

BEFORE THE DIVISION OF INSURANCE
DEPARTMENT OF LABOR AND REGULATION
STATE OF SOUTH DAKOTA

IN THE MATTER OF	§	CONSENT ORDER
PLUTUS FINANCIAL HOLDINGS INC.,	§	
PLUTUS FINANCIAL INC., PLUTUS	§	
LENDING LLC, ABRA BOOST LLC, AND 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, 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 Mr. Barhydt cooperated with inquiries and information requests from state securities regulators, including the Texas State Securities Board; and

WHEREAS Plutus Financial Holdings Inc., Plutus Financial Inc., Plutus Lending LLC, Abra Boost LLC and Mr. Barhydt have reached an agreement with the South Dakota Division of Insurance to resolve its investigation and return assets owned by South Dakotan's 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 South Dakota Division of Insurance 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 South Dakota.
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 South Dakota.
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.

WINDING DOWN U.S. OPERATIONS

18. On or about the same day that state securities regulators filed the Enforcement Actions, 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 said clients.
25. As of the date of this Consent Order, 16 investors residing in South Dakota own unwithdrawn assets in Abra Trade accounts valued at approximately \$9,600 .

THE RETURN OF CLIENT ASSETS AND ONGOING REQUIREMENTS

26. Respondents Plutus Holdings, Plutus Financial, Plutus Lending and Abra Boost agreed to return all outstanding assets owned by clients residing in South Dakota 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 South Dakota 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 South Dakota 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 Holdings, Plutus Financial, Plutus Lending and Abra Boost will convert the outstanding assets owned by all South Dakota 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 \$10.00 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 South Dakota Division of Insurance, the Division will provide mailing addresses to Respondents Plutus Financial and Plutus Lending upon request. Such checks will remain valid for 90 days.

Respondents Plutus Holdings, Plutus Financial, Plutus Lending and Abra Boost agree to continue to provide customer support to clients in South Dakota following the entry of this Consent Order by, among other things, responding to inquiries and questions submitted by customers residing in South Dakota and providing said clients with the identity of the South Dakota Division of Insurance and its contact information. Any returned or uncashed checks will be subject to South Dakota's unclaimed property laws..

- 27. Respondent Barhydt, by executing this Consent Order, undertakes and agree 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 South Dakota.
 - 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.
28. Respondents Plutus Holdings, Plutus Financial, Plutus Lending and Abra Boost undertake and agree to notify the South Dakota Division of Insurance of the receipt of any government subpoenas for a period of one year from the entry of this Consent Order or [MONTH] [DAY], 2024, whichever date is earlier.

DISQUALIFICATION

29. 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

30. The investments in Abra Earn are securities as that term is defined by SDCL 47-31B-102.
31. The investments in Abra Earn were not registered with the South Dakota Division of Insurance for sale in South Dakota.
32. Respondents violated SDCL 47-31B-301 & 47-31B-401 by offering and selling investments in Abra Earn in South Dakota .
33. The forgoing violation constitutes a basis for the entry of this Consent Order pursuant to SDCL 58-4-28.1 and 47-31B-604.
34. The entry of this Consent Order concludes the investigation by the South Dakota Division of Insurance with respect to Abra Earn and Abra Boost provided, however, that nothing in this Consent Order shall limit the South Dakota Division

CONFIDENTIAL

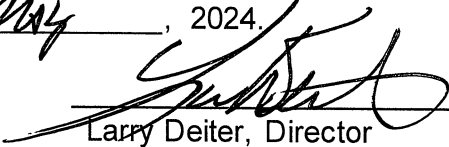
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of Insurance from investigating any conduct not specifically addressed in the Enforcement Action, Consent Order, or specifically disclosed by Abra during the course of the investigation.

ORDER

35. It is hereby ORDERED that Respondents immediately CEASE AND DESIST from offering for sale any security in South Dakota until said security is registered with the South Dakota Division of Insurance or offered for sale pursuant to an exemption from registration set forth in South Dakota Uniform Securities Act of 2002..
36. 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 \$80,000] 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 South Dakota Division of Insurance , and
 - B. They shall send a letter identifying the payor, along with relevant tax identification numbers, contemporaneously with the payment to the South Dakota Division of Insurance and a copy of the letter and documentation of the payment to Travis Jordan by ELECTRONIC MAIL to travis.jordan@state.sd.us.
37. 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 26. above. If it is determined that Abra failed to comply with paragraph 26. 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 26. above, the fine shall become immediately due and owing.
38. 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 South Dakota Division of Insurance from seeking to enforce the terms of this Consent Order and any other available remedies in the event of a violation.
39. It is further ORDERED that the Enforcement Action is [SET ASIDE, DISMISSED, ETC] and replaced by this Consent Order.

SIGNED AND ENTERED BY THE Director of the South Dakota Division of Insurance
ON THIS, THE 16th DAY OF May, 2024.



Larry Deiter, Director
South Dakota Division of Insurance

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 W. Gerold
Christopher Gerold
Partner
Lowenstein Sandler LLP

COUNSEL FOR RESPONDENT WILLIAM
BARHYDT

By: Ronak Patel
Ronak Patel
Principal
Bressler Amery & Ross PC

FOR THE [AGENCY NAME]

By: _____
(NAME)
(TITLE)

By: _____
(NAME)
(TITLE)