

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:

Order No.: S-18-2483-19-CO01

CONSENT ORDER

7 North America Real Estate Investment Group
8 Inc., d/b/a NAREIG International Realty, Inc.;
9 Haitao Lin a/k/a Hunter Lin,

Respondents

10 **INTRODUCTION**

11 On April 8, 2019 the Securities Administrator of the State of Washington issued Statement of Charges
12 and Notice of Intent to Enter Order to Cease and Desist, to Deny Future Registrations, to Impose a Fine, and
13 to Charge Costs (“Statement of Charges”), Order S-18-2483-19-CO01, against Respondents North America
14 Real Estate Investment Group Inc. and Haitao Lin, a/k/a Hunter Lin. Pursuant to the Securities Act of
15 Washington, Chapter 21.20 RCW, the Securities Division and Respondents North America Real Estate
16 Investment Group Inc. and Haitao Lin, a/k/a Hunter Lin hereby enter into this Consent Order in settlement of
17 the matters alleged herein. Respondents North America Real Estate Investment Group Inc. and Haitao Lin,
18 a/k/a Hunter Lin neither admit nor deny the Findings of Fact and Conclusions of Law stated below.

19 **TENTATIVE FINDINGS OF FACT**

20 **Respondents**

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

1 2. Haitao Lin, a/k/a Hunter Lin (“Lin”), is the CEO of NAREIG and a resident of Bellevue,
2 Washington. Lin had ultimate authority over the HCT cryptocurrency offering and created or approved most
3 of NAREIG’s offering materials for the HCT, as described further below.

4 **Overview**

5 3. In January 2018, NAREIG conducted an Initial Coin Offering (“ICO”) of its in-house
6 cryptocurrency called a “House Coupon Token” (“HCT”). Although the HCT was nominally a coupon for
7 discounts on real estate broker commissions, NAREIG marketed it as a stable and potentially profitable
8 investment for purchasers who did not intend to use it as a coupon. In marketing the HCT, NAREIG and Lin
9 made several misrepresentations or omissions of material information. For instance, NAREIG and Lin made
10 misleading statements about the stability of the token and their ability to refund purchasers if they did not
11 meeting their goals for the sale, and failed to disclose that the only person with the master “private key” for
12 the cryptocurrency was an independent contractor located in Beijing.

13 **The HCT Offering**

14 4. NAREIG offered the HCT to purchasers primarily through a whitepaper¹ and accompanying
15 promotional website. Lin was primarily responsible for drafting the whitepaper, and had final approval
16 authority over its contents. In the whitepaper, NAREIG and Lin described the HCT as both “a type of coupon
17 to purchase real estate property” and an investment for people who did not plan to purchase real estate. For
18 purchasers who planned to use the HCT as a coupon, the HCT would enable them, when buying real estate
19 through NAREIG, to a discount of \$100 per token on their broker commissions, up to 25% of the total
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22 ¹ A “whitepaper” is an offering document used in nearly all cryptocurrency offerings. The specific contents of the whitepaper vary
23 substantially depending on the offering, but most whitepapers contain an overview of the cryptocurrency being offered, its
potential uses, and the business and technical background of its developers.

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
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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
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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.

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1 12. NAREIG also failed to disclose that its private key⁵ for the HCT was in the hands of a China-
2 based contractor rather than NAREIG. In approximately March or April of 2018, the contractor who had
3 designed and coded the HCT for NAREIG became upset with his compensation and demanded higher pay
4 from NAREIG. NAREIG refused to agree to pay the contractor more, and was ultimately forced to retire the
5 HCT and create a new, identically-functioning token called the Real Estate Coupon Token (“RECT”).
6 NAREIG failed to disclose that their overseas contractor was the only person with a private key, and further
7 failed to disclose the risks associated with their inability to access the private key, such as the risk that an
8 independent holder of the private key could manipulate the market for HCTs or destroy the existing tokens.

9 **Registration Status**

10 13. Lin is not and has never been registered to sell securities in the State of Washington.

11 14. NAREIG and Lin have not registered the HCTs or RECTs as securities for sale in the State of
12 Washington, nor have they filed a claim of exemption from registration.

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

14 **CONCLUSIONS OF LAW**

15 1. The offer and/or sale of the HCTs, as described above, constitute the offer and/or sale of a
16 security as defined in RCW 21.20.005(14) and (17).

17 2. NAREIG and Lin have each violated RCW 21.20.140, because, as set forth in the Tentative
18 Findings of Fact, they offered and/or sold securities for which no registration is on file with the Securities
19 Administrator.

20 3. Lin has violated RCW 21.20.040 by offering and selling said securities without being
21 registered as a securities salesperson or broker-dealer in the State of Washington.

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23 ⁵ A “private key,” in the cryptocurrency context, is essentially a master password that allows a user to access their cryptocurrency wallets, and to spend or otherwise transfer the cryptocurrencies in that wallet.

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 **CONSENT ORDER**

5 Based upon the foregoing and finding it in the public interest:

6 IT IS AGREED AND ORDERED that Respondents North America Real Estate Investment Group
7 Inc. and Haitao Lin, a/k/a Hunter Lin shall cease and desist from violating RCW 21.20.140, the securities
8 registration section of the Securities Act of Washington.

9 IT IS FURTHER AGREED AND ORDERED that Respondent Haitao Lin, a/k/a Hunter Lin, shall
10 cease and desist from violating RCW 21.20.040, the securities salesperson registration section of the
11 Securities Act of Washington.

12 IT IS FURTHER AGREED AND ORDERED that Respondents North America Real Estate
13 Investment Group Inc. and Haitao Lin, a/k/a Hunter Lin shall cease and desist from violating RCW 21.20.010,
14 the antifraud section of the Securities Act of Washington.

15 IT IS FURTHER AGREED AND ORDERED that Respondents North America Real Estate
16 Investment Group Inc. and Haitao Lin, a/k/a Hunter Lin shall be jointly and severally liable for and shall pay
17 investigative costs in the amount of \$1,000 prior to the entry of this Consent Order.

18 IT IS FURTHER AGREED AND ORDERED that Respondents North America Real Estate
19 Investment Group Inc. and Haitao Lin, a/k/a Hunter Lin shall be jointly and severally liable for and shall pay
20 a fine in the amount of \$5,000.

21 IT IS FURTHER AGREED AND ORDERED that the payment of the \$5,000 fine described above
22 shall be made as follows: Beginning August 1, 2019, Respondents North America Real Estate Investment
23 Group Inc. and/or Haitao Lin, a/k/a Hunter Lin will make monthly payments of \$1,000 towards the fine for

1 five consecutive months. Each payment will be due on the first business day following the first day of the
2 month.

3 IT IS FURTHER AGREED that if Respondents North America Real Estate Investment Group Inc.
4 and Haitao Lin, a/k/a Hunter Lin fail to make any monthly payment toward the fine, the remainder of the fine
5 imposed in this Consent Order shall become immediately due and payable, and the Securities Division may
6 seek enforcement of this Consent Order pursuant to RCW 21.20.395.

7 IT IS FURTHER AGREED that in consideration of the foregoing, Respondents North America Real
8 Estate Investment Group Inc. and Haitao Lin, a/k/a Hunter Lin waive their right to a hearing in this matter
9 pursuant to RCW 21.20.440 and Chapter 34.05 RCW.

10 IT IS FURTHER AGREED that the Securities Division has jurisdiction to enter this Consent Order.

11 IT IS FURTHER AGREED that Respondents North America Real Estate Investment Group Inc. and
12 Haitao Lin, a/k/a Hunter Lin enter into this Consent Order freely and voluntarily and with a full understanding
13 of its terms and significance.

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15 Signed by:

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17 _____/s
Haitao Lin, a/k/a Hunter Lin, Individually

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19 Signed by:

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21 _____/s
Haitao Lin, a/k/a Hunter Lin
22 CEO, North America Real Estate Investment Group, Inc.

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Signed and Entered this 2nd day of July, 2019.



William M. Beatty
Securities Administrator

Approved by:



Suzanne Sarason
Chief of Enforcement
Reviewed by:



Jack McClellan
Financial Legal Examiner Supervisor

Presented by:



Adam N. Yeaton
Financial Legal Examiner