

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 Northlake Capital & Development LLC,  
8 183<sup>rd</sup> Shoreline Apartments, LLC,  
9 James W. Thorpe,  
10 Seth T. Heck,  
11 Shu-Mei Wang,

12 Respondents

Order No. S-20-2995-22-SC01

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

13 **THE STATE OF WASHINGTON TO:**

14 Northlake Capital & Development LLC  
15 183<sup>rd</sup> Shoreline Apartments, LLC  
16 James William Thorpe  
17 Seth Tanner Heck  
18 Shu-Mei Wang

19 **STATEMENT OF CHARGES**

20 Please take notice that the Securities Administrator of the state of Washington has reason to believe  
21 that Respondents Northlake Capital & Development LLC; 183<sup>rd</sup> Shoreline Apartments, LLC; James W.  
22 Thorpe; Seth T. Heck; and Shu-Mei Wang have each violated the Securities Act of Washington. The  
23 Securities Administrator believes these violations justify the entry of an order against Respondents  
Northlake Capital & Development LLC; 183<sup>rd</sup> Shoreline Apartments, LLC; James W. Thorpe; Seth T.  
Heck; and Shu-Mei Wang to cease and desist from such violations, to impose fines, 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 solicited investments from its Internet website and through online videos. Wang also introduced a number  
2 of investors, known as the “May Lending Group,” to the investments.

### 3 **Offer and Sale of Renewal Promissory Notes**

4 7. On July 4, 2020, Thorpe sent an email soliciting 28 May Lending Group investors to renew  
5 more than \$15 million of Northlake real estate promissory note investments that were issued or guaranteed  
6 by Thorpe. Thorpe blamed the Covid-19 crisis for Northlake’s financial problems without disclosing the  
7 company’s and his own track record of failed real estate projects. The original promissory notes had annual  
8 interest rates of more than 20%. Many of the promissory notes were extended for another five years with  
9 5% annual interest.

### 10 **Shoreline Apartments Investment**

11 8. One of Northlake’s real estate projects was an apartment construction project in Shoreline,  
12 Washington. During 2018, the Respondents offered and sold at least \$1.1 million worth of Shoreline  
13 Apartments investments to at least five investors, including at least one Washington investor. The  
14 investments were evidenced by promissory notes that were issued by Northlake; 183<sup>rd</sup> Apartments, LLC;  
15 and Thorpe. The promissory notes had a term of 1 year with annual interest rates of more than 20%. The  
16 promissory notes were not repaid when they came due.

17 9. When offering and selling the Shoreline Apartments investments, the Respondents failed to  
18 disclose the risks of the investments. They failed to disclose that Northlake was commingling funds for all  
19 of its projects. They failed to disclose that Northlake was not escrowing the investors’ funds to insure that  
20 the investors would have a recorded real property security interest to secure their investments. The  
21 Respondents failed to disclose the current ownership and any liens that were filed against the real property  
22 that was supposed to secure the investments. They failed to provide any financial statements for Northlake  
23 and they failed to disclose Northlake’s financial condition and operating history. They failed to disclose

1 Thorpe's track record for property development. They failed to disclose sales commissions that were being  
2 paid to Wang for investors that she introduced to the investment.

3 10. Wang introduced at least two mainland Chinese investors to the Shoreline Apartments  
4 investment. Wang represented that the investment would be secured by real property located at 18110  
5 Midvale Avenue in Shoreline, Washington. When the investors came to the United States, Wang drove the  
6 investors to the property and showed them around. Wang falsely claimed that the Shoreline Apartments  
7 investment was a low-risk investment and, if needed, the investors could always foreclose on the property  
8 and get their money back if Northlake was unable to pay its promissory notes. None of the Respondents  
9 disclosed to the investors before they invested that Wang was receiving a 10% sales commission on their  
10 investments.

11 11. The Respondents met with the two mainland Chinese investors to solicit their Shoreline  
12 Apartments investments. During the meeting, the Respondents claimed that Northlake was a successful  
13 real estate development company that owned approximately 20 real properties with a total purchase price  
14 of more than \$26 million and with a "finished value" of more than \$96 million. The Respondents never  
15 disclosed the current value of the properties or the value of any encumbrances against the properties. The  
16 Respondents never provided any financial statements for Northlake or for 183<sup>rd</sup> Shoreline Apartments, LLC.  
17 The Respondents never disclosed the companies' liabilities, their financial condition, or their operating  
18 history. During the meeting, Thorpe claimed that he had a net worth of several million dollars. The  
19 Respondents never provided any financial statements or any credit information or credit history for Thorpe.

20 12. The Respondents also failed to disclose to the mainland Chinese investors that at the time of  
21 their investments, the issuers of the promissory notes did not own the real property that was supposed to  
22 secure their investments. 183<sup>rd</sup> Shoreline Apartments, LLC did not own all seven parcels of land until  
23 months after the investments were made. At that time, the property became subject to prior liens for more

1 than the current market value of the property, leaving the investors with no real property equity to secure  
2 their investments.

3 13. Between September 2018 and July 2019, the seven lots for the Shoreline Apartments project  
4 were purchased by 183<sup>rd</sup> Shoreline Apartments, LLC, but the lots were encumbered by liens that were held  
5 by the land owners and by a commercial lender. In August 2019, the seven lots were combined into a single  
6 lot, but the apartment project was never fully permitted or approved for construction. In August 2021, the  
7 lot was sold through a receivership and the Shoreline Apartment project ended with no means to repay the  
8 investors.

### 9 **Heck's Offering of Another Northlake Investment**

10 14. After sending a marketing brochure to one of the mainland Chinese investors in the Shoreline  
11 Apartments project, on October 24, 2019, Heck sent an email soliciting an investment in the Northlake  
12 headquarters project. The email stated that Northlake was seeking an additional \$500,000 by October 25<sup>th</sup>.  
13 Northlake was offering an extra 4% annual return on the investment, for a total return of 26%. The email  
14 touted a high-return investment of almost 30% with real estate security. Heck failed to disclose the risks of  
15 the investment.

### 16 **Investment Solicitations through Online Video Presentations**

17 15. Thorpe posted videos on the Internet to solicit investments in Northgate. In February 2020,  
18 Thorpe had posted a video about an "Exciting New Purchase in Federal Way, WA!!!" Thorpe stated that  
19 he looked forward to increasing the value of that property by 150% in less than one year. Thorpe did not  
20 disclose the risks of the investment. Thorpe invited investors to log on to the Northlake website to check  
21 out more opportunities that were available. In another video post, Thorpe emphasized that he has been in  
22 the real estate business for approximately 30 years. Thorpe did not disclose his prior real estate development  
23 failures or the company's defaults on prior promissory notes. Thorpe stated that his company annually buys

1 approximately \$50 million of real estate with the intent to develop the property to generate a return on  
2 investment. Thorpe said that most projects have a 12 to 24 month term of investment. Thorpe stated that  
3 Northlake is bringing investors to projects and that Northlake's goal is to provide a high rate of return.

#### 4 **Other Undisclosed Information**

##### 5 *Thorpe's Prior Personal Bankruptcy and Failed Real Estate Projects*

6 16. When offering and selling real estate promissory note investments issued by Northlake, the  
7 Respondents each failed to disclose to investors that Thorpe had previously filed for bankruptcy and that  
8 he had several prior unsuccessful real estate development projects. On January 11, 2011, Thorpe filed for  
9 Chapter 7 bankruptcy in the Western District of Washington. The bankruptcy filing listed at least 8 failed  
10 real estate projects with at least 14 investors who had invested more than \$8 million with Thorpe.

##### 11 *Wang's Suspension as a Mortgage Broker or Consumer Loan Company Affiliate Due to Dishonesty*

12 17. When offering and selling real estate promissory note investments issued by Northlake, the  
13 Respondents each failed to disclose that Shu-Mei Wang's license as a mortgage broker or consumer loan  
14 company representative had been suspended for ten years due to her dishonest conduct. In August 2015,  
15 the Consumer Services Division of the Washington State Department of Financial Institutions ("DFI")  
16 alleged that Wang had altered a roofing contract to falsely certify that an investment property's roof was  
17 watertight, in order to obtain investment financing. On April 11, 2016, Wang entered into a Consent Order  
18 with DFI. The Consent Order prohibited Wang from participating in any capacity with a mortgage broker  
19 or consumer loan company for a period of ten years.

#### 20 **Registration Status**

21 18. Northlake and 183<sup>rd</sup> Shoreline Apartments, LLC are not currently registered and have never  
22 been registered to sell their securities in the state of Washington.

1 19. Thorpe, Heck, and Wang are not currently registered and have never been registered as a  
2 securities salesperson or broker-dealer in the state of Washington.

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

4 **CONCLUSIONS OF LAW**

5 1. The offer and/or sale of the investments described above constitutes the offer and/or sale of a  
6 security as defined in RCW 21.20.005(14) and (17).

7 2. Northlake; 183<sup>rd</sup> Shoreline Apartments, LLC; Thorpe; Heck; and Wang each violated RCW  
8 21.20.140, the securities registration section of the Securities Act of Washington, by offering and/or selling  
9 securities for which no registration is on file with the Securities Administrator.

10 3. Seth, Heck, and Wang each violated RCW 21.20.040, the licensee registration section of the  
11 Securities Act of Washington, by offering and/or selling said securities while not being registered as a  
12 securities salesperson or broker-dealer in the state of Washington.

13 4. Northlake; 183<sup>rd</sup> Shoreline Apartments, LLC; Thorpe; Heck; and Wang each violated RCW  
14 21.20.010, the anti-fraud section of the Securities Act of Washington, by making untrue statements of  
15 material fact or omitting to state material facts necessary to make the statements made, in light of the  
16 circumstances in which they were made, not misleading.

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

18 Pursuant to RCW 21.20.390(1), and based upon the Tentative Findings of Fact and Conclusions of  
19 Law, the Securities Administrator intends to order Northlake Capital & Development LLC; 183<sup>rd</sup> Shoreline  
20 Apartments, LLC; James W. Thorpe; Seth T. Heck; and Shu-Mei Wang, and their agents and employees,  
21 to each permanently cease and desist from violating RCW 21.20.010 and RCW 21.20.140, and .James W.  
22 Thorpe; Seth T. Heck; and Shu-Mei Wang, and their agents and employees, to each permanently cease and  
23 desist from violating RCW 21.20.040.

1 **NOTICE OF INTENT TO IMPOSE FINES**

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

- 4 a. James W. Thorpe shall be liable for and shall pay a fine of \$50,000;
- 5 b. Shu-Mei Wang shall be liable for and shall pay a fine of \$25,000; and
- 6 c. Seth T. Heck shall be liable for and shall pay a fine of \$10,000.

7 **NOTICE OF INTENT TO CHARGE COSTS**

8 Pursuant to RCW 21.20.390, and based upon the Tentative Findings of Fact and Conclusions of Law,  
9 the Securities Administrator intends to order that Respondents shall be jointly and severally liable for and  
10 shall pay the costs, fees, and other expenses incurred in the administrative investigation and hearing of this  
11 matter, in an amount not less than \$10,000.

12 **AUTHORITY AND PROCEDURE**

13 This Statement of Charges is entered pursuant to the provisions of Chapter 21.20 RCW and is subject  
14 to the provisions of Chapter 34.05 RCW. Northlake Capital & Development LLC; 183<sup>rd</sup> Shoreline  
15 Apartments, LLC; James W. Thorpe; Seth T. Heck; and Shu-Mei Wang mayeach make a written request  
16 for a hearing as set forth in the Notice of Opportunity for Hearing accompanying this Order. If a respondent  
17 does not make a hearing request in the time allowed, the Securities Administrator intends to adopt the above  
18 Tentative Findings of Fact and Conclusions of Law as final and to enter a permanent order to cease and  
19 desist as to that respondent, to impose any fines sought against that respondent, and to charge any costs  
20 sought against that respondent.

21 SIGNED and ENTERED this 1<sup>st</sup> day of June, 2022



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William M. Beatty  
Securities Administrator

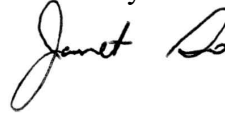
Approved by:



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Brian J. Gueford  
Chief of Enforcement

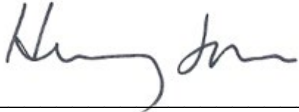
Presented by:



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Janet So  
Financial Legal Examiner

Reviewed by:



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Huong Lam  
Financial Legal Examiner Supervisor