
Beware of seeds, stems and scams

By Kerry Pechter *Thu, Jan 16, 2014*

Marijuana stock hustles tend to use the same techniques as “pump and dump” stock ploys, says FINRA, which is warning investors about dodgy securities of firms selling the psychoactive herb in states like Colorado, where it is now largely legal.

In the wake of Colorado’s conditional legalization of marijuana production, sale and use, FINRA is warning investors about the potential for fraudulent public offerings of shares in marijuana-related companies in particular and potential volatile, thinly-traded stocks in general.

“With medical marijuana legal in almost 20 states, and recreational use of the drug recently legalized in two states, the cannabis business has been getting a lot of attention—including the attention of scammers. FINRA is issuing this alert to warn investors about potential scams associated with marijuana-related stocks,” the self-regulatory agency said.

Marijuana stock hustles tend to use the same techniques as “pump and dump” stock ploys where the issuers talk up the price of the stock and sell the shares when the price and volume hit a desired peak or target.

“ One company, for example, promoted its move into the medical cannabis space by issuing more than 30 press releases during the first half of 2013. These releases publicized rosy financial prospects and the growth potential of the medical marijuana market,” a FINRA release said.

“The company was also touted on the Internet through the use of sponsored links, investment profiles and spam email, including one promotional piece claiming the stock ‘could double its price SOON’ and another asserting the stock was ‘poised to light up the charts!’ Yet the company’s balance sheet showed only losses, and the company stated elsewhere that it was only beginning to formulate a business plan.”

© 2014 RIJ Publishing LLC. All rights reserved.