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NEWS RELEASE

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CONSUMER ALERT: Women's "Gifting" Club is an Illegal Pyramid Scheme

(Juneau) - Attorney General Gregg Renkes warns Alaskans against participating in a pyramid scheme that is operating in Fairbanks and perhaps other parts of the state. The scam targets women and claims that by making a "gift" of \$5000, a participant will join a gifting circle and ultimately receive \$40,000 in "gifts" after new women join.

"Everyone should be aware of pyramid scams," said Renkes. "When it sounds too good to be true, that's probably the case."

Like all pyramid schemes, this gifting network is illegal because it depends on continuous investments by new participants. The initial promoters recruit investors who in turn recruit more investors. The schemes are called "pyramids" because at each level, the number of investors increases. Eventually the pool of investors dries up and the pyramid collapses, depriving the majority of participants without their initial investment, let alone any profit.

The promoters for this gifting club claim that it is legal because the investment is a "gift" that does not need to be declared to the Internal Revenue Service.

"While recruiters claim that the scheme is a way of empowering women, the recruiters in fact are exploiting participants by convincing them to invest in a scheme that is bound to fail," said Renkes.

Pyramid schemes are illegal under Alaska's Unfair Trade Practices and Consumer Protection Act. Under the Act, violators are subject to civil penalties of \$5000 per violation. Participants in such schemes may also be subject to criminal prosecution.

Attorney General Renkes advises people who have participated and obtained earnings in such schemes to refund money immediately. Victims of these or any other unfair trade practices are urged to file a consumer complaint with the Attorney General's Office. Go to www.law.state.ak.us/consumer/ for a copy of the complaint form or call 907-269-5200.

For additional information, please contact Assistant Attorney General Cynthia Drinkwater at (907) 269-5200.

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