

# *Marijuana, Marijuana-Related Investments and Fraud*



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Recent changes in several state laws have legalized marijuana cultivation and sales. In Massachusetts, retail sales of marijuana from licensed dealers became legal on November 20, 2018. Fraudsters often exploit “hot” industries in order to grab the attention of investors. You should be aware of the following information before investing in any marijuana-related business:

- 1 Be aware that the sale of marijuana continues to be illegal under federal law even if it is legal in Massachusetts.
- 2 The legal status of marijuana affects the operation of marijuana companies in that federal and state chartered banks may be unwilling to work with marijuana-related businesses. This may include refusing to accept deposits from the sale of marijuana and marijuana-related products and refusing to make loans to marijuana-related businesses.
- 3 Be aware that the law in this area continues to change. Because of the unique legal situation of marijuana-related businesses, there are complex requirements that accompany the establishment of these businesses in Massachusetts.
- 4 Be wary of unsolicited investment offers which may be securities that need to be registered or obtain an exemption from registration. You can call the **Securities Division** at **1-800-269-5428** to check the registration status of the investment.
- 5 Ask who is selling the investment. Fraudulent investments are often sold by unlicensed, unregistered sellers. Many fraudsters move from one scheme to another and may have a history that raises red flags.

6 Check out the background, including the registration or license status, of anyone who is offering, recommending, or selling an investment opportunity in marijuana-related businesses.

7 As with any investment in small, thinly, traded companies with little or no history of financial success, you should make sure to do your research on the company and the individuals involved in its operation.

8 Ask for financial information and supporting documentation from the company. Be wary of promises of guaranteed returns, implausibly high rates of return, and overly rosy statements regarding financial prospects or potential for growth. Some fraudulent companies may provide fictitious information and documents that cannot be relied upon.

For more information or to confirm that a company or individual is properly licensed to conduct the business in question in Massachusetts, you can call the Secretary of the Commonwealth's Securities Division toll free number at 1-800-269-5428.