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FORMER DELOITTE PARTNER SENTENCED TO 21 MONTHS IN PRISON FOR PROFITING \$420,000 FROM INSIDER TRADING INVOLVING FIRM'S CLIENTS

CHICAGO — A former partner at a major accounting firm in Chicago was sentenced today to 21 months in federal prison for engaging in insider trading after he obtained material, non-public information about publicly traded clients and used the information himself and shared it with a relative to make illegal trading profits. The defendant, **Thomas P. Flanagan**, a certified public accountant, was a partner in the Chicago office of Deloitte & Touche, LLP, when he engaged in insider trading between December 2006 and May 2008.

Flanagan, 65, of Chicago, remains free on bond and was ordered to begin serving his sentence on Jan. 15, 2013, by U.S. District Judge Robert M. Dow, Jr. Judge Dow also imposed a \$100,000 fine, and ordered Flanagan to perform 200 hours of community service after he is released from prison.

Flanagan pleaded guilty in August to one count of securities fraud, admitting that he received illegal profits totaling approximately \$420,000, and his relative, who was not charged, received at least \$58,000 in illegal profits. The profits resulted from illegally trading on the inside information that Flanagan obtained regarding Deloitte clients Best Buy Co., Inc., Walgreen Co., Motorola, Inc., and Sears Holding Corp.

The sentence was announced by Gary S. Shapiro, Acting United States Attorney for the Northern District of Illinois, and William C. Monroe, Acting Special Agent-in-Charge of the Chicago Office of the Federal Bureau of Investigation. The U.S. Securities and Exchange Commission assisted in the investigation. In 2010, Flanagan paid slightly more than a \$1 million to settle an SEC civil enforcement action. The settlement amount included \$493,884 in disgorged profits, an equal amount in civil penalties, and pre-judgment interest.

According to court documents, Flanagan was the advisory partner on Deloitte's engagements with Best Buy, Walgreens, and Sears, and in that capacity served as a liaison between the client's audit management team and Deloitte's audit engagement team. He also served on Deloitte's non-audit engagement team with Motorola. As a result, Flanagan learned material, non-public information about these clients, including quarterly earnings results and possible acquisition targets. Flanagan knew that he owed a fiduciary duty to Deloitte and its clients to maintain the confidentiality of the non-public information, and that he was prohibited from obtaining any financial interest in an audit client, as well as disclosing or trading on the basis of inside information.

Flanagan admitted that he illegally bought and sold securities using accounts that he owned or controlled, including accounts in his name and jointly with his wife, two of his sons, and a trust account for which he served as trustee. He also admitted tipping a relative, identified as Individual A, so that Individual A could benefit from trading on the inside information that Flanagan received.

Flanagan's plea agreement detailed a series of illegal trades that he made, and tipped Individual A to make, based on his advance knowledge of: a fourth quarter earnings report that was weaker than analysts had predicted for Walgreens in 2007; a sales decline for Motorola during the fourth quarter of 2007; Walgreens' agreement in 2007 to purchase Option Care, Inc.; and Sears' 2008 first quarter earnings report that was weaker than analysts had predicted. Flanagan also made,

and tipped Individual A to make, illegal trades involving Best Buy related to two quarterly earnings reports in 2007 and 2008, as well as its early 2008 forecast of reduced earnings lower revenue growth. The insider trading resulted in illegal profits to the financial detriment of the persons or entities on the other side of the trading transactions, the plea agreement states.

The government is being represented by Assistant U.S. Attorney Jason Yonan.

The announcement is part of efforts underway by the Financial Fraud Enforcement Task Force (FFETF), which was created in November 2009 to wage an aggressive, coordinated and proactive effort to investigate and prosecute financial crimes. With more than 20 federal agencies, 94 U.S. Attorneys' Offices, and state and local partners, it's the broadest coalition of law enforcement, investigatory and regulatory agencies ever assembled to combat fraud. Since its formation, the task force has facilitated increased investigation and prosecution of financial crimes; enhanced coordination and cooperation among federal, state and local authorities; addressed discrimination in the lending and financial markets, and conducted outreach to the public, victims, financial institutions and other organizations. Over the past three fiscal years, the Justice Department has filed more than 10,000 financial fraud cases against nearly 15,000 defendants, including more than 2,700 mortgage fraud defendants. For more information on the task force, visit www.stopfraud.gov.

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