



North Dakota Securities Department

Are you an informed investor?

Nutraceutical Stock

Want to lose weight, get an energy boost, live longer or fight the common cold?

Many of the products that claim to achieve these objectives are called "nutraceuticals," a term used to describe dietary supplements and food and drink products that contain additives purporting to provide health benefits. While some of the companies producing these products are legitimate, others could be bogus operations with the potential to harm unsuspecting investors.

Spotting Potential Stock Scams

Like many investment scams, those associated with nutraceutical products may arrive in a variety of ways—from phone, fax, email or text messages to webinars, infomercials, tweets, blogs or message board posts. Regardless of how you first hear about them, these plays typically contain classic red flags of fraud.

In particular, fraudsters may try to lure you with very aggressive, optimistic and potentially false and misleading statements or press releases that create unwarranted demand for shares of some small, thinly-traded company that often has little or no history of financial success. The con artists behind the scam can then sell off their shares, leaving investors with worthless stock. This is what's known as a "pump and dump" fraud.

For example, one company claimed to have acquired rights to "all-natural" medicines that treat maladies ranging from the common cold to kidney disease. While stating in a press release that the company "has the potential to capture 3% of the US market within a 3 year period" and "potentially generate \$100,000,000 in revenues," the company's unaudited financials reveal a firm with almost no cash on hand or track record of sales.

TO LEARN MORE OR FOR HELP WITH THESE AND OTHER PRODUCTS, CONTACT:

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State Capitol, 5th Floor
600 East Boulevard Avenue
Bismarck, ND 58505-0510
Phone: 1-701-328-2910
1-800-297-512

FINRA
1735 K Street
Washington DC, 20006
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Assoc.
750 First Street, N.E., Suite 1140
Washington, D.C. 20002
Phone (202) 737-0900
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Scam signals include:

Price targets or predictions of swift and exponential growth. One promotional mailer from a thinly-traded nutraceutical manufacturing company stated in bold type-face the company could produce "813% Short Term Gains."

References to well-known companies to justify growth projections.

Promoters of one nutraceutical company claim the company's brand can "compete with the likes of Gatorade and grab mega talent like NIKE!"

Another company compared investing in its stock to investing "in Pfizer in its beginning phases..."

Unsolicited communications promoting the opportunity.

These can include phone calls, faxes, emails, text messages, tweets and strategically placed "opinions" in blogs and message boards, usually related to a very low-priced stock.

To steer clear of potential scams, follow these tips:

Consider the source. Never rely solely on information you receive in an unsolicited phone call, fax, email, text message or tweet—or in a blog post or online thread. It's easy for companies or their promoters to make glorified, unsubstantiated claims about new products, lucrative contracts, or the company's revenue, profits or future stock price.

Always ask: "Why me?" Another tip-off that you're potentially being scammed is that the message is unsolicited, which raises the obvious question: Why would a total stranger tell you about a really great investment opportunity? The answer is that there is no such 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.

Exercise some skepticism. Scammers are very adept at making their pitches appear real, including the use of slick videos and websites. Be extremely wary of any pitch that suggests immediate pay-offs, especially if the investment involves a start-up company or a product or service that is still in development.

Find out 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) quote platform

like the FINRA-operated Over-the-Counter Bulletin Board (OTCBB) and the platform operated by OTC Markets Group, Inc., formerly known as the Pink Sheets.

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. But remember that just because a company has registered its securities or has filed reports with the SEC does not mean that it will be a good investment.

Be wary of changes to a company's name or business focus. Stock promoters often change a company's name, trading symbol and even line of business in an attempt to align it more closely with a current event or issue—a trick you will be able to identify by looking at the SEC reports described above.

Check out the person promoting the stock or investment. A legitimate investment salesperson must be properly licensed, and his or her firm must be registered with the Financial Industry Regulatory Authority (FINRA), the SEC and a state securities regulator—depending on the type of business the firm conducts.

If a Problem Occurs

If you believe you have been defrauded or treated unfairly by a securities professional or firm, contact the North Dakota Securities Department at 701-328-2910.

