

1 3. Defendant MATTHEW "BEAU" LA MADRID also operated businesses
2 related to real estate investments, including Innovative Financial
3 Solutions ("IFS"), Real Estate Investment Group ("REIG"), and E & M
4 Property Management, located in San Diego County, California.

5 4. Defendant LANCE LA MADRID was the Assistant General Manager
6 of Plus Money and the manager of Premium Return Fund III.

7 5. Defendant ERIC MONTIEL was the Audit and Communications
8 Officer for Plus Money, the manager of Premium Return Fund II, and a
9 partner in REIG and E & M Property Management.

10 6. The Federal Deposit Insurance Corporation (hereinafter,
11 "FDIC") was an agency of the United States government established, in
12 part, to regulate, supervise, and insure the deposits of financial
13 institutions.

14 7. During the relevant period, the following financial
15 institutions' deposits were federally insured by the FDIC:

- 16 A. Countrywide Bank, FSB ("Countrywide");
- 17 B. Downey Savings and Loan Association ("Downey");
- 18 C. National City Bank ("National City"); and
- 19 D. World Savings Bank ("World Savings").

20 Count 1

21 (Conspiracy - 18 U.S.C. § 371)

22 8. The Introductory Allegations contained in paragraphs
23 1 through 7 of this Indictment are realleged and incorporated in this
24 Count as if set forth fully herein.

25 9. Beginning on a date unknown to the grand jury but no later
26 than October 2003, and continuing to on or about June 2008, within the
27 Southern District of California and elsewhere, defendants MATTHEW
28 "BEAU" LA MADRID, LANCE LA MADRID, ERIC MONTIEL, and others known and

1 unknown to the grand jury, did conspire and agree together and with
2 each other to commit offenses against the United States, to wit:

3 A. To knowingly devise a material scheme to defraud and
4 to obtain money and property by means of materially
5 false and fraudulent representations, and to use the
6 United States mails and private commercial interstate
7 carriers in furtherance of the scheme to defraud, in
8 violation of Title 18, United States Code,
9 Section 1341;

10 B. To knowingly devise a material scheme to defraud and
11 to obtain money and property by means of materially
12 false and fraudulent representations, and to use
13 interstate wire communications in furtherance of the
14 scheme to defraud, in violation of Title 18, United
15 States Code, Section 1343;

16 C. To knowingly devise and execute a material scheme to
17 obtain moneys, funds, assets, securities and other
18 property under the custody and control of a financial
19 institution by means of materially false and
20 fraudulent representations, in violation of Title 18,
21 United States Code, Section 1344.

22 Manner and Means

23 10. It was part of the conspiracy that the defendants would
24 represent to investors that they operated various investment programs,
25 including a "covered calls" stock option trading program and other
26 investment programs involving real estate.

27 11. It was further part of the conspiracy that the defendants
28 would obtain over \$30 million from investors by falsely promising that

1 monies invested in the Plus Money funds would be used to trade in
2 "covered call" stock options, and that the monthly payments investors
3 would receive represented income from their investment.

4 12. It was further part of the conspiracy that the defendants
5 would communicate electronically with the Plus Money investors,
6 providing them with false and misleading account statements indicating
7 that the investment funds were healthy and profitable and that the
8 principal invested by all participants was intact.

9 13. It was further part of the conspiracy that the defendants
10 would provide Plus Money investors, personally or by mail, with
11 Internal Revenue Service ("IRS") Form K-1s which falsely reported that
12 the payments made to investors were income, rather than the return of
13 principal from other investors, or funds from other sources.

14 14. It was further part of the conspiracy that the defendants
15 would assist others in fraudulently obtaining over \$34 million from
16 financial institutions and other lenders by means of materially false
17 and fraudulent representations on home loan applications in order to
18 obtain money from potential investors to invest in the Plus Money
19 funds and the defendants' real estate investment programs, including
20 REIG.

21 15. It was further part of the conspiracy that the defendants
22 steered the borrowers to loans with disadvantageous terms, including
23 higher interest rates, balloon payments, and prepayment penalties, in
24 order to produce larger commissions and rebates for the defendants.

25 16. It was further part of the conspiracy that the defendants
26 would prepare home loan applications falsely stating that the
27 potential borrowers earned substantial income as employees of
28 businesses where the borrowers did not in fact work, falsely

1 overstating the borrowers' assets, falsely stating that none of the
2 funds used for the down payments were borrowed, and falsely stating
3 the intent of the borrower to reside on the property.

4 17. It was further part of the conspiracy that the defendants
5 would fabricate bank statements to submit in support of home loan
6 applications that showed false and inflated assets for the borrower.

7 18. It was further part of the conspiracy that the defendants
8 would pay a tax preparer to write letters in support of home loan
9 applications that falsely attested to the preparation of tax returns
10 to confirm alleged self employment income.

11 19. It was further part of the conspiracy that the defendants
12 would fabricate letters in support of home loan applications that
13 falsely stated the homeowner intended to use the borrowed funds for
14 home improvements.

15 20. It was further part of the conspiracy that the defendants
16 would forge and caused others to forge the signatures of borrowers and
17 loan officers on documents related to the home loan applications.

18 21. It was further part of the conspiracy that the defendants
19 would pay notaries to falsely verify the borrowers' signatures on loan
20 applications and deeds.

21 22. It was further part of the conspiracy that the defendants
22 would utilize straw buyers to purchase real estate for REIG, and
23 promise that the mortgages, taxes and other payments associated with
24 this real estate would be paid by funds generated by trading in
25 covered calls.

26 23. It was further part of the conspiracy that the defendants
27 would obtain over \$4 million from investors for REIG and E & M
28 Property Management by falsely representing that their investments

1 were fully protected by promissory notes secured by real property
2 when, in fact, the promissory notes were never recorded as an interest
3 in property and in other cases the property involved did not contain
4 sufficient equity to secure the investment.

5 24. It was a further part of the conspiracy that the defendants
6 would send monthly payments to investors, falsely representing such
7 payments to be interest on the original sum invested, in order to
8 conceal the scheme from the investors.

9 25. It was further part of the conspiracy that the defendants
10 used and caused others to use the United States mails, private
11 commercial interstate carriers and interstate wire communications in
12 order to obtain money from fraudulent home loan applications and
13 fraudulent investments.

14 26. It was further part of the conspiracy that the defendants,
15 in order to prevent the investors from learning the full extent of the
16 fraud and their losses, and in order to conceal documents from the
17 Securities and Exchange Commission ("SEC") and prevent their use by
18 the SEC in any proceedings, would secretly move the records and
19 computers from the offices of Plus Money to the residence of a co-
20 conspirator.

21 27. It was further part of the conspiracy that the defendants,
22 in order to conceal the dissipation of the assets from the investors,
23 would falsely advise investors that their money was secure, and would
24 be released to them soon.

25 //

26 //

27 //

28 //

OVERT ACTS

1
2 28. In furtherance of this conspiracy and to effect the objects
3 thereof, the following overt acts were committed within the Southern
4 District of California, and elsewhere:

- 5 A. On or about July 20, 2004, in Santee, California,
6 defendant MATTHEW "BEAU" LA MADRID and a co-
7 conspirator caused a loan application to be submitted
8 to a lender for a property on Ruelle Ct. in Santee
9 that bore the forged signature of the borrower and
10 falsely stated that the borrower earned \$6,520 per
11 month at a false employer;
- 12 B. On or about July 23, 2004, in El Cajon, California
13 defendants MATTHEW "BEAU" LA MADRID and ERIC MONTIEL
14 caused a loan application to be submitted to a lender
15 for a property on Altisma Way in Carlsbad, California
16 that bore the forged signature of the alleged borrower
17 and falsely stated that the borrower earned \$8,700 per
18 month and had over \$130,000 on deposit with a bank;
- 19 C. On or about July 25, 2004, in San Diego, California,
20 defendants MATTHEW "BEAU" LA MADRID and ERIC MONTIEL
21 paid an individual \$3,000 to pose as the borrower for
22 the property on Altisma Way in Carlsbad, California;
- 23 D. On or about August 1, 2004, defendant ERIC MONTIEL
24 signed a \$100,000 promissory note, falsely promising
25 the investor that the note was secured by a deed of
26 trust filed on a real property located on Caminito
27 Quixote, in San Diego, California and would be repaid
28 in full if the property was sold;

1 E. On or about September 10, 2004, in San Diego,
2 California, defendant MATTHEW "BEAU" LA MADRID caused
3 the submission of a loan application for a property on
4 Dairy Mart Road in San Diego, in the name of a straw
5 buyer and caused a co-conspirator to falsely notarize
6 the forged signature of the straw buyer on the loan
7 application;

8 F. On or about November 17, 2004, defendant MATTHEW
9 "BEAU" LA MADRID paid a tax preparer approximately
10 \$400 to create false letters verifying employment for
11 a borrower;

12 G. On or about November 29, 2004, in San Diego,
13 California, defendant MATTHEW "BEAU" LA MADRID caused
14 a loan application to be submitted to a lender for a
15 property on Clatsop Way in San Diego that falsely
16 stated the borrower earned \$13,500 per month as a co-
17 owner/ticket sales at a false employer, and that
18 included a letter from a tax preparer falsely
19 certifying her employment;

20 H. On or about December 20, 2004, defendant MATTHEW
21 "BEAU" LA MADRID caused a co-conspirator to falsely
22 state on a loan application for Jackie Drive in
23 San Diego, California that he earned \$9,900 per month
24 at a false employer and that none of the funds used
25 for the down payments were borrowed;

26 I. On or about April 12, 2005, in El Cajon, California,
27 defendants MATTHEW "BEAU" LA MADRID and LANCE
28 LA MADRID caused a loan application to be submitted to

1 a lender for a property on Pinkard Way in El Cajon
2 that falsely stated the borrower earned \$9,550 per
3 month as a ticket sales manager, knowing that the
4 income and employer were false;

5 J. On or about August 1, 2005, in San Diego, California,
6 defendants MATTHEW "BEAU" LA MADRID and LANCE
7 LA MADRID, the borrower on a loan application for a
8 property on Corte de las Piedras in El Cajon,
9 California, caused the submission of a loan
10 application that falsely stated defendant
11 LANCE LA MADRID was employed by Innovative Financial
12 Solutions as a fund manager since June 18, 2002, and
13 caused a co-conspirator to falsely verify that false
14 employment;

15 K. On or about August 5, 2005, in San Diego, California,
16 defendant ERIC MONTIEL falsely promised an investor
17 that a \$120,000 note was secured by a deed of trust
18 filed on real property located on Robison Boulevard in
19 Poway, California and would be repaid in full if the
20 property was sold;

21 L. On or about August 23, 2005, in Chula Vista,
22 California, defendant MATTHEW "BEAU" LA MADRID caused
23 a loan application to be submitted to a lender for a
24 property on Connoley Circle in Chula Vista that
25 falsely stated the borrower earned \$5,600 per month as
26 a sales associate at a ticket brokerage, knowing that
27 the borrower was not employed;

28 M. On or about September 12, 2005, defendant ERIC MONTIEL

1 sold the property on Caminito Quixote in San Diego,
2 California without providing any repayment to the
3 investor holding the \$100,000 note he had promised was
4 secured by that property;

5 N. On or about September 15, 2005, in El Cajon,
6 California, defendant MATTHEW "BEAU" LA MADRID caused
7 a loan application to be submitted to a lender for a
8 property on Domer Road in Santee, California that
9 falsely stated the borrower was employed at Plus Money
10 earning a salary of \$11,650 per month, knowing that
11 the borrower was not employed;

12 O. On or about November 10, 2005, in San Diego,
13 California, defendant MATTHEW "BEAU" LA MADRID signed
14 a \$140,000 promissory note, falsely promising the
15 investor that the note would be secured by the filing
16 of a deed of trust on defendant MATTHEW "BEAU" LA
17 MADRID's residence;

18 P. On or about November 28, 2005, in El Cajon,
19 California, defendant MATTHEW "BEAU" LA MADRID and a
20 co-conspirator caused a loan application to be
21 submitted to a lender for a property on Norte Mesa
22 Drive in Spring Valley that falsely stated the
23 borrower earned \$6,666 per month as a senior
24 instructor at a martial arts academy, knowing that the
25 borrower was not employed.

26 Q. On or about December 29, 2005, defendant MATTHEW
27 "BEAU" LA MADRID and a co-conspirator caused the co-
28 conspirator's wife to falsely state as the applicant

1 on a loan application for Jackie Drive in San Diego,
2 California that she was employed by another co-
3 conspirator's company and to falsely state in the same
4 application that she earned significant monthly income
5 as an employee of the false employer;

6 R. On or about February 27, 2006, in El Cajon, California,
7 defendants MATTHEW "BEAU" LA MADRID, LANCE LA MADRID,
8 and ERIC MONTIEL caused a loan application to be
9 submitted to a lender for a property on Greenleaf Road
10 in Spring Valley, California that falsely stated the
11 borrower earned \$13,500 per month as an Assistant Fund
12 Manager for Plus Money, and that the borrower was
13 providing \$66,000 as a down payment, knowing that the
14 named borrower was not employed by Plus Money and
15 contributed no money for the down payment but simply
16 acted as a straw buyer for REIG;

17 S. In or about March 2006, in San Diego County,
18 California, and elsewhere, defendants MATTHEW "BEAU" LA
19 MADRID, LANCE LA MADRID, and ERIC MONTIEL sent false
20 IRS Form K-1s to Plus Money investors that falsely
21 represented the proceeds received from Plus Money as
22 income on the investments;

23 T. On or about July 13, 2006, in El Cajon, California,
24 defendants MATTHEW "BEAU" LA MADRID and ERIC MONTIEL
25 caused false and misleading account statements to be
26 sent to Plus Money investors, falsely indicating that
27 the brokerage account for Premium Return Fund I
28 contained at least \$13 million, knowing at the time

1
2
3
4
5
6
7
8
9
10
11
12
13
14
15
16
17
18
19
20
21
22
23
24
25
26
27
28

that the account contained only \$3 million;

U. On or about May 8, 2006, in San Diego, California, defendant MATTHEW "BEAU" LA MADRID signed a \$290,000 promissory note, falsely promising the investor that the note would be secured by the filing of a deed of trust on defendant MATTHEW "BEAU" LA MADRID's residence;

V. On or about September 15, 2006, in San Diego, California, defendant LANCE LA MADRID signed a \$125,000 promissory note, falsely promising the investor that the note would be secured by the immediate filing of a deed of trust on defendant LANCE LA MADRID's residence;

W. On or about October 20, 2006, in El Cajon, California, defendants MATTHEW "BEAU" LA MADRID and LANCE LA MADRID caused false and misleading account statements to be sent to Plus Money investors, falsely indicating that the brokerage account for Premium Return Fund III contained at least \$13 million, knowing at the time that the account contained only \$6 million;

X. On or about November 9, 2006, in Poway, California, defendants MATTHEW "BEAU" LA MADRID and ERIC MONTIEL sold the property on Robison Boulevard in Poway without providing any repayment to the investor holding the \$120,000 note they promised was secured by that property;

Y. On or about February 13, 2007, defendant MATTHEW "BEAU" LA MADRID and a co-conspirator caused a loan application to be submitted to a lender for a property