

## Ex-Chief of Quellos Is Indicted in Tax Case

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Federal prosecutors indicted a former top executive of a prominent investment firm on Thursday on charges involving questionable tax shelters made and sold by the firm up until 2006.

The executive, Jeffrey I. Greenstein, is a former chief executive and a co-founder of the Quellos Group, whose core business was bought by BlackRock for \$1.7 billion in 2007. He faces 18 counts of conspiracy, fraud and tax evasion.

Quellos, which was based in Seattle and catered to wealthy investors, had star clients, including former President Bill Clinton and his wife, Hillary Rodham Clinton; Robert Wood Johnson IV, the owner of the New York Jets football team; and the Hollywood mogul Haim Saban, the producer of the "Mighty Morphin Power Rangers" children's show, according to public records.

A lawyer for Mr. Greenstein, Andrew J. Levander, said that his client "adamantly denies the allegations in the indictment and looks forward to clearing his name at trial."

Prosecutors also indicted another Quellos employee, Charles H. Wilk, a lawyer who directed a Quellos unit's tax-shelter business; and a lawyer for Mr. Saban, Matthew G. Krane. Robert Bernhoft, a lawyer for Mr. Krane, said, "We look forward to the truth coming out." A lawyer for Mr. Wilk could not be reached.

In 2006, the Senate's Permanent Subcommittee on Investigations issued a report detailing how Quellos had created and sold bogus tax shelters using \$9.6 billion in fake securities transactions used to generate billions of dollars in bogus capital losses for Quellos clients. The Quellos shelters had names like Opis, Flip and CDS. Quellos earned up to \$50 million in fees on two of the shelters. Another shelter sold by the firm, called Point, generated \$86 million in fees and allowed six wealthy clients to evade \$40 million in taxes.

The indictment accused Mr. Greenstein of giving false testimony linked to the report.

Quellos was a global player in hedge funds and ran a large fund of funds — the core business that BlackRock acquired and now operates as BlackRock Alternative Advisors. A smaller part of Quellos was discontinued after the sale. BlackRock has said it will not assume liabilities from Quellos's tax-shelter business.

As part of the sale, Mr. Greenstein was a consultant to BlackRock "until several months ago," according to a BlackRock spokeswoman, Bobbie Collins. She said that Mr. Greenstein had worked on integrating the Quellos fund business into BlackRock. Ms. Collins added that neither BlackRock nor any of its employees "are targets of this investigation, nor are any products managed by the BlackRock Alternative Advisors team involved."

Ms. Collins said that the government told Quellos last year that it was dropping its investigation of the firm.

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