

IN THE UNITED STATES DISTRICT COURT
FOR THE WESTERN DISTRICT OF WISCONSIN

UNITED STATES OF AMERICA

v.

Case No.: 21-cr-112-jdp

MICHAEL SHILLIN,

Defendant.

PLEA AGREEMENT

1. This is the proposed plea agreement between the defendant and the United States in the above-captioned case.

2. **PLEA AND PENALTIES:** The defendant agrees to plead guilty to Counts 4 and 10 of the indictment. Count 4 charges a violation of Title 18, United States Code, Section 1343, which carries maximum penalties of 20 years in prison, a \$250,000 fine, a three-year period of supervised release, a \$100 special assessment, and the entry of an appropriate restitution order. Count 10 charges a violation of Title 18, United States Code, Section 1344(2), which carries maximum penalties of 30 years in prison, a \$1,000,000 fine, a five-year period of supervised release, a \$100 special assessment, and the entry of an appropriate restitution order. In addition to these maximum penalties, any violation of a supervised release term could lead to an additional imprisonment term pursuant to 18 U.S.C. § 3583. The defendant agrees to pay the special assessment at or before sentencing and understands that the Court will enter an order requiring the immediate special assessment payment under 18 U.S.C. § 3013. In an appropriate case, the defendant could be held in contempt of court and receive an additional sentence for failing to pay the special assessment.

3. **RIGHTS WAIVED BY PLEADING GUILTY:** The defendant acknowledges by pleading guilty, that he is giving up these rights: (a) to plead not guilty and to persist in that plea; (b) to a jury trial; (c) to be represented by counsel – and if necessary to have the Court appoint counsel – at trial and at every other stage of the trial proceedings; (d) to confront and cross-examine adverse witnesses; (e) to be protected from compelled self-incrimination; (f) to testify and present evidence; and (g) to compel the attendance of witnesses.

4. **IMMIGRATION CONSEQUENCES:** The defendant understands that upon conviction, if he is not a United States citizen, he may be removed from the United States, denied citizenship, and denied future admission to the United States. The defendant nevertheless affirms that he wants to plead guilty regardless of any removal and immigration consequences that his plea may entail, even if the consequence is automatic removal from the United States.

5. **FACTUAL BASIS:** The defendant agrees that the following facts are true, correct, and that, if this case were to proceed to trial, the government would be able to prove these facts beyond a reasonable doubt. The defendant acknowledges, understands, and agrees that he is, in fact, guilty of the offense described herein.

Background

The United States would call witnesses who were former clients of Michael Shillin to establish that Shillin began working as a financial advisor and broker at Company-1 in 2011. In 2014, Shillin left Company-1 and began working at Company-2 as a financial advisor and broker.

The United States would present publicly available information from the Financial Industry Regulatory Authority (FINRA) that on May 21, 2018, Shillin was “discharged” from Company-2 for “failure to follow firm directive regarding the payment of client CPA fees.”

The same former clients would testify that on or about May 22, 2018, Shillin started a financial advisory company – Shillin Wealth Management (SWM). Many of Shillin’s early clients followed him from Company-1 and Company-2 to SWM. SWM charged its clients a yearly fee equal to a percentage of their money managed by SWM every year.

The United States would call Shillin’s former employees to establish that SWM initially used the brokerage, clearing, and trading services of Company-3. Then in or about October of 2020, Company-3 and Shillin separated, and Shillin reaffiliated his business with Company-4 and obtained brokerage services from Company-5. According to a report run by Company-3, as of December 4, 2020, SWM managed 2,992 accounts and \$135,470,489.80.

Wire Fraud Scheme

The United States would rely on numerous witnesses including former clients and their documents to establish that from March 2014 to on or about January 22, 2021, Michael Shillin engaged in a scheme to defraud in which he made misrepresentations to give clients the impression that they were better off than they actually were. Shillin kept his clients artificially happy so they would refer other clients, keep money invested for longer, and invest more money.

First Part of the Scheme

The United States would call numerous witnesses to show that Shillin told his clients that he had purchased non-public stock of well-known companies on their behalf. He then informed the clients that they had made hundreds of thousands of dollars on these investments. However, as Shillin knew, Shillin had not purchased the stocks on his clients' behalf.

For example, J.P. and K.P. would testify that they were clients of Shillin since he worked at Company-1. In approximately October 2019, Shillin informed them that he had purchased shares of SpaceX for them on their behalf. Shillin frequently texted updates about the value of the SpaceX stock.

J.P. would introduce the below text messages from the below dates:

October 31, 2019:

Shillin: Want some good news?

J.P.: Yeah, I need it:

Shillin: Made you 50k today on space x stock

J.P.: OMG! I'm doing a happy dance! I hope this ain't a joke.... [K.P.] thought you were gonna say [Shillin's wife] was pregnant! Lol!/You're not kidding me are you?

Shillin: Lol I am not

J.P.: Omg! Thank you! We love you! Hahahaha!/I just want to cry in so happy!

Shillin: It was a pretty sweet deal

June 16, 2020:

Shillin: Are you sitting down

J.P.: Please tell me it's not bad news

Shillin: Space x priced at 811/You and [K.P.]made 611,000

J.P.: Oh my God! Are you serious???

Shillin: 110% serious

J.P.: Oh my God! I love you! (Tell [Shillin's wife] in financial way! Lol!) Lock it away! Hahahaha! I'm almost crying right now!

Shillin: Lol/It's pretty awesome.

....

Shillin: It's definitely worth what I told you/So celebrate!/Don't be stressed!/It's the most in demand company in the world right now/Less than 1% of investors had access to it/Like getting Apple in the 80's

J.P. and K.P. would testify that they had a meeting with Shillin on November 9, 2020 at Shillin's office. Shillin told the J.P. and K.P. that they owned 1,400 shares of SpaceX,

which were valued at \$2,500 a share totaling \$3.5 million. He told them to go enjoy their money and buy the new truck they had been discussing. J.P. and K.P. would testify that they later found out that they never owned any shares of SpaceX.

J.P. would introduce an email that Shillin sent to her email (nellykp@gmail.com) from his email account mshillin@shillinwealthmanagement.com on February 7, 2020 regarding the SpaceX purchase. She would confirm that she was in Chippewa County, Wisconsin when she received this email. The United States would ask the Court to take judicial notice that Chippewa County, Wisconsin is in the Western District of Wisconsin.

A representative from Company-3 would testify that Shillin's email account was a Microsoft 365 Email account and every email Shillin sent went to a data center in the United States to go to the cloud. A witness from Microsoft would testify that from January 1, 2020 through August 31, 2020, there were no data centers in Wisconsin so any email that ended up in Wisconsin had to travel interstate. Therefore, since J.P. received this email in the Western District of Wisconsin, it is an interstate wire ending in the district. **(Count 4)**

Second Part of the Scheme

Testimony from several of Shillin's clients would show that it was further part of the scheme to defraud that Shillin convinced numerous clients to purchase insurance policies by misrepresenting the cost of the policies as well as the benefits. Shillin obtained commission payments from the insurance companies on at least some of the insurance policies he fraudulently convinced his clients to buy.

For example, R.V. would testify to the following - - almost all of which would be corroborated by text messages, and records from John Hancock, State Farm, and Shillin Wealth Management:

R.V. and her husband, W.V., first met with Shillin during the last weeks Shillin was employed at Raymond James and close to the time Shillin left Raymond James to open his wealth management company, SWM. R.V. and W.V. placed their investments under the management of Shillin at SWM. Beginning on or about July 11, 2018, Shillin advised R.V. and W.V. to take the cash value out of their State Farm life insurance policies to purchase new policies at John Hancock.

Shillin told R.V. and W.V. he could sell each of them a policy with a \$350,000 death benefit which would provide five years of long-term care. Additionally, the policies would start with a \$57,000.00 cash value which would increase annually. R.V. and W.V. did cash out their State Farm policies to purchase the John Hancock policies Shillin

suggested. As part of the application process for the John Hancock policy for himself, W.V. underwent a physical including a blood draw in early September 2018.

On October 3, 2018, Shillin sent W.V. a text message stating W.V. had been approved for the John Hancock life insurance policy and Shillin was just waiting for a classification code. At that time, W.V. did not have a diagnosis of cancer.

On January 29, 2019, Shillin sent another text to W.V. stating Shillin received a confirmation of cash release from State Farm and he provided a life insurance policy number for the John Hancock policy in R.V.'s name, but no information on a policy for W.V. On March 2, 2019, Shillin told W.V. that John Hancock had a life insurance policy for W.V. but the company was waiting for a second cash transfer from State Farm to pay for the policy. On April 16, 2019, Shillin told W.V. to take the cash value out of the State Farm policy himself and send it to Shillin for Shillin to pay for W.V.'s John Hancock policy directly because Shillin was unable to obtain the cash value of W.V.'s life insurance policy from State Farm. R.V. and W.V. came to believe this may have been because there was no John Hancock plan for State Farm to transfer the money to.

On June 28, 2019, Shillin texted to W.V. a number Shillin said was the policy number for the John Hancock life insurance policy in W.V.'s name. Although John Hancock mailed R.V.'s policy to R.V.'s wife, John Hancock did not mail a policy to W.V.. Instead, Shillin provided the John Hancock life insurance policy in W.V.'s name to W.V. directly.

In September 2019, W.V. was diagnosed with cancer. In October 2020, W.V. contacted John Hancock directly to inquire about the life insurance policy in his name. W.V. learned then that the policy number Shillin provided to him was not valid and the money he had provided to Shillin for a John Hancock life insurance policy in W.V.'s name sat in W.V.'s investment account at SWM.

Third Part of the Scheme

Testimony from several of Shillin's clients would show that it was further part of the scheme to defraud that Shillin provided clients with fraudulent tax documents to make them appear eligible for tax breaks to which they were not entitled.

For example, T.C. and M.C. would testify that Shillin was their financial advisor since he worked at Company-1. Shillin worked with T.C. and M.C. and assured them that their income would be low enough to qualify for tax credit for health care payments under the Affordable Care Act. T.C. and M.C.'s accountant would testify that based on the Internal Revenue Service Form 1099 he received, they would not qualify for that tax credit. Shillin then emailed an "amended" 1099 form that changed their income from \$58,603.50 to \$28,520.40. After they realized the amended 1099 form was fraudulent,

T.C. and M.C. re-filed their taxes and went from owing \$1,628 in federal taxes to \$27,512 in federal taxes.

Bank Fraud

A representative from Northwestern Bank in Chippewa Falls, Wisconsin, located in the Western District of Wisconsin, would testify that at all relevant times, Northwestern Bank was insured by the Federal Deposit Insurance Corporation. An executive from Northwestern Bank would testify that the bank had a long-term relationship with Shillin and on August 24, 2020, Shillin emailed him and requested a loan to cover SWM payroll. Shillin offered to use a SWM account as collateral. Shillin followed-up with an email with an attached document that purported to show a statement for an account owned by SWM that he wanted to use as collateral. The statement was for July 1, 2020 – July 31, 2020, with a total portfolio value of \$1,252,248.04. The account owner was listed as “SHILLIN WEALTH MANAGEMENT LLC- Limited Liability Co.” The account number ended in 1409.

An executive from Northwestern Bank in Chippewa Falls, Wisconsin would testify that based on the collateral described above, the bank provided \$205,000 loan on August 28, 2020 and then a \$257,000 loan on September 24, 2020. That executive would testify that Shillin never paid back the loans.

Shillin client P.E. would testify that he and his wife through their business were the true owners of the account used as collateral. He would testify that it appears that Shillin just used their account statement and altered it to make it appear that SWM owned the account. He would also testify that he never gave Shillin permission to use the account as collateral.

This information is provided to establish a factual basis for the defendant’s guilty plea. It is not a full recitation of the defendant’s knowledge of, or participation in, this offense.

6. **SCOPE OF RESOLUTION:** The United States agrees that this guilty plea will completely resolve all possible federal criminal violations that have occurred in the Western District of Wisconsin provided that two conditions are met: (a) the criminal conduct relates to the conduct described in the indictment; and (b) the criminal conduct was known to the United States as of the date of this plea agreement. This agreement not to prosecute is limited to those types of cases for which the United States Attorney’s Office for the Western District of Wisconsin has exclusive decision-making authority. The defendant also understands that the United States will make its full discovery file available to the Probation Office for its use in preparing the presentence report.

7. **DISMISSING REMAINING CHARGES:** The United States agrees to move to dismiss the remaining counts of the indictment at sentencing.

8. **ACCEPTANCE OF RESPONSIBILITY:** The United States agrees to recommend that the Court, in computing the advisory Sentencing Guideline range, and in sentencing the defendant, gives the defendant the maximum available reduction for acceptance of responsibility. This recommendation is based upon facts currently known to the United States and is contingent upon the defendant accepting responsibility according to the factors set forth in USSG § 3E1.1. Further, the United States' agreement to recommend a reduction for acceptance of responsibility is also based on the defendant providing a full and truthful accounting in the required financial statement and, if applicable, the defendant's efforts to make immediate restitution payments. The United States is free to withdraw this recommendation if the defendant has previously engaged in any conduct that is unknown to the United States and is inconsistent with acceptance of responsibility, or if he engages in any conduct between the date of this plea agreement and the sentencing hearing, which is inconsistent with acceptance of responsibility. This recommendation is consistent with the defendant signing this plea agreement on or before May 20, 2022.

9. **RESTITUTION:** The defendant agrees to pay restitution for all losses relating to the offenses of conviction and all losses covered by the same course of conduct or common scheme or plan as the offenses of conviction. As for Count 10, the parties agree that the appropriate restitution figure based upon the defendant's relevant conduct is \$462,000 owed to Northwestern Bank. The exact restitution figure for Count 4, if any, will be agreed upon by the parties prior to sentencing or, if the parties cannot agree upon a specific figure, the Court will determine restitution at sentencing. The defendant further agrees that the full amount of restitution is due and payable immediately. Defendant acknowledges that immediate payment means payment in good faith from the liquidation of all non-exempt assets beginning immediately.

10. **FINANCIAL STATEMENT:** The defendant agrees to complete the attached financial statement and return it to this office within one week of the guilty plea hearing. The defendant agrees that this financial statement will be a full and truthful accounting, including all available supporting documentation. The defendant authorizes the United States Attorney's Office to run the defendant's credit report. The defendant also agrees that the probation office may disclose to the United States all financial statements to be completed by the defendant in connection with the preparation of the presentence report, together with all supporting documents.

11. **FORFEITURE:** The defendant agrees to forfeit to the United States immediately and voluntarily any and all assets and property, or portions thereof, subject to forfeiture based on his conviction of the wire fraud scheme charged in Count 4 or the bank fraud scheme charged in Count 10, pursuant to 18 U.S.C. §§ 981(a)(1)(C), 982, and 28 U.S.C. § 2461(c), whether those assets are in the possession or control of the United States, or in the possession or control of the defendant or the defendant's nominees. The assets to be forfeited specifically include a money judgment in the amount of the proceeds obtained as a result of the wire fraud scheme charged in Count

4 and the bank fraud scheme charged in Count 10, and all losses covered by the same course of conduct or common scheme or plan. The parties agree that a money judgment of forfeiture in the amount of \$462,000 is appropriate for Count 10. The defendant agrees that the forfeiture described herein is not excessive and, in any event, the defendant waives any constitutional claims that he may have that the forfeiture constitutes an excessive fine.

12. **MISCELLANEOUS MATTER:** The defendant understands and agrees that pursuant to Title 29, United States Code, Section 1111, his conviction in this case will prohibit him from directly or indirectly participating in the affairs of, or serve in any capacity that involves decision-making authority or custody or control of the moneys, funds, assets, or property of, any employee benefit plan for the period of thirteen years after conviction or after the end of any incarceration, whichever is later, unless the Court, pursuant to the Sentencing Guidelines and policy statements under Title 28, United States Code, Section 994(c), determines that the defendant's direct or indirect service with or to any employee benefit plan would not be contrary to the purposes of Title 29, United States Code, Section 1111. The defendant further understands and agrees that if he violates this prohibition, he may be punished by imprisonment for up to five years and a fine of up to \$250,000.

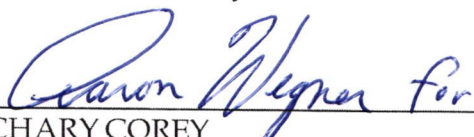
13. **SENTENCING DISCUSSIONS:** The defendant understands that sentencing discussions are not part of the plea agreement. The defendant should not rely upon the possibility of a particular sentence based upon any sentencing discussions between defense counsel and the United States, other than those memorialized in this plea agreement.

14. **VOLUNTARINESS OF PLEA:** The defendant acknowledges that no threats, promises, representations, or agreements exist, other than those set forth in this agreement, to cause the defendant to plead guilty. Defendant acknowledges that he has read this agreement, has carefully reviewed it with his attorney and understands and voluntarily accepts all its terms.

15. **THIS IS THE ONLY PLEA AGREEMENT:** By our signatures below, the defendant and defense counsel acknowledge that this is the only plea agreement in this case, and that the plea agreements sent to counsel on February 8, 2022 and April 14, 2022 are rescinded.

TIMOTHY M. O'SHEA
United States Attorney

4-28-22
Date

By: 
ZACHARY COREY
Assistant United States Attorney

4/22/22
Date

Kathleen M Quinn
KATHLEEN QUINN
Attorney for the Defendant

4-22-2022
Date

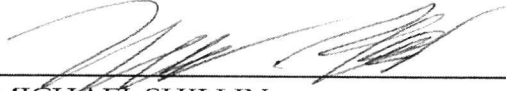
[Signature]
MICHAEL SHILLIN
Defendant

ACKNOWLEDGEMENTS

I, Michael Shillin, am entering into this plea agreement freely and voluntarily. I am not now on or under the influence of any drug, medication, alcohol, or other intoxicant or depressant, whether or not prescribed by a physician, which would impair my ability to understand the terms and conditions of this agreement. My attorney has reviewed the entire agreement with me and has advised me of the implications of the sentencing guidelines. I have discussed all aspects of this case with my attorney, including the charges against me, the elements of those charges, and possible defenses. I am satisfied that my attorney has provided effective assistance of counsel.

4-22-2022

Date

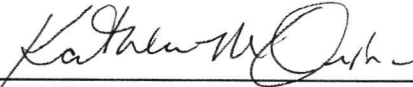


MICHAEL SHILLIN
Defendant

I am the defendant's attorney. I have reviewed this agreement carefully with the defendant. To my knowledge, my client's decision to enter into this agreement is an informed and voluntary one.

4/22/22

Date



KATHLEEN QUINN
Attorney for Defendant