

1 **STATE OF CALIFORNIA**
2 **BUSINESS, CONSUMER SERVICES AND HOUSING AGENCY**
3 **DEPARTMENT OF FINANCIAL PROTECTION AND INNOVATION**

4 **TO:** K100 4REAL LTD d/b/a K-100
128 City Road
London, United Kingdom, EC1V 2NX
5 www.k-100.net
6 Terrence L. Pounds
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8 **DESIST AND REFRAIN ORDER**
9 **(For violations of sections 25110 and 25401 of the Corporations Code)**

10 The Commissioner of Financial Protection and Innovation (Commissioner) finds that:

11 1. The Department of Financial Protection and Innovation (Department) regulates the
12 offer and sale of securities in California under the Corporate Securities Law of 1968 (Cal. Corp. Code
13 §§ 25000-25707) (CSL).

14 2. At all relevant times, K100 4REAL LTD d/b/a K-100 (K-100) is and was a limited
15 company incorporated in the United Kingdom on July 21, 2023, with a principal place of business at
16 128 City Road, London, United Kingdom, EC1V 2NX. K-100 operated the website www.k-100.net,
17 as well as a social media account on Telegram (<https://t.me/K100NET>).

18 3. At all relevant times, Terrence L. Pounds (Pounds) was an Ohio resident and the CEO
19 of K-100. Pounds controlled and induced or knowingly provided substantial assistance to K-100
20 within the meaning of Corporations Code section 25403, subdivisions (a) and (b).

21 4. On May 11, 2022, Pounds pleaded guilty to wire fraud, conspiracy to commit wire
22 fraud, and money laundering. The federal charges stem from Pounds’s role as the leader of a
23 conspiracy to fraudulently obtain approximately \$9 million in COVID-19 relief funds guaranteed by
24 the U.S. Small Business Administration (SBA). On March 20, 2024, Pounds was sentenced to 94
25 months in prison and was ordered to pay over \$4.2 million in restitution to the SBA.

26 5. Beginning at least as early as June 2023, K-100 offered and sold securities in the form
27 of investment contracts in California through general solicitations on its website.

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1 6. K-100 held itself out as a “contemporary online platform for investing digital funds.”
2 The purported purpose of the securities offerings was for K-100 to use investor funds to invest in a
3 broad portfolio of “digital assets, mining operations, staking protocols, decentralized applications,
4 arbitrage & crypto AI robots as well as various PAMM accounts.” K-100 also claimed that its
5 portfolio included “real estate, wholesale, retail, web orders, the beverage industry and agriculture to
6 name just a few.” K-100 claimed that its investments would generate returns for investors who
7 purchased its investments.

8 7. According to K-100, its investments produced a 125% return for investors after a 10-
9 day period. The investments were publicly available to investors in California via K-100’s website:
10 www.k-100.net.

11 8. After investors created their accounts on the K-100 website, investors could log into
12 their account using their username and password to monitor their purported balance and returns,
13 deposit funds, and request withdrawals.

14 9. K-100 facilitated investor deposits and withdrawals using crypto assets.

15 10. In his role as K-100’s CEO, Pounds held Zoom meetings with K-100 investors and
16 prospective investors. In these online recruitment presentations, Pounds explained K-100’s purported
17 business, described how investors could make money with K-100, and encouraged investors to recruit
18 other investors.

19 11. Pounds used his YouTube channel “Money, Ministry and Motivation Passive Income”
20 (youtube.com/@MMMPASSIVEINCOME) to further promote K-100 to investors and prospective
21 investors.

22 12. As part of its solicitation efforts, K-100 used a pyramid scheme structure that would
23 reward investors for inducing others to send money to K-100. According to this program, investors
24 would be paid a referral bonus based on the amount of funds deposited by the investors that they
25 recruited. Investors would also be paid additional referral bonuses when the investors that they
26 recruited, in turn, recruited new investors.

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1 13. Investors seeking to take advantage of K-100's referral program created and posted
2 videos to YouTube and posted content on other social media websites to recruit others to invest in K-
3 100.

4 14. According to K-100, investors had deposited over \$10.9 million into K-100.

5 15. K-100 guaranteed investors that it was not a scam and that it would never "rug pull."

6 16. In or around July 2023, K-100 began preventing its investors from withdrawing funds.

7 17. In or around August 2023, less than two months after launching, K-100 shut down and
8 posted a message to investors on its website claiming that it was unable to pay over \$1.2 million that
9 was owed to investors. K-100 admitted that it had deposited its investors' funds into investment
10 scams such as CryptoProgram and Vortic United.

11 18. The investments offered by K-100 were securities that were neither qualified nor
12 exempt from the qualification requirement under the CSL. The Department has not issued a permit or
13 other form of qualification authorizing K-100 to sell these securities in California.

14 19. In connection with the offer or sale of these securities, K-100 made, or caused to be
15 made, untrue statements of material fact and material omissions to investors and potential investors,
16 including but not limited to the following:

- 17 a. failing to disclose that Pounds had pleaded guilty to federal criminal fraud charges and
18 that Pounds was awaiting sentencing while he was the CEO of K-100;
- 19 b. falsely representing that investors could withdraw their funds at any time; and
- 20 c. failing to disclose that the offer or sale of K-100's securities was not qualified in
21 California.

22 Based on the foregoing findings, the Commissioner is of the opinion that the securities offered
23 or sold by K100 4REAL LTD d/b/a K-100 were subject to qualification under the CSL and have been
24 or are being offered or sold without first being qualified in violation of Corporations Code section
25 25110.

26 Moreover, the Commissioner is of the opinion that Terrence L. Pounds has violated
27 Corporations Code section 25110 by knowingly, directly or indirectly controlling or inducing or
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1 providing substantial assistance to K-100 to violate Corporations Code section 25110 within the
2 meaning of Corporations Code section 25403, subdivisions (a) and (b).

3 Pursuant to Corporations Code section 25532, K100 4REAL LTD d/b/a K-100 and Terrence
4 L. Pounds are hereby ordered to desist and refrain from the further offer or sale of securities in
5 California, including but not limited to investment contracts, unless and until the qualification
6 requirements of the CSL have been met.

7 In addition, the Commissioner is of the opinion that K100 4REAL LTD d/b/a K-100 offered
8 or sold securities in California by means of oral or written communications which included untrue
9 statements of material facts or omitted to state material facts necessary in order to make the
10 statements made, in the light of the circumstances under which they were made, not misleading, in
11 violation of Corporations Code section 25401.

12 Further, the Commissioner is of the opinion that Terrence L. Pounds has violated
13 Corporations Code section 25401 by knowingly, directly or indirectly controlling or inducing or
14 providing substantial assistance to K-100 to violate Corporations Code section 25401 within the
15 meaning of Corporations Code section 25403, subdivisions (a) and (b).

16 Pursuant to Corporations Code section 25532, K100 4REAL LTD d/b/a K-100 and Terrence
17 L. Pounds are hereby ordered to desist and refrain from offering or selling or buying or offering to
18 buy any security in California, including but not limited to investment contracts, by means of any
19 written or oral communication which includes an untrue statement of a material fact or omits to state
20 a material fact necessary in order to make the statements made, in the light of the circumstances
21 under which they were made, not misleading.

22 Any person who with knowledge directly or indirectly controls and induces another person to
23 violate any provision of the CSL, or knowingly provides substantial assistance to another person to
24 violate any provision of the CSL, is deemed to be in violation of that provision to the same extent as
25 the other person. Cal. Corp. Code § 25403(a) and (b).

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1 This Order is necessary, in the public interest, for the protection of investors, and is consistent
2 with the purposes, policies, and provisions of the Corporate Securities Law of 1968.

3 Dated: August 20, 2024
4 San Diego, California

CLOTHILDE V. HEWLETT
Commissioner of Financial Protection and Innovation



5 By _____
6 MARY ANN SMITH
7 Deputy Commissioner
8 Enforcement Division
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