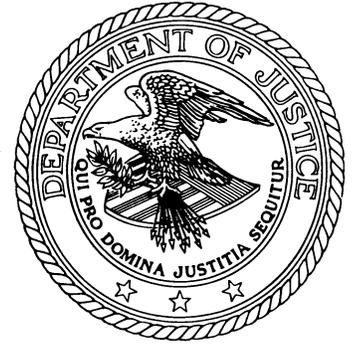


NEWS RELEASE



OFFICE OF THE UNITED STATES ATTORNEY SOUTHERN DISTRICT OF CALIFORNIA

San Diego, California

*United States Attorney
Laura E. Duffy*

Assistant U.S. Attorneys Stephen P. Clark (619) 557-7717 or Yesmin E. Saide (619) 557-6755

For Immediate Release

MATTHEW LA MADRID SENTENCED FOR HIS ROLE MASTERMINDING \$30 MILLION PONZI SCHEME AND MORTGAGE FRAUD

NEWS RELEASE SUMMARY - July 28, 2011

United States Attorney Laura E. Duffy announced that Matthew “Beau” La Madrid was sentenced today by U.S. District Court Judge William Q. Hayes to serve a lengthy federal prison term in connection with his operation of the Plus Money Premium Return Funds (“PRF”) and related real estate investment and mortgage fraud schemes. The defendant entered his guilty plea on January 3, 2011.

Matthew “Beau” La Madrid was sentenced to serve 120 months in prison, three years of supervised release, and ordered to pay \$23,484,171.33 in restitution, based on his convictions for conspiracy to commit mail fraud, wire fraud, and bank fraud and conspiracy to launder money. He was also ordered to forfeit the proceeds he generated from these crimes, including \$7 million, his interest in five parcels of real property, and the assets seized as part of related Securities and Exchange Commission enforcement actions.

According to sentencing documents, Beau La Madrid was the mastermind of the principal investment scheme in which, between 2004 and 2008, he and others fraudulently solicited from PRF investors more than \$39 million that they promised to invest in “covered calls” stock option trading. Instead, a substantial part of new investor funds was used to make monthly payments to earlier investors, and more than \$7 million was secretly funneled to a bank account that Beau La Madrid controlled in the name of Vision Quest Investments. To mislead investors into believing that their PRF investments were profitable and intact, La Madrid sent investors monthly account statements that reported fictitious brokerage account values and trading returns. By the fall of 2007, the investors’ money was gone. Despite the collapse of Plus Money, La Madrid continued to solicit unsuspecting investors, receiving more than \$1.9 million between July 30, 2007 and January 2008.

As set forth in court filings, Beau La Madrid was a principal in related real estate companies - Real Estate Investment Group (REIG) and E & M Property Management - which were used to fraudulently obtain from investors more than \$3 million by falsely promising to secure real estate investments with promissory notes and recorded deeds of trust. In reality, the deeds of trusts were either not recorded or improperly recorded, causing victims to lose their investments when the properties purportedly securing the notes were sold or foreclosed upon. La Madrid even promised to pledge his own personal residence as security for some promissory notes. The victims were financially devastated when the notes were not properly secured and the notes went unpaid.

According to sentencing documents, La Madrid funded his Ponzi and real estate fraud schemes by fraudulently securing mortgage loans, for duping borrowers into investing almost \$5 million of their loan proceeds in PRF and REIG/E &M promissory note investments. At least 94 fraudulent loan applications were submitted to obtain more than \$34 million in loans. Among other things, the fraudulent loan applications listed false employers, incomes, false and inflated assets, and misrepresented that borrowers would occupy the residences when they actually were intended as the defendants’ investment property. Based on these misrepresentations and others, financial institutions and other lenders funded the loans and eventually lost more

than \$6.8 million once the La Madrid schemes came to light. By contrast, La Madrid collected more than \$760,000 in loan commissions and \$250,000 in real estate commissions from fraudulent mortgage/real estate transactions.

In total, La Madrid cheated more than 300 victims out of more than \$26 million. Beau La Madrid spent more than \$786,000 of his crime proceeds supporting his lavish life style, which included purchasing luxury vehicles, jewelry, and art, vacationing, and gambling.

United States Attorney Duffy said, “The defendant left a wake of financial devastation from which many victims will not soon recover. The sentences imposed today reflect the depth of the harm done and will hopefully bring some measure of justice to the victims.”

FBI Special Agent in Charge Keith Slotter commented, “This investigation shows the extent to which some criminals go to defraud the public, banking institutions, and lenders. As we have seen over the past several years, fraud, and mortgage fraud, in particular, have had devastating consequences to the overall economic stability of our country. Today’s sentencing should serve as a deterrent to others who may believe that they can get away with such egregious and complicated schemes.”

“The fraudulent investment schemes of Matthew La Madrid viciously preyed upon the investing public and inflicted financial hardship upon their victims,” said Leslie P. DeMarco, Special Agent in Charge Los Angeles Field Office. “Today’s sentencing is justice to the victims and reinforces IRS participation in these financial investigations in our ongoing effort to pursue financial and investment fraud.”

Today’s sentences mark the first imposed in the ongoing investigation into Plus Money and related investment fraud schemes. Co-defendants Lance La Madrid, Eric Montiel and co-conspirators Kevin Fallis (Case Number: 09cr2293-WQH), James Hyatt (Case Number: 09cr2467-WQH), Mark Busby (Case Number: 08cr4322-WQH), Christine Busby (Case Number: 08cr4322-WQH), Richard Kassler (Case Number: 08cr3030-

WQH) and Moises Pacheco (Case Number: 10cr1585-JM) have also pled guilty to fraud charges in connection with various La Madrid-related schemes and are currently awaiting sentencing.

This case was investigated by special agents from the Federal Bureau of Investigation and Internal Revenue Service, Criminal Investigation. U.S. Attorney Duffy also thanked the Securities and Exchange Commission for its assistance and cooperation in these investigations.

Judge Hayes ordered the defendant remanded immediately into custody to begin serving his sentencing.

DEFENDANT

Criminal Case No. 09-CR-2582WQH

Matthew “Beau” La Madrid

SUMMARY OF CHARGES IN GUILTY PLEA

Title 18, United States Code, Section 371-Conspiracy to Commit Mail Fraud, Wire Fraud, Bank Fraud, and Conspiracy to Commit Money Laundering (Two counts)

AGENCIES

Federal Bureau of Investigation
Internal Revenue Service, Criminal Investigation