

TRAVIS J. ILES
SECURITIES COMMISSIONER



CLINTON EDGAR
DEPUTY SECURITIES COMMISSIONER

Mail: P.O. BOX 13167
AUSTIN, TEXAS 78711-3167

Phone: (512) 305-8300
Facsimile: (512) 305-8310

Texas State Securities Board

208 E. 10th Street, 5th Floor
Austin, Texas 78701-2407
www.ssb.texas.gov

E. WALLY KINNEY
CHAIR

ROBERT BELT
MEMBER

MELISSA TYROCH
MEMBER

EJIKE E. OKPA II
MEMBER

DAVID B. MONTGOMERY
MEMBER

IN THE MATTER OF	§	
PLUTUS FINANCIAL HOLDINGS INC.,	§	CONSENT ORDER
PLUTUS FINANCIAL INC., PLUTUS	§	
LENDING LLC, ABRA BOOST LLC, AND	§	ORDER NO. ENF-24-CDO-1881
WILLIAM "BILL" 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,

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,

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

WHEREAS Plutus Financial Holdings Inc., Plutus Financial Inc., Plutus Lending LLC, Abra Boost LLC and Mr. Barhydt ("Respondents") have reached an agreement with the Texas State Securities Board to resolve its investigation and return assets owned by Texans as set forth herein,

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

THE ENFORCEMENT ACTION FILED BY STATE SECURITIES REGULATORS

18. On or about June 15, 2023, state securities regulators investigating Abra began filing coordinated enforcement actions against the parties.
19. As of June 15, 2023, 827 investors residing in Texas owned unwithdrawn assets in Abra Earn, valued at approximately \$9.12 million, and 23 investors residing in Texas owned unwithdrawn assets in Abra Boost, valued at approximately \$2.3 million.

WINDING DOWN U.S. OPERATIONS

20. On or about June 14, 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.
21. On or around June 14, 2023, Abra 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.
22. 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.
23. 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.

24. Abra most recently amended its Terms of Service on October 27, 2023, which continues to provide, in part, that title to assets held in Abra Trade accounts remain at all times with clients and do not transfer to Abra.
25. 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.
26. 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.
27. As December 12, 2023, approximately 871 investors residing in Texas owned unwithdrawn assets exceeding \$10.00 in Abra Trade accounts valued at approximately \$473,762.00.

THE ENFORCEMENT ACTIONS FILED IN TEXAS

28. On or about June 15, 2023, the Securities Commissioner filed an Emergency Cease and Desist Order, Order No. ENF-23-CDO-1873, and the Enforcement Division filed a Notice of Hearing in the State Office of Administrative Hearings, Cause No. 312-23-21744 (collectively, the "Enforcement Actions"), against Respondents Plutus Financial, Plutus Lending, Abra Boost, and Barhydt (collectively, the "Prior Matter Respondents").
29. Order No. ENF-23-CDO-1873 ordered the Prior Matter Respondents to immediately cease and desist from engaging in fraud and making offers containing statements that were materially misleading or otherwise likely to deceive the public in the State of Texas. The Notice of Hearing prayed for, among other things, an order directing refunds of principal to Texans.
30. As set forth herein, the Securities Commissioner is dismissing Order No. ENF-23-CDO-1873, and the Enforcement Division is filing to dismiss Cause No. 312-23-21744 at the State Office of Administrative Hearings contemporaneously with the entry of this Consent Order.

THE RETURN OF CLIENT ASSETS AND ONGOING REQUIREMENTS

31. On January 17, 2024, the Securities Commissioner executed a term sheet with Respondents, and the term sheet required that Respondents Plutus Holdings, Plutus Financial, Plutus Lending, and Abra Boost agree to return all outstanding assets owned by clients residing in Texas by or before the thirtieth day from the entry of the term sheet through the following procedure:

- A. By or before the seventh day from the entry of the term sheet, Respondents Plutus Holdings, Plutus Financial, Plutus Lending, and Abra Boost would provide clients in Texas 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 the date that calendar notifications were sent to clients and continuing on for seven (7) days, clients in Texas were afforded the opportunity to withdraw their assets through Abra's smartphone application,
- C. Beginning on the seventh day after notifications were sent to clients, Respondents Plutus Holdings, Plutus Financial, Plutus Lending, and Abra Boost complied with the process for returning assets to clients residing in Texas as follows:

Abra will convert the outstanding assets owned by clients identified in paragraph 1 to fiat' (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 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 will continue to provide customer support to prior customers in Texas following the date of entry of this Consent Order by, among other things, responding to inquiries submitted by customers residing in Texas, and providing said clients with the identity of the State Securities Board and its contact information. Respondents Plutus Holdings, Plutus Financial, Plutus Lending, and Abra Boost will also provide copies of all such inquiries to the State Securities Board within fourteen (14) calendar days of receipt for a period of ninety (90) days following the entry of this Consent Order.
32. 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 under the laws of the State of Texas to act as a Chief Compliance Officer for the subject entity's business.
 - B. Respondent Barhydt 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 or regulations.
 - E. These requirements shall expire two (2) years from the date of entry of the Consent Order or October 1, 2025, whichever date is earlier.
33. Respondents Plutus Holdings, Plutus Financial, Plutus Lending and Abra Boost undertake and agree to notify State Securities Board of any government subpoenas received by the Respondents Plutus Holdings, Plutus Financial, Plutus Lending, or Abra Boost on or before December 1, 2024.

DISQUALIFICATION

34. This Consent Order is not intended to subject any Respondents or related covered persons to any disqualifications under the laws of the United States, any state, the District of Columbia, Puerto Rico, Guam, 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 “related covered persons” means any parent companies or affiliates thereof, as well as any of Respondents’ 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

35. The investments in Abra Earn are securities as that term is defined by Section 4001.068 of the Securities Act.
36. The investments in Abra Earn were not registered with or permitted by the Securities Commissioner as required by Section 4003.001 of the Securities Act.
37. Respondents violated Section 4003.001 of the Securities Act by offering and selling investments in Abra Earn in the State of Texas.
38. The forgoing violation constitutes a basis for the entry of this Consent Order pursuant to Section 4007.101 of the Securities Act.
39. The entry of this Consent Order concludes the investigation by the Enforcement Division of the Texas State Securities Board with respect to Abra Earn and Abra Boost, provided, however, that nothing in this Consent Order shall limit the State Securities Board from investigating any conduct not specifically addressed in the

Enforcement Action, Consent Order, or disclosed by Abra during the course of the investigation.

ORDER

40. It is hereby ORDERED that Respondents immediately CEASE AND DESIST from offering for sale any security in Texas until said security is registered with or permitted by the Securities Commissioner or offered for sale pursuant to an exemption from registration set forth in Securities Act.
41. It is further ORDERED that Respondents Plutus Holdings, Plutus Financial, Plutus Lending, and Abra Boost jointly and severally pay an ADMINISTRATIVE FINE in the total amount of Eleven Million Four Hundred Twenty Thousand and 00/100 Dollars (\$11,420,000.00) in the manner as follows:
- A. Respondents Plutus Holdings, Plutus Financial, Plutus Lending, and Abra Boost shall deliver or mail a certified check, bank cashier's check, or other secure instrument, to the Securities Commissioner of the Texas State Securities Board, and
 - B. They shall send a letter identifying the payor, along with relevant tax identification numbers, contemporaneously with the payment to the State Securities Board (Agency Code 312), and forward a copy of the letter and documentation of the payment to Joe Rotunda, at jrotunda@ssb.texas.gov, and Jane Lee, at jlee@ssb.texas.gov.
42. It is further ORDERED that the fine assessed herein will be suspended and extinguished, so long as Abra has complied with the process for returning assets as identified in paragraph 31 above. If it is determined that Abra has failed to comply with paragraph 31 above, or if one or more Respondents file for bankruptcy in the United States or abroad (or the equivalent abroad), or are the subject(s) of a successful involuntary bankruptcy proceeding in the United States or abroad (or the equivalent abroad) prior to complying with paragraph 31 above, the fine shall become immediately due and owing.
43. It is further ORDERED 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 Securities Commissioner from seeking to enforce the terms of this Consent Order or any other available remedies in the event of a violation.
44. It is further ORDERED that Order No. ENF-23-CDO-1873 is dismissed and replaced by the entry of this Consent Order.

SIGNED AND ENTERED BY THE SECURITIES COMMISSIONER ON THIS
16th DAY OF APRIL, 2024.



TRAVIS J. ILES
Securities Commissioner

Respondents:

PLUTUS FINANCIAL HOLDINGS INC.

By: William Barhydt Digitally signed by William Barhydt
Date: 2024.04.12 17:06:08 -04'00'

Name:

Title:

PLUTUS FINANCIAL INC.

By: William Barhydt Digitally signed by William Barhydt
Date: 2024.04.12 17:06:15 -04'00'

Name:

Title:

PLUTUS LENDING LLC

By: William Barhydt Digitally signed by William Barhydt
Date: 2024.04.12 17:06:21 -04'00'

Name:

Title:

ABRA BOOST LLC

By: William Barhydt Digitally signed by William Barhydt
Date: 2024.04.12 17:06:29 -04'00'

Name:

Title:

WILLIAM BARHYDT

By: William Barhydt Digitally signed by William
Barhydt
Date: 2024.04.12 17:06:36 -04'00'

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 TEXAS STATE SECURITIES BOARD

By: **Jane Lee** Digitally signed by Jane Lee
Date: 2024.04.15 11:57:03
-05'00'
Jane Lee
Attorney, Enforcement Division


By: **Joe Rotunda** Digitally signed by Joe Rotunda
Date: 2024.04.15 12:05:17
-05'00'
Joe Rotunda
Director, Enforcement Division

Approved as to Form:

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

By: Christopher Gerold Digitally signed by Christopher Gerold
Date: 2024.04.12 17:28:40 -04'00'
Christopher Gerold
Partner
Lowenstein Sandler LLP

COUNSEL FOR RESPONDENT WILLIAM
BARHYDT

By: 
Ronak Patel
Principal
Bressler Amery & Ross PC

FOR THE STATE SECURITIES BOARD

By: _____
Jane Lee
Attorney, Enforcement Division

By: _____
Joe Rotunda
Director, Enforcement Division