



# Department of Justice



## United States Attorney Anne M. Tompkins Western District of North Carolina

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### **ZEEKREWARDS' FORMER CHIEF OPERATING OFFICER AND FORMER SENIOR TECHNOLOGY OFFICER TO PLEAD GUILTY IN \$850 MILLION INTERNET PONZI SCHEME**

#### *Defendants and their Co-Conspirators Promised High Returns to Attract Victim-Investors*

WASHINGTON – ZeekRewards' former Chief Operating Officer, Dawn Wright Olivares, 45, and the company's former Senior Technology Officer, Daniel C. Olivares, 31, both of Clarksville, Ark., have agreed to plead guilty to federal charges for their roles in an \$850 million Internet Ponzi scheme that promised victims a bogus return on investments, announced Anne M. Tompkins, U.S. Attorney for the Western District of North Carolina. The two Arkansas residents were associated with the Lexington, N.C. based Rex Venture Group, LLC (RVG), which owned and operated Zeekler and ZeekRewards.

“ZeekRewards used the enormous power of the Internet to rip off \$850 million from hundreds of thousands of victims in less than two years” said U.S. Attorney Tompkins. “We will continue to work with our law enforcement partners to take down greedy scam artists who think nothing of stealing the savings of hard working people.”

“As today's technology continues to evolve, cybercriminals use these advances and enhancements to perpetrate an expanding range of crimes,” said Secret Service Assistant Director of Investigations Paul Morrissey. “As we have seen with this case, even with the increasing complexity of online Ponzi schemes, it remains difficult for criminals to remain anonymous. The Secret Service continues to seek new and innovative ways to combat emerging cyber threats. Our success in this case and other similar investigations is a result of our close work with our network of law enforcement partners.”

“This case shows that the appearance of success can be a mask for a tangled financial web of lies,” said Chief Richard Weber of the IRS Criminal Investigation Division. “The underlying structure can fall apart at any time and leave many investors in financial ruin. Criminal Investigation is committed to investigating Ponzi schemes in an effort to protect the financial well-being of the American public.”

According to the criminal charges and plea documents filed today in U.S. District Court in Charlotte:

From January 2010 through August 2012, Dawn Wright Olivares, her step-son, Daniel Olivares, their unindicted co-conspirator and owner of RVG (identified in the charging document as “P.B”) and others engaged in a Ponzi scheme that raised more than \$850 million through a sham internet-based penny auction company named “Zeekler” and its purported advertising division “ZeekRewards.” The defendants and their co-conspirators lured investors by falsely representing that ZeekRewards was generating massive profits from its penny auctions, and promised substantial returns on their investment, as much as 125 percent. Zeekler’s purported profits were bogus and ZeekRewards operated as a fraudulent Ponzi scheme whereby the co-conspirators used monies from victim-investors to pay fraudulent returns to earlier victim-investors and to personally enrich themselves. As a result, Dawn Wright Olivares, Daniel Olivares, “P.B.” and others induced victims worldwide, including over 1,500 victims in the Charlotte, N.C., area, to invest, thereby sustaining losses of at least \$750 million.

Dawn Wright Olivares was closely involved in the strategic operations and ultimately served as the Chief Operations Officer of Zeekler and ZeekRewards (together “Zeek”). Dawn Wright Olivares also owned 95 percent of Wandering Phoenix LLC, a company that she used to receive payments from Zeek and RVG. During the course of the conspiracy, Dawn Wright Olivares and Wandering Phoenix received approximately \$7.2 million in victim funds.

Daniel Olivares was RVG’s senior technology officer and was responsible for, among other things, database design, management and operations for Zeek. During the course of the conspiracy, Daniel Olivares personally enriched himself with victim funds totaling approximately \$3.1 million. Other unnamed co-conspirators also personally enriched themselves with millions of dollars of victim funds.

In addition to the penny auction scheme, Dawn Wright Olivares, Daniel Olivares, and their co-conspirators represented that victim-investors in ZeekRewards could participate in what came to be known as the Retail Profit Pool (“RPP”), which supposedly allowed victims collectively to share 50 percent of Zeek’s “massive” net retail profits. However, the reported “daily net profit” was illusory and had no relationship at all to actual penny auction revenues or retail profits. The co-conspirators often re-used bogus daily profit figures from preceding days to report that new day’s purported profits and did not even keep books and records needed to calculate such a figure. Rather, the owner of RVG simply made up the “daily net profit” reported to victims. The true revenue from the scheme – approximately 98 percent of all incoming funds – came from victim-investors and not “massive” retail revenue and profits from the penny auctions as the co-conspirators claimed.

As the Ponzi scheme grew in size and scope, the co-conspirators took several steps to conceal the true nature of their scam by making a series of cosmetic changes to the ZeekRewards’ RPP. Ultimately, the Ponzi scheme began failing because the outstanding liability resulting from the bogus 125 percent return on investment continued to rise beyond control. By August 2012, the co-conspirators fraudulently represented to the collective victims that their investments were worth approximately \$2.8 billion. Yet the co-conspirators had no

accurate books and records to even determine how much cash on hand was available to pay such liability. In fact, by August 17, 2012, the co-conspirators had only \$320 million or approximately 11 percent of \$2.8 billion in value that they claimed investors had.

In the plea agreements also filed today with the Court, Dawn Wright Olivares has agreed to plead guilty to an investment fraud conspiracy charge and to tax fraud conspiracy. Daniel Olivares has agreed to plead guilty to an investment fraud conspiracy charge. Each charge carries a maximum prison term of five years in prison and a \$250,000 fine. As part of their plea agreements, the defendants have also agreed to pay full restitution to their victims, the amount of which will be determined by the Court at sentencing.

Additional information and updated court filings about this and related cases filings can be accessed at the district's website: <http://www.justice.gov/usao/ncw/ncwvwa.html>.

In making today's announcement, U.S. Attorney Tompkins praised the U.S. Secret Service for its investigation into ZeekRewards, which is still ongoing, and thanked IRS-CI for its assistance in the case.

In related action today, the United States Securities & Exchange Commission filed civil charges against Dawn Wright Olivares and Daniel Olivares in federal court in Charlotte. Tompkins thanked the U.S. Securities & Exchange Commission, Division of Enforcement for its assistance in the ZeekRewards investigation.

The prosecution is handled by Assistant U.S. Attorneys Mark T. Odulio and Jenny Grus Sugar of the U.S. Attorney's Office in Charlotte.

The President's Financial Fraud Enforcement Task Force includes representatives from a broad range of federal agencies, regulatory authorities, inspectors general, and state and local law enforcement who, working together, bring to bear a powerful array of criminal and civil enforcement resources. The task force is working to improve efforts across the federal executive branch, and with state and local partners, to investigate and prosecute significant financial crimes, ensure just and effective punishment for those who perpetrate financial crimes, combat discrimination in the lending and financial markets, and recover proceeds for victims of financial crimes. For more information on the task force, visit [StopFraud.gov](http://StopFraud.gov).

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