

1 **STATE OF WASHINGTON**
2 **DEPARTMENT OF FINANCIAL INSTITUTIONS**
3 **SECURITIES DIVISION**

4 IN THE MATTER OF DETERMINING
5 Whether there has been a violation of the
6 Securities Act of Washington by:

7 Plutus Financial Inc. d/b/a Abra;
8 Plutus Lending LLC;
9 Abra Boost LLC;
10 William John Barhydt,

11 Respondents.

Order No. S-21-3171-23-SC01

STATEMENT OF CHARGES AND NOTICE OF
INTENT TO ENTER ORDER TO CEASE AND
DESIST, TO IMPOSE A FINE, AND TO CHARGE
COSTS

12 **THE STATE OF WASHINGTON TO:**

13 Plutus Financial Inc. d/b/a Abra
14 Plutus Lending LLC
15 Abra Boost LLC
16 William John Barhydt

17 **STATEMENT OF CHARGES**

18 Please take notice that the Securities Administrator of the state of Washington has reason to believe
19 that Respondents Plutus Financial Inc. d/b/a Abra, Plutus Lending LLC, Abra Boost LLC, and William
20 John Barhydt violated the Securities Act of Washington. The Securities Administrator believes these
21 violations justify the entry of an order against Respondents Plutus Financial Inc. d/b/a Abra, Plutus Lending
22 LLC, Abra Boost LLC, and William John Barhydt to cease and desist from such violations, to impose a
23 fine, and to charge costs pursuant to RCW 21.20.390 and RCW 21.20.395. The Securities Administrator
finds as follows:

TENTATIVE FINDINGS OF FACT

Respondents

1. William John Barhydt (“Barhydt”) is a California resident who, beginning in 2014, organized
various entities that collectively operated as Abra. In 2022, Barhydt restructured Abra and, as part of that
restructuring, reorganized existing companies and organized new entities as subsidiaries or affiliates of

1 Plutus Financial Holdings, Inc. Barhydt is responsible for supervising Abra’s day-to-day business activities,
2 as well as defining its overall business strategy. Barhydt is not registered with the Securities Division in
3 any capacity.

4 2. Plutus Financial Inc. d/b/a Abra is a Delaware entity formed on July 1, 2014, with its principal
5 place of business in Mountain View, California. In 2022, Plutus Financial Inc. became a subsidiary of Plutus
6 Financial Holdings, Inc. Plutus Financial Inc. is in the business of providing customers with a digital
7 platform to buy, sell, borrow, trade, and deposit virtual assets, and it operates a mobile phone application
8 that enables customers to conduct financial transactions. Plutus Financial Inc. is not registered with the
9 Securities Division in any capacity.

10 3. Plutus Lending LLC is a Delaware entity formed on May 29, 2020, with its principal place of
11 business in Mountain View, California. Plutus Lending LLC is a subsidiary of Plutus Financial Inc. and
12 lends out virtual currency to institutional borrowers on behalf of its parent company. Plutus Lending LLC
13 is not registered with the Securities Division in any capacity.

14 4. Abra Boost LLC is a Delaware limited liability company formed on September 28, 2022, with
15 its principal place of business in Atlanta, Georgia. Abra Boost LLC is a subsidiary of Plutus Financial
16 Holdings, Inc. and is the issuer of Abra Boost (“Boost”).

17 5. Plutus Financial Inc., Plutus Lending LLC, and Abra Boost LLC will collectively be referred
18 to as “Abra” throughout this Statement of Charges.

19 **Related Entity**

20 6. Prime Trust, LLC (“Prime Trust”) is a Nevada entity formed on April 13, 2016, with its
21 principal place of business in Las Vegas, Nevada. Prime Trust is in the business of providing trust and
22 custody services to businesses. Prime Trust has served as the custodian of the assets in Abra’s interest-
23 bearing cryptocurrency accounts.

1 7. Plutus Technologies Philippines Corp. (“Abra International”) is a Philippines-based
2 corporation and a subsidiary of Plutus Financial Inc. d/b/a Abra. Abra International conducts the foreign
3 operations of Plutus Financial Inc. d/b/a Abra.

4 **Nature of the Conduct**

5 *Overview*

6 8. On or about July 28, 2020, Abra and Barhydt began offering Abra Earn (“Earn”), an interest-
7 bearing cryptocurrency account, to Washington residents. They offered Earn to Washington residents until
8 at least October 3, 2022, when the company stopped accepting new Earn investors and deposits. At least
9 759 Washington investors deposited various virtual currencies into their Earn accounts, the value of these
10 deposits totaling more than \$45 million USD (as of August 28, 2022). On or about October 3, 2022, Abra
11 and Barhydt began offering Boost, an interest-bearing cryptocurrency account for accredited investors, to
12 Washington residents. At least 9 Washington investors have deposited various virtual currencies in their
13 Boost accounts, the value of these deposits totaling more than \$624,000 USD (as of May 17, 2023). In
14 offering Earn and Boost accounts to Washington residents, Abra and Barhydt failed to make several
15 material disclosures and misrepresented at least one material fact.

16 *Abra’s Earn Program*

17 9. Abra offered Earn accounts to the general public through its website (<https://www.abra.com>).
18 On its website, Abra asserted that Earn accounts could be thought of as “high-yield savings accounts for
19 crypto.” Abra advertised that customers could earn up to 10% APY (as of August 30, 2022) on virtual
20 currency deposited into an Earn account. Abra accepted and paid interest on several types of virtual
21 currencies, including Bitcoin, Ethereum, and Litecoin, and stablecoins such as USD Coin (USDC) and
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1 Tether (USDT).¹ Abra allowed customers to withdraw their virtual currency from their Earn accounts at
2 any time, subject to a processing time of up to 7 days.

3 10. Barhydt promoted Earn on social media. In a YouTube video, he referred to Earn as an
4 “investment account.” He said that while Earn users are taking “principal risk,” Abra has “never lost a
5 penny of consumers’ money in the interest accounts.” In a Twitter post, he referred to Earn as “one of the
6 best deals in all of crypto and probably even banking.”

7 11. Earn accounts were held by Prime Trust, which provided custodial services for Abra. Abra
8 paid Prime Trust a monthly fee in order to access the virtual currency in Earn accounts. Prime Trust did not
9 have a role in deploying Earn assets to generate the revenue used to pay investors.

10 12. Before investors could open an Earn account, Abra required them to complete an application
11 process. During this application process, Abra collected Know Your Customer (“KYC”) information on
12 potential account holders and verified their identities. Earn investors were also required to complete an
13 application with Prime Trust, which conducted its own KYC process independently of Abra. After investors
14 were approved by both Abra and Prime Trust, Earn accounts were opened for them.

15 13. Earn account holders deposited supported virtual currencies into their Earn accounts. Abra set
16 Earn interest rates and credited Earn customer accounts with earned interest on a weekly basis. According
17 to Abra, interest rates were based on market demand for the particular virtual currencies.

18 14. Abra used the Earn account assets held at Prime Trust to generate the revenue used to pay
19 Earn investors. After customers made deposits into their Earn accounts, Prime Trust batched those deposits
20 into a reserve account, where they were made available to Abra. Abra used the funds in its reserve account
21 for various income-generating activities, which included making loans to institutional borrowers. Abra also
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23 ¹ A stablecoin is a type of virtual currency whose value is pegged to a particular fiat currency, such as the U.S. dollar. This
theoretically makes the stablecoin less volatile compared to other virtual currencies.

1 used the funds in its reserve account for other types of investments, including arbitrage, exchange funds,
2 and yield farming. Abra used the proceeds generated from these income-generating activities to pay interest
3 to Earn account holders.

4 15. Earn was a passive investment. Abra alone determined how Earn account holders' virtual
5 currencies were deployed; Earn investors had no control over how their virtual currencies were invested.
6 Abra required that Earn customers agree to give up certain rights to their virtual currency. Specifically,
7 Abra required that Earn customers agree to let Abra hold the virtual currency in Abra's name. Abra also
8 required that Earn customers agree to let the company "pledge, repledge, hypothecate, rehypothecate, sell,
9 lend, or otherwise transfer or use any amount of such cryptocurrency."

10 16. On or about October 3, 2022, Abra stopped accepting new Earn investors and new deposits
11 from existing Earn account holders. Although Abra stopped accepting deposits, it did not return Earn
12 account holders' assets. With respect to unaccredited Earn investors, Abra allowed them to keep their
13 accounts and continue to earn interest. Abra transitioned all accredited Earn investors to Boost, its new
14 digital asset depository account product.

15 *Abra's Boost Program*

16 17. On or about October 3, 2022, Abra began publicly offering Boost through its website
17 (<https://www.abra.com>). Abra asserts that Boost is "[s]imilar to Abra Earn in functionality." Investors
18 deposit virtual currencies into Boost accounts, which are held at Prime Trust. According to Abra, Boost
19 accounts allow "all qualified investors to deposit and earn interest on their digital assets."

20 18. Abra has advertised that Boost customers can earn up to 10% APY (as of May 17, 2023) on
21 virtual currency deposited into their accounts. With regard to Boost, Abra accepts and pays interest on
22 several types of virtual currencies, including Bitcoin, Ethereum, and Litecoin, and stablecoins such as USD
23 Coin (USDC) and Tether (USDT).

1 19. Boost is available to both institutional and accredited investors. For individual investors to
2 qualify for a Boost account, they must verify that they have met a sufficient income or net worth standard
3 by submitting supporting documentation to Abra.

4 20. Barhydt has promoted Boost on social media. In Twitter posts from September 2022, he
5 announced that Abra would be launching Boost. He also promoted Boost in a YouTube video, calling it
6 “our new service for qualified investors to earn yield on their stablecoin and crypto holdings.”

7 21. Abra acknowledges that Boost is a security. In a Private Placement Memorandum (“PPM”)
8 for Boost, Abra states that it “is offering investors the opportunity to purchase Boost Securities.” Abra
9 describes Boost accounts as “debt securities.” Abra asserts in its Boost PPM that these debt securities
10 provide investors with “the right to periodic payments of interest in-kind credited to their account weekly.”
11 According to Abra, Boost investors will “have the ability to redeem all or a portion of the Securities credited
12 to their account at any time.”

13 22. On or about December 29, 2022, Abra filed a Form D with the U.S. Securities and Exchange
14 Commission in which it declared that the Boost securities offering was exempt from registration.

15 *Abra’s Representations of its Risk Management and Financial Condition*

16 23. As of December 31, 2022, Plutus Lending LLC had a net worth of approximately \$49,032.
17 The company’s assets were approximately \$246,104,280 and its liabilities were approximately
18 \$246,055,248.

19 24. Plutus Lending LLC’s assets, however, included various impaired and illiquid assets, such as:
20 approximately \$12 million owed by FTX²; approximately \$29.7 million owed by Babel Finance³;
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23 ² FTX filed for bankruptcy protection in November 2022.

³ Babel Finance, citing “unusual liquidity pressures,” suspended withdrawals in June 2022.

1 approximately \$30 million owed by Genesis⁴; and approximately \$10 million owed by Three Arrows
2 Capital.⁵

3 25. Regardless of Abra’s history of making loans that it may never recover in full, Abra, on its
4 website and Twitter account, consistently touted its experience in managing risk and prioritizing liquidity.
5 In addition, Barhydt has promoted Abra’s risk management on Twitter.

6 26. Abra and Barhydt have both publicly misrepresented Abra’s exposure to FTX. On Twitter,
7 Barhydt stated that Abra had “no material exposure to FTX.” This claim was repeated in a blog post on
8 Abra’s website.

9 *SEC and CFTC Orders*

10 27. On July 13, 2020, the United States Securities and Exchange Commission entered an order in
11 Administrative Proceeding File No. 3-19873 (the “SEC Order”). The order charged Plutus Financial Inc.
12 d/b/a Abra and Abra International with offering and selling security-based swaps to retail investors without
13 registration and for failing to transact those swaps on a registered national exchange.

14 28. Without admitting or denying the findings in the order, Plutus Financial Inc. d/b/a Abra and
15 Abra International consented to the SEC Order and agreed to a combined penalty of \$150,000.

16 29. On July 13, 2020, the United States Commodity Futures Trading Commission entered an order
17 in CFTC Docket No. 20-23 (the “CFTC Order”). The order charged Plutus Financial Inc. d/b/a Abra and
18 Abra International with entering into illegal off-exchange swaps in digital assets and foreign currency with
19 U.S. and overseas customers and registration violations.

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23 ⁴ Genesis filed for bankruptcy protection in January 2023.

⁵ Three Arrows Capital was placed into liquidation in the British Virgin Islands in June 2022.

1 Based upon the above Tentative Findings of Fact, the following Conclusions of Law are made:

2 **CONCLUSIONS OF LAW**

3 1. The offer and/or sale of the Abra Earn and Abra Boost accounts described above constitutes
4 the offer and/or sale of a security as defined in RCW 21.20.005(14) and (17).

5 2. Plutus Financial Inc. d/b/a Abra, Plutus Lending LLC, and William John Barhydt violated
6 RCW 21.20.140, the securities registration section of the Securities Act of Washington, by offering and/or
7 selling securities for which no registration is on file with the Securities Administrator.

8 3. William John Barhydt violated RCW 21.20.040, the licensee registration section of the
9 Securities Act of Washington, by offering and/or selling securities while not being registered as a securities
10 salesperson or broker-dealer in the state of Washington.

11 4. Plutus Financial Inc. d/b/a Abra, Plutus Lending LLC, Abra Boost LLC, and William John
12 Barhydt violated RCW 21.20.010, the anti-fraud section of the Securities Act of Washington, by making
13 untrue statements of material fact or omitting to state material facts necessary to make the statements made,
14 in light of the circumstances in which they were made, not misleading.

15 **NOTICE OF INTENT TO ORDER THE RESPONDENT TO CEASE AND DESIST**

16 Pursuant to RCW 21.20.390(1), and based upon the Tentative Findings of Fact and Conclusions of
17 Law, the Securities Administrator intends to order Plutus Financial Inc. d/b/a Abra, Plutus Lending LLC,
18 Abra Boost LLC, William John Barhydt, and their agents and employees, to each permanently cease and
19 desist from violating RCW 21.20.010, RCW 21.20.040, and RCW 21.20.140.

20 **NOTICE OF INTENT TO IMPOSE FINES**

21 Pursuant to RCW 21.20.395, and based upon the Tentative Findings of Fact and Conclusions of Law,
22 the Securities Administrator intends to order that:

1 a. Plutus Financial Inc. d/b/a Abra, Plutus Lending LLC, and Abra Boost LLC shall be jointly and
2 severally liable to pay a fine of \$150,000.

3 b. William John Barhydt shall be liable for and shall pay a fine of \$30,000.

4 **NOTICE OF INTENT TO CHARGE COSTS**

5 Pursuant to RCW 21.20.390, and based upon the Tentative Findings of Fact and Conclusions of Law,
6 the Securities Administrator intends to order that Plutus Financial Inc. d/b/a Abra, Plutus Lending LLC,
7 Abra Boost LLC, and William John Barhydt shall be jointly and severally liable for and shall pay the costs,
8 fees, and other expenses incurred in the administrative investigation and hearing of this matter, in an amount
9 not less than \$5,000.

10 **AUTHORITY AND PROCEDURE**

11 This Statement of Charges is entered pursuant to the provisions of Chapter 21.20 RCW and is subject
12 to the provisions of Chapter 34.05 RCW. Plutus Financial Inc. d/b/a Abra, Plutus Lending LLC, Abra Boost
13 LLC, and William John Barhydt may each make a written request for a hearing as set forth in the Notice of
14 Opportunity for Hearing accompanying this Order. If a respondent does not make a hearing request in the
15 time allowed, the Securities Administrator intends to adopt the above Tentative Findings of Fact and
16 Conclusions of Law as final and to enter a permanent order to cease and desist as to that respondent, to
17 impose any fines sought against that respondent, and to charge any costs sought against that respondent.

18 SIGNED and ENTERED this 15th day of June, 2023.



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William M. Beatty
Securities Administrator

Approved by:

Presented by:

_____/s/_____
Brian Guerard
Chief of Enforcement

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Holly Mack-Kretzler
Financial Legal Examiner Supervisor