COMMISSIONER OF SECURITIES
STATE OF GEORGIA

In the matter of	:	
Derrick Canady and Derrick Management Incorporated	:	**ENSC-180702**
Respondents.	:	

ORDER TO CEASE AND DESIST AND IMPOSITION OF CIVIL PENALTY

This matter comes before the Commissioner of Securities for the State of Georgia ("Commissioner") pursuant to the authority granted in O.C.G.A. § 10-5-70, *et seq.* of the Georgia Uniform Securities Act of 2008, as amended ("Act"). Whereas, the Commissioner undertook an investigation into the acts and practices of DERRICK CANADY ("Canady") and DERRICK MANAGEMENT INCORPORATED ("DMI") (collectively "Respondents").

Based on the investigation, the Commissioner has found grounds to conclude that Respondents may have engaged in acts or practices constituting violations of the Act. The Commissioner has determined it is in the public interest to issue this Order.

Based upon information obtained during the investigation, the Commissioner finds as follows:

I. FINDINGS OF FACT

1. DMI is a dissolved domestic profit corporation that was registered with the Georgia Office of the Secretary of State's Corporations Division until it was administratively dissolved on December 7, 2016. DMI was formed on July 17, 2015 with Canady listed as DMI's Incorporator. DMI's principal office address is listed as 155 Westridge Parkway, Suite 210, "Mcdoungh [sic]", Georgia, 30253.

2. On or about April 2013, Canady approached a Georgia investor ("Investor #1) about investing in two (2) real estate development projects in our around Henry County Georgia. Canady represented to Investor #1 that he owned a real estate company.

3. For the first real estate development project, Canady represented to Investor #1 that he intended to develop a childcare center in Henry County. Investor #1 provided Canady five thousand dollars ($5,000.00) in cash as an investment in the childcare center development. No written agreement was executed memorializing this transaction. Investor #1 invested with Canady based on representations by Canady that Investor #1 would receive a return on the five thousand dollar ($5,000.00) investment. It is not known how Canady utilized the investment from Investor #1, but to date, Investor #1 has not received any repayment or return on investment from Canady.

4. For the second real estate development project, Canady represented to Investor #1 that he intended to develop a car wash facility in Henry County. Investor #1 provided Canady two thousand dollars ($2,000.00) in cash as an investment in the car wash facility. No written agreement was executed memorializing this transaction. Investor #1 invested with Canady based on representations by Canady that Investor #1 would receive a return on the two thousand dollar ($2,000.00) investment. It is not known how Canady utilized the investment from Investor #1, but to date, Investor #1 has not received any repayment or return on investment from Canady.

5. During the same time period, Canady approached Investor #1 with a plan to facilitate the payment on Investor #1's home mortgage. Under Canady's plan, Investor #1 would pay Canady six hundred eighty dollars ($680.00) per month for which Canady would pay Investor #1's monthly mortgage payment and would invest the remaining monthly payment. Canady represented to Investor #1 that the return on the invested money would be used to fund future payments on Investor #1's mortgage. DMI and Investor #1 executed an agreement on October 19, 2015, sometime after the arrangement began. Investor #1 provided DMI and Canady with approximately twenty four (24) monthly payments of the six hundred eighty dollars ($680.00) for a total amount of sixteen thousand three hundred twenty dollars ($16,320.00).

6. It is not known how Canady and DMI utilized the monthly payments from Investor #1, but in our around early 2016, Investor #1 started to receive letters from his mortgage company that indicated that Investor #1 was behind on his mortgage payments. Investor #1 contacted Canady about the notices of non-payment. Canady represented to Investor #1 that the mortgage payments were made in a timely manner and that the letters were an error by the mortgage company. Shortly

after the conversation with Canady, Investor #1 received a telephone call from someone purportedly from the mortgage company who instructed Investor #1 to disregard the non-payment notices due to a clerical error by the mortgage company. In 2016 the mortgage company foreclosed on Investor #1's property, and the property was auctioned at a foreclosure sale. It is not known how Canady utilized the investment from Investor #1, but to date, Investor #1 has not received any repayment or return on investment from Canady.

7. DMI has not registered any issued securities with the Commissioner pursuant to O.C.G.A. § 10-5-20.

8. DMI is not and has never been registered with the Commissioner as an investment adviser pursuant to O.C.G.A. § 10-5-32. Canady is not and has never been registered with the Commissioner as an investment adviser representative pursuant to O.C.G.A. § 10-5-33.

II. CONCLUSIONS OF LAW

9. Paragraphs 1 through 8 are incorporated by reference as though fully set forth herein.

10. The Commissioner has jurisdiction over this matter pursuant to the Act. *See* O.G.C.A. §§ 10-5-70 and 10-5-71.

11. Pursuant to O.C.G.A. § 10-5-73(a)(1) of the Act, if the Commissioner determines that a person has engaged, is engaging, or is about to engage in an act, practice, or course of business constituting a violation of the Act or Rules, the Commissioner may "[i]ssue an order directing the person to cease and desist from engaging in the act, practice, or course of business, or to take other action necessary or appropriate."

12. Pursuant to O.C.G.A. § 10-5-73(d), "the Commissioner may impose a civil penalty up to $50,000.00 for a single violation or up to $500,000.00 for more than one violation."

13. Pursuant to O.C.G.A. § 10-5-2(17), the term "investment adviser" is defined as "a person that, for compensation, engages in the business of advising others, either directly or through publications or writings, as to the value of securities or the advisability of investing in, purchasing, or selling securities or that, for compensation and as a part of a regular business, issues or promulgates analysis or reports concerning securities. The term includes a financial planner or other person that, as an integral component of other financially related services, provides investment advice to others for compensation as part of a business or that holds itself out as providing investment advice to others for compensation."

14. Pursuant to O.C.G.A. § 10-5-32, "[i]t is unlawful for a person to transact business in this state as an investment adviser unless the person is registered under this chapter as an investment adviser or is exempt from registration as an investment adviser." By holding itself out as investing client assets on behalf of Investor #1, DMI is operating as an unregistered investment advisor in violation of O.C.G.A. § 10-5-32, and therefore, is subject to penalties pursuant to O.C.G.A. § 10-5-73.

15. Pursuant to O.C.G.A. § 10-5-2(19), an "investment adviser representative" is defined as " an individual employed by or associated with an investment adviser or federal covered investment adviser who makes any recommendations or otherwise gives investment advice regarding securities, manages accounts or portfolios of clients, determines which recommendation or advice regarding securities should be given, provides investment advice or holds herself or himself out as providing investment advice, receives compensation to solicit, offer, or negotiate for the sale of or for selling investment advice, or supervises employees who perform any of the foregoing."

16. Pursuant to O.C.G.A. § 10-5-33, "[i]t is unlawful for an individual to transact business in this state as an investment adviser representative unless the individual is registered under this chapter as an investment adviser representative or is exempt from registration as an investment adviser." By holding himself out as investing client assets on behalf of Investor #1, Canady is operating as an unregistered investment adviser representative in violation of O.C.G.A. § 10-5-33, and therefore, is subject to penalties pursuant to O.C.G.A. § 10-5-73.

17. O.C.G.A. § 10-5-51(a) provides that, "[i]t is unlawful for a person that advises others for compensation, either directly or indirectly, or through publications or writings, as to the value of securities or the advisability of investing in, purchasing, or selling securities or that, for compensation and as part of a regular business, issues or promulgates analyses or reports related to securities: (1) to employ a device, scheme, or artifice to defraud another person; or (2) to engage in an act, practice, or course of business that operates as a fraud or deceit upon another person."

18. Respondents violated O.C.G.A. § 10-5-51(a) by defrauding Investor #1 out of the six hundred eighty dollar ($680.00) monthly payments, a portion of which was intended for investment at the discretion of Respondents. Based on the violations of O.C.G.A. § 10-5-51(a), Respondents are subject to penalties pursuant to O.C.G.A. § 10-5-73.

19. Pursuant to O.C.G.A. § 10-5-2(31), a "security" is defined as "a note; stock; treasury stock; security future; bond; debenture; evidence of indebtedness; certificate of interest or participation in a profit-sharing agreement; collateral trust certificate; preorganization certificate or subscription; transferable share; investment contract; voting trust certificate; certificate of deposit for a security; fractional undivided interest in oil, gas, or other mineral rights; put, call, straddle, option, or privilege on a security, certificate of deposit, or group or index of securities, including an interest therein or based on the value thereof; put, call, straddle, option, or privilege entered into on a national securities exchange relating to foreign currency; or, in general, an interest or instrument commonly known as a "security"; or a certificate of interest or participation in, temporary or interim certificate for, receipt for, guarantee of, or warrant or right to subscribe to or purchase any of the foregoing." The definition of a "security" includes "both a certificated and an uncertificated security."

20. The investments offered and issued by Respondents to Investor #1 are securities as defined by O.C.G.A. § 10-5-2(31).

21. Pursuant to O.C.G.A. § 10-5-20, " [i]t is unlawful for a person to offer or sell a security in Georgia unless: (1) the security is a federal covered security, (2) the security, transaction, or offer is exempted from the registration requirement, or (3) the security is registered under this chapter." Respondents failed to register the securities offered to Investor #1 Respondents' failure to register the investment contract is a violation of O.C.G.A. § 10-5-20. The violation is actionable pursuant to O.C.G.A. § 10-5-73, therefore, Respondents are subject to discipline.

22. Pursuant to O.C.G.A. § 10-5-50, "it is unlawful for a person, in connection with the offer, sale, or purchase of a security, directly or indirectly: (1) to employ a device, scheme, or artifice to defraud; (2) to make an untrue statement of a material fact or to omit to state a material fact necessary in order to make the statement made, in the light of the circumstances under which it is made, not misleading; or (3) to engage in an act, practice, or course of business that operates or would operate as a fraud or deceit upon another person." When soliciting the investments of Investor #1, Respondents made untrue statements of material facts concerning the viability of the real estate development projects, the return on investment for the projects, and the use of the invested funds. The misuse of the funds and misleading statements are violations of O.C.G.A. § 10-5-50 which are actionable events pursuant to O.C.G.A. § 10-5-73, and therefore, Respondents are subject to discipline.

III. ORDER

WHEREFORE, by the authority vested in me as the Commissioner of Securities for the State of Georgia, **IT IS HEREBY ORDERED**:

1. That **DERRICK CANADY** and **DERRICK MANAGEMENT INCORPORATED** immediately **CEASE AND DESIST** all violations of the Georgia Uniform Securities Act of 2008, as amended.

2. **DERRICK CANADY** and **DERRICK MANAGEMENT INCORPORATED,** jointly and severally, pay a civil penalty in the amount of twenty five thousand dollars ($25,000.00). Full payment of this monetary penalty is due within thirty (30) days of the entry of a Final Order by the Commissioner of Securities.

The entry of the Order is deemed to be in the public interest and shall not be deemed to constitute findings or conclusions relating to other persons unrelated to Respondents and shall not be deemed to be a waiver or estoppel on the part of the Commissioner from proceeding in individual actions against any person who may have violated the Act or any transactions not specifically referred to herein or not known to the Commissioner at the time this Order was issued.

SO ORDERED this 10th day of January, 2019.

SECRETARY OF STATE
COMMISSIONER OF SECURITIES

By: _____
C. Ryan Germany
Assistant Commissioner of Securities