



U.S. Securities and Exchange Commission

U.S. SECURITIES AND EXCHANGE COMMISSION

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Securities and Exchange Commission v. Plus Money, Inc., and Matthew La Madrid, et al., Case No. 3:08-CV-00764-BEN-NLS (S.D. Cal.)

SEC Obtains Asset Freeze, Halts San Diego Hedge Fund Fraud

The Securities and Exchange Commission ("Commission"), on April 28, filed an emergency action to halt an ongoing \$30 million hedge fund fraud by an investment adviser located in San Diego. Named in the Commission's complaint are El Cajon, Calif.-based Plus Money, Inc. ("Plus Money") and Matthew La Madrid ("La Madrid"), age 41 and a resident of Jamul, Calif. The Honorable Roger T. Benitez, United States District Court Judge for the Southern District of California, issued an order on April 30 temporarily freezing the assets of the defendants and the relief defendants.

The Commission's complaint alleges that since at least May 2004, the defendants have managed hedge funds (the "Premium Return Funds") that raised more than \$30 million from over 300 investors by telling them they would engage in a covered call options trading strategy. The complaint further alleges that, unbeknownst to investors, in the fall 2007 Plus Money and La Madrid abandoned the covered call trading strategy, emptied out the monies in the Premium Return Funds' brokerage accounts, and dissipated the money through a series of illicit transfers.

The SEC's complaint alleges that investors were not told that in the fall 2007, La Madrid and Plus Money transferred nearly all monies from the Premium Return Funds' brokerage accounts to Vision Quest Investments, a La Madrid dba, which in turn transferred \$10 million to relief defendant Palladium Holding Company. The complaint further alleges that Palladium:

- Transferred \$5 million to its own brokerage account and used the funds to trade in numerous short-sell transactions involving Treasury bonds; as of April 25, this activity had depleted more than half of the account's value
- Wired \$500,000 back to La Madrid
- Transferred \$1.8 million to several real estate title companies
- Used \$95,000 towards the purchase of two automobiles
- Transferred another \$90,000 to a Denver-based car dealership

According to the SEC's complaint, Plus Money failed to make monthly payments to the Premium Return Funds' investors beginning in February 2008.

The court issued an order temporarily enjoining defendants from future violations of the antifraud provisions of the Investment Advisers Act of 1940 (Sections 206(1), (2), and (4) of the Advisers Act and Rule 206(4)-8 thereunder). The court also issued orders freezing the defendants and relief defendants' assets and prohibiting the defendants from destroying

documents.

Also named in the complaint as relief defendants based on their receipt of investor funds are the three purported hedge funds (The Premium Return Fund Limited-Liability Limited Partnership, The Premium Return Fund II Limited-Liability Limited Partnership, The Premium Return Fund III Limited-Liability Limited Partnership); six entities created by Plus Money (Return Fund, LLC, Return Fund II, LLC, Return Fund III, LLC, Return Fund IV, LLC, Return Fund V, LLC, Return Fund VI, LLC); Donald Lopez of Denver, Colo.; and Palladium Holding Company, an entity formed and controlled by Lopez.

The Commission's complaint seeks preliminary and permanent injunctions, return of ill-gotten gains with prejudgment interest, and penalties against the defendants. The complaint also alleges that the defendants transferred significant amounts of investor monies to the relief defendants and seeks the return of those monies.

A hearing on whether a preliminary injunction should be issued against the defendants and whether a permanent receiver should be appointed is scheduled for May 14.

► [SEC Complaint in this matter](#)

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