

**UNITED STATES DISTRICT COURT
WESTERN DISTRICT OF WISCONSIN**

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|---------------------------------|---|----------------------|
| UNITED STATES SECURITIES |) | |
| AND EXCHANGE COMMISSION, |) | |
| |) | |
| Plaintiff, |) | |
| |) | |
| v. |) | No. 21-cv-601 |
| |) | |
| MICHAEL F. SHILLIN, |) | JURY DEMANDED |
| |) | |
| Defendant. |) | |
| _____ |) | |

COMPLAINT

Plaintiff United States Securities and Exchange Commission (“SEC”) alleges:

1. Defendant Michael F. Shillin served as an investment adviser to hundreds of clients throughout Wisconsin and beyond. Shillin regularly told his clients he was their fiduciary. They, in turn, entrusted him with their hard-earned savings. Shillin systematically betrayed their trust, plying them with lies. Too often, the results were devastating.

2. Shillin, in the course of selling a life insurance policy, told his client it contained a long-term care benefit. The client, now suffering from stage IV cancer, learned there was no such policy or benefit only after his diagnosis.

3. Another client decided to retire early upon learning from Shillin that he was \$450,000 richer. Shillin had explained the money was the profits

from Shillin’s purchase of Space Exploration Technologies Corp. or “SpaceX” stock for the client. Only later did the investor learn the truth: The SpaceX stock and the resulting nest egg were figments of Shillin’s deception.

4. These are only two examples of Shillin’s myriad lies and the resulting suffering they have caused so many of his clients. Shillin went to great lengths to deceive his clients. He even set up an online portal for his clients to monitor their portfolio of securities and profits – much of which, as we now know, were pretend.

5. The SEC brings this civil law enforcement action to protect investors from future harm and to hold Shillin accountable for his wrongdoing.

JURISDICTION AND VENUE

6. The SEC brings this action pursuant to Section 20(b) of the Securities Act of 1933 (“Securities Act”) [15 U.S.C. §77t(b)], Sections 21(d) and 21(e) of the Securities Exchange Act of 1934 (“Exchange Act”) [15 U.S.C. §§78u(d) and 78u(e)], and Section 209(d) of the Investment Advisers Act of 1940 (“Advisers Act”) [15 U.S.C. § 80b-9(d)].

7. This Court has jurisdiction over this action pursuant to Section 22 of the Securities Act [15 U.S.C. § 77v], Section 27 of the Exchange Act [15 U.S.C. § 78aa], Section 214 of the Advisers Act [15 U.S.C. § 80b-14], and 28 U.S.C. § 1331.

8. Venue is proper in this Court pursuant to Section 27 of the Exchange Act [15 U.S.C. § 78aa]. Acts, practices and courses of business

constituting violations alleged herein have occurred within the jurisdiction of the United States District Court for the Western District of Wisconsin and elsewhere.

9. Defendant directly and indirectly made use of the means and instrumentalities of interstate commerce and of the mails in connection with the acts, practices, and courses of business alleged herein, and will continue to do so unless enjoined.

DEFENDANT

10. **Defendant Michael F. Shillin**, age 32, is a resident of Appleton, Wisconsin. Shillin has worked as an investment adviser in the securities industry since at least 2014, and holds several licenses conferred by the Financial Industry Regulatory Authority (“FINRA”). On December 18, 2020, FINRA barred Shillin from associating with any FINRA member. On December 21, 2020, the Wisconsin Office of the Commissioner of Insurance summarily suspended Shillin’s insurance license, which Shillin later permanently surrendered. On January 22, 2021, the Wisconsin Department of Financial Institutions, Division of Securities issued a summary order permanently barring Shillin from registering with the Division in any capacity.

OTHER PARTIES

11. **Shillin Wealth Management, LLC (“SWM”)**, is a defunct Wisconsin limited liability company that had its principal place of business in Altoona, Wisconsin. From May 2018 through December 2020, SWM provided

financial advisory services. Shillin was the majority owner and managing member of the firm, controlled the firm's operations, and had control over its bank accounts. SWM is no longer operating and has no assets. The Wisconsin Department of Financial Institutions, Division of Securities issued a summary order permanently barring SWM from registering with the Division in any capacity.

FACTS

12. Shillin received his first securities license in 2011. From May 2011 until December 2020, Shillin was a registered representative and investment adviser representative associated, or seeking to become associated, with various SEC-registered broker-dealers and investment advisers. He provided advice to clients and potential clients about investments in securities. Shillin received compensation for his investment advice from commissions on products he sold to clients, and from advisory fees calculated as a percentage of the assets Shillin managed for his clients.

13. In August 2014, Shillin accepted a position at a local firm that, in turn, was itself affiliated with a larger SEC-registered broker-dealer and investment adviser. While working at this firm, Shillin provided investment advice to more than 1,100 advisory clients. He received compensation in the form of a share of the commissions on insurance products he sold to his clients and a salary and bonus paid in part from the commissions and advisory fees his clients were charged.

14. In May 2018, after being terminated from this entity, Shillin founded SWM, which offered securities and advisory services through a different SEC-registered broker-dealer and investment adviser. While at SWM, Shillin provided investment advice to more than 1,000 advisory clients with nearly 3,000 accounts. SWM received a share of the commissions and advisory fees that Shillin's clients paid. Shillin, in turn, drew compensation from SWM.

15. In October 2020, Shillin resigned from the SEC-registered firm he was then associated with after he became the subject of an investigation into his activities. He applied for registration as an investment adviser representative with yet another firm, where he worked until it terminated him on December 4, 2020.

16. From at least December 2014 through December 2020, Shillin lied to his clients with regularity about a litany of important matters. Over the course of that time, his lies and deception morphed, taking different forms to various clients about a variety of securities products.

17. He lied to many of his clients repeatedly. For example, Shillin falsely told certain clients he had bought life insurance policies with long-term care benefits. He also misrepresented to certain clients that they had successfully subscribed for IPO or pre-IPO shares, or that he had bought stock on their behalf, in certain coveted companies. He claimed these stocks had earned his clients fantastic investment profits. Shillin also falsely told some clients he had bought certain investments products for them that generated

regular periodic interest or dividend payments. These various schemes and lies are detailed below.

18. Throughout, Shillin's misrepresentations caused his advisory clients to transfer money to their advisory accounts by check or wire to pay for the investment products Shillin recommended. Other advisory clients sold securities in their advisory accounts to free-up funds to purchase such products. Still other clients responded to his lies by selling securities and withdrawing the proceeds from their advisory accounts.

**Shillin's Lies to Advisory Clients
About Life Insurance Policies**

19. Beginning in at least December 2014 through December 2020, Shillin encouraged several advisory clients to roll over their existing life insurance policies into new policies. Some of the new policies he advised clients to purchase were variable annuities. Several clients sold securities in their advisory accounts to pay premiums on the new policies.

20. He told the clients the new policies included generous long-term care benefits, at a cost comparable to what they were currently paying for inferior benefits. In fact, unbeknownst to his clients, the policies they bought at his behest had no long-term care benefits. Worse, sometimes he never even had bought the new policies.

21. Other advisory clients bought policies that, as they later learned, had benefits far inferior to those described by Shillin. Shillin told several

couples that their policies would cover long-term care benefits for both of them. Only later did they learn that the policy only provided such benefits for one spouse.

22. Shillin misrepresented other aspects of the life insurance policies he sold to some advisory clients. He told the clients that after a certain point in time they would no longer need to continue making payments in order for the policies to remain in effect. That was not true. The policies' terms actually required the advisory clients to continue making premium payments.

23. To conceal the lies he made to an elderly client – and to prevent the policy from lapsing – Shillin secretly sold securities from the client's advisory account to pay a premium. Unfortunately, Shillin thereafter failed to make subsequent payments, and the policy ultimately lapsed pursuant to its terms just weeks before the client's death. All the while, Shillin continued lying to her family, insisting the policy remained in effect.

Shillin's Lies to Advisory Clients About Pre-IPO and IPO Shares

24. Beginning in at least June 2015, Shillin lied to many of his advisory clients about how he had invested their money. He told them they now had certain ownership interests in several high-profile companies that had not yet gone public – including SpaceX; Palantir Technologies Inc.; and 23andMe, Inc.; among others. He also told certain clients that he had bought them stock in the initial public offerings (“IPOs”) of several newly public

companies, including Fitbit, Inc.; Zoom Video Communications, Inc.; and Pinterest, Inc.

25. Shillin lied about his access to shares of such companies in in-person meetings, in emails, and in text messages to existing and potential advisory clients. Several new clients, including some high net worth individuals, agreed to invest their funds with Shillin because he pretended to have access to such opportunities.

26. These were lies. Shillin had done no such things.

27. To conceal his deception, Shillin gave clients access to an online portal where they could track the value of their investments. In the portal, Shillin included the nonexistent securities, as well as their supposed values. There, an investor could sign-on to see her fictitious interests in these high-profile companies, and the purported increasing value of her (nonexistent) shares.

28. When Shillin's clients received their account statements, many noted that the pre-IPO or IPO shares were not included as securities in their advisory account. When questioned, Shillin blamed the omission on mistakes or delays by the entity that generated the account statements. Another excuse Shillin gave those clients who questioned the absence of such shares on the statements was that the pre-IPO and IPO shares were contained in a different account. He gave them different account statements to prove it – statements he had fabricated.

29. Shillin lied to his investors about the unrealized profits they had made on these coveted shares. In texts and orally, he told advisory clients that their initial investment had increased by as much as 30-fold.

30. One such advisory client, told by Shillin that he had made \$450,000 from his SpaceX investment, decided to retire early in 2020. As he later learned, this nest egg was as fictitious as his SpaceX stock.

31. A handful of Shillin's advisory clients did receive investments in a private fund that had purchased pre-IPO shares of SpaceX and other high-profile companies. But Shillin lied to these advisory clients as well, telling them that the shares the fund had invested in were purchased at a price significantly lower than the actual purchase price. He also made material misrepresentations and omissions about the investments' fees, values, and liquidity.

Shillin's Lies to Advisory Clients About Returns on Their Investments

32. Beginning in at least May 2015, Shillin told some of his advisory clients that he was buying investment products for them that provided regular, periodic returns – including bonds, structured notes, structured certificates of deposit, and dividend-paying stocks.

33. In fact, he never bought such products for his clients. He just pretended he had done so by periodically depositing money into their advisory accounts disguised as interest payments. Or he set up periodic transfers to their bank accounts, which he told his clients were proceeds from such investments.

34. To fund this deception, he often used the client's own investment principal. Or he initiated unauthorized margin loans in the client's account, which created a new debt that the client then owed, which he falsely held out to the client as proceeds from their investment. These clients had no idea Shillin was using their own money to pull the wool over their eyes, including by saddling some of them with fresh debt.

35. Shillin's lies led many of his clients to believe they were living off the returns of their investments. The sobering truth was that – month in and month out – they were slowly eating away at their investment principal.

Other Misrepresentations by Shillin

36. In May 2018, Shillin was terminated from an SEC-registered investment adviser. He falsely told clients that his departure was voluntary. Many clients would have fired him had they known the truth, and thus would have refused to continue paying him advisory fees.

37. Between December 2018 and July 2020, Shillin used at least one advisory client's funds to invest in two small businesses without the client's knowledge or consent. Though Shillin took the money from the advisory client, Shillin bought an interest in one business in his own name, not his client's.

38. Shillin made misrepresentations to advisory clients about the tax consequences of their investments. He falsely told one client that because Shillin had invested the client's funds in an "Opportunity Zone," they were not subject to capital gains taxes. There was no such investment. Shillin

misrepresented to other clients that they could sell securities and withdraw proceeds tax-free.

Shillin's Ill-Gotten Gains

39. Shillin received compensation for his investment advice from commissions and advisory fees that were calculated as a percentage of the assets Shillin managed for his clients. He received several hundreds of thousands of dollars from the clients he defrauded.

COUNT I

Violations of Section 17(a) of the Securities Act

40. Paragraphs 1 through 39 are realleged and incorporated by reference as though fully set forth herein.

41. By engaging in the conduct described above, defendant, in the offer and sale of securities, by the use of the means and instruments of transportation or communication in interstate commerce or by use of the mails, directly or indirectly, has (a) employed devices, schemes and artifices to defraud; (b) obtained money and property by means of untrue statements of material fact and by omitting to state material facts necessary to make the statements made, in light of the circumstances under which they were made, not misleading; and (c) engaged in transactions, practices, and courses of business which operated or would operate as a fraud or deceit upon the purchasers of such securities.

42. Defendant acted knowingly, or with extreme recklessness, in engaging in the fraudulent conduct described above.

43. Defendant also acted negligently in engaging in the conduct described above.

44. By engaging in the conduct described above, defendant violated Sections 17(a)(1), 17(a)(2), and 17(a)(3) of the Securities Act [15 U.S.C. §§ 77q(a)(1), 77q(a)(2), and 77q(a)(3)].

COUNT II

Violations of Section 10(b) of the Exchange Act, and Exchange Act Rule 10b-5

45. Paragraphs 1 through 39 are realleged and incorporated by reference.

46. As detailed in paragraphs 1 through 39 above, defendant, in connection with the purchase and sale of securities, by the use of the means and instrumentalities of interstate commerce and by the use of the mails, directly and indirectly: used and employed devices, schemes and artifices to defraud; made untrue statements of material fact and omitted to state material facts necessary in order to make the statements made, in light of the circumstances under which they were made, not misleading; and engaged in acts, practices and courses of business which operated or would have operated as a fraud and deceit upon purchasers and sellers and prospective purchasers and sellers of securities.

47. Defendant knew, or was extremely reckless in not knowing, of the facts and circumstances described in paragraphs 1 through 39 above.

48. Because of the foregoing, defendant violated Section 10(b) of the Exchange Act [15 U.S.C. §78j(b)] and Rule 10b-5 thereunder [17 C.F.R. 240.10b-5].

COUNT III

Violations of Advisers Act Sections 206(1) and 206(2)

49. Paragraphs 1 through 39 are realleged and incorporated by reference.

50. As detailed in paragraphs 1 through 39 above, at all times alleged in this complaint, defendant, while acting as an investment adviser, by use of the mails, and the means and instrumentalities of interstate commerce, directly or indirectly, knowingly, willfully or recklessly: (i) employed devices, schemes or artifices to defraud its clients or prospective clients; and (ii) engaged in transactions, practices and courses of business which have operated as a fraud or deceit upon its clients or prospective clients.

51. By reason of the foregoing, defendant has violated Sections 206(1) and 206(2) of the Advisers Act. [15 U.S.C. §§ 80b-6(1) and 80b-6(2)].

RELIEF REQUESTED

WHEREFORE, the Commission respectfully requests that this Court:

I.

Permanently enjoin defendant, his officers, agents, servants, employees, attorneys and those persons in active concert or participation with defendant who receive actual notice of the order of this Court, by personal service or otherwise, and each of them from, directly or indirectly, engaging in the transactions, acts, practices or courses of business described above, or in conduct of similar purport and object, in violation of Section 17(a) of the Securities Act [15 U.S.C. § 77q(a)], Section 10(b) of the Exchange Act [15 U.S.C. § 78j] and Rule 10b-5 [17 CFR § 240.10b-5] thereunder, and Sections 206(1) and 206(2) of the Advisers Act [15 U.S.C. §§ 80b-6(1), 80b-6(2), and 80b-6(4)].

II.

Order defendant to disgorge the ill-gotten gains received because of the violations alleged in this Complaint, including prejudgment interest, pursuant to Section 21(d)(5) and 21(d)(7) of the Exchange Act [15 U.S.C. §§ 78u(d)(5), and 78u(d)(7)].

III.

Order defendant to pay civil penalties pursuant to Section 20(d) of the Securities Act [15 U.S.C. § 77t(d)], Section 21(d)(3) of the Exchange Act [15 U.S.C. § 78u(d)(3)], and Section 209(e) of the Advisers Act [15 U.S.C. § 80b-

9(e)].

IV.

Issue an Order imposing an officer and director bar pursuant to Section 21(d)(2) of the Exchange Act [15 U.S.C. § 78u(d)(2)].

V.

Grant such other relief as this Court deems appropriate.

JURY DEMAND

The Commission hereby requests a trial by jury.

**UNITED STATES SECURITIES
AND EXCHANGE COMMISSION**

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