

UNITED STATES DISTRICT COURT
DISTRICT OF CONNECTICUT

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SECURITIES AND EXCHANGE COMMISSION,)	
	Plaintiff,)	
v.)	Civil Action No.
)	
MATTHEW O. CLASON,)	
	Defendant.)	
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COMPLAINT

Plaintiff, the United States Securities and Exchange Commission (the “Commission”), alleges the following against investment adviser Matthew O. Clason:

SUMMARY

1. This case concerns theft of assets from a retired retail investor by an investment professional. From at least December 2018 to present, investment adviser Matthew O. Clason (“Clason”) stole hundreds of thousands of dollars from a client of the investment adviser and broker dealer firms with which he was associated. Clason had cultivated a personal relationship with this client and, during this period, sold securities managed on the client’s behalf to fund transfers to a joint bank account held in the names of the client and Clason. Clason then made numerous cash withdrawals from that joint bank account at multiple bank branches. Clason’s securities sales, transfer of the proceeds to the joint bank account, and numerous, large cash withdrawals from the joint account were neither known to nor approved by the client. Clason thus exploited a personal relationship with and breached his fiduciary duty to the client to perpetrate his fraud and misappropriate hundreds of thousands of dollars.

2. Through this conduct, Clason has violated and, unless enjoined, will continue to violate Sections 206(1) and 206(2) of the Investment Advisers Act of 1940 (the “Advisers Act”) [15 U.S.C. § 80b-6(1) and (2)].

3. Based on these violations, the Commission seeks: (1) entry of a temporary restraining order, preliminary injunction, order freezing assets, expedited discovery, an accounting, and order for other equitable relief in the form submitted with the Commission's motion for such relief; (2) entry of a permanent injunction prohibiting Clason from further violations of the relevant provisions of the federal securities laws; (3) disgorgement of the money he misappropriated, plus pre-judgment interest; and (4) imposition of civil monetary penalties based on the egregious nature of Clason's violations.

JURISDICTION AND VENUE

4. This Court has jurisdiction over this action pursuant to Sections 209(d), 209(e) and 214 of the Advisers Act [15 U.S.C. §§ 80b-9(d), 80b-9(e), 80b-14], and 28 U.S.C. § 1331.

5. Venue is proper in this district pursuant to 28 U.S.C. § 1331(b)(2), and Section 214 of the Advisers Act [15 U.S.C. § 80b-14], because a substantial part of the acts constituting the alleged violations occurred in the District of Connecticut, Clason lives and worked as an investment adviser in Connecticut during the relevant time period, and the victim of his fraud resides in Connecticut.

6. In connection with the conduct alleged in this Complaint, Clason directly or indirectly made use of the means or instruments of interstate commerce, the facilities of national securities exchanges and financial institutions, and/or the wires and mails.

7. Clason's conduct involved fraud, deceit, or deliberate or reckless disregard of regulatory requirements, and resulted in substantial loss, or significant risk of substantial loss, to other persons.

8. Unless enjoined, Clason will continue to engage in the securities law violations alleged herein, or in similar conduct that would violate federal securities laws.

DEFENDANT

9. **Matthew O. Clason** resides in Cheshire, Connecticut. Clason was a Connecticut-based investment adviser representative of a registered investment adviser (the “advisory firm”) and was a registered representative of a broker dealer (the “brokerage firm”). On August 13, 2020, Clason was fired by the advisory firm for failing to comply with firm policies with respect to handling client funds. On August 19, 2020, the brokerage firm terminated Clason’s association with it.

RELATED PARTY

10. Client 1 is a 73-year-old retired woman residing in New Britain, Connecticut.

FACTUAL ALLEGATIONS

11. Since approximately 2015 or 2016, Clason provided investment services to Client 1, a retired retail investor. Clason managed Client 1’s investments in five accounts. The total assets under management in these five accounts as of July 31, 2020 was approximately \$482,000. As of August 2020, however, Client 1 believed that she had approximately \$1 million under management with Clason.

12. Most of the transfers detailed below came from one fee-based, non-retirement advisory account (the “advisory account”) that Clason managed for Client 1. Client 1 was charged an advisory fee of 1.54% of the fair market value of assets under management pursuant to a 2018 Advisory Agreement between Client 1 and the advisory firm. For 2018, 2019, and the first half of 2020, Client 1 was assessed total fees of approximately \$8000, including advisory fees.

13. In addition to providing investment advisory services to Client 1, Clason cultivated a personal relationship with her. For example, Clason drove her to various appointments and ran errands for her. They would sometimes meet as many as five times per

week, and Client 1 considered Clason a good friend.

14. Client 1 and Clason share a joint checking account (the “joint bank account”) at a large national bank (the “bank”). As a joint signatory on the account, Clason had access to funds in the joint bank account. Clason and Client 1 established the joint bank account in 2018 so that Clason would have access to the account for investment purposes and, because Client 1 does not drive, has limited mobility, and has other health conditions, to facilitate Clason making cash withdrawals at Client 1’s request to cover miscellaneous monthly expenses. On some occasions, Client 1 in fact asked Clason to withdraw cash from the joint bank account and deliver it to her. These withdrawals were generally in amounts of a few hundred dollars. Client 1 also understood that if Clason took money out of the joint bank account, it would be for investment purposes.

15. Clason made numerous transfers from Client 1’s advisory account and at least one other account into the joint bank account. To fund these transfers, Clason repeatedly sold securities in Client 1’s advisory account and transferred the proceeds of those sales to the joint bank account. From December 2018 to August 2020, there were 45 transfers out of Client 1’s advisory account totaling \$330,000, the bulk of which was funded by the sale of securities in Client 1’s advisory account.

16. Over time, including during the period noted in Paragraph 15 above, Clason made numerous cash withdrawals from the joint bank account totaling at least \$300,000. Many of Clason’s cash withdrawals were under \$10,000 and were made at different bank branches. This pattern suggests an effort to avoid arousing the suspicion of bank staff by splitting the cash withdrawals among multiple branches and to avoid scrutiny of the cash withdrawals as the bank is required by law to report any cash transaction over \$10,000 to federal authorities. Clason did not disclose these large cash withdrawals to Client 1, she did not approve them, and she did not receive the cash Clason withdrew (other than the few small cash withdrawals noted in Paragraph

14 above).

17. As an investment adviser, Clason owed Client 1 a fiduciary duty including the duty to act for her benefit, the duty to exercise the utmost good faith in dealing with her, the duty to fully and fairly disclose all material facts, and the duty to employ reasonable care to avoid misleading her. Clason's fraudulent scheme to sell securities in Client 1's advisory account and transfer the proceeds of those sales to the joint bank account for the purpose of misappropriating Client 1's money was not in Client 1's best interest and was not disclosed to or approved by Client 1. Client 1 was likewise not aware of, and did not approve, Clason's large cash withdrawals from the joint bank account. Clason's scheme to sell securities and misappropriate the proceeds breached his fiduciary duty to Client 1 and operated as a fraud or deceit upon her.

18. As of August 13, 2020, Clason had at least \$8,200 of Client 1's money in his possession at his home. Clason remains a joint signatory with Client 1 on the joint bank account, and unless restrained and enjoined, will still have access to Client 1's money.

FIRST CLAIM FOR RELIEF

19. The Commission re-alleges and incorporates by reference paragraphs 1 through 18 above.

20. Section 206(1) of the Advisers Act prohibits an investment adviser from, directly or indirectly, employing any device, scheme, or artifice to defraud any client or prospective client. Section 206(2) of the Advisers Act prohibits an investment adviser from, directly or indirectly, engaging in any transaction, practice, or course of business which operates as a fraud or deceit upon any client or prospective client.

21. At all relevant times, Clason was an "investment adviser" within the meaning of Section 202(a)(11) of the Advisers Act [15 U.S.C. §80b-2(a)(11)]. Specifically, Clason was in the business of providing investment advice concerning securities for compensation.

22. By the actions described above, Clason, by use of the mails or any means or instrumentality of interstate commerce, directly or indirectly, acting intentionally, knowingly, recklessly, or negligently, committed a fraud upon Client 1 by selling securities managed on her behalf for the purpose of misappropriating hundreds of thousands of dollars of Client 1's money without her knowledge or approval in violation of Clason's fiduciary duty.

23. By engaging in the conduct described above, Clason violated, and unless enjoined will continue to violate, Section 206(1) and (2) of the Advisers Act [15 U.S.C. § 80b-6(1) and (2)].

PRAYER FOR RELIEF

WHEREFORE, the Commission requests that this Court:

- A. Enter a temporary restraining order, order freezing assets, requiring an accounting, and granting other equitable relief, in the form submitted with the Commission's motion for such relief, and, upon further motion, enter a preliminary injunction for the same relief, including asset freeze, accounting, and other equitable relief;
- B. Enter a permanent injunction restraining Defendant and his agents, servants, employees, and attorneys and those persons in active concert or participation with them who receive actual notice of the injunction by personal service or otherwise, including facsimile transmission, electronic mail, or overnight delivery service, from directly or indirectly engaging in the conduct described above, or in conduct of similar purport and effect, in violation of Section 206 of the Advisers Act.
- C. Require Defendant to disgorge his ill-gotten gains, plus pre-judgment interest.
- D. Require Defendant to pay appropriate civil monetary penalties;
- E. Retain jurisdiction over this action to implement and carry out the terms of all orders and decrees that may be entered; and

F. Grant such other and further relief as the Court deems just and proper.

JURY DEMAND

The Commission hereby demands a trial by jury on all claims so triable.

Dated: September 1, 2020

**UNITED STATES SECURITIES AND
EXCHANGE COMMISSION**

By its attorneys,

/s/ Alfred A. Day

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