

UNITED STATES OF AMERICA
Before the
SECURITIES AND EXCHANGE COMMISSION

SECURITIES EXCHANGE ACT OF 1934
Release No. 88114 / February 3, 2020

INVESTMENT ADVISERS ACT OF 1940
Release No. 5440 / February 3, 2020

ADMINISTRATIVE PROCEEDING
File No. 3-19686

In the Matter of

EDWARD E. MATTHES,

Respondent.

ORDER INSTITUTING
ADMINISTRATIVE PROCEEDINGS
PURSUANT TO SECTION 15(b) OF THE
SECURITIES EXCHANGE ACT OF 1934
AND SECTION 203(f) OF THE
INVESTMENT ADVISERS ACT OF 1940,
MAKING FINDINGS, AND IMPOSING
REMEDIAL SANCTIONS

I.

The Securities and Exchange Commission (“Commission”) deems it appropriate and in the public interest that public administrative proceedings be, and hereby are, instituted pursuant to Section 15(b) of the Securities Exchange Act of 1934 (“Exchange Act”) and Section 203(f) of the Investment Advisers Act of 1940 (“Advisers Act”) against Edward E. Matthes (“Respondent” or “Matthes”).

II.

In anticipation of the institution of these proceedings, Respondent Matthes has submitted an Offer of Settlement (the “Offer”) which the Commission has determined to accept. Solely for the purpose of these proceedings and any other proceedings brought by or on behalf of the Commission, or to which the Commission is a party, and without admitting or denying the findings herein, except as to the Commission’s jurisdiction over him and the subject matter of these proceedings and the findings contained in paragraph III.2 below, which are admitted, Respondent Matthes consents to the entry of this Order Instituting Administrative Proceedings Pursuant to Section 15(b) of the Securities Exchange Act of 1934 and Section 203(f) of the Investment Advisers Act of 1940, Making Findings, and Imposing Remedial Sanctions (“Order”), as set forth below.

III.

On the basis of this Order and Respondent Matthes' Offer, the Commission finds that:

1. Edward E. Matthes, age 49, resides in Pewaukee, Wisconsin. Matthes was a registered representative with a nationwide financial services firm dually registered with the Commission as a broker-dealer and investment adviser ("Registered Entity A") in a one-person branch office in Oconomowoc, Wisconsin from March 2012 until his termination on March 12, 2019. Matthes also was an investment adviser representative at Registered Entity A from February 2014 through his termination on March 12, 2019. During the relevant period, Matthes held Financial Industry Regulatory Authority ("FINRA") Series 6, 7, 63, and 65 licenses.

2. On January 30, 2020, a judgment was entered by consent against Matthes, permanently enjoining him from future violations of Section 17(a) of the Securities Act of 1933 ("Securities Act"), Section 10(b) of the Exchange Act and Rule 10b-5 thereunder, and Sections 206(1) and 206(2) of the Advisers Act, in the civil action entitled Securities and Exchange Commission v. Edward E. Matthes, Civil Action Number 2:20-cv-00125-LA, in the United States District Court for the Eastern District of Wisconsin.

3. The Commission's complaint alleged that between April 2013 and March 2019, Respondent Matthes defrauded 26 of his mostly elderly retail brokerage customers and investment advisory clients out of approximately \$2.4 million. Respondent Matthes lied to his customers and clients in order to convince them to invest in what he described as a safe investment offered by Registered Entity A that would earn a guaranteed minimum yield of 4% per year. Respondent Matthes then convinced his customers and clients to transfer approximately \$1.4 million to him to fund the investments at Registered Entity A. Respondent Matthes' statements were false. In reality, the purported investment did not exist. Respondent Matthes did not invest his customers' and clients' money and instead stole it for his personal use. To cover up his fraud, Respondent Matthes created and provided several of his customers and clients with fake account statements. Respondent Matthes stole an additional \$1 million from his brokerage customers by making unauthorized sales and withdrawals from variable annuity contracts that they held in accounts with him. Respondent Matthes spent the misappropriated funds on personal expenses, including home renovation expenses, car payments, and luxury items, and also used approximately \$170,000 to make Ponzi-like payments to certain investors to keep his fraudulent scheme alive.

IV.

In view of the foregoing, the Commission deems it appropriate, in the public interest to impose the sanctions agreed to in Respondent Matthes' Offer.

Accordingly, it is hereby ORDERED pursuant to Section 15(b)(6) of the Exchange Act, and Section 203(f) of the Advisers Act, that Respondent Matthes be, and hereby is barred from association with any broker, dealer, investment adviser, municipal securities dealer, municipal advisor, transfer agent, or nationally recognized statistical rating organization; and

Pursuant to Section 15(b)(6) of the Exchange Act, Respondent Matthes be, and hereby is barred from participating in any offering of a penny stock, including: acting as a promoter, finder, consultant, agent or other person who engages in activities with a broker, dealer, or issuer for purposes of the issuance or trading in any penny stock, or inducing or attempting to induce the purchase or sale of any penny stock.

Any reapplication for association by Respondent Matthes will be subject to the applicable laws and regulations governing the reentry process, and reentry may be conditioned upon a number of factors, including, but not limited to, compliance with the Commission's Order and payment of any or all of the following: (a) any disgorgement or civil penalties ordered by a Court against Respondent Matthes in any action brought by the Commission; (b) any disgorgement amounts ordered against Respondent Matthes for which the Commission waived payment; (c) any arbitration award related to the conduct that served as the basis for the Commission order; (d) any self-regulatory organization arbitration award to a customer, whether or not related to the conduct that served as the basis for the Commission Order; and (e) any restitution order by a self-regulatory organization, whether or not related to the conduct that served as the basis for the Commission Order.

For the Commission, by its Secretary, pursuant to delegated authority.

Vanessa A. Countryman
Secretary