

# Segal - Cast of Characters

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**Dana Berry:** A Near North Insurance employee and the leader of the Takeover Group. He was the author of the plan designed to wrest control of Near North Insurance from Michael Segal by making false claims about its accounting. He was among a group of employees involved in the theft of thousands of Near North records that were provided to his new employers at Aon Corporation. Berry had the personal telephone number of Patrick Ryan, Aon CEO, and spoke with Ryan prior to joining Aon. Segal learned of Berry's diagnosis—before the takeover efforts began—he made efforts to find Berry a physician as well as other kindnesses. Berry died in 2009.

**Joshua Buchman:** A former federal prosecutor, Buchman was an attorney at the Chicago law firm of McDermott Will and Emery who was part of 's defense team prior to the trial. Buchman provided a sworn affidavit stating that at a meeting in September 2002, the defense presented the prosecution with a draft of an amended complaint that Near North intended to file in Cook County Circuit Court in Near North's lawsuit against Aon and the members of the Takeover Group that explicitly laid out evidence of a conspiracy to steal documents from Near North involving former Near North employees, including the Takeover Group. Buchman said that in response, the prosecutors threatened to file a RICO lawsuit against Near North if the civil suit went forward. In fact, the lawsuit went forward and the prosecution obtained a RICO indictment against Near North that destroyed the company and erased the jobs of 1,000 people. Segal considered Buchman's affidavit a testament to Buchman's courage and willingness to do the right thing and follow his professional responsibilities.

**Ruben Castillo:** A U.S. District Court Judge in Chicago since 1994 following a career as a prosecutor in the U.S. Attorney's Office there. He served on and headed the U.S. Sentencing Commission. Castillo repeatedly rejected defense efforts to hold the prosecution accountable for misconduct including collaborating with the Takeover Group's hacking of Near North records, the taping of Michael Segal's defense attorney, Harvey Silets, and hiding evidence favorable to Segal. Castillo became chief U.S. District Judge in Chicago in 2013.

**David Cheley:** A temporary employee at Near North, who began electronically breaking into Near North computers four months before he left Near North. The cyber-hacking resulted in the theft of documents, some of which wound up on the computer servers at Aon Corporation and in the personal emails of FBI agent Patrick Murphy. Cheley was not prosecuted by the federal authorities nor was he arrested by the

Cook County and Lake County state's attorney's offices, on the advice of Prosecutor Virginia Kendall. Cheley left Near North and joined Kemper Insurance where he continued the hacking until Near North finally exposed him.

**Sal Cagnetti Jr.** – Defense attorney for Near North Insurance and a fierce opponent of prosecutorial misconduct, Cagnetti was one of the framers of the McDade Amendment. The Amendment was named after Congressman Joseph McDade, a Pennsylvania Republican, who had been the target of an unsuccessful federal prosecution. Cagnetti had rigorously challenged prosecutorial misconduct in McDade's case. McDade teamed with Cagnetti to draft legislation that overrode a prior presidential executive order stating that federal prosecutors would no longer be exempt from a congressional mandate requiring compliance with federal and state canons of ethics for attorneys. This exemption, combined with the fact that prosecutors are legally immune from civil liability for their conduct in pursuing a conviction, had left prosecutors almost impervious to review, criticism, or discipline prior to the enactment of the McDade Act.

**Patrick Fitzgerald:** U.S. Attorney in Chicago appointed in September 2001 on the recommendation of U.S. Senator Peter Fitzgerald (R-IL). Within days of coming into office, Fitzgerald initiated an investigation of Segal and Near North, although insurance companies are regulated by state, not federal, statutes. Fitzgerald stepped down as U.S. Attorney in May 2012.

**Tim Gallagher:** A Near North employee and a member of the Takeover Group. Gallagher made numerous calls to members of the media, particularly Chicago Tribune columnist John Kass, to plant false information and derogatory information about Segal during and after the takeover attempt. He lured Michael Segal to a meeting at a Chicago hotel by falsely claiming the Takeover Group was interested in working out their differences. Instead, Segal was confronted by a federal prosecutor and the FBI and arrested. Gallagher left Near North and joined Aon.

**Devra Gerber:** A Near North employee who was part of the Takeover Group, although she claimed to Segal that she did not want to take part in an extortion of his company. Gerber left Near North and joined Aon.

**David Grossman:** A former FBI agent who was managing director of Pinkerton Consulting and Investigations, Inc. Grossman, working with Near North experts, uncovered the cyber-hacking by David Cheley that resulted in the theft of documents from Near North. His request to the FBI for an investigation of Cheley was ignored.

**William Hogan:** A career federal prosecutor who became embroiled in a major scandal in the 1990's for failing to disclose to defense lawyers that witnesses in the prosecution of a notorious Chicago street gang were allowed to use drugs and have sexual liaisons. Hogan was fired and later his firing was overturned and he returned to the U.S. Attorney's Office. Hogan led the prosecution efforts to quash the Segal defense team allegations of prosecutorial misconduct. Ultimately, Hogan obtained the RICO indictment that destroyed Near North because Segal refused to back down from a civil lawsuit against

the Takeover Group. Years after Segal's conviction, Hogan—in an extraordinary move—remained personally involved in the appeals and forfeiture and restitution proceedings to contest the defense evidence of prosecutorial misconduct.

**Edward T. Joyce:** A veteran Chicago attorney who represented Michael Segal in the long-running forfeiture proceedings.

**Virginia Kendall:** One of the three prosecutors in the case against Michael Segal and Near North Insurance. Kendall insisted on Segal's incarceration prior to sentencing and delayed the sentencing for nearly 18 months. Segal believed this was because she was being vetted to be a federal judge and the delay severely constricted his ability to work on his appeal, which focused on evidence of prosecutorial misconduct. Kendall was formally named a federal judge in January 2006—one month after Segal was sentenced.

**Andrew Lotts:** An accounting expert who performed an extensive forensic reconstruction of Near North Insurance records that exposed the prosecution's baseless estimates used to convict Michael Segal. Using the only methodology approved by Illinois Insurance statutes, Lotts demonstrated a positive reconciliation balance in the Premium Fund Trust Account, contrary to the negative balance that was the core of the prosecution's case.

**Jeff Ludwig:** A Near North employee and member of the Takeover Group. A prosecution witness testified falsely that the firm of McGladrey & Pullen had created a government accounting exhibit. The witness testified that Ludwig asked the firm to change an invoice to buttress the false claim. Ludwig left Near North and joined USI Insurance Services.

**Michael Mackey:** A Near North employee who played a key role in the Takeover Group by hiring Tom McNichols, who created most of the false accounting reconciliations used by the prosecution in the case against Michael Segal and Near North. Mackey left Near North and joined Mesirow Insurance Services.

**Tom McNichols:** A Near North employee, McNichols was hired by the Takeover Group provided false accounting data that began the cornerstone of the Group's failed effort to wrest control of Near North from Michael Segal. The false accounting records as well as emails (which were never sent) became the centerpiece of the prosecution's case. McNichols was the only member of the Takeover Group to testify at the trial and repeatedly was caught providing contradictory testimony under oath.

**Patrick Murphy:** A veteran FBI agent who arrested Michael Segal in January 2002 after Segal refused to wear a wire for federal prosecutors. A wiretap that he supervised recorded the agent giving advice to confessed Near North embezzler Daniel Watkins to change an affidavit to falsely implicate Segal. The

defense discovered a link between Murphy and emails that were stolen from Near North by cyber-hacker David Cheley and passed to the Takeover Group. Murphy retired from the FBI in 2014.

**Dean Polales:** A federal prosecutor who, along with FBI agent Patrick Murphy, arrested Michael Segal in January 2002. Polales asked Segal to wear a wire to entrap others, but Segal refused and was arrested. Polales was one of three prosecutors at Segal's trial and frequently misrepresented evidence during the investigation and trial. Polales was the head of the U.S. Attorney's Office public corruption unit, not the financial crimes unit. After Segal's trial, Polales retired as a prosecutor and joined a private law firm.

**Daniel Reidy:** A former high-ranking prosecutor in the U.S. Attorney's Office in Chicago and Michael Segal's lead defense lawyer at trial. Reidy's expert cross-examination exposed scores of contradictory statements by prosecution witnesses. He to present any accounting evidence for the defense, even though the analysis of forensic accounting expert Andrew Lotts showed that the prosecution's accounting lacked any basis. Reidy is a partner at the law firm of Jones Day.

**Matthew Rogoz** – A former Internal Revenue Service agent who claimed to have discovered a 1989 memo that was the sole evidence used to convict Segal of a Klein tax conspiracy, which cost him an additional 40 months in prison. The defense believed that events surrounding the memo, known as Exhibit #5, and how it came to be introduced at Segal's trial suggested that it was manufactured *after* Segal's arrest.

**Pat Ryan:** CEO of Aon Corporation, a Fortune 500 company that competed with Near North Insurance. Aon received and benefitted from stolen documents provided to Takeover Group members who left Near North to join Aon. Ryan was a major fundraiser for former U.S. Senator Peter Fitzgerald (R-IL) who recommended Patrick Fitzgerald for U.S. Attorney. Ryan was a bitter rival of Segal and Near North.

**Michael Segal:** The CEO of Near North Insurance Brokerage. Over the course of four decades, Segal expanded a three-person office into a powerhouse of 1,000 employees. He was arrested in January 2002 six days after filing a lawsuit against former employees (the Takeover Group). The federal investigation and resulting indictment and conviction were the product of the Takeover Group's failed attempt to take control of Near North. Segal sought to expose the collusion by Takeover Group members with the prosecution and resulting misconduct. In retaliation, the prosecution brought a RICO indictment, which destroyed Near North and sent Segal to prison.

**Nathaniel Shapo** – Director of the Illinois Department of Insurance whose agency spent several months auditing Near North after Michael Segal self-reported a potential problem with Near North's Premium Fund Trust Account and the department reported no allegations of any misrepresentations or non-disclosed accounting transactions.

**Zachary Stamp** – Former Commissioner of the Illinois Department of Insurance and later outside counsel for Michael Segal and Near North. Stamp provided an affidavit on Segal's behalf at sentencing that provided the background on the Premium Fund Trust Account and stated that there was no criminal offense committed under the Illinois insurance laws.

**Jeffrey Steinback:** A Chicago attorney who became Segal's sentencing attorney on the recommendation of another attorney. Segal came to believe that Steinback, to incur favor with the prosecution, failed to adequately represent him. Steinback failed to communicate with Segal, obstructed Segal's version of the issues in the case and broke a promise to present forensic accounting evidence at the sentencing hearing that would have showed the prosecution's accounting was false.

**Matt Walsh:** A Near North employee and member of the Takeover Group who worked closely with Dana Berry and was the linchpin between cyber-hacker David Cheley and the Takeover Group. Walsh made numerous threats against Near North employees who supported Michael Segal. Walsh left Near North and joined Aon.

**Daniel Watkins:** A long-time employee of Near North who admitted he embezzled tens of thousands of dollars from Near North petty cash accounts over more than a decade. Watkins agreed to provide a sworn affidavit admitting his crimes and stating that he acted alone. However, McNichols and FBI agent Patrick Murphy persuaded Watkins to repudiate that statement and work with the prosecution and claim that Segal had participated with him in stealing money from Near North. Years later, Watkins admitted in U.S. Tax Court that Segal never directed him to embezzle.