July 9, 2004

United States Attorney
Eastern District of California
501 I Street, Suite 10-100
Sacramento, California 95814
916/554-2700
Fax 916/554-2900
Contact: Patty Pontello, 916-554-2706
www.usdoj.gov/usao/cae/home

Cary Waage Sentenced To Prison For His Role In $60 Million Internet Scam

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

SACRAMENTO--United States Attorney McGregor W. Scott and FBI Special Agent in Charge Keith Slotter announced today that Cary Alyn Waage, 28, of Canada, was sentenced by United States District Judge Edward J. Garcia to 50 months in prison and 3 years supervised release for his role in the Tri-West Investment Club ("Tri-West"). Tri-West was an Internet-based investment fraud scheme that netted nearly $60 million from 15,000 investors worldwide, and one of the largest Internet investment fraud cases in the country.

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.

According to Assistant United States Attorneys John K. Vincent and Robin Taylor, who are prosecuted the case, Cary Waage's sentencing follows his guilty plea entered on April 29, 2002. According to the prosecutors, the defendant's sentence was reduced based on his agreement 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. Assistant U.S. Attorney Vincent stated in court that Cary Waage gave the government an insider's look at this sprawling fraud scheme, and his cooperation led to additional guilty pleas of co-defendant's in this case. In addition, Cary Waage has greatly assisted in the government's effort to forfeit and repatriate assets located in Latvia, Mexico, and Costa Rica.

Alyn Richard Waage, the Tri-West kingpin and Cary's father, and Internet web designer, Michael Webb, were arrested in September 2001, have pleaded guilty, and are awaiting sentencing.

Vast "Ponzi" Scheme

This case is the product of 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 a 120 percent annualized return. Cary Waage, Alyn Waage, and Michael Webb have admitted that based on these false promises, Tri-West duped approximately 15,000 investors from over 60 countries to invest approximately $58 million from 1999 to September 2001.

In actuality, there never was any "Bank Debenture Trading Program." Instead, as Cary Waage and others have confirmed, 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.

Cary Waage and others have 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.

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

Alyn Waage and Michael Webb have previously pleaded guilty, and remain in custody pending sentencing. 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. Pryor and Johnston are currently fugitives.

Defendant Keith Nordick was recently arrested following his expulsion from Mexico, and is in custody in this district.

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 civil actions relating to Tri-West that seek the forfeiture of the millions of dollars of assets in Costa Rica, Mexico, and Latvia which are allegedly connected to the scheme. Assistant U.S. Attorney Courtney Linn is handling the civil cases.

###