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Alleged Leaders of $60 Million Internet Scam Indicted on Fraud and Money Laundering Charges

Massive Internet Investment Fraud Case Involves 15,000 Investors from 60 Countries

SACRAMENTO--United States Attorney John K. Vincent and FBI Special Agent-in-Charge Michael A. Mason announced that a Federal grand jury in Sacramento yesterday indicted Alyn Richard Waage, 56, of Canada, and James Michael Webb, 40, of California, in a twenty-four count indictment alleging fraud and money laundering charges relating to one of the largest Internet investment fraud cases in the country. The Indictment also seeks the forfeiture of millions of dollars worth of real properties in Costa Rica and Mexico, a yacht, a helicopter, over a dozen cars, and millions of dollars in bank accounts in Latvia, Mexico and Costa Rica.

The defendants were extradited from Costa Rica to Sacramento in December 2002 to face federal charges relating to the Tri-West Investment Club, an Internet-based investment fraud scheme that allegedly netted more that $60 million from 15,000 investors worldwide. Both defendants remain in custody pending trial.

The FBI, in cooperation with authorities in Costa Rica, arrested the defendants in San Jose, Costa Rica, in September 2001. Waage is alleged to be the scheme's leader, while Webb is alleged to be the designer of the fraudulent Web site.

If convicted, the defendants face 5 years in prison for each of six mail and ten wire fraud counts, and 20 years in prison for each of six money laundering counts and a conspiracy to commit money laundering count. Defendants also face fines up to twice the amount involved in the scam, which is alleged to exceed $60 million. Assistant U.S. Attorney Courtney J. Linn is prosecuting two related forfeiture actions against the defendants.

Arraignment of both defendants is scheduled for January 7, 2003.

Fictitious "Prime Bank Notes" Sold on the Internet

The extraditions and criminal Indictment follow an international effort by the United States, Costa Rica and Canada to investigate the activities of Tri-West, which solicited investments in "prime bank notes" at www.triwestinvest.com from 1999 to 2001. Visitors to the Web site were

promised an annualized rate of return of 120 percent plus return of their principal at the end of a year, as well as substantial referral fees of 15 percent of all referred investments. The Web site, which contained alleged testimonials describing instant wealth from early investors, also told investors that their investments were "guaranteed." The Web site claimed that a 30-year-old "Panamanian Investment Company" called the Haarlem Universal Corporation executed all the trades for Tri-West. The Web site further claimed that the "day to day operations are conducted by Jason Kingsley, Mark Goldman and Alan Richards."

Based on these representations, the Indictment alleges that investors contributed $60 million in funds to Tri-West by mailing checks to Post Office boxes in Belize and The Bahamas, where they were forwarded to Tri-West operatives in Mexico and Costa Rica. The investors' money was thereafter sent to Latvian banks, which in turn sent some of the money to a bank in New York, where "dividend" checks were distributed to certain investors.

International Ponzi Scheme

According to the Indictment, the representations on the Tri-West Web site were fraudulent. Tri-West never actually invested any of the investors' money in any "prime bank note" program, but instead used new investor funds to make "dividend" payments to earlier investors to give the false impression of profitability. The balance of the funds were used by Waage, Webb and others to purchase millions of dollars of real properties in Mexico and Costa Rica, as well as a yacht and helicopter, and to funnel money to dozens of shell companies created in Costa Rica to conceal the defendants' ill-gotten gains. Contrary to the Web site, the Indictment also alleges that Haarlem Universal Corporation was incorporated in 1999, not 1969, and is not registered as an investment company. The managers of Tri-West identified on the Web site are also alleged to be fictitious, and simply aliases for defendants Alyn Richard Waage and James Michael Webb.

A previous complaint alleged that in April 2001, Mexican police arrested Alyn Richard Waage on immigration charges when he arrived in Guadalajara, Mexico, carrying $4.5 million in undeclared checks from Tri-West investors. After posting bail, Waage was released and then relocated to Costa Rica, where he was arrested by Costa Rican authorities with the assistance of the FBI in September 2001.

Millions of Dollars of Frozen Assets in Costa Rica, Mexico and Latvia

At the time of their arrests, Costa Rican authorities also seized and froze nearly $15 million dollars of assets, including $7 million held in bank accounts and millions more in real properties and assets such as the boat, helicopter, and new cars. Requests for international assistance have also resulted in the freezing of millions of dollars of real properties and bank accounts in Latvia and Mexico.

Charges Against Other Defendants

In April 2001, Cary Alyn Waage, 26, of Canada, pled guilty to mail fraud and money laundering charges relating to the Tri-West scam. The younger Waage, who is cooperating with authorities, admitted the involvement of his father and Webb at the time of his guilty plea. A criminal

complaint filed in October 2001 also charges Michelle Higgins, Alyn Waage's wife; Lynn Waage Johnston, Alyn Waage's sister; and Evan Theodore Pryor Smith with involvement in the scam. Those three individuals remain fugitives.

The Indictment and complaints contain only allegations and the defendants are presumed innocent until proven guilty at trial.

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.

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