UNITED STATES DISTRICT COURT
FOR THE NORTHERN DISTRICT OF OHIO
EASTERN DIVISION

SECURITIES AND EXCHANGE COMMISSION, Plaintiff, vs. ENRIQUE F. VILLALBA, JR. Defendant.	Case No.

COMPLAINT

Plaintiff Securities and Exchange Commission ("Commission") alleges as follows:

JURISDICTION AND VENUE

1. This Court has jurisdiction over this action pursuant to Sections 21(d)(1), 21(d)(3)(A), 21(e), and 27 of the Securities Exchange Act of 1934 ("Exchange Act"), 15 U.S.C. §§ 78u(d)(1), 78u(d)(3)(A), 78u(e), and 78aa and Sections 209(d), 209(e)(1), and 214 of the Investment Advisers Act of 1940 ("Advisers Act"), 15 U.S.C. §§ 80b-9(d), 80b-9(e)(1), and 80b-14. Defendant has, directly or indirectly, made use of the means or instrumentalities of interstate commerce, of the mails, or of the facilities of a national securities exchange in connection with the transactions, acts, practices, and courses of business alleged in this complaint.

2. Venue is proper in this district pursuant to Section 27 of the Exchange Act, 15 U.S.C. § 78aa, and Section 214 of the Advisers Act, 15 U.S.C. § 80b-14,

because certain of the transactions, acts, practices and courses of conduct constituting violations of the federal securities laws occurred within this district and defendant resides in this district.

SUMMARY

3. This matter involves fraud and breach of fiduciary duty by Enrique F. Villalba, Jr. ("Villalba") through his former investment advisory business, Money Market Alternative, L.P., and affiliated entities, Money Market Alternative Ltd., Money Market Plus, and Hybrid Money Market Management LLC (collectively, "MMA").

4. From 1996 to June 2009, Villalba solicited prospective clients from Ohio, California, Washington, Tennessee and Illinois, and attracted over $39 million in client funds by touting an investment strategy he developed called the "Money Market Plus Method." Villalba claimed that his strategy was conservative, relatively risk free, and would preserve his clients' principal capital while still earning them returns of 8% to 12% annually.

5. Villalba further enticed prospective clients by assuring them that their money would only be used for investments in securities, including but not limited to S&P 500 Index contracts, treasury bills, or interest earning money market accounts. Villalba also told prospective clients that his management fees would be limited to between 12% and 15% of the profits he generated on their behalf.

6. In reality, however, Villalba misappropriated his clients' funds, lost substantially all of their money by trading in commodity futures contracts, and provided false account statements to hide the catastrophic losses and his misappropriation. Specifically, Villalba misappropriated client funds by: (1) purchasing real estate, (2) paying for MMA's overhead, (3) starting two coffee businesses, and (4) paying himself a salary and management fees based on false profits.

7. The Commission brings this action for a judgment permanently restraining and enjoining Villalba against future violations of the federal securities laws, ordering disgorgement of ill-gotten gains with prejudgment interest, and imposing a civil penalty.

DEFENDANT

8. Enrique F. Villalba, age 47, resides in Cuyahoga Falls, Ohio and began his investment advisory services in 1996. Villalba was the sole controller and principal of Money Market Alternative, L.P., Money Market Alternative, Ltd. and Money Market Plus, from 1996 until September 2009 when MMA's operations ceased. During the relevant time period, Villalba made the investment decisions for MMA's clients.

THE FRAUDULENT CONDUCT

A. VILLALBA'S ADVISORY SERVICES AND INVESTMENT STRATEGY

9. In approximately 1996, Villalba established MMA and touted himself as an investment counselor who developed a method for investing in S&P 500 Index contracts called the "Money Market Plus Method." Villalba described this method in both oral and written representations to prospective clients. According to Villalba, he would invest client funds in the S&P 500 Index using what he termed a "momentum filter" to predict the upward or downward momentum of the Index. Villalba told prospective clients that in order to reduce the risk of large losses, he always placed stop orders approximately 2% above or below the initial entry price. Villalba explained that this ensured his clients' funds would be taken out of the market before they suffered losses greater than 2%.

10. Villalba consistently told clients that he would only invest their funds in securities, including but not limited to S&P 500 Index contracts (through an account at Rosenthal Collins Group ("RCG"), MMA's custodial broker), treasury bills, or interest earning money market accounts. Specifically, Villalba provided

his clients with an Investment Management Agreement that states:

> The Investment Manager is given a Limited Power of Attorney giving full and exclusive discretionary authority to invest and reinvest the assets in the Account and, in that connection, to make determinations as to which **securities** are to be bought or sold, where the **securities** are to be bought or sold for the Account, without obtaining the consent of, or consulting with the Client . . . . **The term "securities" as used in this Agreement shall include (but not by way of limitation) the Standard and Poors 500 Index Contract, Treasury Bills, and Money Market**. (Emphasis added).

However, Villalba invested client funds predominantly in commodity futures contracts, and some in treasury bills. Villalba also promised his clients that he only took management fees based on a percentage of the profits generated through his investment advice and management. The clients believed these fees were between 12% and 15% of the profits they earned from the services Villalba performed.

11. Villalba provided his clients with monthly, quarterly, and annual account statements. Although the statements occasionally showed losses during specific months, all of the quarterly statements showed that Villalba's clients had made healthy profits. Based on the apparent success of Villalba's advisory services, these clients placed more funds with MMA and referred Villalba's advisory services to friends and family. As of June 2009, MMA had attracted over $39 million in client funds from approximately thirty-one clients.

B. MISREPRESENTATIONS AND OMISSIONS BY VILLALBA

12. Despite Villalba's repeated assurances that client funds would only be invested in securities, including S&P 500 Index contracts using his "Money Market Plus Method", treasury bills, or interest earning money market accounts, Villalba used client funds to: (1) pay over $4.1 million for Villalba's management fees, salary and MMA's overhead, (2) purchase over $700,000 in real property, (3) invest over $1.2 million in two start-up coffee businesses Villalba owned, and

(4) make Ponzi-like payments. Moreover, despite Villalba's representations that client funds would be placed in individual accounts at RCG, it appears that MMA had only one account at RCG in which client funds were deposited for trading.

13. Further, even though he told his clients that their principal would always be preserved and losses minimized, Villalba failed to place stop orders on all of his trades and, as a result, from 1998 to 2009, lost over $17 million of his clients' money.

14. To hide his investment failures and his misappropriation of client funds, Villalba prepared and provided his clients false quarterly MMA account statements, which always showed that his clients' accounts had increased in value and were the basis on which Villalba collected management fees. Significantly, for one client that required MMA to provide him with account statements from RCG, Villalba created and provided the client with falsified statements using RCG's letterhead.

15. As a result, Villalba's clients had no idea of the true status of their accounts and continued to provide MMA with more of their money for Villalba to manage. For example, on March 27, 2007, one of Villalba's clients placed $350,000 under Villalba's management. As of September 25, 2007, according to her quarterly MMA account statement, that client's account had grown to $396,862.05. Because of this return, over the next three months, she placed an additional $300,000 with Villalba. As of February 11, 2008, the client's MMA account statement indicated that the account had increased to $779,466.71 – a $129,466.71 or nearly 20% profit in less than one year. On February 22, 2008, this client placed an additional $11,533,672 under Villalba's management. As of March 20, 2009, the date on which the client received her last MMA account statement, the value of the account had purportedly increased by $7,371,605.11 and was valued at $19,555,277.11. MMA account statements falsely reported that

this client's account had achieved returns of over 60% in a two year period.

16. In reality, MMA was suffering catastrophic losses – over $10 million in March and April 2008 alone and over $16 million from 2007 through April 2009. Unbeknownst to Villalba's clients, due to Villalba's mismanagement and misappropriation, their accounts were rendered worthless.

17. Moreover, despite his repeated representations that all client funds would be traded through brokerage accounts held at RCG, Villalba opened another account at a different brokerage firm to make trades with client funds. In March 2009 and again in mid-April 2009, RCG asked Villalba to provide updated paperwork for MMA's account. Villalba promised he would provide the updated paperwork by the end of April, but never did. Instead, Villalba requested RCG to wire transfer $660,000 (almost the entire balance of the account) to MMA's bank account. In May 2009, Villalba opened an account at Lind-Waldock, a division of MF Global, Inc., in the name of Rico Latte III LLC, which is one of Villalba's coffee businesses. From May 2009 to September 2009, Villalba lost an additional $380,000 of client funds through the Lind-Waldock account.

FIRST CLAIM FOR RELIEF

FRAUD IN CONNECTION WITH THE PURCHASE OR SALE OF SECURITIES

Violations of Sections 10(b) of the Exchange Act and Rule 10b-5 Thereunder

18. The Commission realleges and incorporates by reference paragraphs 1 through 17 above.

19. Villalba, by engaging in the conduct described above, directly or indirectly, in connection with the purchase or sale of a security, by the use of means or instrumentalities of interstate commerce, of the mails, or of the facilities of a national securities exchange, with scienter:

a. employed devices, schemes, or artifices to defraud;

b. made untrue statements of a material fact or omitted to state a

material fact necessary in order to make the statements made, in the light of the circumstances under which they were made, not misleading; or

c. engaged in acts, practices, or courses of business which operated or would operate as a fraud or deceit upon other persons.

20. By engaging in the conduct described above, Villalba violated, and unless restrained and enjoined will continue to violate, Section 10(b) of the Exchange Act, 15 U.S.C. § 78j(b), and Rule 10b-5 thereunder, 17 C.F.R. § 240.10b-5.

SECOND CLAIM FOR RELIEF

FRAUD BY AN INVESTMENT ADVISER

Violations of Section 206(1) and 206(2) of the Advisers Act

21. The Commission realleges and incorporates by reference paragraphs 1 through 17 above.

22. Villalba, by engaging in the conduct described above, directly or indirectly, by use of the mails or other means or instrumentalities of interstate commerce:

a. with scienter, employed devices, schemes, or artifices to defraud clients or prospective clients; or

b. engaged in transactions, practices, or courses of business which operated as a fraud or deceit upon clients or prospective clients.

23. By engaging in the conduct described above, Villalba violated, and unless restrained and enjoined will continue to violate, Sections 206(1) and 206(2) of the Advisers Act, 15 U.S.C. §§ 80b-6(1) and 80b-6(2).

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PRAYER FOR RELIEF

WHEREFORE, the Commission respectfully requests that the Court:

I.

Issue findings of fact and conclusions of law that Villalba committed the alleged violations.

II.

Issue a judgment, in a form consistent with Fed. R. Civ. P. 65(d), permanently enjoining Villalba, and his agents, servants, employees, and attorneys, and those persons in active concert or participation with him, who receive actual notice of the judgment by personal service or otherwise, and each of them, from violating Section 10(b) of the Exchange Act, 15 U.S.C. § 78j(b), and Rule 10b-5 thereunder, 17 C.F.R. § 240.10b-5, and Sections 206(1) and 206(2) of the Advisers Act, 15 U.S.C. §§ 80b-6(1) & 80b-6(2).

III.

Order Villalba to disgorge all ill-gotten gains from his illegal conduct, together with prejudgment interest thereon.

IV.

Order Villalba to pay civil penalties pursuant to Section 21(d)(3) of the Exchange Act, 15 U.S.C. § 78u(d)(3), and Section 209(e)(1) of the Advisers Act, 15 U.S.C. § 80b-9(e)(1).

V.

Retain jurisdiction of this action in accordance with the principles of equity and the Federal Rules of Civil Procedure in order to implement and carry out the terms of all orders and decrees that may be entered, or to entertain any suitable application or motion for additional relief within the jurisdiction of this Court.

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VI.

Grant such other and further relief as this Court may determine to be just and necessary.

Dated: March 29, 2010

Respectfully submitted,

/s/ Ann C. Kim

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