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December 16, 2014

Eric H. Holder, Jr.,
The Attorney General of the United States
Department of Justice
Room 4400
950 Pennsylvania Avenue, NW
Washington, DC 20530-0001

RE: Michael Segal
Our File No.: 15384

Dear  Eric:

Congratulations on a well-done term of office. I know you will be happy to return to a normal routine, including driving a car and spending more time with your family. Feel secure that you did an outstanding job as Attorney General.

I have never stood on protocol or hesitated to ask a friend for a favor. Before you turn off the lights in your office, I am respectfully requesting that you review and hopefully assign this matter to a practical, fair-minded person who will recognize a need for a resolution to this never-ending drama.

Last year I provided you an outline of potential misconduct on the part of an Assistant United States Attorney in the Chicago United States Attorney's Office. Unfortunately, the effect of that referral resulted in further retribution against Michael Segal, the petitioner in this matter.

A succinct history may place this request in some sort of context. We became involved with Michael Segal over eleven years ago when we were requested to participate in the defense of his insurance company, Near North Insurance, the fifth largest independent United States insurance brokerage. At that time, Near North Insurance was headed by a former United States Attorney of the Northern District of Illinois, Fred Foreman, as acting chairman of the Near North Insurance Board and Walter Stowe, a prior FBI station manager. It appeared and was later verified that Michael Segal, as a high-profile Chicago businessman, was targeted by the United

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States Attorney's Office thirteen years ago because of his alleged association in Chicago politics, even though he has never held any political office. He was clandestinely approached by the FBI to work with a new United States Attorney's Office investigation in Chicago. Even though he cooperated with the agents, he steadfastly refused to play any role in the non-identified investigations. He quickly became the target of the investigation and subject to increasing pressure by way of multiple indictments. His refusal to cooperate resulted in an additional RICO indictment against his company, Near North Insurance; a charge we believe was not approved by the Department of Justice. Prior to the indictment, Near North Insurance, a forty-year-old company, never had any criminal or regulatory complaints.

The criminality alleged and charged indicated that Michael Segal, through his company, Near North Insurance, floated premiums paid by insureds prior to turning the premiums over to an insurance company. The State of Illinois had set up a requirement (a requirement held in only 22 states) that such funds be subject to a premium trust account. The law on the obligations, timing and utilization of the special fiduciary account was subject to various interpretations. The Illinois insurance regulation carries no felony penalty if there is no loss. However, the case was brought pre-Skilling, which allowed the government the broadest latitude in its interpretation. The government alleged premiums were used to build the company over its forty year history.

An important element of the facts, as noted by the probation department and the District Court's adoption of the probation report at the time of sentencing, is that all insureds received their payment on claims timely. The report states, "Segal's misconduct with the PFTA account did not result in a loss to his clients." Sentencing Hearing transcript, Page 15, 10-12. The Court adopted the probation officer's recommendation, "there was no evidence the defendant intended to defraud either the insurance clients or the insurance companies by his illegal use of the PFTA." PSR report Page 22. In a dismissal of one of the counts in the indictment, the Court observed, "Given the complete absence of evidence...we conclude that no rational jury could have found that Defendants made a false statement in connection with any financial reports or documents presented to the Illinois Department of Insurance." Federal Court Opinion, page 9, December 13, 2004. All insurance companies also received their premiums in a timely fashion.

The case was built and tried with a small dose of inaccurate accounting and a greater emphasis on programmed mischaracterizations provided by a group of employees who attempted to take over Segal's company. The indictment and trial also

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occurred in the shadows of the collapse of Enron and its corporate financial misbehavior. Maybe this reference is rationalization to avoid another conclusion - poor lawyering on the part of the Segal legal defense team.

Mr. Segal was convicted and was sentenced to ten years of incarceration. He was also subject to the forfeiture of his interest in the company and a personal forfeiture of \$30 million. The latter forfeiture was subject to an appeal to the Seventh Circuit. That court determined that the government may have double counted in assessing the forfeiture against Mr. Segal. The Court explained that it was neither clear from the record that \$30 million was put back into the enterprise nor how much went to benefit Mr. Segal personally. The Court then remanded the case for a determination of what portion, if any, of the \$30 million was reinvested in the enterprise. The government filed a petition for a rehearing as to the double counting and was denied. The lower court then lowered the amount of the forfeiture against Mr. Segal to \$15 million. The lower court determination did not resolve the issue of how much Mr. Segal reinvested in Near North Insurance or how much did not go to him personally.

There is now pending a series of appeals before the Seventh Circuit and unfortunately, litigation in this matter is continuing. I believe that it is continuing in part because of the complaint I filed last year.

One only has to look at the total value of the assets the government has received as a result of these forfeitures to realize the glaring inequities of the situation. At the time of the trial, the value of Near North Insurance had dwindled from \$250 million to \$90 million and there was a firm offer on the table to purchase the company, with the condition that all funds be placed in escrow subject to government action. Even with these conditions, the government refused to consent to the sale. This sale would have saved hundreds of jobs at Near North Insurance.

An analysis of the forfeiture to date reveals that the government has received approximately three times the amount it was entitled to under the personal forfeiture of Mr. Segal. (See enclosed accounting.) The forensic accounting reflects that the government has received \$33 million in cash and cash equivalents and approximately \$8 million in remaining investment assets to have settled a \$15 million personal judgment. There remains disputes between the government and Mike Segal's ex-wife as to the ownership of specific assets.

Upon his release from jail and what in Italian I'd call his *stunato* state of mind, Mr. Segal did agree to some sort of settlement with the government. He was an easy prey. The government had not fully disclosed the accounting of the assets and at that time, Mr. Segal did not have access to what the government had taken, nor an ability to

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ascertain from financial records the manipulation of the government. To date, the government has not disclosed the accounting of the assets and ironically, since that time, the government has breached the agreement.

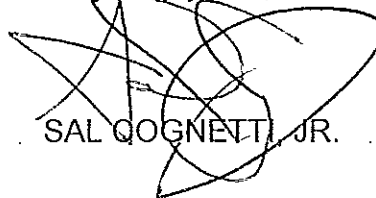
Mr. Segal has served his eight and a half years in jail. He wishes, in the twilight of his years, to bring finality to his encounters with the federal government. There are now pending numerous appeals concerning the various representations and misrepresentations of the government exclusively relating to forfeiture accounting, asset valuations, and contract settlement breaches. This litigation is costly to the government and to Mr. Segal. While I am sure this would make an entertaining movie or novel, it is not entertaining to Mr. Segal, who wishes to move on with his life.

The new United States Attorney for the Northern District of Illinois has recused himself in this matter and the new First Assistant is most likely to do the same because of the prior involvement of his law firm. As a result, the Assistant United States Attorney, who we reported last year, will be in charge of the case.

Recently, I read an interesting Fordham Urban Law Journal article, "Why Should Prosecutors 'Seek Justice'?" Volume 26, Issue 3, 1998, Article 6. The article is the genesis of this letter as it articulated the principles in which you were trained and which you have followed your entire career.

Time is ripe for a just settlement under a reasonable accounting analysis. All I am asking is that somebody be assigned out of D.C. to take a look at this file solely with respect to the personal forfeiture issues and who will have the ability to execute an ironclad agreement for both sides that ends all appeals, reconciles the accounting and puts an end to this matter. Don't shut off the light yet; hopefully I'll be hearing from you.

Very truly yours,



SAL COGNETTI, JR.

SCJR/dlk
Enclosures

Michael Segal
 Chart #1
 Cash and Cash Equivalents
 Received by Government
 Prior to and as of February 11, 2013

Total cash and cash equivalents of \$19,272,136 to Settle \$15,000,000 Forfeiture

Category	Actual Monies	Source of Information	Supporting Schedules
Proceeds from:			
Distributions from and sale of partne 2005-to and incl 2/2013	\$ 7,953,530	* 2/2013 per Government	
Sale of Highland Park home	6,009,541	* 2/2013 per Government	
Cash and Marketable Securities	2,804,893	* 2/2013 per Government	Schedule 1
Retirement Account at Merrill Lynch	350,000	** 2/2013 per Government	Schedule 2
Cash value of life insurance policies	2,154,172	** 2/2013 per Government	Schedule 3
Total cash and cash equivalents	\$ 19,272,136		Prior to and as of February 11, 2013

* Abstracted from Settlement Agreement Attachments, dated February 11, 2013

** Net portion retained by government, per Settlement Agreement Attachments, dated February 11, 2013

Michael Segal
 Chart #2
 Cash and Cash Equivalents
 Received by Government
 2005 to and including October 2014

Total cash and cash equivalents of \$33,095,831 to Settle \$15,000,000 Forfeiture

Category	Actual Monies	Source of Information	Supporting Schedules
Proceeds from:			
Distributions from and sale of partnerships	\$ 7,953,530	* 2/2013 per Government	
Sale of Highland Park home	6,009,541	* 2/2013 per Government	
Cash and Marketable Securities	2,804,893	* 2/2013 per Government	Schedule 1
Retirement Account at Merrill Lynch	350,000	** 2/2013 per Government	Schedule 2
Cash value of life insurance policies	2,154,172	** 2/2013 per Government	Schedule 3
Distributions from and sale of partnerships	13,823,695	*** Segal prepared schedule	Schedule 4
Total cash and cash equivalents	\$ 33,095,831		2005 to and including October 2014

* Abstracted from Settlement Agreement Attachments, dated February 11, 2013

** Net portion retained by government, per Settlement Agreement Attachments, dated February 11, 2013

*** To the extent that information was available to Michael Segal; information compiled by Michael Segal

Michael Segal
 Chart #3
 Non-Liquid Assets
 Received by Government
 At Various Dates Noted

	* Total Values Per Govt 2005	* Values Per Govt 2/11/2013 Settlement Date	Less: 2/11/2013 Values Distributed to Michael Segal	Values Retained By Government As of February 11, 2013	**** Post 2/11/2013 Subsequent Values	Non-Liquid Assets Amount of Undervalued Government 2/1/2013 Submitted Values Based On Post 2013 sales
Chicago Bulls	\$ 4,175,000	\$ 4,175,000	\$ (2,087,500)	\$ 2,087,500	\$ 2,087,500	B \$ N/A
Lincoln Place Associates	2,500,000	2,500,000		2,500,000	\$ 9,774,857	B \$ 7,274,857
Chicago White Sox	2,200,000	2,200,000		2,200,000	2,200,000	B \$ -
Sheridan Road Lifestyles	25,000	25,000		25,000	25,000	B \$ -
Seven Course Deal LLC	15,000	15,000		15,000	15,000	B \$ -
Watertown Square Associates	191,750	191,750		191,750	191,750	B \$ -
Sheridan House Associates	750,000	750,000		750,000	750,000	B \$ -
Peterson Plaza Devel and Associate	185,000	185,000		185,000	2,104,000	B \$ 1,919,000
Palatine Properties LTD	30,000	30,000		30,000	30,000	B \$ -
Asbury Plaza LP	25,000	25,000		25,000	25,000	B \$ -
Elm Street Plaza LP	25,000	25,000		25,000	25,000	B \$ -
Huron Plaza Venture LP	100,000	100,000		100,000	100,000	B \$ -
Joe's Stone Crab of Chicago LLC	34,000	34,000		34,000	34,000	B \$ -
Berkeley Place Restaurant LP	60,000	60,000		60,000	60,000	B \$ -
Chestnut Place Associates	225,000	225,000		225,000	1,000,000	B \$ 775,000
Total values	\$ 10,540,750	\$ 10,540,750	\$ (2,087,500)	\$ 8,453,250	\$ 18,422,107	\$ 9,968,857

* These values were calculated, reported and reflected in various Government prepared schedules dated in 2005, 2008, 2010 and 2012. There were no formal outside appraisals obtained by the Government.
 Note that the Government values did not change between 2005 and 2013.

** Based on actual check dated 2/19/2014

*** Based on limited and minimum information available.

**** To the extent known as of October 2014. Thus, these values represent minimum amounts, as collectively they may be much greater in value.

- A Michael Segal has placed a value of \$1,800,000 on Oak Bank shares, whereas the Government schedule has listed this asset value as "unknown".
- B Updated values post 2/11/2013 are not available.
- N/A Not applicable