

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

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

5 North America Real Estate Investment Group
Inc., d/b/a NAREIG International Realty, Inc.;

6 Haitao Lin a/k/a Hunter Lin,

7 Respondents

Order No.: S-18-2483-19-SC01

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

8 THE STATE OF WASHINGTON TO:

North America Real Estate Investment Group Inc.
Haitao Lin a/k/a Hunter Lin

9 **STATEMENT OF CHARGES**

10 Please take notice that the Securities Administrator of the State of Washington has reason to believe
11 that Respondents North America Real Estate Investment Group Inc. and Haitao Lin, a/k/a Hunter Lin, have
12 each violated the Securities Act of Washington. The Securities Administrator believes those violations justify
13 the entry of an order against the Respondents to cease and desist from such violations and to charge costs
14 pursuant to RCW 21.20.390, and under RCW 21.20.395 to impose a fine. The Securities Administrator finds
15 as follows:

16 **TENTATIVE FINDINGS OF FACT**

17 **Respondents**

18 1. North America Real Estate Investment Group Inc., d/b/a NAREIG International Realty, Inc.
19 (“NAREIG”) is a Washington State corporation formed on April 5, 2012, with its principal place of business
20 in Kirkland, Washington. NAREIG’s primary business is real estate brokerage services for Chinese investors
21 seeking to invest in American real estate.
22
23

1 commission amount. For instance, a real estate purchaser buying a property for \$1 million, with a 3% broker
2 commission of \$30,000, could use up to 75 HCTs for a discount of \$7,500 on the commission.

3 5. Although the HCT functioned as a coupon, NAREIG's marketing efforts were substantially
4 focused on the HCT as a passive investment for purchasers. NAREIG referred to the HCT as an "investment"
5 and token purchasers as "investors" in various marketing materials. NAREIG also claimed that the HCT "has
6 stable value and can be a good investment option in the financial downturns." NAREIG also emphasized the
7 upside potential of the token and its use for investment diversification purposes. On the website used to
8 promote the HCT, NAREIG posted a question-and-answer page. Lin had final approval over the contents of
9 the page. NAREIG claimed, in the question-and-answer page, that the HCT has "[c]lear upside because the
10 one \$1 token will be worth \$100 during redemption," and that the link between cryptocurrency and real estate
11 would "provide[] the token holders with a diversified, risk adjusted portfolio." Consistent with these
12 representations, at least one investor believed that the "intrinsic value" of the HCT was \$100, and that they
13 would be able to sell the token for \$10 to \$50.

14 6. NAREIG took payment for HCTs in Ethereum and Bitcoin tokens. NAREIG raised 43.55
15 Ethereum tokens and 0.18 Bitcoin from HCT purchasers. At the time of the ICO, 43.55 Ethereum tokens and
16 0.18 Bitcoin were collectively worth approximately \$45,600.² Early HCT purchasers received one HCT for
17 every \$0.50 they paid in Ethereum or Bitcoin, with the price later rising to \$0.75 per HCT.³

18 Profit Based on NAREIG's Efforts

19 7. Based on NAREIG and Lin's statements in the whitepaper and elsewhere, HCT purchasers
20 would have reasonably expected to make a profit on the HCT from NAREIG's efforts and the overall success
21

22 ² This estimate is based on Yahoo Finance's listed closing prices for Ethereum and Bitcoin as of the date of each transaction.

23 ³ NAREIG planned to eventually raise the price to \$1 during the offering after selling a certain number of HCTs, but ultimately did not reach their target for raising the price.

1 of the HCT offering. For instance, NAREIG claimed in the whitepaper that “[t]he more people buying HCT
2 from us, the more bargaining power NAREIG has in negotiation of real estate deals. At the same time, real
3 estate buyers will benefit from noticeable commission savings. With the growth of HCT investors, NAREIG
4 will expand its market presence quickly, which in turn increase the HCT value.” Similarly, NAREIG touted
5 its business and real estate acumen throughout the whitepaper, leading potential investors to believe that the
6 value of the token would increase due to NAREIG’s performance as a company.

7 8. NAREIG’s CEO was aware that some purchasers would buy the token as an investment rather
8 than a coupon, with the intent to resell it later for a higher price. NAREIG made no effort to limit the purchase
9 of the HCT to potential real estate investors who would actually use the token. NAREIG did not verify that
10 HCT purchasers lived in a country where NAREIG offered real estate brokerage services, that they wanted to
11 invest in property in other countries, or that they had the necessary amount of assets to invest in real estate at
12 all. In the whitepaper, NAREIG encouraged non-real-estate buyers to purchase the token, stating in the
13 whitepaper that, “[f]or those who are not interested in purchasing real estate [using the HCT], they can easily
14 trade HCT at exchange platform.” NAREIG’s president also applied to a cryptocurrency exchange website to
15 have the HCT listed for trading with both Ethereum and Bitcoin.

16 Material Misrepresentations and Omissions

17 9. NAREIG failed to disclose many of the risks associated with investing in HCTs, and failed to
18 provide a reasonable basis for several statements in the whitepaper. In particular, in an FAQ on its website
19 advertising the ICO, NAREIG claimed that it would refund HCT purchasers if it failed to reach its targeted
20 “softcap” of \$1.5 million.⁴ NAREIG failed to disclose, however, that it would spend their cryptocurrency on
21 further advertising the ICO, and would not have it available to make refunds. Although the number of HCTs
22

23 ⁴ A “softcap” generally refers to the minimum amount sought by a company in a particular ICO.

1 sold fell well short of the softcap, NAREIG refunded only one HCT purchaser, who specifically requested the
2 refund.

3 10. NAREIG also offered a “bounty program” in February and March 2018, where it gave HCTs
4 to people who advertised the HCT on various Internet forums, or who translated offering and promotional
5 documents into different languages. Most of the program participants simply reposted the contents of the
6 whitepaper on blogs and cryptocurrency-related websites, but some made inaccurate representations beyond
7 those in NAREIG-created materials. For instance, one participant claimed in a March 2018 blog post that
8 NAREIG’s “value of the coupon marker does not fluctuate, like any other crypt currencies [*sic*], and it is easy
9 to liquidate.” At the time, the HCT was not traded on any cryptocurrency exchanges, meaning that it was not
10 easy to liquidate. NAREIG rewarded this user with 100 HCTs.

11 11. NAREIG and Lin failed to provide any reasonable basis for their claims that HCTs would have
12 a “stable value” and would be “a good investment option in the financial downturns.” NAREIG and Lin also
13 failed to disclose the likelihood that the broader market for cryptocurrency would affect the value of the HCT,
14 the difficulty of securely storing cryptocurrencies, or the risk that the rapidly-changing regulatory
15 environment for cryptocurrencies could affect the legal status of the tokens or the exchanges where they were
16 traded. On the ICO website, NAREIG and Lin claimed that compared to other cryptocurrencies, which had
17 “already proved to be unreliable and prone to volatility,” the HCT’s purpose was to “provide a stable token
18 that can benefit the buyers at any time.” In making this statement, NAREIG and Lin failed to adequately
19 disclose that the purported stability of the HCT only described its use for discounts on real estate broker
20 commissions, and that the value could be extremely unstable if the token was bought for investing purposes.

1 4. NAREIG and Lin have each violated RCW 21.20.010, because, as set forth in the Tentative
2 Findings of Fact, NAREIG and Lin made untrue statements of material fact or omitted to state material facts
3 necessary to make the statements made, in light of the circumstances in which they were made, not misleading.

4 **NOTICE OF INTENT TO ORDER THE RESPONDENTS TO CEASE AND DESIST**

5 Based upon the above Tentative Findings of Fact and Conclusions of Law, the Securities
6 Administrator intends to order, pursuant to RCW 21.20.390(1), that Respondents North America Real Estate
7 Investment Group Inc., Haitao Lin a/k/a Hunter Lin, and their agents and employees, each shall cease and
8 desist from violations of RCW 21.20.010 and RCW 21.20.140, and that Respondent Haitao Lin a/k/a Hunter
9 Lin, and his agents and employees, shall cease and desist from violations of RCW 21.20.040.

10 **NOTICE OF INTENT TO IMPOSE FINES**

11 Pursuant to RCW 21.20.395, and based upon the Tentative Findings of Fact and Conclusions of Law,
12 the Securities Administrator intends to order that Respondents North America Real Estate Investment Group
13 Inc. and Haitao Lin a/k/a Hunter Lin shall be jointly and severally liable for and shall pay a fine of \$10,000.

14 **NOTICE OF INTENT TO CHARGE COSTS**

15 Pursuant to RCW 21.20.390, and based upon the Tentative Findings of Fact and Conclusions of Law,
16 the Securities Administrator intends to order that Respondents North America Real Estate Investment Group
17 Inc. and Haitao Lin a/k/a Hunter Lin shall be jointly and severally liable for and shall pay the costs, fees, and
18 other expenses incurred in the administrative investigation and hearing of this matter, in an amount not less
19 than \$2,000.

20 **AUTHORITY AND PROCEDURE**

21 This Statement of Charges is entered pursuant to the provisions of Chapter 21.20 RCW and is subject
22 to the provisions of Chapter 34.05 RCW. Respondents North America Real Estate Investment Group Inc. and
23 Haitao Lin a/k/a Hunter Lin may make a written request for a hearing as set forth in the NOTICE OF

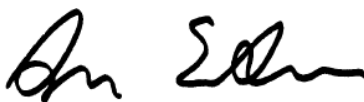
1 OPPORTUNITY TO DEFEND AND OPPORTUNITY FOR HEARING accompanying this Order. If the
2 Respondents do not make a hearing request in the time allowed, the Securities Administrator intends to adopt
3 the above Tentative Findings of Fact and Conclusions of Law as final and to enter a permanent order to cease
4 and desist, to impose the fines sought against the Respondents, and to charge the costs sought against the
5 Respondents.

6
7 Signed and Entered this 8th day of April, 2019.



William M. Beatty
Securities Administrator

11 Approved by:



Suzanne Sarason
Chief of Enforcement

15 Reviewed by:



Jack McClellan
Financial Legal Examiner Supervisor

11 Presented by:



Adam N. Yeaton
Financial Legal Examiner