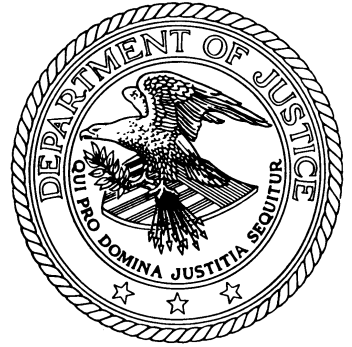


NEWS RELEASE



OFFICE OF THE UNITED STATES ATTORNEY SOUTHERN DISTRICT OF CALIFORNIA

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For Immediate Release

BROTHERS PLEAD GUILTY FOR THEIR ROLES MASTERMINDING \$30 MILLION PONZI SCHEME AND MORTGAGE FRAUD

NEWS RELEASE SUMMARY - January 3, 2011

United States Attorney Laura E. Duffy announced that brothers Matthew “Beau” La Madrid and Lance La Madrid pled guilty today in federal court to conspiracy and mail fraud charges in connection with their operation of the Plus Money Premium Return Funds (“PRF”) and related real estate investment and mortgage fraud schemes.

According to court records and the defendants’ admissions at today’s hearing, between 2004 and 2008, Beau La Madrid fraudulently solicited from PRF investors more than \$30 million that he promised to invest in “covered calls” stock option trading. Instead, he used a substantial part of new investor funds to make monthly payments to earlier investors and secretly funneled more than \$7 million to a bank account that he controlled in the name of Vision Quest Investments. To mislead investors into believing that their PRF investments were profitable and intact, Beau La Madrid sent to investors monthly account statements that reported fictitious brokerage account values and trading returns and concealed his diversion of investor funds.

As part of Beau La Madrid's guilty plea to conspiracy charges, he also admitted that, as a member of Real Estate Investment Group ("REIG") – a related investment company – he fraudulently obtained investor funds by falsely promising to secure real estate investments with promissory notes and recorded deeds of trusts. In reality, the deeds of trust were not recorded, and victims lost their investments when the properties purportedly securing the notes were sold.

In pleading guilty, Beau La Madrid also admitted that he obtained millions of dollars for his investment programs by fraudulently securing mortgage loans for himself and others. Among other things, Beau La Madrid knew that the loan applications falsely stated that borrowers earned substantial income as employees of businesses where the borrowers did not, in fact, work; falsely overstated the borrowers' assets; falsely stated that the funds used for down payments were not borrowed; and falsely stated that the borrowers intended to occupy the properties as their primary residences. Based on these misrepresentations, financial institutions and other lenders lent millions of dollars that were eventually lost when the defendants' schemes came to light. For purposes of sentencing, Beau La Madrid admitted that the collapse of his various fraud schemes caused losses of between approximately \$20 million and \$50 million. Beau La Madrid further agreed to forfeit any proceeds he generated from these crimes and to a joint recommendation that he serve 10 years in prison for his crimes.

According to court records, Lance La Madrid was the Assistant General manager of Plus Money and a trader for one of the PRF funds. He pled guilty to Count 4 of the Indictment, which alleges that he executed the overall scheme to defraud by use of the United States mails. As part of Lance La Madrid's guilty plea to this charge of mail fraud, he admitted that he fraudulently obtained real estate loans in 2005 and 2006. Lance La Madrid admitted that the applications for these loans contained false statements that the potential borrowers earned substantial income as employees of certain businesses, when, in fact, the borrowers performed no such work. For purposes of sentencing, Lance La Madrid admitted that this fraudulent conduct caused losses of between approximately \$400,000 and \$1 million.

As part of their plea agreements, both defendants have agreed to pay restitution to the victims of their criminal conduct. Beau La Madrid and Lance La Madrid are scheduled to appear for a sentencing hearing on April 4, 2011 at 9:00 a.m., before United States District Court Judge William Q. Hayes.

Today's convictions mark the eighth and ninth guilty pleas obtained in the ongoing investigation into Plus Money and related investment fraud schemes. Co-defendant Eric Montiel pled guilty (in February 2010) to Count 1 of the Indictment. Co-conspirators Kevin Fallis (09cr2293-WQH), James Hyatt (09cr2467-WQH), Mark Busby (08cr4322-WQH) and Christine Busby (08cr4322-WQH), Richard Kassler (08cr3030-WQH) and Moises Pacheco (10cr1585-JM) have also pled guilty to fraud charges in connection with various La Madrid-related schemes. All of these defendants are currently awaiting sentencing.

United States Attorney Duffy praised the efforts of special agents of the Federal Bureau of Investigation and the Internal Revenue Service, Criminal Investigation, and thanked the United States Securities and Exchange Commission, Division of Enforcement, for its assistance.

DEFENDANTS

Criminal Case No. 09-CR-2582

Matthew "Beau" La Madrid
Lance La Madrid

SUMMARY OF CHARGES

Matthew "Beau" La Madrid

Title 18, United States Code, Section 371-Conspiracy to Commit Mail Fraud, Wire Fraud, Bank Fraud, and Conspiracy to Commit Money Laundering (2 counts) – Combined statutory maximum sentence of 10 years' custody, a fine of \$500,000 or twice the gross gain/loss caused by the offense, \$200 special assessment, forfeiture of any proceeds, and restitution.

Lance La Madrid

Title 18, United States Code, Section 1341- Mail Fraud (1 count) – Statutory maximum sentence of 20 years' custody, a fine of \$250,000, \$100 special assessment, and restitution.

AGENCIES

Federal Bureau of Investigation
Internal Revenue Service, Criminal Investigation