

State of Alaska  
Department of Law

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**NEWS RELEASE**



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**CONSUMER ALERT:**  
**People In Profit System ("PIPS") is an illegal Ponzi Scheme**

(Juneau) - Attorney General David Márquez warns Alaskans against investing in an illegal Ponzi scheme that has surfaced in Alaska, called the People In Profit System (PIPS).

PIPS has been reported in Ketchikan, the Matanuska Valley, and may be in other parts of the state. Under this scheme investors are asked to "loan" \$450 to the company. From this payment, \$25 is kept as an account set-up fee, with the remaining \$425 characterized as a "loan" to the company for 180 days. PIPS agrees to repay the investor with interest under a schedule depending on the type of plan the investor chooses. The interest payments on your loan can be as high as 5000%, with a \$450 loan returning about \$8,800 in 24 months.

"Everyone should be aware of these Ponzi schemes because they are essentially investment fraud," said Márquez. "If it sounds too good to be true, it usually is."

Because of their deceptive nature Ponzi schemes violate the state's consumer protection act. If a scheme appears to constitute a fraudulent securities offering it will be reviewed as a possible violation of the Alaska Securities Act. In that case the state Department of Commerce, Community, and Economic Development's Division of Banking, Securities, and Corporations could issue a cease and desist order.

"It is important to educate Alaskans about these schemes," said Governor Frank H. Murkowski. "Too often the perpetrators of these scams prey on those who simply want to get ahead. Knowledge is the key to preventing a vulnerable investor from becoming a victim."

In a typical Ponzi scheme, the operator promises high financial returns or dividends that are not available through traditional investments. Instead of investing victims' funds, the operator pays "dividends" to initial investors using the principal amounts "invested" by subsequent investors. The scheme generally falls apart when the operator flees with all of the proceeds, or when a sufficient number of new investors cannot be found to allow the continued payment of "dividends."

## More ##

(PIPS Alert, *con't.*)

Initial investors who paid into the PIPS system may in fact receive high returns. This is not an indication that the investment is legitimate. Ponzi schemes rely on the “success” of early investors in hopes that these people will advertise the scheme to others so the base of new investors will grow. Sooner or later, the scheme must fail because it is statistically impossible to continue the scheme.

If you have any information on PIPS or if you want additional information on Ponzi schemes, please contact Assistant Attorney General Ed Sniffen with the Department of Law’s consumer protection section at (907) 269-5200. Additional background information about Ponzi schemes is also available online at the State of Alaska, Division of Commerce, Community and Economic Development securities section “Schemes and Scams” page: <http://www.dced.state.ak.us/bsc/schemesandscams.htm>.

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