

**FINANCIAL INDUSTRY REGULATORY AUTHORITY
LETTER OF ACCEPTANCE, WAIVER AND CONSENT
NO. 20120341092**

**TO: Department of Enforcement
Financial Industry Regulatory Authority ("FINRA")**

**RE: James D. Helgeson, Respondent
Registered Representative
CRD No. 1016562**

Pursuant to FINRA Rule 9216 of FINRA's Code of Procedure, James D. Helgeson ("Helgeson") submits this Letter of Acceptance, Waiver and Consent ("AWC") for the purpose of proposing a settlement of the alleged rule violations described below. This AWC is submitted on the condition that, if accepted, FINRA will not bring any future actions against me alleging violations based on the same factual findings described herein.

I.

ACCEPTANCE AND CONSENT

- A. Helgeson hereby accepts and consents, without admitting or denying the findings, and solely for the purposes of this proceeding and any other proceeding brought by or on behalf of FINRA, or to which FINRA is a party, prior to a hearing and without an adjudication of any issue of law or fact, to the entry of the following findings by FINRA:

BACKGROUND

Helgeson entered the securities industry in October 1981 and has worked in the securities industry for approximately 25 years with eight different present and former FINRA-regulated broker-dealers. Helgeson obtained the following securities licenses: Series 6, Series 7, Series 63, Series 24 and Series 66, and obtained them between 1981 and 2004.

From December 2004 to August 27, 2012, Helgeson was associated with Kovack Securities, Inc. ("Kovack" or the "Firm"), a FINRA-registered broker-dealer, as an independent contractor and general securities representative in Billings, Montana. On September 19, 2012, the Firm reported that it terminated Helgeson's employment for engaging in an outside business activity without obtaining prior approval from the Firm.

Helgeson is not currently employed by or associated with a FINRA-regulated broker-dealer. Pursuant to Article V, Section 4 of FINRA's By-Laws, Helgeson remains subject to FINRA's jurisdiction until September 18, 2014.

RELEVANT DISCIPLINARY HISTORY

Helgeson has no prior formal disciplinary history in the securities industry.

OVERVIEW

Between December 2011 to August 2012 (the "Relevant Period"), Helgeson, a registered representative and independent contractor associated with Kovack, engaged in outside business activities with Rex Ventures Group LLC ("Rex Ventures"), a limited liability company that operated a subscription-based, penny auction website known as Zeekler.

Specifically, Helgeson posted non-securities-related advertisements on the Internet on behalf of Rex Ventures on a daily basis, in order to attract participants or subscribers to its auction website, as well as to receive compensation through the receipt of VIP Reward points issued by Rex Ventures, which Helgeson could redeem for a cash payment.

In order to earn additional compensation through the issuance of VIP Reward points, as well as to potentially spur public interest in the Zeekler website, Helgeson purchased approximately \$20,000 worth of sample auction bids that were intended to be given to visitors of the Zeekler website at no charge so that they could try the penny auction service.

Based on his work posting advertising materials on the Internet and purchasing sample bids in furtherance of Rex Ventures' penny auction business and certain other activities, Helgeson anticipated receiving \$280,000 in compensation from redeeming the VIP Reward points he accumulated from Rex Ventures.

Helgeson did not provide written notice of his affiliation and activities with Rex Ventures to the Firm prior to engaging in the activity. By failing to give the requisite prior notice to the Firm, Helgeson violated FINRA Rules 3270 and 2010.

FACTS AND VIOLATIVE CONDUCT

FINRA Rule 3270 provides in relevant part, that, "No registered person may be an employee, independent contractor, sole proprietor, officer, director or partner of another person, or be compensated, or have the reasonable expectation of compensation, from any other person as a result of any business activity outside the scope of the relationship with his or her member firm, unless he or she has provided prior written notice to the member, in such form as specified by the member."

FINRA Rule 2010 requires the observance of high standards of commercial honor and just and equitable principles of trade. A violation of FINRA Rule 3270 is also a violation of FINRA Rule 2010.

A. Firm Policies and Procedures – Outside Business Activities

The Firm's written supervisory procedures provided that "[n]o registered representative shall be employed by, or accept compensation from, any other person as a result of any business activity without prior approval from [Kovack]." The 2011 WSPs further provided that "any 'OUTSIDE' business or Outside Business Activities engaged in by any registered person must be disclosed in advance to the Home Office." (Emphasis in original.) The Firm's WSPs also required representatives to keep outside business activities "entirely separate from their [Firm] securities

business unless specific authority is granted in writing from the Compliance Department" and representatives were not permitted to use work-related facilities to engage in outside business activity "if such action makes it appear he or she is acting as a representative of [the Firm]."

Helgeson completed the Firm's Annual Compliance Attestation in November 2011. As part of that process, Helgeson attested to having read the Firm's WSPs and disclosed seven outside business activities.

B. Helgeson's Outside Business Activities With Rex Ventures

Rex Ventures operated a subscription-based, penny auction website known as Zeekler and on which auction participants paid a fee to place bids, usually \$.50 to \$1 per bid, on electronic and consumer goods. Rex Ventures solicited individuals to become "affiliates" of its rewards program, which promised "Qualified Affiliates" a share of up to 50% of the daily profits earned by Rex Ventures and Zeekler.

To become a Qualified Affiliate, individuals were required to (i) enroll in a monthly subscription plan; (ii) enroll new penny auction customers, either personally or through third-party businesses endorsed by Rex Ventures; (iii) sell at retail or purchase and give away a minimum of ten sample auction bids; and (iv) place one free advertisement daily for Zeekler. Qualified Affiliates earned "VIP Rewards" points by, among other things, purchasing sample auction bids and giving them away. The size of each Qualified Affiliate's daily profit award was dependent upon the number of VIP Rewards points the affiliate accumulated. Daily profit awards were frequently paid in the form of additional VIP Rewards points.

On or about December 8, 2011, Helgeson became an "affiliate" of Rex Ventures. During the Relevant Period, Helgeson, on behalf of Rex Ventures, posted non-securities-related Internet advertisements on a daily basis on various advertising sites as part of Rex Ventures' internet marketing campaign for its Zeekler auction website. The advertisements were provided by Rex Ventures and designed to attract participants to the penny auctions. After placing the ads, Helgeson sent a hyperlink to the website with his ad via e-mail to Rex Ventures.

By placing the ads, Helgeson was compensated by earning VIP Rewards points, which were valid for 90 days from the date they were earned and could be redeemed for cash on a one point-to-one dollar basis.

In order to earn additional compensation in the form of VIP Reward points, as well as to potentially spur additional public interest in the Zeekler auction website, during the Relevant Period, Helgeson purchased approximately \$20,000 of sample auction bids from Rex Ventures, which were intended to be given to visitors of the Zeekler website free of charge so that they could try the penny auction service. Helgeson also earned VIP Rewards points when the 14 individuals he referred to Rex Ventures' auction website enrolled in the program as affiliates.

Helgeson purchased "customers" from a third-party company at a rate of \$30 a month for five customers, to satisfy Rex Ventures' requirement that he enroll new customers.

As required, Helgeson also purchased a monthly subscription from Rex Ventures, which entitled him to receive additional VIP Rewards points equal to 10% of the dollar amount of any sample bids and 20% of the dollar value of any monthly subscription purchased by the individuals that Helgeson referred to Rex Ventures' program.

By August 2012, Helgeson had acquired approximately 280,000 VIP Rewards points, constituting a cash value of approximately \$280,000. Although Helgeson attempted to redeem an unknown quantity of his VIP Rewards points sometime in August 2012, he never received any funds from Rex Ventures due to the emergency action and consent order filed by the SEC against Rex Ventures, Zeekler and its founder, in which the SEC sought to halt the allegedly fraudulent unregistered Ponzi and Pyramid scheme perpetrated by Rex Ventures and the appointment of a receiver to take charge of Rex Ventures' assets. Helgeson was not named as a participant in the alleged fraudulent scheme.

Notwithstanding his affiliation with Rex Ventures in December 2011, Helgeson did not update his outside business activity disclosures or request approval to engage in any new outside business activities at any time following the completion of his annual compliance attestation in November 2011 until prompted by the Firm's inquiry in June 2012.

C. Helgeson's Untimely Disclosure of his Rex Ventures Activities

In June 2012, in response to an inquiry from the Firm's CCO, Helgeson submitted an Outside Business Activity Notification Form (the "OBA Notice") describing, for the first time, his involvement with Rex Ventures. In the OBA Notice, Helgeson identified himself as an affiliate of Rex Ventures, an internet marketing and advertising business, and described his duties as "plac[ing] one or more ads on the internet every day." Helgeson's notification of his outside business activity with Rex Ventures was provided after his affiliation with Rex Ventures commenced and after he engaged in the posting of advertisements for and purchase of sample bids from Rex Ventures.

As the foregoing demonstrates, Helgeson did not provide written notice of his affiliation and activities with Rex Ventures to the Firm prior to engaging in the activity. By failing to give the requisite prior notice to the Firm, Helgeson violated FINRA Rules 3270 and 2010.

B. Helgeson consents to the imposition of the following sanctions:

- a. A one-month suspension from associating with any FINRA-regulated broker-dealer in any capacity; and
- b. A fine of \$5,000 (deferred).

Helgeson understands that if he is barred or suspended from associating with any FINRA member, he becomes subject to a statutory disqualification as that term is defined in Article III, Section 4 of FINRA's By-Laws, incorporating Section 3(a)(39) of the Securities Exchange Act of 1934. Accordingly, Helgeson may not be

associated with any FINRA member in any capacity, including clerical or ministerial functions, during the period of the bar or suspension (see FINRA Rules 8310 and 8311).

The fine shall be due and payable either immediately upon reassociation with a member firm following the one-month suspension noted above, or prior to any application or request for relief from any statutory disqualification resulting from this or any other event or proceeding, whichever is earlier.

Helgeson specifically and voluntarily waives any right to claim that he is unable to pay, now or at any time hereafter, the monetary sanction imposed in this matter.

The sanctions imposed herein shall be effective on a date set by FINRA staff.

II.

WAIVER OF PROCEDURAL RIGHTS

Helgeson specifically and voluntarily waives the following rights granted under FINRA's Code of Procedure:

- A. To have a Complaint issued specifying the allegations against me;
- B. To be notified of the Complaint and have the opportunity to answer the allegations in writing;
- C. To defend against the allegations in a disciplinary hearing before a hearing panel, to have a written record of the hearing made and to have a written decision issued; and
- D. To appeal any such decision to the National Adjudicatory Council ("NAC") and then to the U.S. Securities and Exchange Commission and a U.S. Court of Appeals.

Further, Helgeson specifically and voluntarily waives any right to claim bias or prejudgment of the General Counsel, the NAC, or any member of the NAC, in connection with such person's or body's participation in discussions regarding the terms and conditions of this AWC, or other consideration of this AWC, including acceptance or rejection of this AWC.

Helgeson further specifically and voluntarily waives any right to claim that a person violated the ex parte prohibitions of FINRA Rule 9143 or the separation of functions prohibitions of FINRA Rule 9144, in connection with such person's or body's participation in discussions regarding the terms and conditions of this AWC, or other consideration of this AWC, including its acceptance or rejection.

III.

OTHER MATTERS

Helgeson understands that:

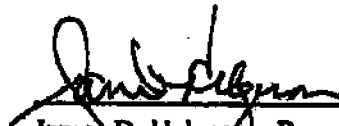
- A. Submission of this AWC is voluntary and will not resolve this matter unless

and until it has been reviewed and accepted by the NAC, a Review Subcommittee of the NAC, or the Office of Disciplinary Affairs ("ODA"), pursuant to FINRA Rule 9216;

- B. If this AWC is not accepted, its submission will not be used as evidence to prove any of the allegations against me; and
- C. If accepted:
1. this AWC will become part of his permanent disciplinary record and may be considered in any future actions brought by FINRA or any other regulator against him;
 2. this AWC will be made available through FINRA's public disclosure program in response to public inquiries about my disciplinary record;
 3. FINRA may make a public announcement concerning this agreement and the subject matter thereof in accordance with FINRA Rule 8313; and
 4. Helgeson may not take any action or make or permit to be made any public statement, including in regulatory filings or otherwise, denying, directly or indirectly, any finding in this AWC or create the impression that the AWC is without factual basis. Helgeson may not take any position in any proceeding brought by or on behalf of FINRA, or to which FINRA is a party, that is inconsistent with any part of this AWC. Nothing in this provision affects his: (i) testimonial obligations; or (ii) right to take legal or factual positions in litigation or other legal proceedings in which FINRA is not a party.
- D. Helgeson may attach a Corrective Action Statement to this AWC that is a statement of demonstrable corrective steps taken to prevent future misconduct. Helgeson understands that he may not deny the charges or make any statement that is inconsistent with the AWC in this Statement. This Statement does not constitute factual or legal findings by FINRA, nor does it reflect the views of FINRA or its staff.

Helgeson certifies that he has read and understands all of the provisions of this AWC and has been given a full opportunity to ask questions about it; that he has agreed to its provisions voluntarily; and that no offer, threat, inducement, or promise of any kind, other than the terms set forth herein and the prospect of avoiding the issuance of a Complaint, has been made to induce him to submit it.

02/14/2014
Date (mm/dd/yyyy)


James D. Helgeson, Respondent

Reviewed by:

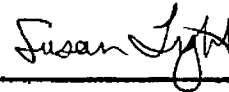
02/25/2014
Date (mm/dd/yyyy)


Jason P. Loble, Counsel for Respondent
Crowley Fleck PLLP
900 N. Last Chance Gulch, Suite 200
Helena, MT 59601
Tel. (406) 457-2023

Accepted by FINRA:

March 10, 2014
Date (mm/dd/yyyy)

**Signed on behalf of the Director of ODA,
by delegated authority**


Susan Light
Senior Vice President & Chief Counsel
FINRA Department of Enforcement
One World Financial Center
200 Liberty Street, 11th Floor
New York, NY 10281