

ALABAMA SECURITIES COMMISSION

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Montgomery, Alabama 36130-4700

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Email: asc@asc.alabama.gov Website: www.asc.alabama.gov

Former Financial Advisor Sentenced to Prison for Securities Fraud

MONTGOMERY, ALABAMA (April 25, 2018) Jody Willoughby, District Attorney for the 16th Judicial Circuit, Etowah County, Alabama; and Joseph Borg, Director of the Alabama Securities Commission (ASC), announced that on April 24, 2018, Gadsden resident Derek Neal York appeared in Etowah County Circuit Court before the Honorable Judge George C. Day to be sentenced for two counts of Securities Fraud, for misstatements and omissions of material fact made to two investors. Each offense is a Class B felony, punishable by not less than two, but no more than 20 years in prison, and a fine not to exceed \$30,000.

York was sentenced on each count to seven years in the custody of the Alabama Department of Corrections. The Court ordered York's sentences on the two counts to run concurrently. York was taken into custody at the end of the sentencing hearing and placed in the Etowah County Jail, where he will be held until he is transferred to the custody of the Alabama Department of Corrections. The Court also ordered York to pay \$932,567 in restitution to the victims in the case.

York, once a registered financial advisor from 2010 to 2012, solicited investments from an Alabama resident and her father, a Texas resident. The Alabama resident invested approximately \$620,000 with York, some of which came from an IRA account. The investor directed, and York told the investor, that her funds would be invested in publicly traded stocks, bonds, and mutual funds. Instead, York sent all the invested funds to an unregistered movie production company in California. For this, York received a commission of \$75,000 from the production company, which was not disclosed to the Alabama investor. York provided periodic updates to the investor, misrepresenting the value of her investments and the rate of return they were generating. York sold securities valued at approximately \$312,000 to the Texas victim: \$207,000 in a Canadian energy company, and \$105,000 to be invested in the Messier Corporation. All the Texas victim's funds came from an IRA account. York received another undisclosed commission of \$12,000 for the investment into the Canadian energy company. York retained the entire \$105,000 investment for the Messier Corporation, and then used the funds for personal expenses and to repay prior investors. At the time of the Texas victim's investments, York was no longer registered to offer securities within, to, or from the State of Alabama. Neither of the investors' funds were transferred to an IRA account, as promised by York, which subjected the investors to IRS tax withholding on the withdrawals. Neither York, the movie production company in California, nor the Canadian energy company returned any funds to the investors. Also, none of the investment offerings sold were registered as securities with the ASC, as required by law.

The ASC cautions potential investors to thoroughly scrutinize and research any investment opportunity or offer. Contact the ASC with inquiries concerning securities broker-dealers, agents, investment advisers, investment adviser representatives, financial planners, registration status of securities or debt management programs, to report suspected fraud or to obtain consumer information. The ASC provides free investor education and fraud prevention materials in print, on our website and through educational presentations upon request.

For further information contact Dan Lord, Education and Public Affairs Manager, 334-353-4858.

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(NOTE: An arrest or indictment is not evidence that the defendant committed the crime(s) charged. The defendant is presumed innocent until the government meets its burden of proving guilt beyond reasonable doubt in court).

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