

UNITED STATES DISTRICT COURT
EASTERN DISTRICT OF WISCONSIN

UNITED STATES OF AMERICA,

Plaintiff,

v.

Case No. 19-CR-235 (PP)

MICHAEL C. SIEGEL,

Defendant.

PLEA AGREEMENT

1. The United States of America, by its attorneys, Matthew D. Krueger, United States Attorney for the Eastern District of Wisconsin, and Richard G. Frohling and Erica J. Lounsberry, Assistant United States Attorneys, and the defendant, Michael C. Siegel, individually and by attorney Christopher Cherella, pursuant to Rule 11 of the Federal Rules of Criminal Procedure, enter into the following plea agreement:

CHARGES

2. The defendant has been charged in both counts of a two-count indictment, which alleges a violation of Title 18, United States Code, Sections 371 and 1952(a)(3) in Count One; and a violation of Title 18, United States Code, Section 1001 in Count Two.

3. The defendant has read and fully understands the charges contained in the indictment. He fully understands the nature and elements of the crimes with which he has been charged. In addition, the charges and the terms and conditions of the plea agreement have been fully explained to him by his attorney.

4. The defendant voluntarily agrees to plead guilty to Count One of the indictment, which is set forth in full in Attachment A.

5. The defendant acknowledges, understands, and agrees that he is, in fact, guilty of the offense referenced in paragraph 4 and set forth in Attachment A. The parties acknowledge and understand that if this case were to proceed to trial, the government would be able to prove the following facts beyond a reasonable doubt. The defendant admits that these facts are true and correct and establish his guilt beyond a reasonable doubt:

The Hardware Store was a gentleman's club that operated in Clyman, Wisconsin from 2009 until 2019. Mr. Siegel was a part owner of the club, and he oversaw its operations. This included setting prices for goods and services at the club, including customer use of the lap dance booths and "champagne rooms," determining what percentage of fee for private dances or private room services the dancers would receive, and ultimate responsibility for hiring and firing of club employees and contractors.

Mr. Siegel and other employees agreed to operate the club as a house of prostitution. Dancers were allowed to use the club's private VIP or "champagne rooms" for acts of prostitution, including oral sex, full intercourse, and fetish activities. The employees and dancers referred to these acts as "extras."

Mr. Siegel knew that the dancers were openly negotiating the price of sex acts (paid to the dancer in addition to a fee paid to the club for the VIP rooms) on the dance floor and at the bar. The club had condoms available for purchase in machines located in the restrooms, and employees removed soiled condoms when cleaning the champagne rooms.

The club's customers paid a set fee for private dances or VIP rooms to staff members before they could use the lap dance or VIP rooms. These payments were tallied on a sheet for purpose of tracking dancer payouts at the end of a shift and for accounting purposes. The club allowed customers to use credit cards to pay for lap dances and champagne rooms and, for a fee, to obtain cash back to pay dancers directly for "extras." Processing these payments caused the transmission of communications in interstate commerce to and from the Eastern District of Wisconsin.

Mr. Siegel hired dancers who were known to be working for pimps, including Christopher Childs. Childs contacted Mr. Siegel and club employees to find out how his "girls" were performing during their shifts. On at least one occasion, Mr. Siegel had Childs call him in order to settle a dispute over money owed to a dancer who was working for Childs.

Mr. Siegel, as well as bartenders and managers whom he employed, sent text messages in interstate commerce and used Facebook Messenger, a messaging application and online platform, to communicate with dancers and pimps about

issues such as scheduling and availability for select customers. This included Facebook messages between Mr. Siegel and other parties arranging for particular dancers to be available for specific clients looking for prostitution dates.

Until Childs was arrested (and the club received negative media attention) on March 29, 2018, Mr. Siegel allowed commercial sex acts to take place at the club as long as they only occurred in VIP rooms that were previously paid for by the customers.

This information is provided for the purpose of setting forth a factual basis for the plea of guilty. It is not a full recitation of the defendant's knowledge of, or participation in this offense.

PENALTIES

6. The parties understand and agree that the offense to which the defendant will enter a plea of guilty carries a maximum term of imprisonment of 5 years and a maximum fine of \$250,000. The offense also carries a mandatory special assessment of \$100 and a maximum of 3 years of supervised release. The parties further recognize that a restitution order may be entered by the court.

7. The defendant acknowledges, understands, and agrees that he has discussed the relevant statutes as well as the applicable sentencing guidelines with his attorney.

ELEMENTS

8. The parties understand and agree that in order to sustain the charge of conspiring to use facilities in interstate commerce to carry on unlawful activity, as set forth in the information, the government must prove each of the following propositions beyond a reasonable doubt:

First, the conspiracy charged in the information existed;

Second, the defendant knowingly became a member with intent to advance the conspiracy; and

Third, a conspirator committed at least one act to further a goal of the conspiracy.

SENTENCING PROVISIONS

9. The parties agree to waive the time limits in Fed. R. Crim. P. 32 relating to the presentence report, including that the presentence report be disclosed not less than 35 days before the sentencing hearing, in favor of a schedule for disclosure, and the filing of any objections, to be established by the court at the change of plea hearing.

10. The parties acknowledge, understand, and agree that any sentence imposed by the court will be pursuant to the Sentencing Reform Act, and that the court will give due regard to the Sentencing Guidelines when sentencing the defendant.

11. The parties acknowledge and understand that prior to sentencing the United States Probation Office will conduct its own investigation of the defendant's criminal history. The parties further acknowledge and understand that, at the time the defendant enters a guilty plea, the parties may not have full and complete information regarding the defendant's criminal history. The parties acknowledge, understand, and agree that the defendant may not move to withdraw the guilty plea solely as a result of the sentencing court's determination of the defendant's criminal history.

Sentencing Guidelines Calculations

12. The defendant acknowledges and understands that the sentencing guidelines recommendations contained in this agreement do not create any right to be sentenced within any particular sentence range, and that the court may impose a reasonable sentence above or below the guideline range. The parties further understand and agree that if the defendant has provided false, incomplete, or inaccurate information that affects the calculations, the government is not bound to make the recommendations contained in this agreement.

Relevant Conduct

13. The parties acknowledge, understand, and agree that pursuant to Sentencing Guidelines Manual § 1B1.3, the sentencing judge may consider relevant conduct in calculating the sentencing guidelines range, even if the relevant conduct is not the subject of the offense to which the defendant is pleading guilty.

Base Offense Level

14. The parties agree to recommend to the sentencing court that the applicable base offense level for the offense charged in the information is 14 under Sentencing Guidelines Manual § 2G1.1(a)(2).

Specific Offense Characteristics

15. The parties acknowledge and understand that the government will recommend to the sentencing court that a four-level increase applies under Sentencing Guidelines Manual § 2G1.1(b)(1) because the offense involved fraud or coercion. The parties acknowledge and understand that the defendant will not join in this recommendation.

Role in the Offense

16. The parties acknowledge and understand that the government will recommend to the sentencing court that a four-level increase applies under Sentencing Guidelines Manual § 3B1.1(a) because the defendant took an organizer or leadership role in the commission of the offense. The parties acknowledge and understand that the defendant will not join in this recommendation.

Acceptance of Responsibility

17. The government agrees to recommend a two-level decrease for acceptance of responsibility as authorized by Sentencing Guidelines Manual § 3E1.1(a), but only if the

defendant exhibits conduct consistent with the acceptance of responsibility. In addition, if the court determines at the time of sentencing that the defendant is entitled to the two-level reduction under § 3E1.1(a), the government agrees to make a motion recommending an additional one-level decrease as authorized by Sentencing Guidelines Manual § 3E1.1(b) because the defendant timely notified authorities of his intention to enter a plea of guilty.

Sentencing Recommendations

18. Both parties reserve the right to provide the district court and the probation office with any and all information which might be pertinent to the sentencing process, including but not limited to any and all conduct related to the offense as well as any and all matters which might constitute aggravating or mitigating sentencing factors.

19. Both parties reserve the right to make any recommendation regarding any other matters not specifically addressed by this agreement.

20. The government agrees to recommend a sentence within the applicable sentencing guideline range, as determined by the court. The defendant is free to argue for any sentence he deems appropriate, including probation.

Court's Determinations at Sentencing

21. The parties acknowledge, understand, and agree that neither the sentencing court nor the United States Probation Office is a party to or bound by this agreement. The United States Probation Office will make its own recommendations to the sentencing court. The sentencing court will make its own determinations regarding any and all issues relating to the imposition of sentence and may impose any sentence authorized by law up to the maximum penalties set forth in paragraph 6 above. The parties further understand that the sentencing court will be guided by the sentencing guidelines but will not be bound by the sentencing guidelines and may impose a reasonable sentence above or below the calculated guideline range.

22. The parties acknowledge, understand, and agree that the defendant may not move to withdraw the guilty plea solely as a result of the sentence imposed by the court.

FINANCIAL MATTERS

23. The defendant acknowledges and understands that any and all financial obligations imposed by the sentencing court are due and payable in full upon entry of the judgment of conviction. The defendant further understands that any payment schedule imposed by the sentencing court shall be the minimum the defendant is expected to pay and that the government's collection of any and all court imposed financial obligations is not limited to the payment schedule. The defendant agrees not to request any delay or stay in payment of any and all financial obligations. If the defendant is incarcerated, the defendant agrees to participate in the Bureau of Prisons' Inmate Financial Responsibility Program, regardless of whether the court specifically directs participation or imposes a schedule of payments.

Special Assessment

24. The defendant agrees to pay the special assessment in the amount of \$100 prior to or at the time of sentencing.

Restitution

25. The defendant agrees to pay restitution as ordered by the court. The defendant agrees to cooperate in efforts to collect the restitution obligation. The defendant understands that imposition or payment of restitution will not restrict or preclude the filing of any civil suit or administrative action.

DEFENDANT'S WAIVER OF RIGHTS

26. In entering this agreement, the defendant acknowledges and understands that he surrenders any claims he may have raised in any pretrial motion, as well as certain rights which include the following:

- a. If the defendant persisted in a plea of not guilty to the charges against him, he would be entitled to a speedy and public trial by a court or jury. The defendant has a right to a jury trial. However, in order that the trial be conducted by the judge sitting without a jury, the defendant, the government and the judge all must agree that the trial be conducted by the judge without a jury.
- b. If the trial is a jury trial, the jury would be composed of twelve citizens selected at random. The defendant and his attorney would have a say in who the jurors would be by removing prospective jurors for cause where actual bias or other disqualification is shown, or without cause by exercising peremptory challenges. The jury would have to agree unanimously before it could return a verdict of guilty. The court would instruct the jury that the defendant is presumed innocent until such time, if ever, as the government establishes guilt by competent evidence to the satisfaction of the jury beyond a reasonable doubt.
- c. If the trial is held by the judge without a jury, the judge would find the facts and determine, after hearing all of the evidence, whether or not he was persuaded of defendant's guilt beyond a reasonable doubt.
- d. At such trial, whether by a judge or a jury, the government would be required to present witnesses and other evidence against the defendant. The defendant would be able to confront witnesses upon whose testimony the government is relying to obtain a conviction and he would have the right to cross-examine those witnesses. In turn the defendant could, but is not obligated to, present witnesses and other evidence on his own behalf. The defendant would be entitled to compulsory process to call witnesses.
- e. At such trial, defendant would have a privilege against self-incrimination so that he could decline to testify and no inference of guilt could be drawn from his refusal to testify. If defendant desired to do so, he could testify on his own behalf.

27. The defendant acknowledges and understands that by pleading guilty he is waiving all the rights set forth above. The defendant further acknowledges the fact that his attorney has explained these rights to him and the consequences of his waiver of these rights. The defendant further acknowledges that as a part of the guilty plea hearing, the court may question the defendant under oath, on the record, and in the presence of counsel about the offense to which the defendant intends to plead guilty. The defendant further understands that the

defendant's answers may later be used against the defendant in a prosecution for perjury or false statement.

28. The defendant acknowledges and understands that he will be adjudicated guilty of the offense to which he will plead guilty and thereby may be deprived of certain rights, including but not limited to the right to vote, to hold public office, to serve on a jury, to possess firearms, and to be employed by a federally insured financial institution.

29. The defendant knowingly and voluntarily waives all claims he may have based upon the statute of limitations, the Speedy Trial Act, and the speedy trial provisions of the Sixth Amendment. The defendant agrees that any delay between the filing of this agreement and the entry of the defendant's guilty plea pursuant to this agreement constitutes excludable time under the Speedy Trial Act.

30. Based on the government's concessions in this agreement, the defendant knowingly and voluntarily waives his right to appeal his sentence in this case and further waives his right to challenge his conviction or sentence in any post-conviction proceeding, including but not limited to a motion pursuant to 28 U.S.C. § 2255. As used in this paragraph, the term "sentence" means any term of imprisonment, term of supervised release, term of probation, supervised release condition, fine, forfeiture order, and restitution order. The defendant's waiver of appeal and post-conviction challenges includes the waiver of any claim that (1) the statutes or Sentencing Guidelines under which the defendant is convicted or sentenced are unconstitutional, and (2) the conduct to which the defendant has admitted does not fall within the scope of the statutes or Sentencing Guidelines. This waiver does not extend to an appeal or post-conviction motion based on (1) any punishment in excess of the statutory maximum, (2) the sentencing court's reliance on any constitutionally impermissible factor, such as race, religion, or sex, (3)

ineffective assistance of counsel in connection with the negotiation of the plea agreement or sentencing, or (4) a claim that the plea agreement was entered involuntarily.

Further Civil or Administrative Action

31. The defendant acknowledges, understands, and agrees that the defendant has discussed with his attorney and understands that nothing contained in this agreement, including any attachment, is meant to limit the rights and authority of the United States of America or any other state or local government to take further civil, administrative, or regulatory action against the defendant, including but not limited to any listing and debarment proceedings to restrict rights and opportunities of the defendant to contract with or receive assistance, loans, and benefits from United States government agencies.

GENERAL MATTERS

32. The parties acknowledge, understand, and agree that this agreement does not require the government to take, or not to take, any particular position in any post-conviction motion or appeal.

33. The parties acknowledge, understand, and agree that this plea agreement will be filed and become part of the public record in this case. The parties acknowledge, understand, and agree that the United States Attorney's office is free to notify any local, state, or federal agency of the defendant's conviction.

34. The defendant understands that pursuant to the Victim and Witness Protection Act, the Justice for All Act, and regulations promulgated thereto by the Attorney General of the United States, the victim of a crime may make a statement describing the impact of the offense on the victim and further may make a recommendation regarding the sentence to be imposed. The defendant acknowledges and understands that comments and recommendations by a victim may be different from those of the parties to this agreement.

Further Action by Internal Revenue Service

35. Nothing in this agreement shall be construed so as to limit the Internal Revenue Service in discharging its responsibilities in connection with the collection of any additional tax, interest, and penalties due from the defendant as a result of the defendant's conduct giving rise to the charges alleged in the information.

EFFECT OF DEFENDANT'S BREACH OF PLEA AGREEMENT

36. The defendant acknowledges and understands if he violates any term of this agreement at any time, engages in any further criminal activity prior to sentencing, or fails to appear for sentencing, this agreement shall become null and void at the discretion of the government. The defendant further acknowledges and understands that the government's agreement to dismiss any charge is conditional upon final resolution of this matter. If this plea agreement is revoked or if the defendant's conviction ultimately is overturned, then the government retains the right to reinstate any and all dismissed charges and to file any and all charges which were not filed because of this agreement. The defendant hereby knowingly and voluntarily waives any defense based on the applicable statute of limitations for any charges filed against the defendant as a result of his breach of this agreement. The defendant understands, however, that the government may elect to proceed with the guilty plea and sentencing. If the defendant and his attorney have signed a proffer letter in connection with this case, then the defendant further acknowledges and understands that he continues to be subject to the terms of the proffer letter.

VOLUNTARINESS OF DEFENDANT'S PLEA

37. The defendant acknowledges, understands, and agrees that he will plead guilty freely and voluntarily because he is in fact guilty. The defendant further acknowledges and agrees that no threats, promises, representations, or other inducements have been made, nor

agreements reached, other than those set forth in this agreement, to induce the defendant to plead guilty.

ACKNOWLEDGMENTS

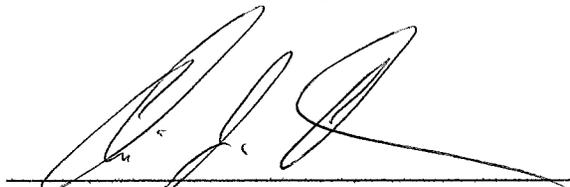
I am the defendant. I am entering into this plea agreement freely and voluntarily. I am not now on or under the influence of any drug, medication, alcohol, or other intoxicant or depressant, whether or not prescribed by a physician, which would impair my ability to understand the terms and conditions of this agreement. My attorney has reviewed every part of this 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 and I am satisfied that my attorney has provided effective assistance of counsel.

Date: 9 Apr 20


MICHAEL C. SIEGEL
Defendant

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

Date: 4/15/20

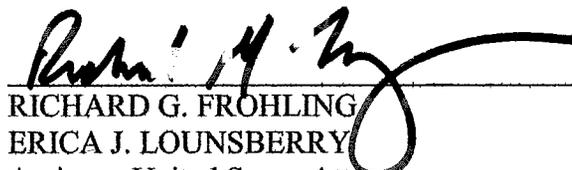

CHRISTOPHER J. CHERELLA
Attorney for Defendant

For the United States of America:

Date: 4/21/20


MATTHEW D. KRUEGER
United States Attorney

Date: 4/21/20


RICHARD G. FROHLING
ERICA J. LOUNSBERRY
Assistant United States Attorneys

Attachment A to Plea Agreement
United States v. Michael C. Siegel

THE UNITED STATES ATTORNEY CHARGES THAT:

1. Beginning by 2009, and continuing through at least November 6, 2018, in the State and Eastern District of Wisconsin and elsewhere,

MICHAEL C. SIEGEL and
SCOTT D. HOEFT

knowingly conspired with others known and unknown to the grand jury to use facilities in interstate commerce to promote, manage, carry on, and facilitate the promotion, management, and carrying on of unlawful activity, namely prostitution offenses prohibited by Wisconsin Statutes 944.30 through 944.34, in violation of Title 18, United States Code, Section 1952(a)(3).

Background

2. Unless otherwise noted, at all times relevant to this indictment:
- a. Michael C. Siegel operated and held an ownership interest in the “Hardware Store,” a strip club located in Clyman, Wisconsin.
 - b. Until on or about September 28, 2018, Scott D. Hoeft was employed by the Hardware Store as a bartender and manager.
 - c. The Hardware Store offered customers the opportunity to purchase lap dances, which generally took place in a specific room separated from the bar area by a beaded curtain.
 - d. The Hardware Store offered customers the opportunity to pay a fee to use the club’s “champagne rooms” for a specified time period for private dances.

Purpose of the Conspiracy

3. The primary purpose of the conspiracy was to generate revenue for the Hardware Store by making the club’s lap dance and champagne rooms available for unlawful prostitution activity, including oral sex, full intercourse, and fetish activities.

Manner and Means

4. To achieve the purpose of the conspiracy:
 - a. The conspirators made the club's lap dance room and champagne rooms available for commercial sexual activity.
 - b. The conspirators hired and employed dancers willing to perform commercial sex acts, often referred to as "extras," in the club.
 - c. The conspirators hired and employed dancers working for pimps.
 - d. The conspirators sent text messages in interstate commerce and used Facebook Messenger, a messaging application and online platform, to communicate with dancers and pimps.
 - e. The conspirators allowed customers to use credit cards to pay for lap dances and champagne rooms and to obtain cash back to pay dancers directly for sex acts.

Acts in Furtherance

5. To further the conspiracy, the conspirators committed acts in the Eastern District of Wisconsin, and elsewhere, including:
 - a. Between approximately 2009 and November 6, 2018, Siegel, Hoeft, and others hired dancers who were willing to engage in acts of prostitution.
 - b. Between approximately 2009 and April 12, 2018, Siegel caused condom machines to be made available in the club's restrooms.
 - c. Between approximately 2009 and November 6, 2018, Siegel, Hoeft, and others caused a daily record to be kept of the number of lap dances and champagne rooms each dancer had performed.
 - d. On or about August 13, 2015, J.C., a dancer working for a pimp named Christopher Childs, communicated with Siegel using Facebook Messenger. J.C. explained that although Childs already had talked to Hoeft, J.C. wanted to make sure that Siegel approved of her working at the club. Siegel responded that J.C. was "part of the hardware store family."
 - e. Between September 3, 2015, and July 17, 2016, Hoeft and another conspirator exchanged Facebook messages with J.C. about her schedule and the schedule of another woman working for Childs.

- f. On or about July 29, 2016, a conspirator sent J.C. a Facebook message asking if J.C. recalled Siegel setting her up with a particular commercial sex customer and asking whether J.C. could work on July 30, 2016, because Siegel needed a “reliable pretty girl” for a different commercial sex customer.
- g. On or about July 30, 2016, J.C. sent a Facebook message to Siegel to explain that she was running late, and Siegel replied that the clients were waiting for J.C.
- h. On or about August 29, 2016, Siegel exchanged Facebook messages with J.C. regarding a dispute over the number of champagne rooms she had performed the prior evening. Immediately after the exchange, another conspirator sent Childs a message asking that he call Siegel.
- i. In February 2016, a conspirator employed by the Hardware Store sent Facebook messages to Childs asking about the schedule of a woman for whom Childs served as a pimp.
- j. On or about November 13, 2016, a conspirator employed by the Hardware Store sent a Facebook message to Childs to advise that J.C. had money waiting at the club.
- k. Between approximately November 2016 and May 14, 2017, Hoeft exchanged messages with Childs regarding how many champagne rooms women working for Childs had performed during their shifts and whether they had been following Childs’ rules.
- l. Between on or about February 14, 2017, and February 16, 2017, Childs exchanged Facebook messages with a conspirator employed by the Hardware Store regarding whether one of the women for whom he served as a pimp had been using drugs.
- m. On or about February 27, 2017, Siegel called a woman for whom Childs served as a pimp to discuss her schedule.
- n. In May 2017, Siegel told J.C. that although he was willing to grant Childs’ request to prevent a particular dancer from working at the club, Siegel wanted Childs to call him directly to discuss the matter.
- o. On or about December 20, 2017, following an incident involving an act of prostitution taking place in one of the club’s champagne rooms, Siegel provided false information to law enforcement, claiming that the Hardware Store fired any dancer suspected of engaging in sexual activity.
- p. On or about January 19, 2018, Hoeft exchanged text messages with Childs regarding how “Chrissy,” a woman working for Childs, was performing.

- q. On or about January 20, 2018, Siegel and another conspirator exchanged messages regarding the fact that Childs was “Chrissy’s” pimp.
- r. On or about February 1, 2018, Hoeft texted Childs to ask whether “Chrissy” could work at another strip club operated by Siegel.
- s. On or about April 12, 2018, Siegel provided false information to law enforcement, claiming that he had no idea that Childs was a pimp.
- t. On or about September 28, 2018, following an incident in which law enforcement observed a dancer performing oral sex in the lap dance area, Siegel provided false information to law enforcement regarding the club’s policies, practices, and procedures.
- u. On or about November 4, 2018, following execution of a federal search warrant at the Hardware Store, Siegel instructed another conspirator to call in women to work at the club upon reopening who did not perform “extras.”

All in violation of Title 18, United States Code, Sections 371 and 2.