

1  
2  
3 STATE OF OREGON  
4 DEPARTMENT OF CONSUMER AND BUSINESS SERVICES  
5 DIVISION OF FINANCE AND CORPORATE SECURITIES

6 In the Matter of

Case No. S-13-0132

7 AVALON INVESTMENT &  
8 SECURITIES GROUP, INC.;

FINAL ORDER TO CEASE AND  
DESIST, FINAL ORDER ASSESSING  
CIVIL PENALTIES AND CONSENT  
TO ENTRY OF ORDER

Respondent.

9 The Director of the Department of Consumer and Business Services for the State  
10 of Oregon (the "Director") has determined that AVALON INVESTMENT &  
11 SECURITIES GROUP, INC. ("Avalon") has violated certain provisions of the Oregon  
12 Securities Law, ORS 59.005 to 59.451, 59.991 and 59.995; and

13 Avalon wishes to waive its right to an administrative hearing and resolve and  
14 settle this matter by entering into this Consent Order.

15 Now therefore, as evidenced by the authorized signature subscribed on this Order,  
16 and without admitting or denying the facts and allegations contained herein, Avalon  
17 hereby CONSENTS to entry of this Order to Cease and Desist and other sanctions as  
18 provided in this Order upon the Director's Findings of Fact and Conclusions of Law as  
19 stated below.

20  
21 I. FINDINGS OF FACT

22 The Director FINDS that:

23 1. Avalon is an Alabama corporation with a primary place of business located at  
24 404 Avalon Avenue, #200; Muscle Shoals, Alabama 35661. Avalon is registered as a  
25 securities broker-dealer with the Financial Industry Regulatory Authority, Inc.  
26 ("FINRA"), and has been assigned Central Registration Depository ("CRD") number





1 6281. Avalon was also licensed with the Division of Finance and Corporate Securities  
2 (“Division”) as an Oregon securities broker-dealer in accordance with the Oregon  
3 Securities Law. Avalon’s registration with the Division was effective from January 10,  
4 2011 until Avalon voluntarily withdrew their Oregon Registration effective July 19,  
5 2013.

6 2. Lorne Dean Hibbs (“Hibbs”) is an Oregon resident and was, at all times  
7 relevant to this matter, a securities salesperson licensed with the Division to work with  
8 Avalon and was assigned CRD number 1471779. Hibbs became licensed as a salesperson  
9 with Avalon on January 3, 2011. His license with Avalon was terminated effective  
10 August 1, 2012. Hibbs was also licensed by the Oregon Insurance Commissioner as an  
11 insurance producer and was so licensed during his tenure with Avalon.

12 3. Troy J. Mullins (“Mullins”) is an Oregon resident and was, at all times  
13 relevant to this matter, licensed with the Division as a salesperson with Avalon and was  
14 assigned CRD number 4268159. Mullins became licensed in Oregon as a salesperson for  
15 Avalon on September 28, 2011. Mullins’ registration with Avalon was terminated  
16 effective July 19, 2013. Mullins is also licensed by the Oregon Insurance Commissioner  
17 as an insurance producer and was so licensed during his registration with Avalon.

18 4. Russell P. Ing (“Ing”) is an Oregon resident and was, at all times relevant to  
19 this matter, licensed with the Division as a salesperson with Avalon and was assigned  
20 CRD number 1265780. Ing became licensed as a salesperson with Avalon on January 3,  
21 2012. Ing’s registration with Avalon was terminated effective July 19, 2013. Ing is also  
22 licensed by the Oregon Insurance Commissioner as an insurance producer and was so  
23 licensed during his registration with Avalon. Ing’s office is located in his home in  
24 Eugene, Oregon.

25 5. Rex Venture Group, LLC is a Nevada limited liability company doing  
26 business as Rex Ventures, Zeek Rewards and ZeekRewards.com (hereafter referred to as



1 “Rex Venture” or “Zeek Rewards”). The company had offices located at 7477 W. Lake  
2 Mead Boulevard #170, Las Vegas, Nevada 89128, and conducted business from an  
3 address in Lexington, North Carolina. At all times relevant to this matter, the principal  
4 member of the firm was Paul R. Burks (“Burks”).

5 Zeek Rewards and the Matrix

6 6. Beginning in 1997, Burks operated several online, multi-level marketing  
7 businesses. In 2010, Burks created Zeekler.com, a penny auction website offering  
8 merchandise. Penny auctions require participants to pay a non-refundable fee to purchase  
9 and place each incremental bid (typically one cent) on merchandise via auction. The  
10 penny auctions were not particularly successful until Burks launched Zeek Rewards in  
11 2011.

12 7. Zeek Rewards was a self-described “private, invitation-only, affiliate  
13 advertising division” of Zeekler. Zeek Rewards solicited investors, called “affiliates”,  
14 advertised with the promise of daily profit share awards distributed through a Retail  
15 Profit Pool. According to the Zeek Rewards website, the company shared “up to 50% of  
16 the daily net profits” with affiliates who met certain qualifications (“Qualified  
17 Affiliates”). Those qualifications, however, actually involved investing more money in  
18 Zeek Rewards and in finding others to invest. Zeek Rewards employed a pyramid  
19 “Matrix” to reward investors for recruiting others to join the scheme.

20 8. The Rex Venture/Zeek Rewards products or arrangements were not registered  
21 with the Division as securities under the Oregon Securities Law.

22 9. The U.S. Securities and Exchange Commission (“SEC”) determined that Zeek  
23 Rewards was a Ponzi scheme involved in the offer and sale of securities in the form of  
24 investment contracts. On August 17, 2012, the SEC filed a complaint in U.S. District  
25 Court in North Carolina against Rex Venture and Burks seeking an injunction, the  
26 freezing of assets, appointment of a receiver, disgorgement, and civil penalties. Burks



1 agreed to settle the SEC’s charges against him without admitting or denying the  
2 allegations. He agreed to relinquish his interest in the company and its assets and to pay a  
3 \$4 million penalty. He also agreed to cooperate with the court-appointed receiver.

4 Salesperson Employment

5 10. On January 3, 2011, Hibbs left his employment with another broker-dealer  
6 and began his tenure as a licensed securities salesperson with Avalon. Hibbs had begun  
7 his relationship as an affiliate with Zeek Rewards by November 2011, if not earlier. In an  
8 “Outside Business Activity Request For Approval” (“OBA form”) signed on November  
9 8, 2011, Hibbs informed Avalon that he was acting as an “affiliate for Zeek Rewards.”  
10 The OBA form stated that Zeek Rewards was a penny auction and that Hibbs posted ads  
11 to drive business to Zeek Rewards and that minimal time was spent on this OBA. The  
12 OBA form was marked by Avalon’s Chief Compliance Officer as “Not securities  
13 related.” Avalon did not update Hibbs’s CRD record to reflect this outside sales activity.

14 11. By the second quarter of 2012, Hibbs was actively promoting Zeek Rewards  
15 from an office located at 171 NE Exchange Avenue in Roseburg, Oregon (“Roseburg  
16 office”) and recruiting participants for the program. He routinely issued emails to  
17 promote webinars he had developed to promote Zeek Rewards. Hibbs advertised that his  
18 affiliates were “earning 4 figure weekly checks” and that his own checks “for the past  
19 couple of months has [sic] been 5 figures and growing!” Hibbs also reported to affiliates  
20 that “everyone you help get to 50,000 points will earn you approx. \$2,000/month[.]” He  
21 emphasized that the opportunity could disappear. “This is for real and we may never have  
22 an opportunity this good come our way again.”

23 12. On his 2012 Annual Attestation form signed on May 24, 2012, Hibbs  
24 informed Avalon that he had formed a limited liability company called Double Time  
25 Traffic, LLC specifically for his Zeek rewards affiliate. Hibbs informed Avalon that his  
26 activities with Zeek Rewards were not investment related. As late as December 2012,



1 Avalon had failed to file or amend information on CRD to reflect Hibbs’s outside  
2 employment with Rex Venture and Zeek Rewards.

3 13. Mullins began working as a securities salesperson with Avalon on September  
4 28, 2011. He began his affiliation with Zeek Rewards in early 2012. On his OBA form  
5 dated March 1, 2012, Mullins informed Avalon that he was acting as an “affiliate for Rex  
6 Venture Group/Zeek Rewards” effective January 15, 2012.

7 14. In his 2012 Annual Attestation form dated May 16, 2012, Mullins again  
8 informed Avalon that he was acting as a Zeek Rewards affiliate as well as a partner in an  
9 entity called “Dean Hibbs & Associated” [sic] which was described as involved in  
10 “penny auctions.” Mullins’s 2012 Attestation form also indicated that Dean Hibbs &  
11 Associated operated from offices located at the Roseburg office, the same location that  
12 Mullins used in transacting business for Avalon. As late as December 2012, Avalon  
13 failed to file or amend information on CRD regarding Mullins’s outside employment with  
14 Zeek Rewards or Dean Hibbs & Associated. Ing began working as a salesperson with  
15 Avalon on January 10, 2012.

16 15. Ing began his affiliation with Zeek Rewards in early 2012. Ing’s outside  
17 business activity with Zeek Rewards and Zeekler, LLC was disclosed on his CRD record.

18 16. The Oregon Division of Finance and Corporate Securities (the “Division”)  
19 received complaints about Rex Venture and Zeek Rewards. At least one Oregon resident  
20 invested \$10,000 in Zeek Rewards after viewing a webinar posted by Hibbs in which he  
21 claimed to be receiving a return on investment in Zeek Rewards of 1.5 to 2 percent per  
22 month. These claims falsely represented the actual return that Hibbs was receiving. Hibbs  
23 recruited at least 18 Oregon residents to place funds in Zeek Rewards.

24 *Avalon Compliance and Supervisory Manual*

25 17. Avalon drafted and adopted a Compliance and Supervisory Manual (“Avalon  
26 Manual”) that set out requirements for both the firm and salespersons to follow. Avalon



1 had adopted written procedures barring salespersons from selling unregistered securities.

2 The Manual provides in part:

3 VII. THE CONDUCT OF REGISTERED REPRESENTATIVES

4 \* \* \* \* \*

5 D. Prohibited Acts

6 Registered Representatives (including principals handling customer accounts) are specifically prohibited from doing any of the following:

7 1. Engage in “private” securities transactions meaning any transaction not sponsored by  
8 Avalon INVESTMENT & SECURITIES GROUP, INC. A registered representative may  
9 not effect securities transactions for any person or any entity outside the scope of  
10 employment with Avalon INVESTMENT & SECURITIES GROUP, INC. This  
11 prohibition is intended to cover any investment transaction. Effecting private securities  
12 transactions by a registered representative without prior written permission of the  
13 Compliance Officer of Avalon INVESTMENT & SECURITIES GROUP, INC. will  
14 result in immediate termination of employment of the representative. \* \* \*

15 2. Raise money individually or as an agent for any business enterprise whatsoever  
16 without the advance written consent of the Compliance Officer of Avalon  
17 INVESTMENT & SECURITIES GROUP, INC.

18 \* \* \* \* \*

19 12. Enter into any business transaction or relationship jointly with a client without the  
20 specific advance written approval of the President or Compliance Officer.

21 Avalon Manual 11-12.

22 Supervision of Oregon Sales Representatives

23 18. On May 17, 2012, the Division asked Avalon to provide information about  
24 Hibbs’s activities for Zeek Rewards. In a response dated May 31, 2012, Avalon  
25 acknowledged that Hibbs had informed Avalon of the outside sales activity on November  
26 8, 2011. Avalon informed the Division that Hibbs’ outside sales activity with Zeek  
27 Rewards was approved by Avalon, although there was no indication when that approval  
28 occurred. Avalon noted that Hibbs’s CRD record “will be updated ... as soon as we have  
29 received all the required information from Mr. Hibbs.” That outside sales activity was  
30 never reflected in a Form U4 filed with CRD.

31 19. On January 17, 2013, Avalon informed the Division that it had approved



1 Mullins’s and Ing’s outside work with Zeek Rewards, although the CRD shows no record  
2 when any such approvals occurred.

## 4 II. CONCLUSIONS OF LAW

5 20. During the relevant time related to these events, Avalon was an Oregon  
6 licensed securities broker-dealer subject to the requirements of the Oregon Securities  
7 Law.

8 21. The interests sold by Avalon sales representatives Hibbs, Mullins and Ing on  
9 behalf of Rex Ventures and/or Zeek Rewards are “securities” as that term is defined in  
10 ORS 59.015 (19)(a).

11 22. At all times material to this Order, Hibbs, Mullins and Ing were  
12 “salespersons” as that term is defined in ORS 59.015 (18)(a) and were licensed with  
13 Avalon.

14 23. Avalon failed to diligently supervise salespersons Hibbs, Mullins and Ing in  
15 violation of ORS 59.205 (13) and OAR 441-205-0210 by failing to report on Hibbs’s and  
16 Mullins’s CRD record their respective outside relationships with Rex Venture and Zeek  
17 Rewards.

18 24. Avalon failed to amend the license applications of salespersons Hibbs and  
19 Mullins in violation of ORS 59.175 (6) and OAR 441-175-0105 (1)(d) when the CRD  
20 records for each of the salespersons were not amended to disclose the outside business  
21 activities with Rex Venture and Zeek Rewards.

## 23 III. ORDERS

24 Now, therefore, the Director issues the following ORDERS:

### 25 Final Order to Cease and Desist

26 25. As authorized by ORS 59.245, the Director ORDERS Respondent Avalon to



1 CEASE AND DESIST from transacting business in Oregon as a securities broker-dealer  
2 without diligently supervising all Oregon registered sales representatives; and violating  
3 any provision of the Oregon Securities Law, ORS chapter 59, or Oregon Administrative  
4 Rules chapter 441.

5 Final Order Assessing Civil Penalty

6 26. In accordance with ORS 59.995, the Director may assess a CIVIL PENALTY  
7 in any amount determined by the Director of not more than \$20,000 for each violation of  
8 ORS chapter 59. Pursuant to this provision, the Director hereby ORDERS Respondent  
9 Avalon to pay a CIVIL PENALTY of \$20,000 (twenty-thousand dollars) for violations of  
10 the requirements to diligently supervise sales representatives in ORS 59.205 and OAR  
11 441-205-0210.

12 27. The Director will SUSPEND \$15,000 (fifteen-thousand dollars) of the CIVIL  
13 PENALTY assessed herein so long as Avalon complies with all terms of this Consent  
14 Order; PROVIDED HOWEVER that the suspended portion of the CIVIL PENALTY  
15 will be immediately due and payable upon a determination by the Director that Avalon  
16 violated any term of this Consent Order. If Avalon commits no additional violations of  
17 the Oregon Securities Law in the three-year period from the date of this Consent Order,  
18 collection of the suspended portion of the CIVIL PENALTY is waived.

19 28. The remaining unsuspended portion of the assessed civil penalty is due and  
20 payable on Avalon's execution of this Consent Order.

21 29. This Consent Order is a "Final Order" under ORS 183.310 (6)(b). Subject to  
22 that provision, the entry to this Consent Order does not limit other remedies that are

23 //  
24 //  
25 //  
26 //



1 available to the Director under Oregon Law.

2 IT IS SO ORDERED.

3 Dated this 17th day of September, 2013 at Salem, Oregon.

4 PATRICK M. ALLEN, Director  
5 Department of Consumer and Business Services

6 /s/ David Tatman  
7 David C. Tatman, Administrator  
8 Division of Finance and Corporate Securities

8 //  
9 //  
10 //

11  
12  
13  
14  
15  
16  
17  
18  
19  
20  
21  
22  
23  
24  
25  
26

Division of Finance and Corporate Securities  
Labor and Industries Building  
350 Winter Street NE, Suite 410  
Salem, OR 97301-3881  
Telephone: (503) 378-4387



1 CONSENT TO ENTRY OF ORDER BY AVALON  
2 INVESTMENT & SECURITIES GROUP, INC.

3 I, Das A. Borden, state that I am the president of Avalon Investment & Securities  
4 Group, Inc. ("Avalon").

5 By signing this Consent Order, Avalon is attesting that it has read the Consent  
6 Order and knows and fully understands its contents; that without admitting or denying the  
7 findings of fact or conclusions of law contained in the Consent Order it consents to the  
8 entry of the Consent Order and will fully comply with its terms.

9 Avalon further attests that it has been advised of its right to a hearing and  
10 voluntarily and without any force or duress expressly waives any right to a hearing in this  
11 matter.

12 Avalon understands that this Consent Order is a public document.

13 AVALON INVESTMENT & SECURITIES GROUP, INC.

14 By: /s/ Das A. Borden  
15 Das A. Borden, President

16 State of ALABAMA

17 County of Colbert

18 Signed or attested before me on this 3rd day of Sept., 2013  
19 by Das A. Borden.

20 /s/ Jane Springer  
21 Notary Public

22 Division of Finance and Corporate Securities  
23 Labor and Industries Building  
24 350 Winter Street, NE, Suite 410  
25 Salem, OR 97301-3881  
26 Telephone: (503) 378-4387

