

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 183rd Shoreline Apartments, LLC,
9 James W. Thorpe,
10 Seth T. Heck,
11 Shu-Mei Wang,

12 Respondents

Order No. S-20-2995-22-CO01

CONSENT ORDER AS TO NORTHLAKE
CAPITAL & DEVELOPMENT LLC; 183RD
SHORELINE APARTMENTS, LLC; JAMES
W. THORPE; and SETH T. HECK

13 **INTRODUCTION**

14 On June 1, 2022, the Securities Administrator of the Securities Division of the Department of
15 Financial Institutions (“Securities Division”) issued a Statement of Charges and Notice of Intent to Enter
16 Order to Cease and Desist, Impose Fines, and Charge Costs (“Statement of Charges”), Order Number SDO-
17 S-20-2995-22-SC01, against Respondents Northlake Capital & Development LLC; 183rd Shoreline
18 Apartments, LLC; James W. Thorpe; Seth T. Heck; and Shu-Mei Wang. Pursuant to the Securities Act of
19 Washington, RCW 21.20, the Securities Division and Respondents Northlake Capital & Development LLC;
20 183rd Shoreline Apartments, LLC; James W. Thorpe; and Seth T. Heck hereby enter into this Consent Order
21 in settlement of the matters alleged in the Statement of Charges. Respondents Northlake Capital &
22 Development LLC; 183rd Shoreline Apartments, LLC; James W. Thorpe; and Seth T. Heck neither admit
23 nor deny the Findings of Fact and Conclusions of Law as set forth below.

FINDINGS OF FACT

Respondents

1 investors. The investments were evidenced by promissory notes that were issued by Northlake and Thorpe.
2 The notes had terms of one or two years and annual interest rates of 12% and a 10 point loan fee. Northlake
3 has an Internet website with online videos that promotes its real estate projects. Wang also introduced a
4 number of investors, known as the “May Lending Group,” to Northlake.

5 **Offer and Sale of Renewal Promissory Notes**

6 7. On July 4, 2020, Thorpe sent an email requesting 28 May Lending Group noteholders to renew
7 more than \$15 million of Northlake real estate promissory notes that were issued or guaranteed by Thorpe.
8 Thorpe requested extensions and modifications of the existing promissory notes without disclosing the risks
9 of the renewal investments. Thorpe explained that the Covid-19 crisis was the source of Northlake’s
10 financial problems. Thorpe did not disclose that during the 2008 recession he had a number of other failed
11 real estate projects. The original promissory notes had annual interest rates of 12% and a 10 percent loan
12 fee. Many of the promissory notes were extended for another five years with 5% annual interest.

13 **Shoreline Apartments Investment**

14 8. One of Northlake’s real estate projects was an apartment construction project in Shoreline,
15 Washington. During 2018, the Respondents offered and sold at least \$1.1 million worth of promissory
16 notes relating to the Shoreline Apartments project to at least five investors, including at least one
17 Washington resident. The investments were evidenced by promissory notes that were issued by Northlake;
18 183rd Apartments; and Thorpe. The promissory notes had a term of 1 year with annual interest rates of 12%
19 and a 10 percent loan fee. The promissory notes were not repaid when they came due.

20 9. When offering and selling the Shoreline Apartments investments, the Respondents failed to
21 disclose material risks of the investments. They failed to disclose that Northlake was commingling funds
22 for all of its projects. They did not disclose that Northlake did not escrow the investors’ funds to insure that
23 the investors would have a recorded real property security interest to secure their investments. The

1 Respondents failed to provide title reports that would disclose the current ownership and any liens that were
2 filed against the real property that was supposed to secure the investments. The Respondents did not provide
3 any written financial statements for Northlake and they did not disclose Northlake's current financial
4 condition and operating history. They failed to disclose sales commissions that were being paid to Wang
5 for introducing investors to Northlake and Thorpe.

6 10. Wang introduced at least two mainland Chinese investors to the Shoreline Apartments
7 investment. Wang represented to the investors that their investments would be secured by a deed of trust
8 on real property in Shoreline, Washington. When the investors came to the United States, Wang drove with
9 them to the Shoreline property and showed them around. Wang told the investors that they could always
10 foreclose on the property in the event of default. None of the Respondents disclosed to these investors
11 before they invested that Wang was receiving a 10% sales commission on their investments.

12 11. The Respondents met with the two mainland Chinese investors to discuss raising capital for
13 the Shoreline Apartments project. During the meeting, Thorpe and Heck claimed that Northlake was a
14 successful real estate development company that owned more than 20 real properties with a total purchase
15 price of more than \$26 million. In a follow-up email, Heck and Wang represented that Northlake's
16 properties would have a "finished value" of more than \$96 million. The Respondents never disclosed the
17 current value of the properties or the value of any encumbrances against the properties. The Respondents
18 did not provide any financial statements for Northlake or for 183rd Shoreline Apartments, LLC. The
19 Respondents did not disclose the companies' liabilities, their financial condition, or their operating history.
20 The Respondents never provided any financial statements or credit information or credit history for Thorpe.

21 12. The Respondents also failed to disclose to the mainland Chinese investors that at the time of
22 their investments, the issuers of the promissory notes did not own the real property that was supposed to
23 secure their investments. 183rd Shoreline Apartments, LLC did not own all seven parcels of land until

1 months after the investments were made. When the deeds of trust were recorded, the property was subject
2 to prior liens that later exceeded the market value of the property, leaving many investors with no real
3 property equity to secure their investments.

4 13. Between September 2018 and July 2019, the seven parcels for the Shoreline Apartments
5 project were purchased by 183rd Shoreline Apartments, LLC. Some of the properties were encumbered by
6 senior liens that were held by the land sellers and by a commercial lender. In August of 2019, the seven
7 parcels were combined into a single parcel. In August 2021, the project was sold through a receivership.

8 **Heck's Offering of Another Northlake Investment**

9 14. At the direction of his employer, Heck sent a marketing brochure to one of the mainland
10 Chinese investors in the Shoreline Apartments project. On October 24, 2019, Heck sent an email soliciting
11 an investment in the Northlake headquarters project by October 25th. The email stated that Northlake was
12 seeking an additional \$500,000 for the HQ project with an extra 4% annual return, for a total return of 26%.
13 The email touted a return of almost 30%, with real estate security. Heck failed to disclose the risks of the
14 investment.

15 **Investment Solicitations through Online Video Presentations**

16 15. Thorpe posted videos on the Internet to solicit investments in Northlake. In February 2020,
17 Thorpe had posted a video about an "Exciting New Purchase in Federal Way, WA!!!" Thorpe stated that
18 he looked forward to increasing the value of that property by 150% in less than one year. Thorpe invited
19 the viewers to log on to the Northlake website to check out more Northlake projects. In another video,
20 Thorpe emphasized that he has been in the real estate business for approximately 30 years. Thorpe did not
21 disclose his prior real estate development failures or the company's defaults on prior promissory notes.
22 Thorpe stated that his company annually buys approximately \$50 million of real estate with the intent to
23 develop the property to generate a return on investment. Thorpe said that most projects have a 12 to 24

1 month term. Thorpe stated that Northlake is bringing investors to projects and that Northlake's goal is to
2 provide a high rate of return.

3 **Other Undisclosed Information**

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

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

11 *Wang's Suspension as a Mortgage Broker or Consumer Loan Company Affiliate*

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 pursuant to an April 11, 2016 Consent Decree
15 with the Consumer Services Division of the Washington State Department of Financial Institutions.

16 **Registration Status**

17 18. Northlake and 183rd Shoreline are not currently registered and have never been registered to
18 sell their securities in the state of Washington.

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

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

22 **CONCLUSIONS OF LAW**

- 1 1. The offer and/or sale of the investments described above constitutes the offer and/or sale of a
 2 security as defined in RCW 21.20.005(14) and (17).
- 3 2. Northlake; 183rd Shoreline; Thorpe; Heck; and Wang each violated RCW 21.20.140, the
 4 securities registration section of the Securities Act of Washington, by offering and/or selling securities for
 5 which no registration is on file with the Securities Administrator.
- 6 3. Thorpe and Wang each violated RCW 21.20.040, the licensee registration section of the
 7 Securities Act of Washington, by offering and/or selling said securities while not being registered as a
 8 securities salesperson or broker-dealer in the state of Washington.
- 9 4. Northlake; 183rd Shoreline; Thorpe; Heck; and Wang each violated RCW 21.20.010, the anti-
 10 fraud section of the Securities Act of Washington, by making untrue statements of material fact or omitting
 11 to state material facts necessary to make the statements made, in light of the circumstances in which they
 12 were made, not misleading.

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

14 **CONSENT ORDER**

15 IT IS AGREED AND ORDERED that Respondents Northlake Capital & Development LLC; 183rd
 16 Shoreline Apartments, LLC; James W. Thorpe; and Seth T. Heck, and their agents and employees, shall
 17 each cease and desist from offering and/or selling securities in any manner in violation of RCW 21.20.140,
 18 the securities registration section of the Securities Act of Washington.

19 IT IS AGREED AND ORDERED that Respondent James W. Thorpe, and his agents and
 20 employees, shall each cease and desist from offering and/or selling securities in any manner in violation of
 21 RCW 21.20.040, the registration section of the Securities Act of Washington.

22 IT IS AGREED AND ORDERED that Respondents Northlake Capital & Development LLC; 183rd
 23 Shoreline Apartments, LLC; James W. Thorpe; and Seth T. Heck, and their agents and employees, shall

1 each cease and desist from violating RCW 21.20.010, the anti-fraud section of the Securities Act of
2 Washington.

3 IT IS AGREED AND ORDERED that Respondent James W. Thorpe shall be liable for and pay a
4 fine in the amount of \$25,000.

5 IT IS AGREED AND ORDERED that Respondent Seth T. Heck shall be liable for and pay a fine in
6 the amount of \$5,000.

7 IT IS AGREED AND ORDERED that Respondents Northlake Capital & Development LLC and
8 James W. Thorpe shall be jointly and severally liable for and pay costs in the amount of \$10,000.

9 IT IS AGREED AND ORDERED that this Consent Order does not constitute an admission by
10 Respondents Northlake Capital & Development LLC; James W. Thorpe; and Seth T. Heck regarding the
11 existence or non-existence of any issue, fact, or violation of any law alleged by the Securities Division.

12 IT IS AGREED AND ORDERED that Respondent Seth T. Heck shall pay his \$5,000 fine prior to
13 the entry of this Consent Order.

14 IT IS AGREED AND ORDERED that Respondent James W. Thorpe shall make payments of
15 \$5,000 per month, due on the fifteenth day of each successive month after the entry of this Consent Order,
16 until his \$25,000 fine has been paid in full.

17 IT IS AGREED AND ORDERED that Respondents Northlake Capital & Development LLC and
18 James W. Thorpe shall continue making payments of \$5,000 per month, due on the fifteenth day of each
19 successive month after the full payment of James W. Thorpe's fine, until the \$10,000 costs have been paid
20 in full.

21 IT IS AGREED that Respondents Northlake Capital & Development LLC; 183rd Shoreline
22 Apartments, LLC; James W. Thorpe; and Seth T. Heck entered into this Consent Order freely and
23 voluntarily and with a full understanding of its terms and significance.

1 IT IS AGREED that the Securities Division has jurisdiction to enter this order.

2 IT IS AGREED that in consideration of the foregoing, Respondents Northlake Capital &
3 Development LLC; 183rd Shoreline Apartments, LLC; James W. Thorpe; and Seth T. Heck waive their
4 right to a hearing and to judicial review of this matter pursuant to Chapter 34.05 RCW.

5 **WILLFUL VIOLATION OF THIS ORDER IS A CRIMINAL OFFENSE.**

6 Signed this ___6th___ day of _____ November _____, 2022

7 Signed by:

8 Northlake Capital & Development LLC

9 /s/ _____

10 James W. Thorpe

11 Managing Member

12 Signed by:

13 183rd Shoreline Development, LLC

14 /s/ _____

15 James W. Thorpe for

16 Northlake Capital & Development LLC

17 Managing Member

18 Signed by:

19 /s/ _____

20 James W. Thorpe, Individually

1 Signed by:

2 /s/ (11/17/22)_____

3 Seth T. Heck, Individually

4 Approved as to form by:

5 /s/_____

6 Danial Pharris, attorney for Respondents

7
8
9 SIGNED and ENTERED this 6th day of December, 2022



16 _____
17 /s/
18 William M. Beatty
19 Securities Administrator

20 Approved by:

21 Presented by:

22 _____
23 /s/
24 Brian J. Guerard
25 Chief of Enforcement

26 _____
27 /s/
28 Janet So
29 Financial Legal Examiner

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Huong Lam
Financial Legal Examiner Supervisor