

STATE OF NEBRASKA



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DEPARTMENT OF BANKING AND FINANCE

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DATE: June 10, 2005

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FOR IMMEDIATE RELEASE

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Nebraska Department of Banking and Finance Issues Cease and Desist Order and Consumer Alert

John Munn, Director of the Nebraska Department of Banking and Finance announces that the Department, has investigated a group promoting a global Ponzi, or Pyramid, scheme attempting to make inroads to the State of Nebraska, and issued a cease and desist order June 6 as a result of that investigation. People in Profit System, Inc. (PIPS), promoted as a web-based private investment club, was first identified by the Nebraska Department of Banking and Finance (NDBF) as having a presence in the State during January 2005.

Ponzi, or Pyramid schemes, are illegal to operate in Nebraska—often the public become unwitting accomplices in this crime. These schemes work by taking new investors' money to pay those who invested early in the scam. PIPS, Inc., and PureInvestor.com, Inc., offer various "investment products," including a "2% Per Day Plan" and a "5 Year Trust Plan." They promise up to 5,000 – 14,000 percent annual interest returns on investor "loans" of between \$450-1,000, and lump sum returns of nearly \$88,000 with more than \$9,000 per month dividends "for the duration of their life"—these promises are empty and the investment offers are illegal.

According to Jerry McFarland, NDBF Securities Analyst, the extent of the scheme in Nebraska in early 2005 appeared to be confined to a group of approximately twenty people, all of whom were related or worked together. McFarland said the group accelerated their promotion during the last week of March. PIPS's website and affiliated online message boards began encouraging "investors" to increase participation by forming local "PIPS Clubs." Then, in early May, the first attempt to organize such a club in Nebraska was made, with approximately 70 people responding.

John Munn, NDBF Director, warned, "We are aware that Nebraskans have begun posting response messages on a website to arrange meetings to start 'clubs' here in Nebraska. We want them and others to know it is a scam. It is a Ponzi, or Pyramid, scheme and they will lose money." He continued, "Local members further perpetuate the fraud by bringing "clubs" unsuspectingly into their workplace and community—encouraging friends and relatives to 'join' and reap the promised rewards. Early detection and education are so important in this situation because it's much easier to never make ill-advised investments than to get the money back through legal intervention."

"We are here to help Nebraskans make informed financial choices. If they have any suspicions or concerns about people or organizations who are soliciting their money, we want to help."

PIPS, PureInvestor.com; PIC Trust Limited; Bryan Marsden; GOPIPS.com; Keeng Chek Pham; Team JollyPIPster, LLC; Westoby Works, Inc.; and Gary R. Westoby, all respondents named in the order, are primarily based in Malaysia

and Brunei Darussalam, with the exception of Westoby, Westoby Works, Inc. and Team JollyPIPster, based in Nevada and Oregon.

The above respondents, and their brokers, dealers, or agents, have been ordered by Munn and his Department to immediately stop offering and selling securities unless they register with the Department. They have 15 business days to request a hearing; if not the order becomes final on June 28, 2005. Marsden, Pham and Westoby and those affiliated with them have also been ordered to immediately post notices on all web sites registered, administered, or controlled by them, notifying the public that the offer or sale of any of their "investment plans" to Nebraska residents is strictly prohibited.

Munn continued, "Sustaining the payouts they promise is not logical or mathematically possible. These types of ventures always collapse and decent people lose money. It is a shame that there are people who want money badly enough to promise false gains, but they *are* out there. We advise, 'Always closely investigate before you invest.'"

State of Texas Securities regulators issued a cease-and-desist order for PIPS operation in mid-April. They said PIPS posed an "immediate and irreparable public harm."

"Recently, a Nebraska resident called to inquire about the legitimacy of PIPS," said McFarland. "He knew some people who 'invested' money, but had experienced difficulty in withdrawing the interest they had accumulated. Regardless of their experience, he still wanted to invest. Luckily, PIPS's website was temporarily experiencing technical difficulties and could not accept his 'investment' money."

As pyramid schemes begin to collapse, victims are given a constant stream of flimsy excuses, double-talk or no response at all, while the operators of the schemes are pulling out and disappearing with others' hard-earned money, or reinventing themselves under a new name. Either way, they leave in their wake thousands of people whose confidence and cash were misplaced.

NDBF Regulators are relying on the public to not participate and report any fraudulent activity they are aware of. If you have questions or concerns about investing or banking contact the NDBF at (402) 471-2171, toll free at (877) 471-3445, or online at www.ndbf.org.

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