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**MEDIA ALERT**

**Division of Securities issues investor warning on medical marijuana offers**

*"News headlines driving pot investment pitches, scammers promising high returns"*

*(For immediate release...)*

**SALT LAKE CITY, Utah** – Francine A. Giani, Executive Director of the Utah Department of Commerce, announced today that the Division of Securities is warning Utah investors to be on the lookout for investment pitches that may use medical marijuana businesses in other states as the basis for "hot" stock tips. With Fridays' recent announcement by the White House that federal banking institutions will accept payments from medical marijuana dispensaries, regulators are concerned that scam artists may be looking to profit off the public's trust.

"Before you jump into an investment promising high returns on medical marijuana, check out the sources selling it with the Division of Securities," warned Francine A. Giani, "If you rush into marijuana-related stocks without doing your homework, your savings may go up in smoke."

**Empty Promises: How to Spot a Potential Scam**

Promoters may use a variety of marketing platforms to push false and misleading information about medical marijuana stocks; through social media, faxes, emails, Facebook, infomercials, seminars, Twitter or bog posts. Fraudsters tend to use classic "pump and dump" scenarios to create demand for shares in a worthless company where investors lose after con artists "dump" the stock after it peaks ("the pump").

"Our Division has learned promoters are taking advantage of younger investors by advertising on popular classified websites with promises of 'hot' stocks ready to burn up the charts," cautioned Keith Woodwell, Director of the Division of Securities, "Before you invest in one of these schemes, ask yourself 'why me'? Total strangers aren't looking to share profits with you; they're looking to steal from unsuspecting victims."

### Tips for Investors: Avoiding Medical Marijuana Pitch Pitfalls

**Ask: "Why me?"** Why would a total stranger tell you about a really great investment opportunity? The answer is there likely is no true opportunity. In many scams, those who promote the stock are corporate insiders, paid promoters or substantial shareholders who profit handsomely if the company's stock price goes up.

**Consider the source.** It's easy for companies or their promoters to make exaggerated claims about lucrative contracts, the company's revenue, profits or future stock price. Be skeptical about companies that issue a barrage of press releases and promotions in a short period of time. The objective may be to pump up the stock price. Likewise, be wary of information that only focuses on a stock's upside with no mention of risk.

**Do your research.** Contact the Division of Securities to find out if the investment is registered with the state and whether or not the individuals involved have faced prior disciplinary action. Also conduct an internet search with the names of key corporate officials and major stakeholders, as well as the company itself. Proceed with caution if you turn up recent indictments or convictions, investigative articles, corporate name changes or any other information that raises red flags.

**Know where the stock trades.** Most unsolicited spam recommendations involve stocks that do not trade on The NASDAQ Stock Market (NASDAQ OMX), the New York Stock Exchange (NYSE Euronext) or other registered national securities exchanges. Instead, these stocks may be quoted on an over-the-counter (OTC) quotation platform like the FINRA-operated Over-the-Counter Bulletin Board (OTCBB) and the platform operated by OTC Markets Group, Inc. Many of the securities quoted in the OTC market are infrequently traded and can move up or down in price from one trade to the next. This may make it difficult to sell your security at a later date.

**Read a company's SEC filings, if available.** Most public companies file reports with the Securities and Exchange Commission (SEC). Check the [SEC's EDGAR database](#) to find out whether the company files with the SEC. Read the reports and verify any information you have heard about the company.

**Be wary of frequent changes to a company's name or business focus.** Name changes and the potential for manipulation often go hand in hand. One low-priced stock now claiming to be in the medical marijuana business has had four name changes in the past 10 years. Another company switched from the coffee business to focus "on the rapidly emerging medical marijuana industries." Name changes can turn up in company press releases, internet searches and, if the company files periodic reports, in the SEC's EDGAR database.

#### **About the Utah Division of Securities**

The Division of Securities enhances Utah's business climate by protecting Utah's investors through education, enforcement, and fair regulation of Utah's investment industry while fostering opportunities for capital formation. Investors should do business with licensed securities brokers and advisers and report any suspicion of investment fraud to the Utah Division of Securities by calling (801) 530.6600; toll free at 1.800.721.7233 or logging on to [www.securities.utah.gov](http://www.securities.utah.gov).

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