

COMMONWEALTH OF KENTUCKY  
PUBLIC PROTECTION CABINET  
DEPARTMENT OF FINANCIAL INSTITUTIONS  
ADMINISTRATIVE ACTION NO. 2023-AH-0012

KENTUCKY DEPARTMENT OF FINANCIAL INSTITUTIONS

COMPLAINANT

v.

PLUTUS FINANCIAL INC. d/b/a ABRA

and

WILLIAM JOHN BARHYDT

RESPONDENTS

---

CONSENT ORDER

---

INTRODUCTION

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.

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.

Abra and Mr. Barhydt cooperated with inquiries and information requests from state securities regulators, including the Kentucky Department of Financial Institutions.

Respondents have reached an agreement with the Kentucky Department of Financial Institutions to resolve its investigation and return assets owned by Kentucky consumers as set forth herein.

Respondents 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.

Without admitting or denying the Findings of Fact or Conclusions of Law in this Order (the "Consent Order"), Respondents have consented to the jurisdiction of the Kentucky Department of Financial Institutions and the entry of this Consent Order.

## FINDINGS OF FACT

1. 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.
2. 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

3. Respondent Plutus Financial Inc. is part of a family of companies collectively known as "Abra."
4. Clients purchased products and services from Abra through a smartphone application available from the Apple App Store or the Google Play Store.
5. The products and services included cryptocurrency exchange services ("Abra Trade") and interest-bearing digital asset depository accounts ("Abra Earn" and "Abra Boost").

## ABRA EARN

6. 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 Kentucky.
7. Investors purchased investments in Abra Earn by opening and funding Abra Trade accounts through a third-party trust company.
8. Investors authorized Abra to lend client assets or cause client assets to be lent to institutional borrowers, either through direct lending or DeFi lending.
9. 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.
10. 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**

11. 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 Kentucky.
12. Investors purchased investments in Abra Boost by opening and funding Abra Trade accounts through a third-party trust company.
13. Abra Boost lent its assets to institutional borrowers, either through direct lending or DeFi lending.
14. 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 KENTUCKY**

15. On or about June 15, 2023, state securities regulators investigating Abra began filing coordinated enforcement actions against the parties. These actions include an Administrative Complaint filed by The Kentucky Department of Financial Institutions against Plutus Financial Inc. and William Barhydt (the “Enforcement Action”).
16. The Administrative Complaint requested relief in the form of consumer restitution, a civil penalty subordinated to restitution fulfillment, and also to cease and desist from the solicitation and/or sale of securities in Kentucky.
17. As of May 17, 2023, 78 investors residing in Kentucky owned unwithdrawn assets in Abra Earn valued at approximately \$466,585.07 and 1 Kentucky investor that owned unwithdrawn assets in Abra Boost valued at approximately \$55,202.63.

## **WINDING DOWN U.S. OPERATIONS**

18. On or about the same day that the Kentucky Department of Financial Institutions filed its Administrative Complaint, 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.
19. 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.
20. 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.

21. 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.
22. 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.
23. 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.
24. Both before and after the segregation of assets at the custodian, 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 these clients.
25. As of the date of this Consent Order, 107 investors residing in Kentucky own unwithdrawn assets in Abra Trade accounts valued at approximately \$12,392.68.

#### **THE ENFORCEMENT ACTION FILED BY KENTUCKY**

26. On or about June 16, 2023, the Kentucky Department of Financial Institutions filed an Administrative Complaint against William Barhydt and Plutus Financial Inc. d/b/a Abra (the "Enforcement Action").
27. The Administrative Complaint requested relief in the form of consumer restitution, a civil penalty subordinated to restitution fulfillment, and to cease and desist from the solicitation and/or sale of securities in Kentucky.
28. As set forth herein, the Kentucky Department of Financial Institutions is dismissing the Administrative Complaint contemporaneously with the entry of this Consent Order.

#### **THE RETURN OF CLIENT ASSETS AND ONGOING REQUIREMENTS**

29. On August 15, 2023, Plutus Holdings, Plutus Financial, Plutus Lending, and Abra Boost proposed a term sheet to return all outstanding assets owned by clients residing in Kentucky through the following procedure:

- A. On or about October 2023, Plutus Holdings, Plutus Financial, Plutus Lending, and Abra Boost provided clients in Kentucky 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. During October 2023, clients in Kentucky were afforded the opportunity to withdraw their assets through Abra's smartphone application;
  - C. Beginning on October 2023, Plutus Holdings, Plutus Financial, Plutus Lending, and Abra Boost complied with the process for returning assets to clients residing in Kentucky; and
  - D. Plutus Holdings, Plutus Financial, Plutus Lending, and Abra Boost agreed to continue to provide customer support to clients in Kentucky following the entry of this Consent Order by, among other things, responding to inquiries and questions submitted by customers residing in Kentucky and providing said clients with the identity of the Kentucky Department of Financial Institutions and its contact information. Plutus Holdings, Plutus Financial, Plutus Lending, and Abra Boost also agreed to provide copies of all such inquiries to the Kentucky Department of Financial Institutions within 14 calendar days of receipt for 90 days following the entry of this Consent Order.
30. 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 Kentucky;
  - 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; and

- E. These requirements shall expire two years from the date of entry of the Consent Order.
31. Plutus Holdings, Plutus Financial, Plutus Lending, and Abra Boost undertake and agree to notify the Kentucky Department of Financial Institutions of the receipt of any government subpoenas for a period of one year from the entry of this Consent Order.

### **DISQUALIFICATION**

32. 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) Plutus Holdings, Plutus Financial, Plutus Lending, 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**

33. The investments in Abra Earn are securities as that term is defined by KRS 292.310(19).
34. The investments in Abra Earn were not registered with the Kentucky Department of Financial Institutions for sale in Kentucky.
35. Respondents violated KRS 292.330 and KRS 292.340 by offering and selling investments in Abra Earn in Kentucky.
36. The forgoing violation constitutes a basis for the entry of this Consent Order pursuant to KRS 292.470 and KRS 292.500.
37. The entry of this Consent Order concludes the investigation by the Kentucky Department of Financial Institutions with respect to Abra Earn and Abra Boost provided, however, that nothing in this Consent Order shall limit the Kentucky Department of Financial Institutions from investigating any conduct not specifically addressed in the Administrative Complaint, Consent Order, or specifically disclosed by Abra during the course of the investigation.

## ORDER

38. It is hereby ORDERED that William Barhydt, Plutus Financial Inc., Plutus Holdings, Plutus Lending, and Abra Boost immediately CEASE AND DESIST from offering for sale any security in Kentucky until said security is registered with the Kentucky Department of Financial Institutions or offered for sale pursuant to an exemption from registration set forth in KRS 292.340.
39. It is further ORDERED that Plutus Holdings, Plutus Financial, Plutus Lending, and Abra Boost jointly and severally pay an ADMINISTRATIVE FINE in the amount of \$12,392.68 as follows:
- A. Plutus Holdings, Plutus Financial, Plutus Lending, and Abra Boost shall transmit payment electronically pursuant to ACH transfer instructions provided by the Kentucky Department of Financial Institutions and
  - B. Plutus Holdings, Plutus Financial, Plutus Lending, and Abra Boost shall send a letter identifying the payor, along with relevant tax identification numbers, contemporaneously with the payment to the Kentucky State Treasurer and a copy of the letter and documentation of the payment to Chad Harlan, Director of the Kentucky Department of Financial Institutions' Division of Securities by email.
40. It is further ORDERED that the fine assessed herein will be suspended and extinguished, so long as Abra complies with the process for returning assets identified in paragraph 29.C. above. If it is determined that Abra failed to comply with paragraph 29.C. above or if one or more of William Barhydt, Plutus Holdings, Plutus Financial, Plutus Lending, or Abra Boost 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 29.C. above, the fine shall become immediately due and owing.
41. It is further ORDERED that 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 Kentucky Department of Financial Institutions from seeking to enforce the terms of this Consent Order and any other available remedies in the event of a violation.
42. It is further ORDERED that the Administrative Complaint is DISMISSED and replaced by this Consent Order.

SIGNED AND ENETERED BY THE COMMISSIONER ON THIS, THE 12th DAY OF June, 2024.

*Marni Rock Gibson*

MARNI ROCK GIBSON  
ACTING COMMISSIONER

Respondents:

PLUTUS FINANCIAL INC.

By: *W Barhydt*

Name: William Barhydt

Title: CEO

WILLIAM BARHYDT

By: *W Barhydt*

Name: William Barhydt

Title: CEO

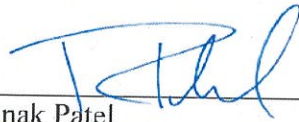


Approved as to Form:

COUNSEL FOR RESPONDENT  
PLUTUS FINANCIAL INC.

By: Christopher W. Gerold  
Christopher Gerold  
Partner  
Lowenstein Sandler LLP

COUNSEL FOR RESPONDENT  
WILLIAM BARHYDT

By:   
Ronak Patel  
Principal  
Bressler Amery & Ross PC

FOR THE KENTUCKY DEPARTMENT  
OF FINANCIAL INSTITUTIONS

By: Chad Harlan  
Chad Harlan  
Division of Securities, Director