

UNITED STATES OF AMERICA
Before the
SECURITIES AND EXCHANGE COMMISSION

SECURITIES ACT OF 1933
Release No. 10579 / November 29, 2018

ADMINISTRATIVE PROCEEDING
File No. 3-18907

In the Matter of

KHALED KHALED,

Respondent.

**ORDER INSTITUTING CEASE-AND-DESIST
PROCEEDINGS PURSUANT TO SECTION
8A OF THE SECURITIES ACT OF 1933,
MAKING FINDINGS, AND IMPOSING A
CEASE-AND-DESIST ORDER**

I.

The Securities and Exchange Commission (“Commission”) deems it appropriate that cease-and-desist proceedings be, and hereby are, instituted pursuant to Section 8A of the Securities Act of 1933 (“Securities Act”), against Khaled Khaled (“Khaled” or “Respondent”).

II.

In anticipation of the institution of these proceedings, Respondent has submitted an Offer of Settlement (the “Offer”) which the Commission has determined to accept. Solely for the purpose of these proceedings and any other proceedings brought by or on behalf of the Commission, or to which the Commission is a party, and without admitting or denying the findings herein, except as to the Commission’s jurisdiction over him and the subject matter of these proceedings, which are admitted, and except as provided herein in Section V, Respondent consents to the entry of this Order Instituting Cease-and-Desist Proceedings Pursuant to Section 8A of the Securities Act of 1933, Making Findings, and Imposing a Cease-and-Desist Order (“Order”), as set forth below.

III.

On the basis of this Order and Respondent’s Offer, the Commission finds¹ that:

¹ The findings herein are made pursuant to Respondent’s Offer of Settlement and are not binding on any other person or entity in this or any other proceeding.

Summary

1. In September 2017, Khaled – a well-known celebrity music producer known as “DJ Khaled” – touted on social media a security that was being offered and sold in an Initial Coin Offering (“ICO”) without disclosing that he was being compensated for giving such security publicity by the entity offering the security. Khaled’s failure to disclose this consideration violated Section 17(b) of the Securities Act, which makes it unlawful for any person to promote a security without fully disclosing the receipt and amount of such consideration.

Respondent

2. **Khaled**, age 43, is a resident of Los Angeles, California.

Facts

3. In September 2017, Khaled had approximately 12.4 million Instagram followers and 3.9 million Twitter followers.

4. Centra Tech, Inc. (“Centra”), a Miami-based company, conducted an ICO from approximately July through October 2017 in which it offered and sold digital Centra tokens (“CTR”) to be issued on the Ethereum blockchain. CTR tokens are investment contracts and therefore securities pursuant to Section 2(a)(1) of the Securities Act. According to Centra’s White Papers, the purpose of the Centra ICO was to raise capital to enable Centra to complete and operate what it termed the “world’s first Multi-Blockchain Debit Card and Smart and Insured Wallet,” a financial system that would, purportedly, allow holders of various hard-to-spend “cryptocurrencies” to easily convert their assets into legal tender, and spend these “cryptocurrencies” in “real time” using a Visa or MasterCard backed “Centra Card.”²

5. On or about September 27, 2017, Khaled promoted Centra’s ICO on social media by posting to his Instagram and Twitter accounts a picture of himself holding a Centra Card with the caption: “I just received my titanium centra debit card. The Centra Card & Centra Wallet app is the ultimate winner in Cryptocurrency debit cards powered by CTR tokens! Use your bitcoins, ethereum, and more cryptocurrencies in real time across the globe. This is a Game changer here. Get your CTR tokens now!”

6. Centra paid Khaled \$50,000 for the September 27, 2017 social media post. Khaled did not, however, disclose the fact or amount of consideration he was receiving from Centra for making this post.

² In April 2018, the Commission filed a civil action against the founders of Centra, alleging that the ICO was fraudulent. See <https://www.sec.gov/litigation/litreleases/2018/lr24117.htm>. The U.S. Attorney’s Office for the Southern District of New York filed parallel criminal charges.

7. Khaled's September 27, 2017 post giving publicity to Centra's ICO occurred after the Commission warned in its July 25, 2017, DAO Report of Investigation that virtual tokens or coins sold in ICOs may be securities, and those who offer and sell securities in the United States must comply with the federal securities laws.³

Khaled Violated Section 17(b) of the Securities Act

8. Section 17(b) of the Securities Act makes it unlawful for any person to:
- publish, give publicity to, or circulate any notice, circular, advertisement, newspaper, article, letter, investment service, or communication which, though not purporting to offer a security for sale, describes such security for a consideration received or to be received, directly or indirectly, from an issuer, underwriter, or dealer, without fully disclosing the receipt, whether past or prospective, of such consideration and the amount thereof.

Khaled violated Section 17(b) of the Securities Act by touting an ICO that involved the offer and sale of securities on his social media accounts without disclosing that he received compensation from an issuer for doing so, or the amount of the consideration.

Undertakings

9. Respondent has undertaken to, for a period of two (2) years from the date of this Order, forgo receiving or agreeing to receive any form of compensation or consideration, directly or indirectly, from any issuer, underwriter, or dealer, for directly or indirectly publishing, giving publicity to, or circulating any notice, circular, advertisement, newspaper, article, letter, investment service, or communication which, though not purporting to offer a security, digital or otherwise, for sale, describes such security.

10. In determining whether to accept the Offer, the Commission has considered this undertaking.

IV.

In view of the foregoing, the Commission deems it appropriate to impose the sanctions agreed to in Respondent's Offer.

³ Report of Investigation Pursuant to Section 21(a) of the Securities Exchange Act of 1934: The DAO, Exchange Act Rel. No. 81207 (July 25, 2017).

Accordingly, it is hereby ORDERED that:

A. Pursuant to Section 8A of the Securities Act, Respondent cease and desist from committing or causing any violations and any future violations of Section 17(b) of the Securities Act.

B. Respondent shall, within 10 days of the entry of this Order, pay disgorgement of \$50,000, prejudgment interest of \$2,725.72, and a civil money penalty in the amount of \$100,000 to the Securities and Exchange Commission for transfer to the general fund of the United States Treasury, subject to Exchange Act Section 21F(g)(3). If timely payment of disgorgement is not made, additional interest shall accrue pursuant to SEC Rule of Practice 600 and if timely payment of a civil money penalty is not made, additional interest shall accrue pursuant to 31 U.S.C. § 3717.

C. Payment must be made in one of the following ways:

- (1) Respondent may transmit payment electronically to the Commission, which will provide detailed ACH transfer/Fedwire instructions upon request;
- (2) Respondent may make direct payment from a bank account via Pay.gov through the SEC website at <http://www.sec.gov/about/offices/ofm.htm>; or
- (3) Respondent may pay by certified check, bank cashier's check, or United States postal money order, made payable to the Securities and Exchange Commission and hand-delivered or mailed to:

Enterprise Services Center
Accounts Receivable Branch
HQ Bldg., Room 181, AMZ-341
6500 South MacArthur Boulevard
Oklahoma City, OK 73169

Payments by check or money order must be accompanied by a cover letter identifying Khaled Khaled as a Respondent in these proceedings, and the file number of these proceedings; a copy of the cover letter and check or money order must be sent to Robert A. Cohen, U.S. Securities and Exchange Commission, Division of Enforcement, 100 F Street., NE, Washington DC, 20549.

D. Amounts ordered to be paid as civil money penalties pursuant to this Order shall be treated as penalties paid to the government for all purposes, including all tax purposes. To preserve the deterrent effect of the civil penalty, Respondent agrees that in any Related Investor Action, he shall not argue that he is entitled to, nor shall he benefit by, offset or reduction of any award of compensatory damages by the amount of any part of Respondent's payment of a civil penalty in this action ("Penalty Offset"). If the court in any Related Investor Action grants such a Penalty Offset, Respondent agrees that he shall, within 30 days after entry of a final order granting the Penalty Offset, notify the Commission's counsel in this action and pay the amount

of the Penalty Offset to the Securities and Exchange Commission. Such a payment shall not be deemed an additional civil penalty and shall not be deemed to change the amount of the civil penalty imposed in this proceeding. For purposes of this paragraph, a “Related Investor Action” means a private damages action brought against Respondent by or on behalf of one or more investors based on substantially the same facts as alleged in the Order instituted by the Commission in this proceeding.

E. Respondent shall comply with the undertakings enumerated in Section III, paragraph 9.

V.

It is further Ordered that, solely for purposes of exceptions to discharge set forth in Section 523 of the Bankruptcy Code, 11 U.S.C. § 523, the findings in this Order are true and admitted by Respondent, and further, any debt for disgorgement, prejudgment interest, civil penalty or other amounts due by Respondent under this Order or any other judgment, order, consent order, decree or settlement agreement entered in connection with this proceeding, is a debt for the violation by Respondent of the federal securities laws or any regulation or order issued under such laws, as set forth in Section 523(a)(19) of the Bankruptcy Code, 11 U.S.C. § 523(a)(19).

By the Commission.

Brent J. Fields
Secretary