

UNITED STATES DISTRICT COURT  
FOR THE NORTHERN DISTRICT OF ILLINOIS  
EASTERN DIVISION

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AUG - 9 2007

MICHAEL W. DOBBINS  
CLERK, U.S. DISTRICT COURT

UNITED STATES SECURITIES  
AND EXCHANGE COMMISSION,

Plaintiff,

Case No.

**07C 4483**

v.

Judge

**JUDGE ZAGEL**

THOMAS FISHER,  
KATHLEEN HALLORAN,  
AND GEORGE BEHRENS

Defendants.

Magistrate Judge

**MAGISTRATE JUDGE VALDEZ**

JURY TRIAL REQUESTED

COMPLAINT

Plaintiff, the United States Securities and Exchange Commission (the "Commission"), alleges the following:

INTRODUCTION

1. From 1999 through 2002, defendants Thomas Fisher ("Fisher"), Kathleen Halloran ("Halloran"), and George Behrens ("Behrens") engaged in, or approved of, improper transactions, made material misrepresentations in financial statements and documents filed with the Commission, and failed to disclose material information regarding Nicor, Inc.'s ("Nicor") rigged reductions in gas inventory levels that enabled it to improperly manipulate its earnings and to increase Nicor's revenues under a performance-based rate plan ("PBR" or "PBR Plan") administered by the Illinois Commerce Commission ("ICC"). Fisher, Halloran, and Behrens also materially understated Nicor's expenses during the first and second quarters of 2001 by improperly bundling a weather-insurance contract with an agreement to supply gas to its

insurance provider at below-market prices. Fisher, Halloran, and Behrens caused the losses on the supply agreement with its insurance provider to be charged to Nicor's customers, which they knew was prohibited by the ICC. As a result, Nicor's expenses were understated. These transactions allowed Nicor to manipulate its earnings to achieve its earnings targets for the PBR. By entering into these manipulative transactions, Nicor materially overstated its reported income for the years ending 2000 and 2001, and for each of the quarters within those years ("Reports") and the financial statements filed with those Reports. By their conduct, the defendants violated the antifraud provisions of the federal securities laws and aided and abetted Nicor's violations of the reporting provisions of the same laws.

2. In addition to engaging in materially improper transactions, Fisher, Halloran, and Behrens failed to make disclosures required by Generally Accepted Accounting Principles ("GAAP") about the effects of LIFO inventory liquidations on Nicor's reported income. Nicor, through Fisher, Halloran, and Behrens, failed to disclose in either its Management's Discussion & Analysis ("MD&A") section of its 2000 and 2001 annual and quarterly reports, or in its financial statements filed with those reports, that it had recorded material increases to income resulting from the liquidation of its LIFO inventory, and that the continued liquidation of Nicor's low-cost inventory was not sustainable. The income realized in the PBR program from LIFO inventory liquidations amounted to as much as 23% of pre-tax income in a quarterly reporting period. By their conduct, the defendants violated the antifraud provisions of the federal securities laws and aided and abetted Nicor's violations of the reporting provisions of the same laws.

3. During the relevant period, Nicor filed the following periodic reports with the Commission pursuant to Section 13(a) of the Securities Exchange Act of 1934 ("Exchange Act")

and the rules and regulations promulgated thereunder, each of which contained the consolidated financial statements of Nicor:

Period	Date Filed	Form
Quarter ended March 31, 2000	5/12/00	10-Q
Quarter ended June 30, 2000	8/8/00	10-Q
Quarter ended Sept. 30, 2000	11/7/00	10-Q
Year ended Dec. 31, 2000	3/12/01	10-K
Quarter ended March 31, 2001	5/9/01	10-Q
Quarter ended June 30, 2001	8/1/01	10-Q
Quarter ended Sept. 30, 2001	10/31/01	10-Q
Year ended Dec. 31, 2001	3/8/02	10-K
Quarter ended March 31, 2002	4/25/02	10-Q
Quarter ended June 30, 2002	8/14/02	10-Q

During the relevant period, Fisher signed Nicor’s annual reports and reviewed and approved its quarterly reports, Halloran signed Nicor’s quarterly and annual reports, and Behrens reviewed and approved its quarterly and annual reports.

4. After the fraud was discovered, on March 10, 2003, Nicor restated its financial statements for the fiscal years ended December 1999, 2000, and 2001. It also restated its financial statements for each of the first three quarters in 2000, 2001 and 2002.

5. Fisher, Halloran, and Behrens, directly or indirectly, have engaged in, and, unless restrained and enjoined by this Court, will continue to engage in, transactions, acts, practices, and

