

Chapter 1 – The Arrest of Michael Segal

On average, Chicago experiences fewer than 100 days of full sunshine a year. Most of the 265 other days are overcast and many of these occur during the winter months, when the wind off Lake Michigan gusts down through the canyon of high-rise buildings on Michigan Avenue.

Saturday, January 26, 2002, was uncharacteristically sunny. Shortly before 8 a.m., as Michael Segal strolled into the lobby of the Westin Hotel, the thermometer was pushing toward 50 degrees, inspiring hope for an early spring. And, beyond the weather, Segal had another reason for optimism. He was packed and ready to fly to London in just a few hours to nail down a lucrative insurance deal with Sony Corporation. Extensive negotiation over days and weeks was about to pay off in a multi-million-dollar transaction for Segal's company, Near North Insurance Brokerage.

Segal had come to the hotel at the request of Tim Gallagher, a former employee who had phoned and asked to meet for coffee that morning. Gallagher was one of a group of former Near North employees who had unsuccessfully tried to force Segal to hand over control of Near North about eighteen months earlier. Segal had quelled the insurrection by the employees—whom Segal had branded the Takeover Group—and they had all departed Near North.

Six days before the breakfast meeting, Near North had filed a massive lawsuit in Cook County Circuit Court against Gallagher and his fellow Takeover Group members: Matthew Walsh, Dana Berry, and Jeff Ludwig. Now, it seemed to

Segal, Gallagher must be attempting to distance himself from the group's ringleaders, Berry and Walsh.

What Segal didn't know was that the breakfast meeting was a trap. Gallagher was aware of Segal's London trip because another former Near North employee had been illegally intercepting Segal's emails and passing them along to the Takeover Group members.

Segal, musing that perhaps Gallagher had something supportive to contribute to the lawsuit, had agreed to meet Gallagher before his trip.

The lawsuit had been a bold move by Segal, but he had spent his life making bold moves. It accused Walsh and the others of attempting to destroy Segal's company by stealing trade secrets, tortuous interference and, in flagrant violation of their non-compete agreements, trying to shift tens of millions-worth of insurance business to Aon Corporation—a politically connected Fortune 500 company and bitter rival of Near North. Aon, one of Near North's most aggressive competitors, had welcomed Walsh, Gallagher, and Berry with open arms and signing bonuses, \$250,000 salary packages, and options for 10,000 shares each of Aon stock. Berry's direct supervisor was Pat Ryan, the head of Aon. All this was viewed as highly unorthodox according to insurance industry observers.

As Segal entered the hotel lobby, he spotted Gallagher standing at the far end of the room and picked up his pace. But as he approached, Gallagher thrust out his right arm and extended his middle finger. Before Segal could react, two men appeared at his side.

One introduced himself as Patrick Murphy, an agent with the FBI. "I would like to speak with you about a confidential matter," Murphy said. "Please come with me."

Astounded and trying to gather his wits, Segal replied, "I'm not coming with you. I don't talk to the FBI. You can talk to my lawyer."

Murphy's voice hardened. "I have authority to place you under arrest, Mr. Segal. But we don't have to do it that way. You can come with me to hear what the government has to say." Segal had no way of knowing it at the time, but Murphy had no such warrant and authority to arrest him. This was the first of innumerable misrepresentations Murphy would make from that day on.

At that moment, Michael Segal suppressed what the lawyer in him had been trained to say, and instead followed the instincts bred in him through years of salesmanship. He relented and accompanied Murphy to the bank of elevators. Silently, they rode to the ninth floor, where Murphy directed him to a suite. There, he was introduced to Dean Polales, an assistant prosecutor in the U.S. Attorney's Office in Chicago.

"What is this about?" Segal demanded, obviously grasping that it was all somehow connected to the Takeover Group. "Is this about what Walsh and those others are saying about violations of the Premium Fund Trust Account?"

"We'll get to that," Polales said. This was the same response that Polales would give whenever Segal asked about calling his attorney. A career prosecutor with nearly twenty years of experience, Polales had his speech ready. He began pulling out files relating to insurance contracts for Homer Ryan, son of Illinois Gov. George Ryan (no relation to Aon's Pat Ryan) and John Daley, brother of Mayor Richard Daley. Segal quickly realized that these documents had somehow been surreptitiously removed from Near North—that is, stolen—and provided to the prosecutor.

"Mr. Segal, we are investigating you and your insurance business for fraud. Our investigation shows that you have violated Illinois Dept. of Insurance regulations that require that client funds be kept in a trust account. We have evidence that this has gone on for years. You are facing serious charges that can send you to prison for many, many years—probably for the rest of your life."

Segal attempted to interrupt Polales, but Murphy intervened. “Wait until he’s finished,” Murphy insisted. “Hear what he has to say.”

Polales went straight to the point. “We want you to cooperate with us,” he said. “We want your help.”

“Now can I talk?” Segal asked, naively thinking that he could explain the extent of the plot against him. But before he could continue, Murphy jumped in.

“This is your chance to cooperate. If you don’t, we have forty agents prepared to execute search warrants at your condo, your home on the North Shore, your office, and your storage spaces. Cooperating means telling the truth. Do you understand?”

Segal drew a breath. “I want to reserve the right to talk to my attorneys about this,” he said. “I’m an attorney myself and I probably shouldn’t be saying anything, but there are some things you’ve got wrong.”

Polales then said, somewhat mystifyingly, that while the government didn’t think Segal had done much of anything wrong, he would be required to help the prosecution and plead guilty to a felony. Polales went on to cite a supposed case as precedent. Segal believed it to be fictitious. It implied that, by law, he must accept a felony charge.

Keeping his shock over the day’s events at bay, Segal deduced that the Takeover Group had surreptitiously obtained the stolen documents that Polales had thrust across the coffee table at him to try to leverage his cooperation. These documents had been used as part of the bait to entice government prosecutors to buy into the Takeover Group’s offer of collaboration. There had been no subpoena for them; they were clearly part of the Takeover Group’s second salvo, after their first—the attempt to wrest control of Near North from Segal—had failed. Walsh and company, whose attorney’s fees were clearly being paid by Aon, had peddled

their tale of financial mismanagement at Near North to the newly sworn-in U.S. Attorney, Patrick Fitzgerald.

Eight months earlier, when Fitzgerald had been nominated for the U.S. Attorney post by Illinois Republican Senator Peter Fitzgerald, it was not lost on Segal that one of the senator's biggest campaign contributors was none other than Aon's Pat Ryan. Segal understood very well, nothing would please Pat Ryan more than the annihilation of Segal and Near North.

"I've committed no crime," Segal said to Polales. "You are being told a bunch of lies by some of my former employees, who are trying to destroy me and my business. They have no credibility."

Polales cut him off.

"You are going to have to take a felony," he repeated. "Or it can be worse."

As Segal was led into another room of the suite to consider his situation, he wondered what could be worse than a felony. He had no idea that "worse" could mean a scorched-earth RICO indictment with the potential to destroy his company. When Murphy and Polales returned, Murphy was adamant.

"I have 50 agents standing by," he said this time, increasing the number from 40. "They are ready to go to your house. They are ready to go to your office. You need to work with us."

"I have been sitting here without a lawyer for forty-five minutes," Segal retorted, "and I've answered your questions. I've told you the truth."

"You need to work with us," Murphy repeated.

"I don't like corruption," Segal said. "What do you want me to do?"

"Wear a wire," Murphy said.

"What? Wear a wire on who?" Segal asked.

"Anyone we tell you to," Murphy replied. "You know everyone in this town."