

BEFORE THE ARKANSAS SECURITIES COMMISSIONER

CASE NO. S-24-0004

ORDER NO. S-24-0004-24-OR01

IN THE MATTER OF:

**PLUTUS FINANCIAL HOLDINGS INC.,
PLUTUS FINANCIAL INC.,
PLUTUS LENDING LLC,
ABRA BOOST LLC, AND
WILLIAM "BILL" BARHYDT**

RESPONDENTS

CONSENT ORDER

This Consent Order is entered pursuant to the Arkansas Securities Act ("Act"), codified at Ark. Code Ann. §§ 23-42-101 through 23-42-509, the Rules of the Arkansas Securities Commissioner ("Rules") promulgated pursuant to the Act, and the Arkansas Administrative Procedures Act, codified at §§ 25-15-201 through 25-15-221, in accordance with an agreement between the staff of the Arkansas Securities Department ("Staff") and the Respondents, Plutus Financial Holdings Inc., Plutus Financial Inc., Plutus Lending LLC, Abra Boost LLC, and William "Bill" Barhydt ("Barhydt").

INTRODUCTION

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

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

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

WHEREAS, in accordance with an investigation and agreement with the Texas State Securities Board as the lead state securities regulator, Plutus Financial Holdings Inc., Plutus Financial Inc., Plutus Lending LLC, Abra Boost LLC and Barhydt have agreed to resolve investigations by state securities regulators from the Arkansas Securities Department (“Department”) and the other 48 states, the District of Columbia, Puerto Rico, the U.S. Virgin Islands and Guam on the same terms and to return assets owned by their residents, including Arkansas residents, as set forth herein, and

WHEREAS without admitting or denying the Findings of Fact or Conclusions of Law in this Order (the “Consent Order”), Plutus Financial Inc., Plutus Lending LLC, Abra Boost LLC and Barhydt have consented to the jurisdiction of the Act and the Arkansas Securities Commissioner (“Commissioner”) and the entry of this Consent Order.

FINDINGS OF FACT

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

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

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

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

5. Abra was founded and are controlled by William “Bill” Barhydt (“Respondent Barhydt”). Respondent Barhydt is being served by electronic mail addressed to Ronak V. Patel, Principal, Bressler, Amery & Ross, PC, at rpatel@bressler.com.

BACKGROUND

6. Respondents Plutus Holdings, Plutus Financial, Plutus Lending and Abra Boost are part of a family of companies collectively known as “Abra.”

7. Clients purchased products and services from Abra through a smartphone application available from the Apple App Store or the Google Play Store.

8. The products and services included cryptocurrency exchange services (“Abra Trade”) and interest-bearing digital asset depository accounts (“Abra Earn” and “Abra Boost”).

ABRA EARN

9. Abra offered and sold investments in digital asset depository accounts known as “Abra Earn” or “Abra Earn accounts” to accredited and unaccredited investors residing in the United States, including Arkansas.

10. Investors purchased investments in Abra Earn by opening and funding Abra Trade accounts through a third-party trust company.

11. Investors authorized Abra to lend client assets or cause client assets to be lent to institutional borrowers, either through direct lending or DeFi lending.

12. Investors earned interest on assets deposited in Abra Earn accounts that compounded on a daily basis. The interest varied depending on the digital assets used to fund their accounts.

13. Abra ceased selling investments in Abra Earn on or about October 3, 2022. Although clients were able to withdraw their principal and profits, unwithdrawn assets remained with Abra and continued to generate yield.

ABRA BOOST

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

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

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

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

18. As of June 15, 2023, 288 investors residing in Arkansas owned unwithdrawn assets in Abra Earn, Abra Boost, and Abra Trade valued at approximately \$537,464.49.

WINDING DOWN U.S. OPERATIONS

19. On or about June 15, 2023, Abra began winding down U.S. retail operations. In furtherance thereof, among other things, (a) Abra ceased accepting new retail investors from the United States and (b) Abra ceased offering and selling investments in Abra Boost to accredited investors in the United States.

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

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

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

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

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

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

26. As of the date of this Consent Order, 42 investors residing in Arkansas own unwithdrawn assets in Abra Trade accounts valued at approximately \$159.24.

THE RETURN OF CLIENT ASSETS AND ONGOING REQUIREMENTS

27. On January 25, 2024, Respondents Plutus Holdings, Plutus Financial, Plutus Lending and Abra Boost agreed to return all outstanding assets owned by clients residing in Arkansas by or before February 24, 2024 through the following procedure:

- A. On January 29, 2024 and January 30, 2024, Respondents Plutus Holdings, Plutus Financial, Plutus Lending and Abra Boost provided clients in Arkansas 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. After receiving notifications from Respondents Plutus Holdings, Plutus Financial, Plutus Lending and Abra Boost, clients in Arkansas were afforded the opportunity to withdraw their assets through Abra's smartphone application,

C. After affording clients seven days to withdraw their assets, Respondents Plutus Holdings, Plutus Financial, Plutus Lending and Abra Boost complied with the process for returning assets to clients residing in Arkansas by converting the outstanding assets owned by clients to fiat (to the extent the outstanding assets had value and could be sold). If the aggregate assets of the client had a value of \$10 or more, Abra sent a check or other secure bank instrument to the last known mailing address of the client.

D. Respondents Plutus Holdings, Plutus Financial, Plutus Lending and Abra Boost agreed to continue to provide customer support to clients in Arkansas following the entry of this Consent Order by, among other things, responding to inquiries and questions submitted by customers residing in Arkansas and providing said clients with the identity of the Department and its contact information. Respondents Plutus Holdings, Plutus Financial, Plutus Lending and Abra Boost also agreed to provide copies of all such inquiries to the Department within 14 calendar days of receipt for 90 days following the entry of this Consent Order.

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

A. As relevant to the subject entity's business, the Chief Compliance Officer shall be authorized to act as a Chief Compliance Officer for the subject entities business, in Arkansas.

- B. Respondent shall provide the name of and contact information for the Chief Compliance Officer and, in the event a new Chief Compliance Officer is hired or retained to replace the prior Chief Compliance Officer, provide the name of and contact information for any new Chief Compliance Officer.
- C. The Chief Compliance Officer shall have full access to files and records (whether kept electronically or otherwise), and employees as required to perform their responsibilities.
- D. If requested, Respondent Barhydt shall instruct the Chief Compliance Officer to cooperate, answer any questions from any state securities regulator and produce records to the state securities regulator, without the need for a subpoena, unless otherwise prohibited by applicable federal or state laws and regulations.
- E. These requirements shall expire two years from the date of entry of the Consent Order or October, 1 2025, whichever date is earlier.

29. Respondents Plutus Holdings, Plutus Financial, Plutus Lending and Abra Boost undertake and agree to notify the Department of the receipt of any government subpoenas for a period of one year from the entry of this Consent Order or December 1, 2024, whichever date is earlier.

DISQUALIFICATION

30. This Consent Order is not intended to subject any Covered Person to any disqualifications under the laws of the United States, any state, the District of Columbia, Puerto Rico, Guam, or the U.S. Virgin Islands, or under the rules or regulations of any securities or commodities regulator or self-regulatory organization, including, without limitation, any

disqualification from relying upon the state or federal registration exemptions or safe harbor provisions. For purposes of this Consent Order, the term “Covered Person” means (A) Respondent Barhydt, (B) Respondents Plutus Holdings, Plutus Financial, Plutus Lending and Abra Boost and (C) any parent companies or affiliates thereof, as well as their current or former officers, directors, employees, contractors, or other persons that could otherwise be disqualified as a result of the Consent Order.

CONCLUSIONS OF LAW

31. The investments in Abra Earn are securities as that term is defined by Ark. Code Ann. § 23-24-102(17)(xi).

32. Ark. Code Ann. § 23-42-501 states that it is unlawful for any person to offer or sell any security in Arkansas unless (1) it is registered under the Act, (2) the security or transaction is exempted under Ark. Code Ann. § 23-42-503 or § 23-42-504, or (3) it is a covered security.

33. The investments in Abra Earn were not registered or exempt from registration with the Department for sale in Arkansas and were not covered securities. Respondents violated Ark. Code Ann. § 23-42-501 by offering and selling investments in Abra Earn in Arkansas.

34. The forgoing violation constitutes a basis for the entry of this Consent Order pursuant to Ark. Code Ann. §23-42-209(c).

35. The entry of this Consent Order concludes the investigation by the Department with respect to Abra Earn and Abra Boost provided, however, that nothing in this Consent Order shall limit the Department from investigating any conduct not specifically addressed in the Consent Order or specifically disclosed by Abra during the course of the investigation.

ORDER

36. It is hereby ORDERED that Respondents immediately CEASE AND DESIST from offering for sale any security in Arkansas until said security is registered with the Department or offered for sale pursuant to an exemption from registration set forth in the Act.

37. It is further ORDERED that Respondents Plutus Holdings, Plutus Financial, Plutus Lending and Abra Boost jointly and severally pay an ADMINISTRATIVE FINE in the amount of \$537,464.49 as follows:

A. Respondents Plutus Holdings, Plutus Financial, Plutus Lending and Abra Boost shall transmit payment electronically pursuant to ACH transfer instructions provided by the Arkansas Securities Department, and

B. They shall send a letter identifying the payor, along with relevant tax identification numbers, contemporaneously with the payment to the Arkansas Securities Department and a copy of the letter and documentation of the payment to Deputy Commissioner Campbell McLaurin by email to campbell.mclaurin@arkansas.gov.

38. It is further ORDERED that the fine assessed herein will be suspended and extinguished, so long as Abra complied with the process for returning assets identified in paragraph 27.C. above. If it is determined that Abra failed to comply with paragraph 27.C. above or if one or more Respondents file for bankruptcy in the United States or abroad (or the equivalent abroad) or are the subject of a successful involuntary bankruptcy in the United States or abroad (or the equivalent abroad) prior to complying with paragraph 27.C. above, the fine shall become immediately due and owing.

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

WITNESS MY HAND this the 3rd day of June, 2024.

SUSANNAH T. MARSHALL
ARKANSAS SECURITIES COMMISSIONER

By: 

J. Campbell McLaurin
Deputy Commissioner
Arkansas Securities Department
1 Commerce Way, Suite 402
Little Rock, Arkansas 72202

Respondents:

PLUTUS FINANCIAL HOLDINGS INC.

By:

W Barhydt

Name:

William Barhydt

Title:

CEO

PLUTUS FINANCIAL INC.

By:

W Barhydt

Name:

William Barhydt

Title:

CEO

PLUTUS LENDING LLC

By:

W Barhydt

Name:

William Barhydt

Title:

CEO

ABRA BOOST LLC

By:

W Barhydt

Name:

William Barhydt

Title:

CEO

WILLIAM BARHYDT

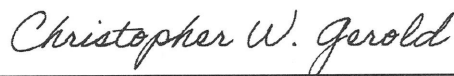
By:

W Barhydt

Approved as to Form:

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

By:



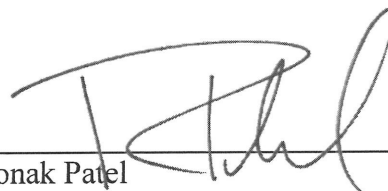
Christopher Gerold

Partner

Lowenstein Sandler LLP

COUNSEL FOR RESPONDENT WILLIAM
BARHYDT

By:



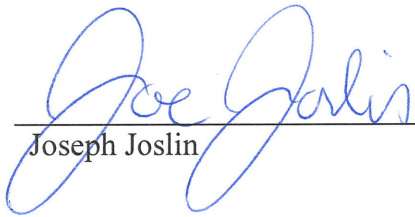
Ronak Patel

Principal

Bressler Amery & Ross PC

FOR THE ARKANSAS SECURITIES
DEPARTMENT

By:



Joseph Joslin

Associate General Counsel

By:



Christina Redmann

Staff Attorney