

ALABAMA SECURITIES COMMISSION
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Judy Morehead Pleads Guilty to Securities Fraud in Henry County

MONTGOMERY, ALABAMA (February 13, 2019) Patrick B. Jones III, District Attorney for the 20th Judicial Circuit, Henry County, Alabama; and Joseph Borg, Director of the Alabama Securities Commission (ASC) announced that on February 11, 2019, Judy Kay Morehead pled guilty in Henry County Circuit Court to Securities Fraud for engaging in an act, practice, or course of business which operated as a fraud or deceit upon investors.

Morehead's plea was a result of indictments returned by the March 2017 Henry County Grand Jury against Judy Morehead, Stanley Morehead, and Benjamin Morehead for accepting approximately \$300,000 dollars of investors' funds and then knowingly using the funds to pay personal debts, personal loans, and expenses unrelated to investments.

According to court documents of a pre-trial hearing, the defendants attempted to have one of the victims declared incompetent to testify at trial. The victim, Hazel Luksa, an 84-year-old woman who is suffering from dementia, had recently been deemed "incapacitated" under Alabama law and a guardian and conservator were appointed to protect her and her estate. During the hearing on Friday, February 8, 2019, Circuit Court Judge Larry Anderson, after hearing extensively from Hazel, adjudged her competent to testify at the trial.

The defendants were scheduled to begin trial on the following Monday, February 11, 2019, when Judy Morehead, through her counsel, contacted the state about pleading guilty. According to Morehead, she was the financial advisor to Hazel and in that capacity, she helped Hazel create a Revocable Trust. The trust was established to receive \$250,000 left to Hazel by her late sister, and which Hazel intended to leave to charity. Judy Morehead convinced Hazel to name Morehead's husband, Stan Morehead, as trustee of the trust and Judy Morehead named herself as the alternate trustee. Stan then moved to Florida to work, but Morehead continued to be Hazels only contact. Over the course of a few months, Judy Morehead orchestrated the use of the \$250,000 trust funds to pay Judy Morehead's personal mortgage loans and debts. During this time, Judy Morehead represented to Hazel through various reports that the money had been invested in arms-length commercial transactions and never told Hazel that the money had been used by Judy Morehead personally.

William and Kim Nichols also invested with Judy Morehead and believed they were investing with Morehead's family-owned company, Southern Investment Group, Inc., for the purpose of "flipping houses." In exchange for \$59,000, Southern Investment Group issued a promissory note that Judy Morehead stated she directed her son, Ben Morehead, to sign. Rather than investing the money in real estate, as represented by Judy Morehead, the money was used by Judy Morehead to pay personal expenses. Judy Morehead concealed her activities by paying the interest rates according to the note and ultimately repaid the note in full in accord with its terms and after the indictments were returned in this case.

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Judy Morehead's sentencing is scheduled for March 8, 2019 before Circuit Court Judge Larry Anderson. Securities Fraud is a Class B felony, punishable by not less than two years, but no more than 20 years in prison, and a fine not to exceed \$30,000.

"The successful prosecution of this case marks a special victory for victims of elder abuse and financial exploitation," said Amanda Senn, prosecutor and Deputy Director of Enforcement for the Alabama Securities Commission. "Oftentimes, the victims are portrayed as too vulnerable or incapable of rendering assistance due to cognitive impairment. At one time, sadly, many of these victims would have been prevented from testifying, but the laws with the regard to competency have broadened in scope to allow them to have a voice."

"We want to especially thank Clayton Davis and Xiomara Rogers of the law firm Davis and Associates for their significant contributions in this case" said Amanda Senn. "Through their Senior Medicare Patrol Outreach Program with the Southern Alabama Regional Council on Aging (SARCOA), they were able to bring Hazel's case to light."

The ASC is always available to assist our law enforcement and community partners with financial exploitation cases involving Alabama's senior and vulnerable adults.

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.

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

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