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Leader of $60 Million Internet Scam Pleads Guilty to Fraud and Money Laundering Charges

Massive Internet Investment Fraud Case Involves 15,000 Investors

SACRAMENTO--United States Attorney McGregor W. Scott and FBI Special Agent in Charge Michael Mason announced today that Alyn Richard Waage, 56, of Canada, pled guilty to charges relating to the Tri-West Investment Club, an Internet-based investment fraud scheme that netted nearly $60 million. The Tri-West case is one of the largest Internet investment fraud cases in the country.

According to Assistant U.S. Attorneys John K. Vincent and Robin Taylor, who are prosecuting the case, Alyn Waage pled guilty on May 5, 2003, to one count of mail fraud, one count of wire fraud, and one count of conspiracy to commit money laundering. Alyn Waage faces a maximum of 5 years in prison on each of the mail fraud and wire fraud charges and 20 years in prison on the money laundering charge, and faces fines of up to twice the value of the investors' losses. Sentencing is currently set for July 14, 2003, before United States District Judge Edward J. Garcia.

As part of a plea agreement with the United States, Alyn Waage has agreed to cooperate with authorities and to forfeit his interest in millions of dollars of properties connected to the scheme, including real property in Mexico and Costa Rica, a yacht, a helicopter, numerous late-model cars, and bank accounts.

Co-defendant Michael Webb, who was arrested with Alyn Waage in September 2001, is charged with being the designer of the scam's allegedly fraudulent Web site. Webb remains in custody, and his trial is scheduled to begin in Sacramento on July 28, 2003.

Vast "Ponzi" Scheme

Alyn Waage's guilty plea results from an international effort by the United States, Costa Rica and Canada to investigate the activities of the Tri-West Investment Club, which solicited investments in a "Bank Debenture Trading Program" on the Internet using the Web site www.triwestinvest.com. The Web site claimed that this program, formerly available only to the "very wealthy," offered investors a "guaranteed high return" with "no risk" of loss. Tri-West

claimed it earned these returns by purchasing "Promissory Bank Notes" issued by key "Prime Banks." Visitors to the Web site were invited to join by investing in $1,000 increments, and were promised 120 percent annualized return. Alyn Waage admitted that based on these false promises, Tri-West duped approximately 15,000 investors to invest approximately $60 million from 1999 to September 2001.

In entering his guilty plea, Alyn Waage admitted that there never was any "Bank Debenture Trading Program." Instead, according to Alyn Waage, he and others ran Tri-West as a vast "Ponzi" scheme that used more recent investor funds to make "dividend" payments to earlier investors to give the false impression of a successful investment program. None of the investors' money was invested as promised on the Web site, but instead was used to purchase millions of dollars worth of real property in Mexico and Costa Rica, as well as high-priced items such as a yacht, helicopter and numerous late-model cars. Alyn Waage also admitted that millions of dollars were funneled to numerous bogus "shell" corporations that were created in Costa Rica for the purpose of concealing the ill-gotten gains. (A more detailed description of these activities is contained in this Office's press release dated September 6, 2001, which is available at www.usdoj.gov/usao/cae/home/.)

Seizures and Arrests in Costa Rica, Latvia, and Mexico

In September 2001, Costa Rican authorities, in cooperation with the FBI and the U.S. Attorney's Office, seized and froze numerous assets connected to the fraudulent scheme, including approximately $6 million dollars in Costa Rican banks, and real property, cash, jewelry, a yacht, helicopter, and cars worth millions more. At the same time, Alyn Waage and Michael Webb were arrested. Alyn Waage and Webb were extradited to the United States in December 2002. Requests for international assistance have also resulted in the freezing of millions of dollars in bank accounts and the seizure of real properties in Latvia and Mexico.

Cases Against Other Defendants Cary Waage, Alyn Waage's son, pled guilty to one count of mail fraud and one count of conspiracy to commit money laundering on April 29, 2002. Criminal complaints have also been filed against Lynn Waage Johnston, Alyn Waage's sister and Tri-West's alleged bookkeeper; Michelle Higgins, Alyn Waage's wife; and Evan Theodore Smith Pryor, an alleged Tri-West operative in Costa Rica. Each of these three individuals is currently a fugitive.

The Complaints against all remaining defendants contain only allegations, and those defendants who have not pled are presumed innocent until proven guilty at trial.

Civil Actions The United States Attorney's Office has also instituted three civil actions relating to Tri-West that seek the forfeiture of the millions of dollars of assets in Costa Rica and Latvia which are allegedly connected to the scheme. Assistant U.S. Attorney Courtney Linn is handling the civil cases. In January 2003, Judge Edward J. Garcia entered final judgments of forfeiture in two of the three forfeiture actions. The third action remains pending.

On December 19, 2002, the SEC also obtained a permanent injunction against Alyn Waage, based on multiple securities violations. In connection with that proceeding, Alyn Waage was

ordered to disgorge $58 million and pay a civil penalty. In addition, more than 10 states have already filed cease and desist orders against Tri-West for alleged violations of the securities laws. The North American Association of Securities Administrators has actively investigated this case for the past year. The national Internet Fraud Complaint Center, a joint organization of the FBI and National White Collar Crime Center, which is located in West Virginia, has also been coordinating complaints regarding Tri-West.

This case has been investigated with the assistance of the Federal Bureau of Investigation, Internal Revenue Service - Criminal Investigation, and the U.S. Securities & Exchange Commission. The U.S. Marshals Service assisted with the extradition of the defendants from Costa Rica to the United States and with helping to secure assets in Costa Rica.

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