

1 STATE OF ALASKA
2 DEPARTMENT OF COMMERCE, COMMUNITY, AND ECONOMIC DEVELOPMENT
3 DIVISION OF BANKING AND SECURITIES

4 **ORDER NO. 24-18-S**

4 IN THE MATTER OF:)
5)
5 PLUTUS FINANCIAL HOLDINGS)
6 INC.; PLUTUS FINANCIAL INC.;)
6 PLUTUS LENDING LLC; ABRA)
7 BOOST LLC; AND WILLIAM)
7 "BILL" BARHYDT)
8)
8 Respondents)
9)

CONSENT ORDER

10
11 **INTRODUCTION**

12 WHEREAS Plutus Financial Holdings Inc., Plutus Financial Inc., Plutus Lending
13 LLC, and Abra Boost LLC are part of a group of companies ("Abra") that has been and is
14 controlled by William "Bill" Barhydt, and

15 WHEREAS state securities regulators, as part of a North American Securities
16 Administrators Association ("NASAA") Working Group led by the Texas State Securities
17 Board, investigated the issuance, offer and sale of investments in interest-bearing depository
18 account products referred to as Abra Earn and Abra Boost to residents of U.S. states and
19 territories, and

20 WHEREAS Abra and Mr. Barhydt cooperated with inquiries and information
21 requests from state securities regulators, including the Texas State Securities Board; and

22 WHEREAS Plutus Financial Holdings Inc., Plutus Financial Inc., Plutus Lending
23 LLC, Abra Boost LLC and Mr. Barhydt ("Respondents") have reached an agreement with the
24 Department of Commerce, Community, and Economic Development, Division of Banking and

1 Securities (the “Administrator”) to resolve its investigation and return assets owned by
2 Alaskans as set forth herein, and

3 WHEREAS Plutus Financial Holdings Inc., Plutus Financial Inc., Plutus Lending
4 LLC, Abra Boost LLC and Mr. Barhydt have agreed to resolve investigations by state
5 securities regulators from the other 49 states, the District of Columbia, Puerto Rico, the U.S.
6 Virgin Islands and Guam on the same terms, and

7 WHEREAS without admitting or denying the Findings of Fact or Conclusions of
8 Law in this Order (the “Consent Order”), Plutus Financial Inc., Plutus Lending LLC, Abra
9 Boost LLC and Mr. Barhydt have consented to the jurisdiction of the Administrator under the
10 Alaska Securities Act, Alaska Statute (“AS”) 45.56 *et seq* and the entry of this Consent Order.

11 **I. FINDINGS OF FACT**

12 1. Plutus Financial Holdings Inc. (“Respondent Plutus Holdings”) is being served
13 via electronic mail addressed to its attorney, Christopher Gerold, Partner, Lowenstein Sandler
14 LLP, at cgerold@lowenstein.com.

15 2. Plutus Financial Inc. (“Respondent Plutus Financial”) is being served via
16 electronic mail addressed to its attorney, Christopher Gerold, Partner, Lowenstein Sandler LLP,
17 at cgerold@lowenstein.com.

18 3. Plutus Lending LLC (“Respondent Plutus Lending”) is being served via
19 electronic mail addressed to its attorney, Christopher Gerold, Partner, Lowenstein Sandler LLP,
20 at cgerold@lowenstein.com.

21 4. Abra Boost LLC (“Respondent Abra Boost”) is being served via electronic mail
22 addressed to its attorney, Christopher Gerold, Partner, Lowenstein Sandler LLP, at
23 cgerold@lowenstein.com.

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ABRA BOOST

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2 14. Beginning on or about October 3, 2022, Abra began offering and selling
3 investments in digital asset depository accounts known as “Abra Boost” or “Abra Boost
4 accounts” to accredited investors residing in the United States, including Alaska.

5 15. Investors purchased investments in Abra Boost by opening and funding Abra
6 Trade accounts through a third-party trust company.

7 16. Abra Boost lent its assets to institutional borrowers, either through direct lending
8 or DeFi lending.

9 17. Investors earned interest on assets deposited in Abra Boost accounts that
10 compounded on a daily basis. The interest varied depending on the digital assets used to fund
11 their accounts.

THE ENFORCEMENT ACTION

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13 18. On or about June 15, 2023, several state securities regulators investigating Abra
14 began filing coordinated enforcement actions against the parties.

15 19. As of June 15, 2023, 114 investors residing in Alaska owned unwithdrawn
16 assets in Abra Earn, Abra Trade, and Abra Boost valued at approximately \$195,451.59.

WINDING DOWN U.S. OPERATIONS

17
18 20. On or about June 14, 2023, Abra began winding down U.S. retail operations. In
19 furtherance thereof, among other things, (a) Abra ceased accepting new retail investors from
20 the United States and (b) Abra ceased offering and selling investments in Abra Boost to
21 accredited investors in the United States.

22 21. On or around June 14, 2023, Abra converted all Abra Earn accounts and Abra
23 Boost accounts to Abra Trade accounts, and yield was no longer generated for investors on
24 assets invested in Abra Earn and Abra Boost.

1 22. Client assets became subject to the Abra’s Terms of Service immediately after
2 Abra converted Abra Earn and Abra Boost accounts to Abra Trade accounts. The Abra Trade
3 accounts were immediately subject to the Terms of Service dated February 7, 2023, which
4 provided, in part, that title to assets held in Abra Trade accounts remains at all times with
5 clients and does not transfer to Abra.

6 23. Since June 14, 2023, Abra has repeatedly sent notifications via email and in
7 some instances text messages to Abra Earn, Abra Boost, and Abra Trade customers requesting
8 them to withdraw their crypto assets from their Abra Trade accounts via the Abra App.

9 24. Abra most recently amended its Terms of Service on October 27, 2023, and they
10 continue to provide, in part, that title to assets held in Abra Trade accounts remains at all times
11 with clients and does not transfer to Abra.

12 25. Abra has been custodializing client assets with a third-party provider and, on or
13 about August 15, 2023, Abra segregated assets held in Abra Trade accounts from assets owned
14 by Abra.

15 26. Both before and after the segregation of assets at the third-party provider, clients
16 have been able to withdraw their assets from their Abra Trade accounts. The segregation of
17 assets and return of assets to clients have been in the ordinary course of business between Abra
18 and said clients.

19 27. As of February 2, 2024, 18 investors residing in Alaska own unwithdrawn assets
20 in Abra Trade, Abra Earn and Abra Boost accounts valued at approximately \$12,298.

21 28. On February 2, 2024, Respondents Plutus Holdings, Plutus Financial, Plutus
22 Lending and Abra Boost agreed to return all outstanding assets owned by clients residing in
23 Alaska by or before March 2, 2024, through the following procedure:

24 A. By or before February 9, 2024, Respondents Plutus Holdings, Plutus

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Financial, Plutus Lending and Abra Boost provided clients in Alaska with information describing the procedure for returning assets via electronic mail and text messages, to the extent they were in possession of clients' mobile telephone numbers,

B. From February 2, 2024 to February 9, 2024, clients in Alaska were afforded the opportunity to withdraw their assets through Abra's smartphone application,

C. Beginning on February 9, 2024, Respondents Plutus Holdings, Plutus Financial, Plutus Lending and Abra Boost complied with the process for returning assets to clients residing in Alaska in accordance with the following:

“Abra will convert the outstanding assets owned by clients identified in paragraph 1 [in the Abra Term Sheet] to fiat¹(to the extent the outstanding assets have value and can be sold). If the aggregate assets of the client have a value of \$10 or more, Abra will send a check or other secure bank instrument to the last known mailing address of the client. Checks will be sent by or before a date certain, specified in the election, but no later than 30 days after the date the settling state agency executed the Term Sheet. In no event shall Abra be responsible for nondelivered checks or responsible for any claims resulting from loss of value due to the conversion.”

D. Respondents Plutus Holdings, Plutus Financial, Plutus Lending and Abra Boost agreed to continue to provide customer support to clients in Alaska following the entry of this Consent Order by, among other things, responding

1 to inquiries and questions submitted by customers residing in Alaska and
2 providing said clients with the identity of the Administrator and its contact
3 information. Respondents Plutus Holdings, Plutus Financial, Plutus Lending
4 and Abra Boost also agreed to provide copies of all such inquiries to the
5 Administrator within 14 calendar days of receipt for 90 days following the
6 entry of this Consent Order.

7 29. Respondent Barhydt, by executing this Consent Order, undertakes and agree that
8 any entity he controls or is a principal of that is in the business of providing investment advice
9 or issuing or offering securities, including exempt or covered securities, will employ a Chief
10 Compliance Officer as follows:

- 11 A. As relevant to the subject entity’s business, the Chief Compliance Officer
12 shall be authorized to act as a Chief Compliance Officer for the subject
13 entity’s business, in Alaska.
- 14 B. Respondent shall provide the name of and contact information for the Chief
15 Compliance Officer and, in the event a new Chief Compliance Officer is
16 hired or retained to replace the prior Chief Compliance Officer, provide the
17 name of and contact information for any new Chief Compliance Officer.
- 18 C. The Chief Compliance Officer shall have full access to files and records
19 (whether kept electronically or otherwise), and employees as required to
20 perform their responsibilities.
- 21 D. If requested, Respondent Barhydt shall instruct the Chief Compliance Officer
22 to cooperate, answer any questions from any state securities regulator and
23 produce records to the state securities regulator, without the need for a
24 subpoena, unless otherwise prohibited by applicable federal or state laws and

1 regulations.

2 E. These requirements shall expire two years from the date of entry of the
3 Consent Order or October 1, 2025, whichever date is earlier.

4 30. Respondents Plutus Holdings, Plutus Financial, Plutus Lending and Abra Boost
5 undertake and agree to notify the Administrator of the receipt of any government subpoenas for
6 a period of one year from the entry of this Consent Order.

7 DISQUALIFICATION

8 31. This Consent Order is not intended to subject any Respondents or related
9 covered persons to any disqualifications under the laws of the United States, any state, the
10 District of Columbia, Puerto Rico, Guam, or the U.S. Virgin Islands, or under the rules or
11 regulations of any securities or commodities regulator or self-regulatory organization,
12 including, without limitation, any disqualification from relying upon the state or federal
13 registration exemptions or safe harbor provisions. For purposes of this Consent Order, the term
14 “related covered persons” means any parent companies or affiliates thereof, as well as any of
15 Respondents current or former officers, directors, employees, contractors, or other persons that
16 could otherwise be disqualified as a result of the Consent Order.

17 **II. CONCLUSIONS OF LAW**

18 32. The investments in Abra Earn are securities as that term is defined by AS
19 45.56.900(32).

20 33. The investments in Abra Earn were not registered with the Administrator for sale
21 in Alaska. Respondents violated AS 45.56.100 by offering and selling investments in Abra Earn
22 in Alaska.

23 34. The forgoing violation constitutes a basis for the entry of this Consent Order
24 pursuant to AS 45 56.690.

1 abroad) or are the subject of a successful involuntary bankruptcy in the United States or abroad
2 (or the equivalent abroad) prior to complying with paragraph 28C. above, the fine shall become
3 immediately due and owing.

4 39. It is further ORDERED that Respondents Plutus Holdings, Plutus Financial,
5 Plutus Lending, Abra Boost, and Barhydt comply with the terms of this Consent Order. Nothing
6 in this Consent Order shall limit the Administrator from seeking to enforce the terms of this
7 Consent Order and any other available remedies in the event of a violation.

8 ENTERED, this the 7th day of October, 2024.

9
10 **IT IS SO ORDERED.**

11 Julie Sande, Commissioner
12 Department of Commerce, Community and
13 Economic Development

14 DATED: 2024.10.07

15 /s/ Robert H. Schmidt
16 Robert H. Schmidt, Director
17 Division of Banking and Securities

18 Respondents:

19 PLUTUS FINANCIAL HOLDINGS INC.

20 By: /s/ William Barhydt

21 Name: William Barhydt

22 Title: CEO

23 PLUTUS FINANCIAL INC.

24 By: /s/ William Barhydt

Name: William Barhydt

Title: CEO

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PLUTUS LENDING LLC

By: /s/ William Barhydt

Name: William Barhydt

Title: CEO

ABRA BOOST LLC

By: /s/ William Barhydt

Name: William Barhydt

Title: CEO

WILLIAM BARHYDT

By: /s/ William Barhydt

Approved as to Form:

COUNSEL FOR RESPONDENTS
PLUTUS FINANCIAL HOLDINGS INC.,
PLUTUS FINANCIAL INC., PLUTUS
LENDING LLC, AND ABRA BOOST LLC

By: /s/ Christopher W. Gerold

Christopher Gerold

Partner

Lowenstein Sandler LLP

COUNSEL FOR RESPONDENT WILLIAM
BARHYDT

By: /s/ Ronak Patel

Ronak Patel

Principal

Bressler Amery & Ross PC