

GEORGE S. CANELLOS
Regional Director
PREETHI KRISHNAMURTHY
STEVEN G. RAWLINGS
KRISTINE ZALESKAS
Attorneys for Plaintiff
SECURITIES AND EXCHANGE COMMISSION
New York Regional Office
3 World Financial Center
New York, NY 10281-1022
(212) 336-0116 (Krishnamurthy)
(212) 336-0149 (Rawlings)
(212) 336-0189 (Zaleskas)

UNITED STATES DISTRICT COURT
NORTHERN DISTRICT OF NEW YORK

SECURITIES AND EXCHANGE COMMISSION,

Plaintiff,

-against-

MATTHEW JOHN RYAN and
PRIME RATE AND RETURN, LLC,
individually and doing business as
AMERICAN INTEGRITY FINANCIAL CO.,

Defendants.

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: **1:10-CV-_____ (_____)**
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: **COMPLAINT**
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: **JURY TRIAL DEMANDED**
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Plaintiff Securities and Exchange Commission for its complaint against Matthew John Ryan (“Ryan”) and Prime Rate and Return, LLC (“Prime Rate”), individually, and doing business as American Integrity Financial Co. (“American Integrity”), alleges as follows:

SUMMARY OF ALLEGATIONS

1. The Commission brings this action to stop an ongoing fraud orchestrated by Defendants, who preyed on senior citizens seeking fixed income investments. Since at least 2002, Ryan and Prime Rate have used American Integrity, an entity that exists in name only, to

raise more than \$6.5 million from investors – many of them elderly – by falsely promising them “guaranteed” fixed rates of return ranging from 3.85% to 9.35% annually. In reality, American Integrity is a classic Ponzi scheme.

2. Ryan obtained these investments by fostering the false impression that American Integrity is a legitimate, substantial financial services company that offers safe, even guaranteed, investments, including qualified individual retirement accounts (“IRAs”). To perpetrate this fraud, he used devices such as a phony Manhattan address and fictitious names and titles of purported American Integrity employees, and he misrepresented to investors that their investments were safe and insured by the Federal Deposit Insurance Corporation (“FDIC”) or the Securities Investor Protection Corporation (“SIPC”) and that American Integrity was qualified to offer IRAs and other tax-deferred investments.

3. In fact, American Integrity is not even an entity, let alone an operating financial company. It is merely the name on a bank account that Ryan opened and controls. Nor are the investments in any respect insured. Ryan simply took investors’ money and deposited the money into the bank account. When he needed money to pay investors the returns he had promised or principal amounts they sought to withdraw, he simply withdrew funds from the very same bank account. He also used the investor funds in the bank account to pay real estate lenders on properties he and Prime Rate owned and to pay for his own personal expenses, including luxury cars.

4. Ryan’s and American Integrity’s fraud is soon to have a devastating impact on the investors, many of whom may not yet be aware that their investments have disappeared. As of March 31, 2010, it appears that American Integrity owed investors at least \$3.5 million, while it had less than \$8500 in cash on hand. Nevertheless, Ryan and American Integrity are

continuing their fraud and appear to have obtained investor funds as recently as March 2010.

5. To halt the ongoing fraud, maintain the status quo and preserve any assets for injured investors, the Commission seeks emergency relief, including an asset freeze; the appointment of a receiver over Prime Rate; expedited discovery; and verified accountings.

VIOLATIONS

6. By virtue of the conduct alleged herein:

- Ryan and Prime Rate, directly or indirectly, singly or in concert, have engaged, are engaging, and unless restrained and enjoined will continue to engage in acts, practices, schemes and courses of business that constitute violations of Section 17(a) of the Securities Act of 1933 (the “Securities Act”) [15 U.S.C. § 77q(a)] and Section 10(b) of the Securities Exchange Act of 1934 (the “Exchange Act”) [15 U.S.C. § 78j(b)] and Rule 10b-5 thereunder [17 C.F.R. § 240.10b-5]; and
- Ryan and Prime Rate, directly or indirectly, singly or in concert, have violated, are violating, and unless restrained and enjoined will continue to violate Sections 5(a) and 5(c) of the Securities Act [15 U.S.C. § 77e].

JURISDICTION AND VENUE

7. The Commission brings this action, pursuant to the authority conferred upon it by Section 20(b) of the Securities Act [15 U.S.C. § 77t(b)] and Section 21(d)(1) of the Exchange Act [15 U.S.C. § 78u(d)(1)], seeking a final judgment: (i) restraining and permanently enjoining the Defendants from engaging in the acts, practices and courses of business alleged against them herein; (ii) ordering Defendants to disgorge any ill-gotten gains and to pay prejudgment interest thereon, jointly and severally; and (iii) imposing civil money

penalties on Defendants pursuant to Section 20(d) of the Securities Act [15 U.S.C. § 77t(d)] and Section 21(d)(3) of the Exchange Act [15 U.S.C. § 78u(d)(3)].

8. This Court has jurisdiction over this action pursuant to Sections 20(b) and 22(a) of the Securities Act [15 U.S.C. §§ 77t(b) and 77v(a)] and Sections 21(e) and 27 of the Exchange Act [15 U.S.C. §§ 78u(e) and 78aa].

9. Venue lies in the Northern District of New York, pursuant to Section 22 (a) of the Securities Act [15 U.S.C. § 77v(a)] and Section 27 of the Exchange Act [15 U.S.C. § 78aa]. The Defendants, directly or indirectly, singly or in concert, have made use of the means and instrumentalities of interstate commerce, or of the mails, in connection with the transactions, acts, practices, and courses of business alleged herein. Certain of these transactions, acts, practices, and courses of business occurred in the Northern District of New York. For example, Prime Rate's main office is and has been, at all relevant times, located in Troy, New York, and Ryan transacted business at that office.

DEFENDANTS

10. **Matthew John Ryan**, age 45, is the founder, owner and sole managing member of Prime Rate. He is a resident of Troy, New York. Ryan has been in the securities industry since at least 1997 and is licensed to sell life insurance, annuities, and mutual funds. For most of the relevant period, Ryan was a registered representative of a registered broker-dealer and operated out of a branch office of the broker-dealer located in Troy, New York. Ryan also sometimes operated under the name "Matthew J. Ryan & Associates," which, according to its website, offers a wide range of financial services, including retirement planning and financial consulting.

11. **Prime Rate d/b/a American Integrity** is a limited liability company incorporated in Delaware in April 2001 with its principal place of business in Troy, New York. Prime Rate sometimes does business as American Integrity. Prime Rate also does business, through Ryan, under several other names, including “Low Cost Moving and Storage” and “Dirty Old Man,” a handyman and trash removal business. Neither Prime Rate nor American Integrity is registered in any capacity with the Commission. Neither Prime Rate nor American Integrity has offered securities pursuant to an offering registered with the Commission.

FACTS

The American Integrity Investments

12. Since at least February 2002, Ryan has been raising money from investors as a purported representative of American Integrity.

13. Ryan preyed on senior citizens who were seeking safe, guaranteed fixed income investments. Many of American Integrity’s investors are in their 60s and 70s. Ryan attracted investors through newspaper advertisements, financial planning seminars and word of mouth.

14. Ryan offered and sold investors purported contracts with American Integrity pursuant to which American Integrity promised to pay a “guaranteed” fixed rate of interest on the initial investment. These contracts were for a fixed term – usually three years – after which the investor could either withdraw his or her investment or roll the investment over into another fixed term with a fixed rate of return. Ryan offered rates of return that varied from investor to investor and ranged from 3.85% to 9.35% annually.

15. Ryan made periodic payments to, or for the benefit of, investors. He represented that these payments were for interest on the investments.

16. Ryan periodically sent each investor a Statement of Account Values (“account statements”). Each account statement reflected the investor’s purported account number, interest rate, and account value, and the amount of interest claimed to have been credited to the account. The statements appear to come from an entity called American Integrity in Manhattan. However, Ryan created and updated each of these documents on his computer. Each of these purported account statements refers to the investor’s current interest rate as a “minimum guaranteed interest rate.”

Ryan Misrepresented the Nature of American Integrity

17. To make American Integrity appear legitimate, Ryan falsely represented to investors that American Integrity was a substantial Manhattan-based financial services firm with numerous employees and for which he was merely a representative. He made these misrepresentations orally and through documents he sent to investors.

18. Ryan’s communications with investors and prospective investors gave the firm’s address as 208 East 51st Street in midtown Manhattan and included a toll-free number, the address of American Integrity’s website, and an email address for customer service. Those communications, including account opening forms, account statements, and American Integrity’s website, all prominently displayed the American Integrity slogan: “Best Fixed Rates. Best Financial Company.” Ryan also included the following legend at the bottom of the account statements he sent to investors: “Thank you for placing your business with American Integrity. If you have any additional needs, please contact your representative listed below.” Ryan then listed his own name, address and phone number below the legend, as though American Integrity had other “representatives.”

19. In fact, Ryan knew that American Integrity existed in name only. The address was just a mail drop to create the false impression that American Integrity had an office in midtown Manhattan. The toll-free number Ryan established was merely an answering service that relayed messages to him, and American Integrity had no “representative” other than Ryan.

20. To reinforce the false impression that American Integrity was a substantial firm, Ryan created fictitious American Integrity employees and used their names in correspondence with investors. For example, Ryan sent correspondence to investors that appeared to come from Maureen McMahan, an American Integrity vice president and customer service representative. In fact, American Integrity had no customer service representative, and “Maureen McMahan” is simply a fiction Ryan invented to create the illusion that American Integrity was a legitimate and substantial company.

21. To further the false impression that American Integrity was a substantial firm, Ryan misrepresented in documents he sent to investors that American Integrity was a group of associated companies. For example, privacy notifications that Ryan sent to investors include the following statement: “This applies to all products and services provided by American-Integrity Financial Company and companies owned or controlled by American-Integrity Financial Services (hereafter referred to as ‘subsidiaries’).” In fact, Ryan knew that American Integrity was not part of a group of companies and that it had no subsidiaries.

Ryan Misrepresented That the Investments Were Safe

22. To convince senior citizens to entrust their savings to American Integrity, Ryan fraudulently misrepresented that the investments were safe.

23. Investor A, a 77-year old woman, invested more than \$165,000 with American Integrity in approximately 2003. Before doing so, she asked Ryan if the investment was

insured. Ryan told her that it was insured up to \$500,000. Ryan also told her that her money was safe with American Integrity. These representations were false, and Ryan knew or recklessly disregarded that they were false. Investor A invested with American Integrity because of Ryan's misrepresentations about the investment's safety.

24. Investor B, a 74-year old woman, invested more than \$100,000 with American Integrity prior to 2007. Ryan told her that her investment with American Integrity was insured up to the amount of \$250,000. This representation was false, and Ryan knew or recklessly disregarded that it was false.

25. Ryan told another individual, who played a role in a particular entity's investment with American Integrity, that the investment was safe and insured up to \$500,000 by the FDIC, which protects certain commercial bank deposits. This representation was false, and Ryan knew or recklessly disregarded that it was false.

26. Ryan also told at least some investors that their investments with American Integrity were insured by SIPC, which protects certain investments with broker-dealers that are registered with the Commission.

27. As Ryan knew or recklessly disregarded, American Integrity was neither a bank nor a broker-dealer registered with the Commission, and none of its debts or promises were guaranteed by the FDIC or SIPC.

Ryan's Misrepresentations About the American Integrity Investments

28. Ryan also falsely represented, via American Integrity's website, that American Integrity profited by investing in corporate stock. At least as of April 26, 2010, American Integrity's website, www.american-integrity.com, stated:

American-Integrity's investments strategies are one [sic] that works with the client in providing the funding to and to working

hands on with each individual client we work with. We build relationships with all of the clients we are working with in order to build their business and increase their profits. Unlike the banking divisions in the industry, where they loan funds based on the criteria provided to them.

American-Integrity goes to the location, meets with employees, looks at the product and evaluates the entire company to see if it meets our standards to make sure the funds provided will pay the returns we are looking forward to. For example, we recently took stock in a company instead of having to put the burden on the company of having to make a loan payment. The company recently went public with their stock and American-Integrity's return was more than if the company had re-paid the loan.

29. Ryan directed the development of American Integrity's website and knew that American Integrity never invested in the stock of any company.

Ryan Misrepresented That American Integrity Was a Legitimate Custodian of IRAs

30. To induce investors to part with their retirement savings, Ryan falsely represented that American Integrity was qualified to serve as a custodian of individual retirement accounts ("IRAs") and other tax-deferred investments and to receive roll-overs from such tax-deferred investments and preserve their tax-deferred status. Ryan made these representations in conversations with prospective investors and in a variety of written communications with them. For example, at the inception of their investment, Ryan provided investors with an account opening form for their contracts with American Integrity. The form included classification of the investment as a "traditional IRA," a "SEP-IRA," a "401(k)," a non-qualified investment, or something else. The account statements sent to investors used the same terminology. Ryan used the terms "qualified" and "non-qualified" (or abbreviations thereof) to distinguish between investments that qualified for deferred taxation, under Internal Revenue Service rules and regulations, and those that did not.

31. In fact, Ryan knew, or recklessly disregarded, that American Integrity was not qualified or permitted to establish or maintain custody of IRAs. Ryan had no legitimate basis for claiming that American Integrity could act as a custodian for IRAs or other tax-deferred investments.

32. The Internal Revenue Service (“IRS”) rules establish that only banks, credit unions, savings and loan institutions, and certain specified NonBank Trustees (“NBTs”) can serve as qualified custodians of IRAs. A NonBank Trustee must submit an application to, and obtain approval from, the IRS before being permitted to serve as a qualified custodian of IRAs. Neither American Integrity nor Prime Rate has ever been an approved NBT.

33. As a result of Ryan’s misrepresentations, at least twenty-seven investors entrusted their funds to American Integrity believing that their investments would qualify for deferred tax treatment.

Ryan Concealed American Integrity’s Fraudulent Purpose

34. Since at least 2004, Ryan has been using funds that investors invested in American Integrity for multiple purposes he knowingly concealed from investors, including (i) to repay loans for the purchase or refinancing of real estate held in Prime Rate’s name; (ii) to pay other investors’ returns, in Ponzi-scheme fashion; and (iii) to pay his own personal expenses, including payments on his loans for luxury cars.

35. Since approximately October 2004, Ryan has deposited American Integrity investor funds in a bank account in the name of “Prime Rate & Return Dba American Integrity” (the “American Integrity Account”). Ryan is and has been the only signatory for this account.

36. As of March 31, 2010, Ryan had deposited approximately \$5.8 million into the American Integrity Account. Of that amount, more than \$4.8 million – or approximately 83% of total deposits – were investor funds.

37. As of March 31, 2010, Ryan had withdrawn or transferred funds from the American Integrity Account in at least the following amounts for the following purposes:

1. To pay American Integrity investors more than \$1.9 million in purported interest and principal;
2. To provide more than \$845,000 to Prime Rate;
3. To make loan payments of at least \$265,000 to mortgage lenders on real estate owned by Ryan and/or Prime Rate;
4. To pay expenses of more than \$125,000 related to his luxury vehicles, including at least one Mercedes-Benz and at least one BMW; and
5. To provide himself with cash or checks in the amount of at least \$400,000.

38. Ryan concealed from investors that he was using investor funds for any of the purposes set forth in the preceding paragraph. On the contrary, the American Integrity website falsely represents that its business involves stock investments.

Defendants' Fraud Continues As They Deplete Investor Funds

39. Ryan raised funds from an investor as recently as March 2010. On March 15, Ryan deposited \$37,000 of investor funds into the American Integrity Account.

40. Ryan currently owes investors at least \$3.5 million. As of March 31, 2010, the American Integrity Account held less than \$8500 in cash.

41. Meanwhile, Ryan continues to falsely reassure investors about their investments. In late April 2010, Investor B asked Ryan why her monthly interest check from American

Integrity was late. Ryan told her there was nothing to worry about, and Investor B received the check the next day. Similarly, in February 2010, Ryan told Investor A that her investment was fine.

FIRST CLAIM FOR RELIEF
Violations of Section 17(a) of the Securities Act
(Against Ryan and Prime Rate)
(Antifraud violations)

42. Paragraphs 1 through 41 are realleged and incorporated by reference as if set forth fully herein.

43. The American Integrity investments are securities within the meaning of Section 2(1) of the Securities Act [15 U.S.C. § 77b(1)] and Section 3(a)(10) of the Exchange Act [15 U.S.C. § 78c(a)(10)].

44. From at least 2002 through the present, the Defendants, directly or indirectly, singly or in concert, by use of the means or instruments of transportation or communication in, or the means or instrumentalities of, interstate commerce or by the use of the mails, in connection with the offer or sale of securities, knowingly or recklessly: a) employed, are employing or are about to employ devices, schemes and artifices to defraud; b) have obtained, are obtaining or are about to obtain money and property by means of untrue statements of material fact or omissions 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/or c) have engaged, are engaging or are about to engage in transactions, practices or courses of business which have operated, operate or will operate as a fraud and deceit upon investors.

45. By reason of the foregoing, the Defendants, directly or indirectly, singly or in concert, have violated, are violating, and unless restrained and enjoined will again violate Section 17(a) of the Securities Act [15 U.S.C. § 77q(a)].

SECOND CLAIM FOR RELIEF
Violations of Section 10(b) of the Exchange Act and Rule 10b-5
(Against Ryan and Prime Rate)
(Antifraud Violations)

46. Paragraphs 1 through 45 are realleged and incorporated by reference as if set forth fully herein.

47. From at least 2002 through the present, the Defendants, directly or indirectly, singly or in concert, by use of the means or instruments of transportation or communication in, or the means or instrumentalities of, interstate commerce or by the use of the mails, in connection with the offer or sale of securities, knowingly or recklessly: a) employed, are employing or are about to employ devices, schemes and artifices to defraud; b) have obtained, are obtaining or are about to obtain money and property by means of untrue statements of material fact or omissions 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/or c) have engaged, are engaging or are about to engage in transactions, practices or courses of business which have operated, operate or will operate as a fraud and deceit upon investors.

48. By reason of the activities herein described, the Defendants, singly or in concert, directly or indirectly, have violated, are violating, and unless restrained and enjoined will again violate Section 10(b) of the Exchange Act [15 U.S.C. §§78j(b)] and Rule 10b-5 [17 C.F.R. §240.10b-5] promulgated thereunder.

THIRD CLAIM FOR RELIEF
Violations of Section 5(a) and 5(c) of the Securities Act
(Against Ryan and Prime Rate)

49. Paragraphs 1 through 48 are realleged and incorporated by reference as if set forth fully herein.

50. The American Integrity investments alleged herein constitute “securities” as defined in the Securities Act and the Exchange Act.

51. No registration statement was filed for the offering of American Integrity investments. Nor did the offering and sale of those investments qualify for any exemption from the registration requirements set forth in Section 5 of the Securities Act and the rules promulgated thereunder. Among other things, Defendants conducted a general solicitation through newspaper advertisements and American Integrity’s website and raised more than \$1 million. Defendants also failed to provide unaccredited investors with financial information such as audited balance sheets or financial statements.

52. Ryan and Prime Rate, singly or in concert, directly or indirectly, have made use of the means or instruments of transportation or communication in interstate commerce, or of the mails, to offer and sell securities through the use or medium of a prospectus or otherwise, or have carried or caused to be carried through the mails or in interstate commerce, by any means or instruments of transportation, securities for the purpose of sale or for delivery after sale, when no registration statement has been filed or was in effect as to such securities and when no exemption from registration was available.

53. By reason of the foregoing Ryan and Prime Rate, singly or in concert, directly or indirectly, have violated, are violating, and unless enjoined will again violate Sections 5(a) and 5(c) of the Securities Act [15 U.S.C. §§ 77e(a) and 77e(c)].

PRAYER FOR RELIEF

WHEREFORE, the Commission respectfully requests that the Court grant the following relief:

I.

A Final Judgment finding that the Defendants each violated the securities laws and rules promulgated thereunder as alleged against them herein.

II.

An Order temporarily and preliminarily, and a Final Judgment permanently, restraining and enjoining the Defendants and their agents, servants, employees and attorneys and all persons in active concert or participation with them who receive actual notice of the injunction by personal service or otherwise, and each of them, from committing future violations of each of the securities laws and rules promulgated thereunder.

III.

An Order freezing the assets of the Defendants pending further Order of the Court.

IV.

An Order appointing temporary and preliminary receivers over Prime Rate.

V.

An Order directing the Defendants to file with this Court and serve upon the Commission, within three (3) business days, or within such extension of time as the Commission staff agrees in writing or as otherwise ordered by the Court, a verified written accounting, signed by each of them under penalty of perjury.

VI.

An Order permitting expedited discovery.

VII.

An Order permanently restraining and enjoining the Defendants, and any person or entity acting at their direction or on their behalf, from destroying, altering, concealing, or otherwise

interfering with the access of the Commission to relevant documents, books and records.

VIII.

A Final Judgment directing the Defendants to disgorge their ill-gotten gains, plus prejudgment interest.

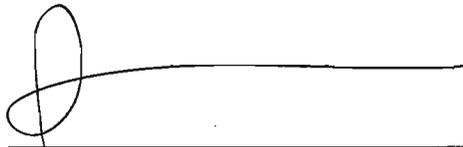
IX.

A Final Judgment directing the Defendants to pay civil money penalties pursuant to Section 20(d) of the Securities Act [15 U.S.C. § 77t(d)] and Section 21(d)(3) of the Exchange Act [15 U.S.C. § 78u(d)(3)].

X.

Granting such other and further relief as this Court deems just and proper.

Dated: New York, New York
May 3, 2010



PREETHI KRISHNAMURTHY
Attorney Bar Number: 516214
STEVEN G. RAWLINGS
Attorney Bar Number: 516216
KRISTINE ZALESKAS
Attorney Bar Number: 516215

Attorneys for Plaintiff
Securities and Exchange Commission
3 World Financial Center, Room 400
New York, NY 10281
Telephone: (212) 336-0116 (Krishnamurthy)
Fax: (212) 336-1319 (Krishnamurthy)
E-mail: KrishnamurthyP@sec.gov

Of Counsel:
Andrew M. Calamari
Leslie Kazon