# LARA's Tips for Licensees...

The Department of Licensing & Regulatory Affairs (LARA), Corporations, Securities, and Commercial Licensing Bureau (CSCL) is sharing important information for those involved in the marijuana industry. Please take some time to familiarize yourself with the information.

A small business can raise capital in a number of different ways, including by selling securities. Under federal and state securities laws, every offer and sale of securities, even if to just one person, must either be registered with the SEC and the states where the offers or sales occur, or conducted under an exemption from registration at both the federal and state level. Learn about ways to raise capital.

A security may need to be registered or exempt in multiple states depending on how the offering is conducted.  Persons engaged in the business of effecting sales in securities or advising on securities may also need to be registered.  You should speak with a securities attorney before engaging in any activity that might implicate federal and state securities laws, as the consequences for failing to comply can be severe.  You can search for attorneys by practice area and geographic location here.

Scam artists often exploit "hot" industries to trick investors, including by making false promises of high returns with low risks. The SEC's Office of Investor Education and Advocacy (OIEA) and Retail Strategy Task Force are warning investors about these kinds of investment schemes involving marijuana-related companies. Click here to read about some common marijuana investment schemes investors might see, including:

- Reverse Merger Scam
- Pump & Dump Schemes
- Crowdfunding Schemes
- Jurisdiction-Specific Illegal Marijuana Schemes

Like many investment scams, pitches to invest in potentially fraudulent marijuana-related companies may arrive in a variety of ways—faxes, email or text message invitations to webinars, infomercials, tweets or blog posts. Regardless of how you first hear about them, the offers almost always contain hallmarks of "pump and dump" ploys. Specifically, fraudsters lure investors with aggressive, optimistic—and potentially false and misleading—statements or information designed to create unwarranted demand for shares of a small, thinly traded company with little or no history of financial success (the pump). Once share prices and volumes reach a peak, the cons behind the scam sell off their shares at a profit, leaving investors with worthless stock (the dump). Read more here.

CSCL worked closely and cooperatively with several of Michigan's licensed securities attorneys to educate entrepreneurs and others through its "Understanding Your Options for Raising Capital in Michigan" Project.

- Private Offerings Using Regulation D & Intrastate Exemptions
- Regulation A+ and Other Exemptions
- Legal and Structural Basics - Key Formation and Often Overlooked Issues
- Funding Your New Company
- How to Stay Out of Trouble While Raising Money
- Crowdfunding