFS account at European American Investment Bank
14 AG in Vienna, Austria.

15 100. On or about October 25, 2001, approximately \$28 million in proceeds from
16 the above described scheme and artifice to defraud as set forth in paragraphs 82 through
17 92, was transferred via wire from an HSBC account in New York, New York, to an
18 account in the name of QFS at European American Investment Bank AG in Vienna,
19 Austria.

20 101. On or about October 25, 2001, at the behest of MATTHEW G. KRANE and
21 consistent with the undisclosed fee sharing agreement as described in above paragraphs
22 82 through 92, CHARLES H. WILK, with the knowledge and consent of JEFFREY I.
23 GREENSTEIN, emailed from Seattle, Washington, instructions to Euram, to transfer
24 approximately \$8 million in additional fees generated from Client H.S.'s tax shelter
25 transaction that had been held in the name of Euram to the QFS account at European
26 American Investment Bank AG in Vienna, Austria.

27 102. On or about November 1, 2001, in accordance with the instructions from
28 CHARLES H. WILK, Euram caused approximately \$7.5 million in proceeds from the

1 above described scheme and artifice to defraud as set forth in paragraphs 82 through 92,
2 to be transferred from an account in the name of Euram at European American
3 Investment Bank AG in Vienna, Austria, to the account in the name of QFS at European
4 American Bank AG in Vienna, Austria.

5 103. On or about November 7, 2001, in accordance with the instructions from
6 CHARLES H. WILK, Euram caused approximately \$600,000 in proceeds from the above
7 described scheme and artifice to defraud as set forth in paragraphs 82 through 92, to be
8 transferred from an account at HSBC in New York, New York, to the account in the name
9 of QFS at European American Investment Bank AG in Vienna, Austria.

10 104. In or about October 2001, in response to due diligence demands by the QFS
11 corporate administrators for explanations as to the source of the \$36 million in funds held
12 by QFS, MATTHEW G. KRANE, CHARLES H. WILK and JEFFREY I. GREENSTEIN
13 agreed to execute a written agreement wherein it was made to falsely appear that QFS,
14 and not MATTHEW G. KRANE, obtained the money as a result of a fee-sharing
15 agreement with Quellos for "non-legal" advisory services that QFS provided in
16 connection with Client H.S.'s tax shelter transaction.

17 105. In or about October 2001, MATTHEW G. KRANE instructed B.H. to find
18 someone wholly unrelated to Client H.S. and MATTHEW KRANE to sign the written
19 fee-sharing agreement on behalf of QFS. B.H. agreed to do so, and caused an
20 acquaintance in London, with no connections to Client H.S., MATTHEW KRANE, or
21 QFS, to sign the agreement on behalf of QFS.

22 106. On or about November 5, 2001, B.H. faxed from Switzerland the written
23 fee-sharing agreement between QFS and Quellos to Seattle, Washington, for execution of
24 the agreement by Quellos.

25 107. On or about November 5, 2001, JEFFREY I. GREENSTEIN, in Seattle,
26 Washington, executed the fee sharing agreement on behalf of Quellos, and CHARLES H.
27 WILK caused the agreement to be faxed back to B.H. in Switzerland. B.H. then
28 submitted the executed agreement to the QFS corporate administrators in fulfillment of

1 their due diligence request.

2 108. By January 2002, the QFS corporate administrators continued to be
3 dissatisfied with the explanation for the source of the \$36 million held by QFS. In or
4 about January 2002, in response to the corporate administrator's continued due diligence
5 requests, MATTHEW G. KRANE and B.H. submitted and caused to be submitted a
6 false document that falsely explained that the source of the QFS funds were fees from
7 complex work done by B.H. in connection with the sale of Client H.S.'s assets. In truth,
8 B.H. had done no work in connection with the sale of Client H.S.'s assets.

9 109. In or about January 2002, MATTHEW G. KRANE caused to be
10 incorporated in the State of Delaware a new corporation known as Goldfluegel
11 Partnerschaft, LLC (hereinafter "Goldfluegel").

12 110. In or about July 2002, MATTHEW G. KRANE caused to be opened a new
13 bank account at European American Investment Bank AG in Vienna, Austria in the name
14 of Goldfluegel.

15 111. On or about July 31, 2002, MATTHEW G. KRANE and B.H. instructed
16 European American Investment Bank AG to transfer approximately \$35 million in
17 proceeds from the above described scheme and artifice to defraud held in the European
18 American Investment Bank AG's QFS account to the new account in the name of
19 Goldfluegel. MATTHEW G. KRANE and B.H. agreed that the remaining approximately
20 \$1 million in proceeds in the QFS account was for B.H.'s use in fulfillment of
21 MATTHEW G. KRANE's agreement to pay B.H. for his involvement with QFS.

22 112. On or about the dates listed below, MATTHEW KRANE caused the
23 following wire transfers from the European American Investment Bank AG's account in
24 Vienna, Austria, in the name of Goldfluegel, to an account in the name of MATTHEW G.
25 KRANE at Charles Schwab & Company, Inc. in San Francisco, California. These
26 monetary transactions involved proceeds from the above described scheme and artifice.
27 In an effort to disguise the purpose, source, and nature of these monetary transactions,
28 MATTHEW G. KRANE caused each of the wired funds to be accompanied with a false

1 notation that these amounts were being paid to MATTHEW G. KRANE for "legal fees."

Date of Wire Transfer	Amount of Wire Transfer
November 18, 2004	\$ 86,259.77
February 23, 2005	\$76,277.23
December 30, 2005	\$124,939.52
April 12, 2006	\$137,288.68
September 5, 2006	\$198,814.07
February 8, 2007	\$164,426.22
June 11, 2007	\$192,049.93
September 21, 2007	\$65,587.06

10 All in violation of Title 18, United States Code, Section 1956(h).

11 **ALLEGATION OF FORFEITURE**

12 113. The allegations contained in Count 18 of this Superseding Indictment are
13 hereby realleged and incorporated herein by reference for the purpose of alleging
14 forfeiture to the United States pursuant to Title 18, United States Code, Section
15 982(a)(1)(A).

16 114. As a result of the money laundering offense, in violation of Title 18, United
17 States Code, Section 1956(h) as alleged in Count 1 above, the defendant MATTHEW G.
18 KRANE, shall forfeit to the United States the sum of \$36 million as property involved in
19 or traceable to the above-described money laundering violations.

20 115. If any of the forfeitable property, as a result of any act or omission of the
21 Defendants

- 22 a. cannot be located upon the exercise of due diligence;
- 23 b. has been transferred or sold to, or deposited with, a third party;
- 24 c. has been placed beyond the jurisdiction of the Court;
- 25 d. has been substantially diminished in value; or
- 26 e. has been commingled with other property which cannot be
27 subdivided without difficulty;
- 28

1 the United States of America shall be entitled to forfeiture of substitute property pursuant
2 to Title 21, United States Code, Section 853(p), as incorporated by Title 18, United States
3 Code, Section 982(b)(1) and Title 28, United States Code, Section 2461(c), including but
4 not limited to the following:

5 The residence located at:
6 1451 Kings Road
7 Los Angeles, California 90069.

8 All pursuant to Title 18, United States Code, Sections 982 (a)(1).

9 A TRUE BILL:

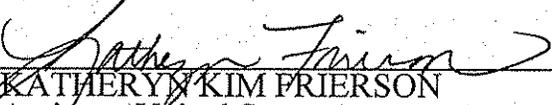
10 DATED: 6/04/2009

11 Signature of Foreperson redacted pursuant
12 to the policy of the Judicial Conference
13 of the United States.

14 FOREPERSON

15 
16 JEFFREY C. SULLIVAN
17 United States Attorney

18 
19 MARK BARTLETT
20 First Assistant United States Attorney

21 
22 KATHRYN KIM FRIERSON
23 Assistant United States Attorney