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Fourth Defendant in Massive Internet Scam Pleads Guilty to Fraud and Money Laundering Charges

Case Involves $60 Million in Investments by 15,000 Investors

SACRAMENTO--United States Attorney McGregor W. Scott, FBI Special Agent in Charge Keith Slotter, and IRS-CI Special Agent in Charge Roger L. Wirth announced today that KEITH NORDICK, 42, formerly of Puerto Vallarta, Mexico, and 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, NORDICK pled guilty to one count of mail fraud, one count of wire fraud, and one count of conspiracy to commit money laundering. NORDICK 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 February 4, 2005, before United States District Judge Edward J. Garcia.

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.

Alyn Richard Waage, the Tri-West kingpin, and Internet web designer, Michael Webb, were arrested in September 2001. Both have pleaded guilty, and are awaiting sentencing. Cary Waage previously pleaded guilty, and on July 9, 2004 was sentenced to 50 months in prison.

Vast "Ponzi" Scheme

NORDICK'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.

Tri-west was not a legitimate investment company and there never was any "Bank Debenture Trading Program." Instead, Tri-West was 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. 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. Tri-West duped approximately 15,000 investors to invest approximately $60 million from 1999 to September 2001.

In entering his guilty plea, NORDICK admitted, among other things, that he was hired by Alyn Waage in approximately January 2001. NORDICK stated that he learned that Tri-West was a fraudulent operation, but nevertheless agreed to work for Tri-West and Alyn Waage. While working at Tri-West, NORDICK gave false responses to questions from victim investors. He used an alias when communicating with victim investors. He also assisted with entering data concerning victim investors and their investment. NORDICK further admitted that after Alyn Waage was arrested by Mexican authorities in 2001, he assisted with concealing and moving items such as computers, files, and money out of Tri-West's offices. NORDICK further assisted with the fraud by having property obtained by fraud proceeds transferred into his own name, and the names of others to disguise the identity of the owner, and make it harder to seize the property. He also met with Tri-West operatives to devise a false story for investors to give them a false sense of security and to prolong the fraud.

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

Criminal complaints have also been filed against Lynn Waage Johnston, Alyn Waage's sister and Tri-West's alleged bookkeeper and Evan Theodore Smith Pryor, an alleged Tri-West operative in Costa Rica. Johnston and Smith Pryor are currently fugitives.

The Complaints against these 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 forfeiture of millions of dollars of assets in Costa Rica and Latvia which are 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 civil forfeiture actions. The Court has further ordered the preliminary orders of forfeiture for additional assets in Mexico and Latvia.

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. 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 coordinated complaints regarding Tri-West.

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