

COUNTY OF SANGAMON)
)
STATE OF ILLINOIS) SS

United States of America v. Michael Segal
No. 02 CR 0112

AFFIDAVIT OF ZACK STAMP

Zack Stamp, being first duly sworn upon oath, deposes and states:

1. I am an attorney licensed in Illinois. Since approximately 1991, I have focused my practice in insurance regulatory law and government relations.
2. On or about August 18 of 2001, Mr. Michael Segal retained me as legal counsel for Near North Insurance Brokerage ("NNIB"). After further discussion that following week, Mr. Segal retained me to represent him personally.
3. On August 24, 2001, I met with the Director of the Illinois Department of Insurance ("IDOI"), Mr. Nathaniel Shapo, on behalf of NNIB. The purpose of my meeting with Mr. Shapo was to voluntarily self-report violations of Department regulations regarding the operations of NNIB's Premium Fund Trust Account ("PFTA") and to propose a process for resolving the matter. The IDOI is the regulatory body with oversight over the PFTA.
4. At this August 24, 2001 meeting with Mr. Shapo, I invoked the self-evaluative privilege on behalf of my client. I advised my client to invoke this privilege in order to facilitate this self-reporting.
5. At the time of my August 24, 2001 meeting with Mr. Shapo, I saw nothing to make me believe that Mr. Shapo was previously aware of any problems with the PFTA.
6. Also at the time of my August 24, 2001 meeting with Mr. Shapo, I was not aware of any prior complaints about the PFTA to the IDOI in the form of an anonymous tip or otherwise.

To the best of my knowledge and belief, no anonymous tip had been placed with the IDOI before my August 24, 2001 meeting with Mr. Shapo.

7. Given that there had been no prior complaints to the IDOI or the insurers about the PFTA, I believed it was safe to assume at that time that Mr. Segal was properly obtaining the insurance coverage promised and paying the premium owed to the carriers. Although I was not able to determine the amount of any deficit in the PFTA due to the poor condition of NNIB's records as of August 24, 2001, when Director Shapo pressed me to speculate or guess as to the possible worst-case scenario, I conjectured that the deficit might range in the amount of \$10 million to \$15 million. This conjecture was nothing more than an estimate based on the limited data I had seen up to that point.

8. As of August 24, 2001, when Mr. Segal and NNIB voluntarily self-reported the PFTA deficit, it was my judgment that Mr. Segal believed that this was solely an issue of regulatory compliance. Mr. Segal told me he believed that there were more than sufficient assets to cover any deficit.

9. In my fifteen years of legal experience in this area, I am not aware of any criminal charges that have resulted from PFTA deficits where there was no loss to a customer or insurance company, other than in the present case. Consequently, I believed that Mr. Segal's belief that he was only dealing with a regulatory compliance issue was well founded.

10. On August 24, 2001, Mr. Shapo agreed in principle with my proposal to allow NNIB to establish a new PFTA going forward and run off the old PFTA.

11. After the IDOI examination of NNIB, we began to negotiate a civil settlement for my clients with the IDOI which allowed Segal and NNIB to remain in business. During these

negotiations, the IDOI did not propose any criminal charges or criminal penalties against my clients. This proposed settlement agreement was never finalized

12. This Affidavit is based upon my personal knowledge and belief, and, if sworn as a witness, I would testify to the same.

Further your affiant sayeth naught.


Zack Stansp

Subscribed and sworn to
before me on June 9, 2005.


Notary Public

