

**STATE OF ALABAMA
ALABAMA SECURITIES COMMISSION**

IN THE MATTER OF:

**PLUTUS FINANCIAL, INC., DBA ABRA
PLUTUS LENDING INC.
WILLIAM “BILL” BARHYDT
RESPONDENTS**

**ADMINISTRATIVE ORDER
NO. CO-2023-0010**

CONSENT ORDER

The Alabama Securities Commission ("Commission"), having the authority to administer and provide for the enforcement of all provisions of Title 8, Chapter 6, Code of Alabama 1975, the Alabama Securities Act ("Act"), upon due consideration of the subject matter hereof, has determined as follows:

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, 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 Mr. Barhydt cooperated with inquiries and information requests from state securities regulators, including the Alabama Securities Commission; and

WHEREAS the Alabama Securities Commission ("the Commission") issued and served an Order to Show Cause on Respondents on June 15, 2023;

WHEREAS Plutus Financial Holdings Inc., Plutus Financial Inc., Plutus Lending LLC, Abra Boost LLC and Mr. Barhydt ("Respondents") have reached an agreement with the Alabama Securities

Commission to resolve its investigation and return assets owned by Alabamians as set forth herein, and

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 Alabama Securities Commission and the entry of this Consent Order.

FINDINGS OF FACT

1. Respondent Plutus Financial Inc. is a Domestic Corporation organized under the laws of the state of Delaware. Plutus Financial Inc. is not registered with the Alabama Secretary of State.

2. Abra is the trade name of Plutus Financial Inc., which is registered to it under Delaware law.

3. Respondent Plutus Lending LLC is a Domestic Limited Liability Company organized under the laws of the state of Delaware. Plutus Lending LLC is registered as a foreign Limited Liability Company with the Alabama Secretary of State.

4. Respondent Plutus Financial Inc. owns Respondent Plutus Lending LLC and acts through it and other subsidiaries and/or affiliates organized, incorporated, or otherwise operating in the United States, United Kingdom, Mexico, Philippines, and Singapore.

5. Respondent William Barhydt is the Chief Executive Officer (CEO), founder, and owner of Respondent Plutus Financial Inc.

6. Respondents Plutus Financial and Plutus Lending are part of a family of companies collectively known and marketed to customers as “Abra.”

7. Alabamians 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”), although no Alabamians participated in Abra Boost.

9. Abra Earn is a digital asset depository lending account that allowed users to deposit digital assets and receive a percentage return denominated in that same digital asset. The Abra Earn product was the focus of the Commission’s Order to Show Cause.

10. Investors would invest funds with Abra Earn by first opening and funding accounts with Abra through use of the Abra Trade product, which utilized 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. Alabama customers deposited money and digital assets into Abra Earn accounts. As of June 15, 2023, Alabama customers had approximately \$1,323,066.16 invested on Respondents’ platform.

14. On or about June 15, 2023, state securities regulators investigating Abra began filing coordinated enforcement actions against the parties. The Commission issued an Order to Show Cause at that time.

15. On or about June 15, 2023, Respondents began winding down U.S. retail operations. As part of this effort, Respondents ceased accepting new retail investors from the United States and ceased offering and selling investments in Abra Boost to accredited investors in the United States.

16. On or about June 15, 2023, Respondents also converted all Abra Earn accounts and Abra Boost accounts to Abra Trade accounts, and yield (interest) was no longer generated for investors on assets invested in Abra Earn and Abra Boost.

17. Customer assets converted in this way became subject to the Abra Terms of Service dated February 7, 2023, which provided, in part, that title to assets held in Abra Trade accounts remain at all times with clients and does not transfer to Abra.

18. Since June 15, 2023, Abra has 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.

19. Abra has been placing customer assets in the custody of a third-party provider and, on or about August 15, 2023, Abra segregated assets held in Abra Trade accounts from assets owned by Abra.

20. Both before and after the segregation of assets at the custodian, customers have been able to withdraw their assets from their Abra Trade accounts. The segregation and return of assets have taken place in the ordinary course of business between Abra and these customers.

21. As of the date of March 18, 2024, Alabama investors owned unwithdrawn assets in Abra Trade accounts valued at \$55,970.00.

22. By signing the Consent Order below, Respondents Plutus Financial and Plutus Lending agree to return all outstanding assets owned by clients residing in Alabama on or before June 1, 2024, through the procedure set forth in paragraphs 36(a) through (c).

23. Respondents Plutus Financial and Plutus Lending agree to continue to provide customer support to clients in Alabama following the entry of this Consent Order by, among other things, responding to inquiries and questions submitted by customers residing in Alabama and providing said clients with the identity of the Commission and its contact information. Respondents will continue providing this customer support until all the steps in Paragraphs 37(a) through 37(c) have been completed.

24. Respondents Plutus Financial and Plutus Lending also agree to provide copies of all such inquiries to the Commission within 14 calendar days of receipt for 90 days following the entry of this Consent Order.

25. 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 entity's business, in Alabama.

b. Respondent Barhydt shall provide to the Commission 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 Commission, 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.

26. Respondents Plutus Financial and Plutus Lending agree to notify the Commission of the receipt of any government subpoenas received on or before December 1, 2024.

27. 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

28. Pursuant to Section 8-6-2(10), Code of Alabama, 1975, the definition of a “security” in part includes investment contracts and pooled investments. The securities offered by **RESPONDENTS** require the investment of cryptocurrency from investors who expect profits to be derived from the efforts of **RESPONDENTS** and are securities as defined by the Act.

29. Pursuant to Section 8-6-3(a), Code of Alabama, 1975, it is unlawful for any person to transact business as an agent unless he is registered under the Act and it is unlawful for an issuer to employ an agent who is not so registered. **RESPONDENTS** acted either as an agent or as an issuer of **ABRA** employing an agent while not registered with the Commission in violation of the Act.

30. Pursuant to Section 8-6-4, Code of Alabama, 1975, it is unlawful for any person to offer or sell any security in this state unless it is registered or subject to a perfected exemption from registration under the Act. The securities offered by **RESPONDENTS** are neither registered nor subject to a perfected exemption from registration and are being offered and sold to Alabama investors in violation of the Act.

31. The forgoing violations constitute a basis for the entry of this Consent Order pursuant to Section 8-6-19, Code of Alabama, 1975.

32. Pursuant to Section 8-6-16, Code of Alabama, 1975, if it appears to the Commission that any person has engaged in or is about to engage in any act or practice constituting a violation of any provision of the Act or any rule or order thereunder, the Commission may issue a cease and desist order against the person or persons engaged in the prohibited activities, directing them to cease and desist from engaging in the act or practice.

33. Pursuant to Section 8-6-19(j), Code of Alabama, 1975, the Commission may, in addition to the cease-and-desist order, impose an administrative assessment not to exceed \$5,000 for each act or omission that constitutes the basis for the order issued under that section.

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

ORDER

Based on the Findings of Facts, Conclusions of Law, and Respondents' consent to the entry of this Order as described more fully below, IT IS HEREBY ORDERED:

35. Pursuant to Section 8-6-16, Code of Alabama, 1975, Respondents are ordered to permanently cease and desist from offering or selling unregistered securities in violation of the registration provisions of the Act.

36. Respondents Plutus Financial and Plutus Lending will return investor assets by way of the following procedure:

a. Within 7 days of the execution of this Consent Order, Respondents Plutus Financial, Plutus Lending, and Abra Boost will provide clients in Alabama 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, and/or email addresses.

b. For 7 days after the above notice is sent, clients in Alabama will be afforded the opportunity to withdraw their assets through Abra's smartphone application.

c. Within 30 days of the execution of this Consent Order, Respondents Plutus Financial, Plutus Lending, and Abra Boost will convert the outstanding assets owned by all Alabama customers to fiat currency (to the extent the outstanding assets have value and can be sold). If the aggregate assets of the customer have a value of \$10 or more, Abra will then send a check or other secure bank instrument to the last known mailing address of the client. To the extent that address is ascertainable by the Commission, the Commission will provide mailing addresses to Respondents Plutus Financial and Plutus Lending upon request. Such checks will remain valid for 90 days.

d. Respondents Plutus Financial and Plutus Lending will deposit the full amount owing to any customer who has not redeemed the check or other instrument to Alabama's unclaimed property fund pursuant to Alabama's unclaimed property laws.

37. Pursuant to § 8-6-19(j), Code of Alabama, 1975, Respondents Plutus Financial and Plutus Lending shall be administratively assessed \$55,970, for which Respondents Plutus Financial and Plutus Lending shall be jointly and severally liable. This fine is SUSPENDED pending the completion of the steps described in paragraph 36 on the timeline set forth therein. If Respondents Plutus Financial and Plutus Lending timely complete these steps, this administrative assessment will be discharged.

38. HOWEVER, if one or more of Respondents Plutus Financial and Plutus Lending file for bankruptcy in the United States (or the equivalent abroad) or are the subject of a successful involuntary

bankruptcy in the United States (or the equivalent abroad) prior to complying with paragraph 36, the fine shall become immediately due and owing.

SIGNED AND ENTERED BY THE COMMISSIONER this 30th day of May 2024.





AMANDA L. SENN
DIRECTOR
ALABAMA SECURITIES COMMISSION

**CONSENT TO ENTRY OF ADMINISTRATIVE ORDER BY RESPONDENTS
PLUTUS FINANCIAL INC., PLUTUS LENDING LLC, AND WILLIAM BARHYDT**

Plutus Financial Inc., Plutus Lending LLC, and William Barhydt (collectively referred to as “Respondents”) hereby acknowledge that they have been served with a copy of this Order, have read the Order, are aware of their rights to a hearing and appeal in this matter, and have waived these rights. Respondents acknowledge and agree that they have had the opportunity to obtain independent legal advice, and did so, before executing this Consent to Entry.

Respondents admit and concede that the Commission has jurisdiction over this matter, neither admit nor deny the Findings of Fact and Conclusions of Law contained in this Order; and consent to entry of this Order by the Commission as settlement of the issues contained in this Order and in the Commission’s Order to Show Cause dated June 15, 2023.

Respondents agrees that they shall not claim, assert, or apply for a tax deduction or tax credit with regard to any state, federal or local tax for any administrative monetary penalty that they shall pay pursuant to this Order. Respondents understand and acknowledge that these provisions are not intended to imply that the Commission would agree that any other amounts Respondents shall pay pursuant to this Order may be reimbursed or indemnified (whether pursuant to an insurance policy or otherwise) under applicable law or may be the basis for any tax deduction or tax credit with regard to any state, federal or local tax.

Respondents agree and understand that this Order may be revoked and the Commission may pursue any and all remedies available under the law against Respondents if the Commission discovers that Respondents knowingly or willfully withheld or misrepresented information used for and relied upon in the Order. Respondents agree that if Respondents fail to comply with the terms of the Order, the Commission may institute proceedings for any and all violations otherwise resolved under the Order. The Commission reserves the right to bring any future actions against Respondents or any of their partners, owners, officers, shareholders, directors, employees or successors for any and all violations of any law over which the Commission has jurisdiction other than violations resolved under this Order.

Respondents state that no promise of any kind whatsoever was made to it to induce it to enter into this Order and that it has entered into this Order voluntarily. Respondents agree that the Order

contains the entirety of the terms agreed to by the parties. Respondents agree that this Order may be executed in one or more separate counterparts, each of which when so executed, shall be deemed an original. Such counterparts shall together constitute a single document.

Each signatory below, by signing, represents that he/she has been authorized by the party for which he/she signs to enter into this Agreement and to consent to the Order above.

Dated this 22nd day of May 2024.

Plutus Financial Inc.

By: W Barhydt

Title: CEO

Plutus Lending LLC

By: W Barhydt

Title: CEO

William Barhydt

W Barhydt

Approved as to form by:

Christopher W. Gerold

Christopher Gerold
Counsel for Respondents Plutus Financial
and Plutus Lending

Ronak V. Patel

Ronak V. Patel
Counsel for Respondent William Barhydt