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Counsel for Plaintiffs

**IN THE SUPERIOR COURT OF THE STATE OF WASHINGTON
IN THE COUNTY OF KING**

Yongzhi Liang, Binbin Zhang, Steven Ran Gu

Plaintiffs,

v.

Chris Christensen and Debra Christensen, and
the marital community comprised thereof, Jim
Christensen and Samantha Christensen, and the
marital community comprised thereof, iCap
Enterprises, Inc., iCap Equity, LLC, iCap Vault,
LLC, iCap Vault 1, LLC, Vault Holding, LLC,
Vault Holding 1, LLC, VH Willows
Townhomes, LLC, VH 1121 14th, LLC, VH
Senior Care LLC, VH Pioneer Village, LLC,
VH 2nd Street Office, LLC, iCap Vault
Management, LLC, iCap @ UW, LLC, UW
17th Ave, LLC, iCap Investments, LLC, iCap
Vault Management, LLC, Colpitts Sunset, LLC,
725 Broadway, LLC, iCap Campbell Way,
LLC, Senza Kenmore LLC, CS2 Real Estate
Development LLC, Invalus LLC, Invalus Red
LLC, Invalus Holdings, LLC, and Does 1-10.

Defendants.

Case No.

COMPLAINT FOR:

1. Breach of Contract
2. Anticipatory Repudiation
3. Breach of Fiduciary Duty
4. Unjust Enrichment
5. Breach of the Duty of Good Faith and Fair Dealing
6. Violation of Chapter 21.20 RCW
7. Fraud
8. Violation of Washington Consumer Protection Act
9. Voidable Transfer under RCW 19.40

DEMAND FOR JURY TRIAL

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I. NATURE OF ACTION

1. Defendants solicited over \$10 million in investments from Plaintiffs Binbin Zhang and her mother Yongzhi Liang pursuant to “demand” notes, promissory notes and other security and pledge agreements that provided security collateral for Plaintiffs’ investments. Plaintiffs demanded payments under the notes when they became due, Defendants did not repay Plaintiffs. Plaintiffs now sue for repayment.

2. To the extent that the causes of action are asserted against the same defendants, the third to eighth counts (breach of fiduciary duty, unjust enrichment, breach of the duty of good faith and fair dealing, violation of Chapter 21.20 RCW, fraud, and violation of Washington Consumer Protection Act) are pled in the alternative to the First and Second Counts (breach of contract and anticipatory repudiation).

II. JURISDICTION AND VENUE

3. Venue and Jurisdiction are proper in this Court as most of Defendants’ wrongful acts alleged in this complaint have occurred in King County, Washington, and were perpetrated through companies incorporated in and/or located in King County, Washington.

4. Venue in King County is also appropriate pursuant to RCW 4.12.025(1)(a), (b), or (c) because Defendant companies transact business in King County, have offices for the transaction of business in King County, or transacted business in King County at the time the causes of action arose.

III. PARTIES

5. Plaintiff Yongzhi Liang (“Liang”) is a Chinese Citizen residing in China.

6. Plaintiff Binbin Zhang (“Zhang”) is a Chinese Citizen residing in China, she is the daughter of Ms. Liang.

7. Plaintiff Steven Ran Gu (“Gu”) is a Chinese Citizen residing in Berkeley California, the son of Ms. Zhang and grandson of Ms. Liang. He is the personal representative and assignee of Ms. Liang and Ms. Zhang’s claims.

8. Defendant Chris Christensen (“Chris”) is a U.S. citizen residing and doing business in the State of Washington. Defendant Chris the founder of iCap Enterprises, Inc. and its affiliated entities (collectively, “iCap”) and serves as CEO at iCap. Upon information and belief, Chris is

1 married to Debra Christensen and, at all times relevance herein, he acted for the benefit of his marital
2 community. Debra Christensen resides in King County, Washington, with her spouse.

3 9. Defendant Jim Christensen (“Jim”) is a U.S. citizen residing and doing business in the
4 State of Washington. Defendant Jim is the brother of Chris, and serves as COO of iCap. Upon
5 information and belief, Jim is married to Samantha Christensen and, at all times relevance herein, he
6 acted for the benefit of his marital community. Samantha Christensen resides in King County,
7 Washington, with her spouse.

8 10. Defendant iCap Enterprises, Inc. (“iCap Enterprises”) is a Washington corporation
9 with its principal place of business in Bellevue, Washington. Upon information and belief, iCap
10 Enterprises is wholly owned by Defendant Chris.

11 11. Defendant iCap Equity, LLC (“iCap Equity”) is a Delaware limited liability company
12 with its principal place of business in Bellevue, Washington. Upon information and belief, iCap
13 Equity is wholly owned by iCap Enterprises.

14 12. Defendant iCap Vault, LLC (“iCap Vault”) is a Delaware limited liability company
15 with its principal place of business in Bellevue, Washington. Upon information and belief, iCap Vault
16 is wholly owned by iCap Enterprises.

17 13. Defendant iCap Vault 1, LLC (“iCap Vault 1”) is a Delaware limited liability company
18 with its principal place of business in Bellevue, Washington. Upon information and belief, iCap Vault
19 1 is wholly owned by iCap Vault.

20 14. Defendant Vault Holding, LLC (“Vault Holding”) is a Delaware limited liability
21 company with its principal place of business in Bellevue, Washington. Upon information and belief,
22 Vault Holding is wholly owned by iCap Vault 1.

23 15. Defendant Vault Holding 1, LLC (“Vault Holding 1”) is a Delaware limited liability
24 company with its principal place of business in Bellevue, Washington. Upon information and belief,
25 Vault Holding 1 is wholly owned by iCap Vault 1.

26 16. Defendant VH Willows Townhomes, LLC (“VH Willows”) is a Delaware limited
27 liability company with its principal place of business in Bellevue, Washington. Upon information
28 and belief, VH Willows is wholly owned by Vault Holding, LLC.

1 17. Defendant VH 1121 14th, LLC (“VH 1121 14th”) is a Delaware limited liability
2 company with its principal place of business in Bellevue, Washington. Upon information and belief,
3 VH 1121 14th is wholly owned by Vault Holding, LLC.

4 18. Defendant VH Senior Care LLC (“VH Senior Care”) is a Washington limited liability
5 company with its principal place of business in Bellevue, Washington. Upon information and belief,
6 VH Senior Care is wholly owned by Vault Holding, LLC.

7 19. Defendant VH Pioneer Village, LLC (“VH Pioneer”) is a Delaware limited liability
8 company with its principal place of business in Bellevue, Washington. Upon information and belief,
9 VH Pioneer is wholly owned by Vault Holding, LLC.

10 20. Defendant VH 2nd Street Office, LLC (“VH 2nd Street”) is a Delaware limited
11 liability company with its principal place of business in Bellevue, Washington. Upon information
12 and belief, VH 2nd Street is wholly owned by Vault Holding, LLC.

13 21. Defendant iCap Vault Management, LLC (“iCap Vault Management”) is a Delaware
14 limited liability company with its principal place of business in Bellevue, Washington. Upon
15 information and belief, iCap Vault Management is wholly owned by iCap Enterprises, and it serves
16 as manager at various entities identified above, including iCap Vault, iCap Vault 1, Vault Holding,
17 Vault Holding 1, VH 1121 14th, VH Senior Care, VH Pioneer, VH 2nd Street.

18 22. Defendant iCap @ UW, LLC (“iCap @ UW”) is a Washington limited liability
19 company with its principal place of business in Bellevue, Washington. Upon information and belief,
20 iCap @ UW is wholly owned by iCap Equity.

21 23. Defendant UW 17th Ave, LLC (“UW 17th Ave”) is a Washington limited liability
22 company with its principal place of business in Bellevue, Washington. Upon information and belief,
23 UW 17th Ave is wholly owned by iCap @ UW.

24 24. Defendant iCap Investments, LLC (“iCap Investments”) is a Washington limited
25 liability company with its principal place of business in Bellevue, Washington. Upon information and
26 belief, iCap Investments is wholly owned by Chris.

1 25. Defendant Colpitts Sunset, LLC (“Colpitts”) is a Washington limited liability
2 company with its principal place of business in Bellevue, Washington. Upon information and belief,
3 Colpitts is wholly owned by iCap Investments.

4 26. Defendant 725 Broadway, LLC (“725 Broadway”) is a Washington limited liability
5 company with its principal place of business in Bellevue, Washington. 725 Broadway is affiliated
6 with and controlled by iCap.

7 27. Defendant iCap Campbell Way, LLC (“iCap Campbell”) is a Washington limited
8 liability company with its principal place of business in Bellevue, Washington. iCap Campbell is
9 affiliated with and controlled by iCap.

10 28. Defendant Senza Kenmore, LLC (“Senza Kenmore”) is a Washington limited liability
11 company with its principal place of business in Bellevue, Washington. Senza Kenmore is affiliated
12 with and controlled by iCap.

13 29. Defendant CS2 Real Estate Development LLC (“CS2”) is a Washington limited
14 liability company with its principal place of business in Bellevue, Washington. CS2 is affiliated with
15 and controlled by iCap.

16 30. Defendant iCap Pacific NW Management, LLC (“iCap Pacific NW”) is a Washington
17 limited liability company with its principal place of business in Bellevue, Washington. Upon
18 information and belief, Chris or Jim is the manager of iCap Pacific NW. iCap Pacific NW also serves
19 as manager at various entities identified above, including VH Willows, iCap @ UW, UW 17th Ave,
20 iCap Investments, Colpitts, 725 Broadway, iCap Campbell, Senza Kenmore, and CS2.

21 31. Defendant iCap International Investments, LLC (“iCap International”) is a
22 Washington limited liability company with its principal place of business in Bellevue, Washington.
23 Upon information and belief, Chris holds a 51% ownership interest in iCap International and also
24 serves as the manager.

25 32. Defendant Invalus LLC (“Invalus”) is a Washington limited liability company with its
26 principal place of business in Preston, Washington. Upon information and belief, Invalus is owned or
27 controlled by Jim Christensen.

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33. Defendant Invalus Red LLC (“Invalus Red”) is a Washington limited liability company with its principal place of business in Preston, Washington. Upon information and belief, Invalus Red is owned or controlled by Invalus and Jim Christensen.

34. Defendant Invalus Holdings, LLC (“Invalus Holdings”) is a Washington limited liability company with its principal place of business in Preston, Washington. Upon information and belief, Invalus Holdings is owned or controlled by Invalus and Jim Christensen.

35. Upon information and belief, Does 1 through 10 were responsible or legally liable in some manner for the occurrences and injuries alleged herein. The true names and capacities of such fictitiously named defendants, whether individual, corporate, associate or otherwise, are currently unknown to Plaintiffs. Plaintiffs will amend this complaint to show such true names and capacities when the same have been ascertained. The Defendants above and the Doe Defendants are referred to hereinafter collectively as “Defendants.” All entity defendants above are referred to hereinafter collectively as “iCap Entity Defendants.”

IV. FACTS

A. iCap And Its Business

36. iCap is a real estate investment business founded by Chris around 2007 in Bellevue, Washington, and has developed into a network of companies since then.

37. Chris holds the position of CEO at iCap, and his brother, Jim, serves as the COO.

38. Upon information and belief, all iCap Entity Defendants are directly or indirectly owned or controlled by Chris and Jim.

39. All iCap Entity Defendants also share the same principal office address located in Bellevue, Washington.

40. Around 2019, seeking to expand its investor base, iCap established a subsidiary in China to attract investments from Chinese investors.

41. In an introductory video posted on the iCap website, Chris describes iCap as “a real estate-based investment firm located in the Seattle area” “provid[ing] unique investment opportunities that generate consistent income.”

1 42. In the same video Chris further highlighted iCap’s ability to “develop[] products that
2 provide investors access to opportunities that don’t exist elsewhere.”¹

3 43. On its website, iCap identifies its “major business” as “investment consulting”,
4 featuring a range of investment products, including the “iCap Vault” which Plaintiffs invested in.

5 44. iCap also boasts its financial services, which purportedly “integrated a number of
6 professional teams from the United States, Canada, China and Hong Kong, and have launched a
7 number of standardized or customized investment solutions for professional wealth management
8 institutions in China, targeting US residential real estate.”

9 **B. Plaintiffs’ Investments in iCap**

10 **(i) “iCap Vault” Secured Demand Notes**

11 45. “iCap Vault” is advertised as one of iCap’s flagship investment products.

12 46. In the same introductory video, Chris described “iCap Vault” as an SEC registered
13 product that was uniquely designed to “allow [investors] to earn over a 3% rate of interest
14 compounded at daily and still be able to withdraw their funds anytime without fees and penalties.”

15 47. Chris emphasized that “iCap Vault” is “structured [] as a demand note,” and is
16 “secured by the company’s real estate portfolio.”

17 48. Similarly, on iCap’s website as of July 2022, “iCap Vault” was introduced as a flexible
18 investment product “backed by a portfolio of real estate-based investments.” As iCap put it, “[t]he
19 real estate generates income as well as secures your investment.”

20 49. The issuing entity for the “iCap Vault” demand notes is iCap Vault 1, LLC, a wholly
21 owned subsidiary of iCap Vault, LLC, which is ultimately owned by Chris through iCap Enterprises.

22 50. According to the prospectus of “iCap Vault” filed with the SEC effective May 5, 2021
23 (“Prospectus”),² iCap Vault 1 is authorized to sell up to \$500 million public demand notes (“Public
24 Demand Notes”).

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26 ¹ The video is available on the Chinese version of iCap’s website targeting investors from China
27 (icapequity.cn) (last accessed: June 23, 2023). As of the date of this Complaint, the website is no
28 longer accessible.

² iCap first filed its draft prospectus in February 2020. On November 24, 2020, the SEC declared the
prospectus effective. On April 29, 2021, iCap filed an amended prospectus, which was declared

1 51. Simultaneously, iCap Vault 1 conducted a private placement of demand notes up to
2 \$500 million (“Private Demand Notes”).

3 52. As disclosed in the Prospectus, between January and April 2021, iCap Vault 1 issued
4 over \$13 million Private Demand Notes, over \$6.7 million of which were owned by an affiliated
5 company named iCap International, in which Chris holds a 51% ownership interest.

6 53. The Prospectus states that both the Public Demand Notes and Private Demand Notes
7 would be secured by iCap Vault 1’s real estate portfolio. Specifically, two subsidiaries, Vault Holding
8 and Vault Holding 1, were formed with the purpose of owning standalone real estate holding entities
9 and providing security interests for the notes.

10 54. According to the Prospectus, the Private Demand Notes would be secured by real
11 estate interests held through Vault Holding, while the Public Demand Notes would be secured by real
12 estate interests held through Vault Holding 1, both of which would be structured as a pledge of iCap
13 Vault 1’s membership interest in each entity.

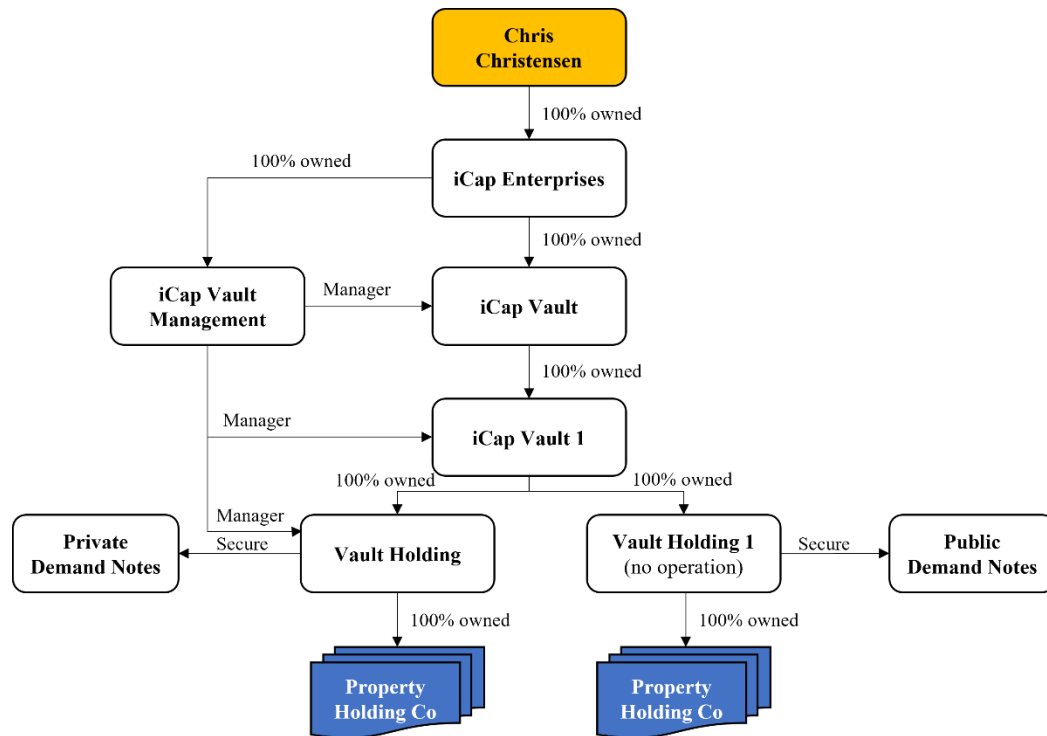
14 55. The Prospectus further states that the proceeds of the Public Demand Notes would be
15 used to acquire real properties for iCap Vault 1 and Vault Holding 1, which would, in turn, secure the
16 payment of the Public Demand Notes.

17 56. Under the pledge agreement provided by Defendants, iCap Vault 1, the sole member
18 of Vault Holding 1, pledges all of its membership interests of Vault Holding 1, and Vault Holding 1
19 “shall hold real estate investment properties ... which will be acquired with the proceeds of the Notes.”

20 57. iCap Vault 1, as the pledgor, further represents and warrants that it “has granted to [the
21 collateral agent] ***a valid and perfected first priority security interest*** in the Pledged Interests, free of
22 all liens, encumbrances, transfer restrictions and adverse claims.”

23 58. An illustration of the proposed structure is attached below.
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effective on May 5, 2021. Because Plaintiffs invested in August 2021, the Complaint primarily relied
on the amended prospectus.



59. Under the terms of the Public Demand Notes, interest would be accrued at a floating rate (equal to the Average Savings Account Rate as posted by the FDIC plus 2.00%). Noteholders are entitled to payment of any principal amount outstanding plus accrued interest, *on demand*.

60. Relying on Chris and iCap’s representations as well as the offering documents including the Prospectus, on or around August 26, 2021, Ms. Liang signed a subscription agreement with iCap Vault 1 and Vault Holding 1 to invest in the Public Demand Notes and continued to increase the investment over the years.

61. As of May 2023, the outstanding principal amount of Plaintiffs’ Public Demand Notes, held in Ms. Liang’s name, is \$1,037,157.89.

(ii) **iCap Investment Secured Notes (Series 1)**

62. Around May 2020, iCap used iCap Investments, a limited liability company wholly owned by Chris, to issue promissory notes with a total value of up to \$10 million (“Series 1 Notes”).

63. According to the Private Placement Memorandum dated May 1, 2020 (“Series 1 PPM”), iCap Investments owns certain real properties through property holding subsidiaries, such as Colpitts, which was developing an apartment building in Renton, Washington.

1 64. As disclosed in the Series 1 PPM, iCap Investments intended to use the proceeds of
2 the Series 1 Notes to acquire more real properties and was in the process of acquiring multiple real
3 estate projects.

4 65. Most of these proposed acquisitions had materialized by the time iCap Investments
5 issued its Series 2 notes in January 2022, which will be discussed in detail in the subsequent
6 paragraphs related to the Series 2 notes.

7 66. The Series 1 PPM further specifies that, “[t]he proceeds of this offering will be used
8 to pay for construction, design, marketing, furnishing, professional services, financing and debt
9 service, preferred equity investments, and all other work related to the real estate properties owned
10 by the Company and its subsidiaries.”

11 67. The Series 1 Notes was secured by a pledge of interests in real estate properties owned
12 by iCap Investments.

13 68. Chris, as the sole owner of iCap Investments, served as the pledgor.

14 69. Under the pledge agreement, the term “Pledged Interests” is defined as follows: “the
15 Pledgor is or shall be a member or shareholder of iCap Investments, LLC...***which shall hold real***
16 ***estate investment properties, the interests in which*** may be financed or acquired with the proceeds
17 of the Notes and the proceeds from which will be used to pay amounts due to the Pledgees pursuant
18 to the Notes.”

19 70. The pledge agreement further warrants that, Chris, as the pledgor, “has granted to
20 Pledgees ***a valid and perfected first priority security interest*** in the Pledged Interests, free of all liens,
21 encumbrances, transfer restrictions and adverse claims.”

22 71. On or around September 14, 2021, Ms. Liang signed a subscription agreement to
23 purchase \$2 million Series 1 Notes, with a 3-year maturity date and an annual interest rate of 10%.
24 The interest was set to be paid monthly.

25 **(iii) iCap Investment Secured Notes (Series 2)**

26 72. Around January 2022, seeking to raise additional capital, iCap Investments issued its
27 Series 2 promissory notes with a total value of up to \$50 million (“Series 2 Notes”).
28

73. Like the Series 1 PPM, the Private Placement Memorandum of Series 2 Notes dated January 13, 2022 (“Series 2 PPM”) states that the proceeds will be used to for “construction, design, marketing, furnishing, professional services, financing and debt service, preferred equity investments, and all other work related to the real estate properties owned by the Company and its subsidiaries.”

74. The Series 2 PPM further discloses that iCap Investments held the following real estates through its subsidiaries:

- Colpitts Sunset, LLC: a 108-unit apartment project in Renton, WA
- 725 Broadway, LLC: a 130-unit mixed use project in Tacoma, WA
- iCap Campbell Way, LLC: a 30-unit multifamily project in Bremerton, WA
- Senza Kenmore, LLC: a 5-unit senior care project in Kenmore, WA
- CS2 Real Estate Development LLC: a 390-unit multifamily project in Bothell, WA
- 134th Street Lofts II LLC: a 124-unit multifamily project in Vancouver, WA

75. Upon information and belief, as of the date of this Complaint, the above entities continue to hold these real properties, except for 134th Streets Lofts II, LLC, which sold the property in July 2022 and has been administratively dissolved.

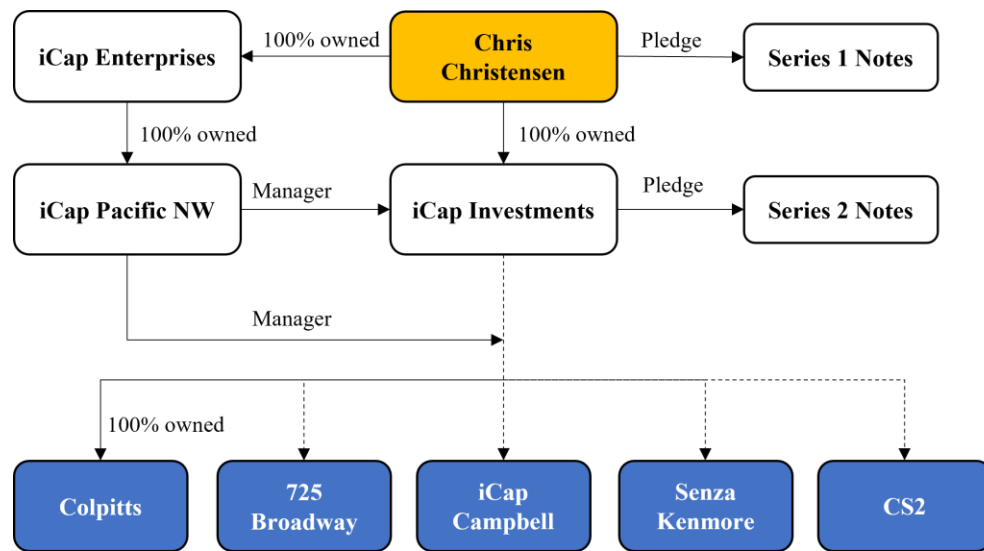
76. The Series 2 Notes was equally secured by a pledge of interest in real estate properties owned by iCap Investments. However, unlike Series 1 Notes, iCap Investments, instead of Chris, served as the pledgor.

77. The pledge agreement is akin to the pledge of Series 1 Notes, defining “Pledged Interests” as follows: “[iCap Investments] ***holds real estate investment properties, the interests in which*** may be financed or acquired with the proceeds of the Notes (the “Pledge Interests”).”

78. The pledge agreement similarly warrants that, the pledgor has granted “***a valid, first priority security interest*** in the Pledged Interests, free of all liens, encumbrances, transfer restrictions and adverse claims.”

79. An illustration of the structure of iCap Investments notes is attached below.³

³ iCap Investments amended its Series 2 PPM on March 15, 2022. In the amendment, iCap Investments stated that it “does not invest in all of special purpose entities that own these real estate holdings and is only entitled to a portion of the expected financial results...depending on the attributes of its investments.” However, it also emphasized that, the group of iCap affiliated entities as a whole,



----- (might be wholly or partially owned)

80. Moreover, both the Series 1 PPM and Series 2 PPM stated that, “[a]lthough this Memorandum refers to “iCap” and the Company as though each were an entity capable of taking action, prospective investors should bear in mind that such references are intended to refer to the business activities undertaken by one or more of the companies constituting a part of this affiliated group of companies. By investing in the Company, the Investor ... may benefit from their collective experience, inasmuch as those entities, as well as their respective employees, will be available to assist the Company as it conducts its business.”

81. On or around January 27, 2022, Ms. Liang signed a subscription agreement to purchase \$5.5 million Series 2 Notes, with a 3-year maturity date and an annual interest rate of 10%. The interest was set to be paid monthly.

82. On or around April 4, 2022, Ms. Liang signed another subscription agreement to purchase an additional \$1 million Series 2 Notes, with a 3-year maturity date and an annual interest rate of 10%. The interest was set to be paid monthly.

(iv) iCap @ UW Secured Notes

83. Shortly after the Series 2 Notes, iCap formed another entity, iCap @ UW, to raise capital for a purported student apartment project near the University of Washington.

which are “controlled by [iCap] Enterprises”, would be entitled the financial results generated by these properties.

1 84. In June 2022, iCap @ UW issued its secured promissory notes with a total value of up
2 to \$10 million (“UW Notes”).

3 85. As disclosed in the Private Placement Memorandum dated June 23, 2022 (“UW
4 PPM”), iCap @ UW is wholly owned by iCap Equity, which is ultimately owned by Chris through
5 iCap Enterprises.

6 86. According to the UW PPM, the proceeds of the notes would be used to “invest into
7 development of SEDU apartments on Greek Row in the U District...located at 4740 17th Ave. NE,
8 Seattle, WA 98105.”

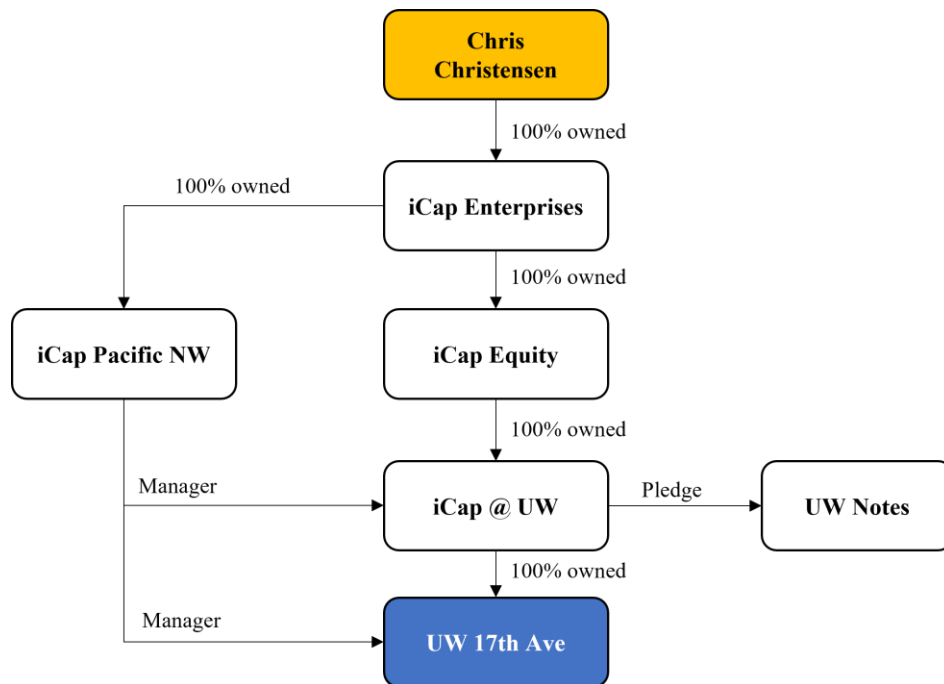
9 87. The UW PPM further stated that, “[t]he investment into the project will be through
10 UW 17th Ave, LLC which is a special purpose entity [] for the Project. The investment proceeds may
11 be used to recapitalize the debt and equity for the Project and will be used to pay for construction,
12 design, marketing, furnishing, professional services, financing, debt service, and all other expenses
13 related to the Project.”

14 88. Likewise, the UW notes were secured by a pledge of interest in the purported student
15 apartment property, with iCap @ UW serving as the pledgor.

16 89. According to the pledge agreement, “[iCap @ UW] holds and will hold ownership
17 interests in one or more *real estate investment properties, the interests in which* may be financed or
18 acquired with the proceeds of the Notes and the proceeds from which will be used to pay amounts
19 due to the Pledgees pursuant to the Notes (the “Pledged Interests”).”

20 90. Like the above notes, the pledge agreement also warrants that the pledgor has granted
21 “*a valid and perfected first priority security interest* in the Pledged Interests, free of all liens,
22 encumbrances, transfer restrictions and adverse claims.”

23 91. An illustration of the structure of UW notes is attached below.
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92. The UW PPM also stated that its references to iCap @ UW “are intended to refer to the business activities undertaken by one or more of the companies constituting a part of this affiliated group of companies,” and “[b]y investing in [iCap @ UW], the Investor ... may benefit from their collective experience, inasmuch as those entities, as well as their respective employees, will be available to assist the Company as it conducts its business.”

93. On or around July 8, 2022, Ms. Liang signed a subscription agreement to purchase \$1 million UW Notes, with a 3-year maturity date and an annual interest rate of 10%. The interest was set to be paid quarterly on January 15, April 15, July 15, and October 15.

C. iCap Failed to Pay under the Notes

94. Since January 2023, Plaintiffs have made multiple demands to iCap for the return of the principal and accrued unpaid interest under the “iCap Vault” Public Demand Notes.

95. However, no payment has ever been made.

96. By March 2023, iCap had ceased paying interest for all the above-mentioned notes Plaintiffs invested in.

97. On March 20, 2023, Chris issued a letter to investors, including Plaintiff, informing them that iCap would be indefinitely suspending the payment of interest on their investments.

98. In the letter, Chris stated:

1 “We are writing to inform you that at this time ***we are not able to continue making***
2 ***monthly interest payments.*** Although this is concerning, please understand that ***our***
3 ***goal remains to do what is in the best interest of the investors.*** To that end, our full
4 attention has been turned to the preservation of your capital and towards returning all
5 principal balances to our investors as soon as is reasonably practicable.”

6 99. On or around May 10, 2023, Chris hosted a zoom meeting with investors. During the
7 meeting, he went over the current asset and debt situation, and outlined a potential “debt-to-equity”
8 swap as a means of returning the investors’ investments. Chris stated that he would send out a more
9 detailed plan by the end of May.

10 100. On or around May 30, 2023, having received no plan or response from iCap and Chris,
11 Plaintiffs reached out to Chris directly to demand payment, but to no avail.

12 101. To date, no payment has been made.

13 **D. Defendants Breached Their Fiduciary Duty to Investors by Engaging in**
14 **Self-Dealing to The Detriment of the Investors’ Interest**

15 **(i) Defendants Undermined Investors’ Security Interest in the Properties**

16 102. Defendants, including Chris, the CEO, Jim, the COO, and the affiliated entities
17 controlled by them, were responsible for managing investors’ funds including Plaintiffs’.

18 103. As stipulated in the offering documents of all notes, investors’ funds would be used to
19 invest in a real estate portfolio, which would serve as security for their investments.

20 104. However, Defendants engaged in a series of self-dealing activities to the detriment of
21 the investors’ interests and undermined the intended benefits of their investments.

22 105. As discussed above, the Prospectus of the “iCap Vault” stipulated that, the proceeds
23 of the notes would be used to acquire various real estates for iCap Vault 1, the issuer, and Vault
24 Holding 1, the security provider.

25 106. Under the proposed structure, the Public Demand Notes would be secured by real
26 estate interests held by Vault Holding 1, while the Private Demand Notes, the majority of which were
27 held by an iCap affiliated entity controlled by Chris, would be secured by real estate interests held by
28 Vault Holding.

107. Chris also personally represented to investors that the “iCap Vault” were uniquely
designed to have the demand notes “secured by the company’s real estate portfolio.”

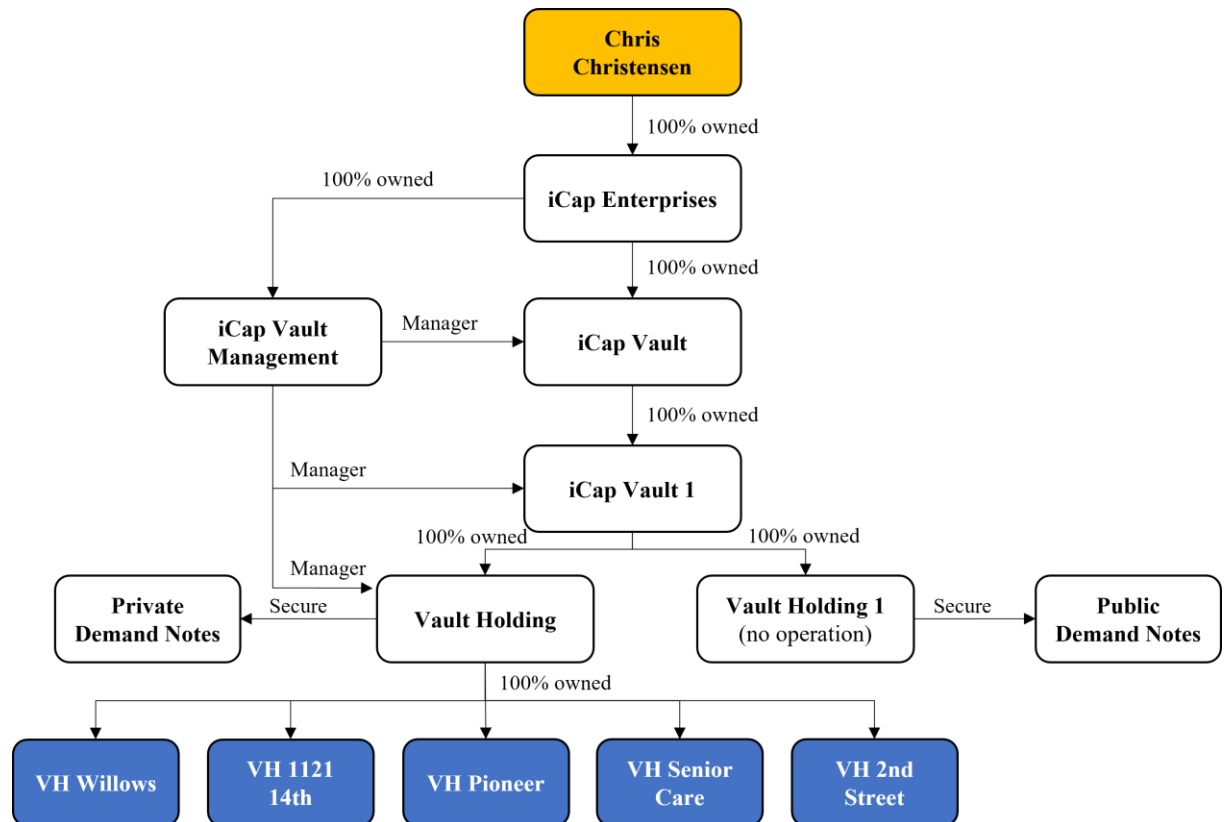
108. However, later disclosures filed with the SEC revealed that all the properties acquired with investors' funds went into subsidiaries owned by Vault Holding, rather than Vault Holding 1.

109. According to the financial report filed on November 21, 2022, Vault Holding 1 “has not commenced operations and has no assets and liabilities.”

110. By contrast, Vault Holding owns various assets through its subsidiaries:

- VH Willows Townhomes, LLC: 6 townhomes in Seattle, WA
- VH 1121 14th, LLC: 5 townhomes in Seattle, WA
- VH Senior Care LLC: a senior care facility in Lynnwood, WA, and a senior care facility in Burien, WA
- VH Pioneer Village, LLC: a commercial building in Ridgefield, WA
- VH 2nd Street Office, LLC: an office and warehouse facility in Vancouver, WA

111. Below is an illustration of the holding structure of iCap Vault as of November 2022.



112. Therefore, Defendants not only failed to fulfill their promise to secure the investments with real estate portfolio as represented, but they also utilized the properties acquired with investors'

1 funds to secure certain related-party loans, which potentially hindered investors like Plaintiffs from
2 seeking recovery from these properties in the event of default.

3 113. Public property records reveal even more instances of similar self-dealing behaviors
4 that have effectively depleted any equity in the properties supposedly serving as security.

5 114. For example, in June 2021, 725 Broadway, a property holding subsidiary under the
6 iCap Investments notes, executed a deed of trust to Vault Holding to secure a \$1.2 million loan. The
7 deed of trust was later amended in January 2022 to increase the secured amount to **\$2.7 million**.

8 115. However, the assessed value of the property owned by 725 Broadway is just shy of **\$2**
9 **million**, meaning that there is essentially no equity left in this property.

10 116. The same happened to another property holding subsidiary under the iCap Investments
11 notes, CS2, which executed a deed of trust to Vault Holding to secure a **\$2 million** loan. Notably, at
12 the time, CS2 had already mortgaged its properties to an external lender to secure a **\$16.7 million**
13 loan, while the assessed value of the properties is just slightly over **\$7.8 million**.

14 117. In October 2022, not long before iCap failed to make payments under the notes, iCap
15 Campbell Way, another property holding subsidiary under the iCap Investments notes, executed a
16 deed of trust to Vault Holding to secure an **\$895,800** loan, while the assessed value of the property is
17 merely **\$285,050**.

18 118. In December 2022, amidst iCap's financial difficulties, Colpitts Sunset, a property
19 holding subsidiary under the iCap Investments notes, amended its deed of trust to Vault Holding to
20 increase the secured amount to **\$12 million** from an initial loan amount of 3.5 million in May 2021,
21 while the property's assessed value is only around **\$9.2 million**.

22 119. Around the same period, UW 17th Ave, the property holding subsidiary under the iCap
23 @ UW notes, also executed a deed of trust to Vault Holding to secure a 2.5 million loan.

24 120. More concerningly, on April 4, 2023, just **two weeks** after Defendants indefinitely
25 suspended repayments, UW 17th Ave received another up to \$3 million line of credit from two non-
26 bank private lenders and gave its property as collateral.

27 121. On the same day, Colpitts Sunset, which provided security for the iCap Investments
28 notes, also signed a deed of trust for an up to \$3 million line of credit from the **same** private lenders.

122. As a result, with the properties already *over-mortgaged* to secure loans made by iCap affiliated entities, mainly Vault Holding which is ultimately wholly owned by Chris himself, the purported pledge of real estate interest provided to Plaintiffs was essentially a mere formality.


(ii) **Defendants Wasted Properties by Leaving Them Undeveloped**

123. Despite boasting about their strong and valuable real estate portfolio, Defendants failed to develop the properties they managed, leaving the lots vacant and wasted.

124. Upon information and belief, several properties funded with the notes proceeds, which would purportedly secure the notes, remain undeveloped to this day.

125. For example, public records reveal that the land for a purported 5-unit senior care project held by Senza Kenmore, which secures the iCap Investment notes, was purchased *7 years ago in 2016*, but remains vacant and overgrown to this day.

PARCEL	
Parcel Number	357860-0082
Name	SENZA KENMORE LLC
Site Address	
Legal	INGLEWOOD HEIGHTS UNREC S 87 FT OF W 180 FT
BUILDING 1	
Year Built	
Total Square Footage	
Number Of Bedrooms	
Number Of Baths	
Grade	
Condition	
Lot Size	15660
Views	No
Waterfront	




126. Similarly, another property purportedly secures the iCap Investment notes, a 30-unit multifamily project held by iCap Campbell, remains a vacant and undeveloped lot *10 years after* its initial purchase in 2013. Its 2023 tax assessment shows no building value on the lot.

127. Moreover, the student apartment project funded by the UW Notes, which was acquired in July 2022, shows no sign of pending or imminent development so far.

128. Public records indicate that the property is being used as a parking lot for the neighboring church.

PARCEL	
Parcel Number	882390-1850
Name	UW 17TH AVENUE LLC+ALCHEMY
Site Address	4740 17TH AVE NE 98105
Legal	UNIVERSITY PARK ADD

BUILDING 1	
Year Built	
Building Net Square Footage	
Construction Class	
Building Quality	
Lot Size	12960
Present Use	Parking(Assoc)
Views	No
Waterfront	



(iii) **Defendants Sought to Divert Their Assets After the Default**

129. Despite representing to investors that the notes are secured by real estate portfolio and executing the pledge agreements, it appears that Defendants have no intention to liquidate the real estates to pay back investors.

130. During the May 10, 2023 Zoom investor meeting, Chris Christensen told investors there is ***\$168.4 million*** in notes outstanding, but in the best case scenario the “net equity” iCap can conjure up would be no more than ***\$56 million***.

131. Therefore, instead of paying out the notes by cash, Defendants are about to carry out a “debt-to-equity” swap plan, under which all iCap’s real estate assets will be transferred to an entity called “Invalus” controlled by Defendant Jim Christensen.

1 132. Once this transfer of all iCap properties is complete, noteholders such as Plaintiffs
2 would be offered a super-minority equity interest in Invalus. However, this would only be offered to
3 those investors who agreed to relinquish all of their promissory notes—hence the “debt-to-equity”
4 exchange.

5 133. Furthermore, Chris Christensen stated that only those who agreed to take the deal
6 would stand to receive owed interest on their notes.

7 134. On June 13, 2023, during a phone call with counsel, Chris Christensen confirmed the
8 contours of this “debt-to-equity” swap plan. He further stated that Defendants were presently planning
9 on selling all real properties owned by the iCap entities to an entity owned by Jim Christensen at “fair
10 market value,” which value apparently falls far short of the currently outstanding notes.

11 135. During the call, Chris also told counsel that iCap had released the entire staff and he
12 would not be in the office any longer.

13 136. Chris also promised to provide more details about the plan and documents related to
14 the valuation of the assets.

15 137. However, to this day, Chris has not provided any of the documents. Multiple e-mails
16 to them have gone unanswered.

17 138. Shortly after the call, iCap removed most of its content related to the asset portfolio
18 from its U.S. website.⁴ Currently, the U.S. website has little to no content.

19 139. The Chinese website is also no longer accessible.

20 140. Simultaneously, Defendants appear to have initiated a near-identical investment
21 scheme with the new entity “Invalus”, which explains the recent takedown of iCap websites.

22 141. As iCap continues to delay and dodge repayments to the investors, Invalus, where Jim
23 serves as the CEO, is marketing the very same iCap properties on its own website.⁵

24 142. According to the website, Invalus currently owns \$5 billion value of assets, manages
25 properties with a total of 9 million square feet, and has already raised \$200 million funds through
26 private securities offerings.

27
28 ⁴ See www.icapecquity.com (last accessed June 25, 2023)

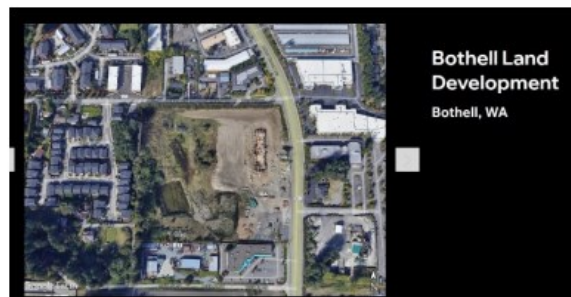
⁵ See <https://www.invalus.com/on-going-projects> (last accessed July 19, 2023)

1 143. Invalus also boasts that it offers a variety of investment opportunities premised on their
2 “innovative, sustainable, and award-winning” real estate assets, which, ironically, appear to be the
3 very same set of heavily encumbered assets owned by iCap.

4 144. The UW student apartment project, which secures the UW notes, and the commercial
5 building project at Ridgefield, WA, which was meant to secure the Demand Notes, are touted as two
6 out of the three “On-Going Projects” of Invalus.

7 145. The “Past Projects” of Invalus encompasses numerous properties which used to be
8 showcased on iCap’s website but had been removed recently.

9 146. Without limitation, the following images and illustrations taken from Invalus’ “Past
10 Projects” page are believed to be, in reality, iCap projects used to induce Plaintiffs to invest, including
11 several projects that were purported to serve as security for Plaintiffs’ investments:



1 **V. CAUSES OF ACTION**

2 **FIRST COUNT**

3 **BREACH OF CONTRACT**

4 **(Against Defendants Chris, iCap Vault 1, Vault Holding 1, iCap Investments, iCap @ UW)**

5 147. Plaintiffs hereby incorporate by reference the allegations contained in the preceding
6 paragraphs of this Complaint.

7 148. Valid written contracts existed between the parties.

8 149. Plaintiffs performed their obligations by transferring funds into the designated iCap
9 accounts to purchase the notes, including the (i) “iCap Vault” Public Demand Notes, (ii) iCap
10 Investment Series 1 and Series 2 Notes, and (iii) the iCap @ UW Notes.

11 150. Defendants iCap Vault 1, as the issuer, Vault Holding 1, as the security provider, have
12 breached the written contracts of the “iCap Vault” notes by failing to pay the principal and accrued
13 interest upon Plaintiff’s demand.

14 151. Defendants iCap Vault 1 and Vault Holding 1 have also breached the written contracts
15 by failing to acquire real estate assets for Vault Holding 1 to provide security interest to Plaintiff.

16 152. Defendants iCap Investments, as the issuer of the iCap Investments Series 1&2 Notes
17 and the pledgor of the Series 2 Notes, and Chris, as the pledgor of the Series 1 notes, have breached
18 the written contracts of the iCap Investments notes by failing to pay the interest due under the notes.

19 153. Defendant iCap @ UW, as the issuer and the pledgor of the UW Notes, has breached
20 the written contracts of the UW notes by failing to pay the interest under the notes.

21 154. As a result of Defendants’ breaches of contract, Plaintiffs have suffered damages of
22 an amount to be proven at trial.

23 155. Moreover, Plaintiffs are entitled to seek indemnification and expenses from defendants
24 pursuant to the pledge agreements.

25 156. As such, the Court should enter judgment in favor of Plaintiffs against Defendants plus
26 costs, fees, and interest.

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(Against Defendants Chris, iCap Investments, iCap @ UW)

158. Valid written contracts existed between the parties.

160. The principal for the iCap Investment Series 1 Notes is due in September 2024. The principal for the Series 2 Notes is due in January and April 2025.

161. The principal for the UW Notes is due in July 2025.

163. On March 20, 2023, Defendants notified investors through a letter signed by Jensen that the interest payment would be indefinitely suspended. Thereafter, Defendants have repeatedly informed Plaintiffs that Defendants are unable to meet their payment obligations.

164. Therefore, Defendants iCap Investments, as the issuer of the iCap Investments Series 1&2 Notes and the pledgor of the Series 2 Notes, Chris Christensen, as the pledgor of the Series 1 notes, and iCap @ UW, as the issuer and the pledgor of the UW Notes, have committed anticipatory repudiation of their obligations to Plaintiffs.

165. As a result of Defendants' anticipatory repudiation, Plaintiffs have suffered damages of an amount to be proven at trial.

166. Moreover, Plaintiffs are entitled to seek indemnification and expenses from defendants pursuant to the pledge agreements.

167. As such, the Court should enter judgment in favor of Plaintiffs against Defendants plus costs, fees, and interest.

BREACH OF FIDUCIARY DUTY

1 **(Against all Defendants)**

2 168. Plaintiffs hereby incorporate by reference the allegations contained in the preceding
3 paragraphs of this Complaint.

4 169. Defendants acted as financial advisor soliciting investment from Chinese investors like
5 Plaintiffs who are unfamiliar with the U.S. real estate market. Defendants marketed investment
6 products to investors purportedly secured by real estate portfolios.

7 170. Defendants consistently portrayed themselves as a reputable real estate investment
8 firm, characterizing their major business as “Investment Consulting” which covers a range of products
9 including the highly touted “iCap Vault.”

10 171. Defendants also repeatedly represented to investors including Plaintiffs that they
11 would act for the best interest of the investors, and by purchasing the notes, the investors would
12 benefit from the collective experience of iCap group.

13 172. Thus, Defendants owe fiduciary duties to Plaintiff.

14 173. Defendants breached their fiduciary duties by:

- 15 a. Misappropriating Plaintiff’s funds invested through the “iCap Vault” notes to
16 acquire real estate for their own benefit instead of providing security interest
17 to Plaintiffs as promised;
- 18 b. Engaging in self-dealing by mortgaging the real properties to affiliated entities,
19 rendering Plaintiff’s security interest essentially ineffective; and
- 20 c. Deliberately delaying repayment of the notes by seeking to transfer all assets
21 to Chris’ brother and giving investors shares of an unknown value and liquidity.

22 174. The above breaches of fiduciary duties have directly harmed Plaintiffs and has caused
23 Plaintiffs damages in an amount to be proven at trial.

24 **FOURTH COUNT**

25 **UNJUST ENRICHMENT**

26 **(Against Defendants Chris, iCap International, iCap Enterprises, iCap Vault, iCap Vault 1,**
27 **Vault Holding, VH Willows, VH 1121 14th, VH Pioneer, VH Senior Care, VH 2nd Street)**

28 175. Plaintiffs hereby incorporate by reference the allegations contained in the preceding
paragraphs of this Complaint.

1 176. As mentioned earlier, Vault Holding is a wholly owned subsidiary of Cap Vault 1,
2 which in turn is wholly owned by iCap Vault. iCap Vault is wholly owned by iCap Enterprises, which
3 is wholly owned by Chris. VH Willows, VH 1121 14th, VH Pioneer, VH Senior Care, VH 2nd Street
4 are wholly owned subsidiaries of Vault Holding, each possessing real estate assets.

5 177. iCap International owns Private Demand Notes issued by iCap Vault 1, which were
6 secured by Vault Holding's real estate assets.

7 178. Plaintiff's investments under the "iCap Vault" Public Demand Notes, instead of
8 acquiring real estate assets for Vault Holding 1 to provide security interest for the notes, were used to
9 acquire properties for Vault Holding only.

10 179. Defendants were personally enriched through taking Plaintiff's investment funds.

11 180. Defendants received such benefits at Plaintiff's expense.

12 181. Such enrichment was unjust, as it was achieved pursuant to self-dealing, and deprived
13 the Plaintiffs of funds, causing damages in an amount to be proven at trial.

14 **FIFTH COUNT**

15 **BREACH OF DUTY OF GOOD FAITH AND FAIR DEALING**

16 **(Against all Defendants)**

17 182. Plaintiffs hereby incorporate by reference the allegations contained in the preceding
18 paragraphs of this Complaint.

19 183. Defendants owe Plaintiffs a duty of good faith and fair dealing which obligates them
20 to act fairly and in good faith towards Plaintiffs in carrying out their fiduciary and contractual duties.

21 184. Defendants breached this duty by engaging in a series of wrongful actions, including
22 but not limited to (a) self-dealing, (b) failing to fulfill obligations, (c) delaying performance.

23 185. These breaches have harmed Plaintiffs and have caused Plaintiffs damages in an
24 amount to be proven at trial.

25 **SIXTH COUNT**

26 **VIOLATION OF CHAPTER 21.20 RCW**

27 **(Against all Defendants)**

1 186. Plaintiffs hereby incorporate by reference the allegations contained in the preceding
2 paragraphs of this Complaint.

3 187. Defendants' offer and sale to Plaintiffs of the secured promissory notes described
4 herein constitutes a securities transaction(s) under Washington law.

5 188. Defendants made untrue statements of material fact and/or omitted to state a material
6 fact necessary in order to make the statements made, in light of the circumstances under which they
7 are made, not misleading. In addition, Defendants employed devices, schemes, and artifices to
8 defraud Plaintiffs and have engaged in acts, practices, and a course of conduct that operates as a fraud
9 or deceit upon Plaintiffs in connection with the subject transaction(s) and after.

10 189. Defendants' statements, assurances, and omissions alleged herein, and determined
11 through further investigation and discovery, induced Plaintiffs to invest their funds and, later, to delay
12 seeking the full return of their funds and otherwise assert their legal rights. Defendants are responsible
13 for perpetuating a continuing fraud and misrepresentation.

14 190. Among other things, and without limitation, Defendants induced Plaintiffs to invest
15 by assuring them that the payments would be secured by security interests in real estate assets, but
16 the assets have either been diverted to collateralize related party loans or have been heavily mortgaged
17 to iCap affiliates to shield them from creditors. Defendants also induced Plaintiffs to invest based on
18 representations and assurances about their expertise and strong real estate portfolio, but many of the
19 properties remain vacant and undeveloped years after the acquisition.

20 191. Defendants made the false or misleading statements and or omissions set forth herein
21 to induce Plaintiffs to invest and or with reason to expect that Plaintiffs would act or refrain from
22 acting. In addition, Defendants' acted with no intention to perform, without care or concern about
23 whether performance would occur, and/or they made the statements or omissions in reckless disregard
24 of ascertaining the truth or falsity. Defendants' statements and omissions were material.

25 192. Defendants' untrue statements and/or omissions induced Plaintiffs to invest in the
26 securities at issue, and maintain their investments, or put off taking action to protect themselves,
27 causing Plaintiffs to suffer damages in an amount to be proven at trial.
28

193. Defendants are jointly and severally liable for their acts and omissions, as applicable, and as alter egos. Plaintiffs are entitled to all rights and remedies provided by Washington law and RCW 21.20, including, without limitation, rescission and return of their investment funds, legal and equitable subordination, together with interest, costs, and reasonable attorneys' fees. To the extent required, Plaintiffs hereby tender back to Defendants all securities they purchased.

SEVENTH COUNT

FRAUD

(Against all Defendants)

194. Plaintiffs hereby incorporate by reference the allegations contained in the preceding paragraphs of this Complaint.

195. Defendants made untrue statements of material fact and/or omitted to state a material fact necessary in order to make the statements made, in light of the circumstances under which they are made, not misleading. In addition, Defendants employed devices, schemes, and artifices to defraud Plaintiffs and have engaged in acts, practices, and a course of conduct that operates as a fraud or deceit upon Plaintiffs in connection with the subject transaction(s) and after.

196. Defendants' statements, assurances, and omissions alleged herein, and determined through further investigation and discovery, induced Plaintiffs to invest their funds and, later, to delay seeking the full return of their funds and otherwise assert their legal rights. Defendants are responsible for perpetuating a continuing fraud and misrepresentation.

197. Among other things, and without limitation, Defendants induced Plaintiffs to invest by assuring them that the payments would be secured by security interests in real estate assets, but the assets have either been diverted to collateralize related party loans or have been heavily mortgaged to iCap affiliates to shield assets from investors. Defendants also induced Plaintiffs to invest based on representations and assurances about their expertise and strong real estate portfolio, but many of the properties remain vacant and undeveloped years after the acquisition.

198. Defendants made the false or misleading statements and or omissions set forth herein to induce Plaintiffs to invest and or with reason to expect that Plaintiffs would act or refrain from acting. In addition, Defendants' acted with no intention to perform, without care or concern about

1 whether performance would occur, and/or they made the statements or omissions in reckless disregard
2 of ascertaining the truth or falsity. Defendants' statements and omissions were material.

3 199. Defendants' untrue statements and/or omissions induced Plaintiffs to invest in the
4 securities at issue, and maintain their investments, or put off taking action to protect themselves,
5 causing Plaintiffs to suffer damages in an amount to be proven at trial.

6 200. Defendants are jointly and severally liable for their acts and omissions, as applicable,
7 and as alter egos. Plaintiffs are entitled to all rights and remedies provided by Washington law and
8 RCW 21.20, including, without limitation, rescission and return of their investment funds, legal and
9 equitable subordination, together with interest, costs, and reasonable attorneys' fees.

10 **EIGHTH COUNT**

11 **VIOLATION OF WASHINGTON CONSUMER PROTECTION ACT**

12 **(Against all Defendants)**

13 201. Plaintiffs hereby incorporate by reference the allegations contained in the preceding
14 paragraphs of this Complaint.

15 202. Defendants engaged in unfair or deceptive acts or practices in offering and selling
16 securities in the state of Washington, as well as after the point of sale.

17 203. Defendants' unfair or deceptive acts or practices occurred in trade or commerce.

18 204. Defendants' unfair or deceptive acts or practices affect the public interest.

19 205. Defendants' unlawful practices continue to this day.

20 206. Plaintiffs have been injured in their business and property, as Defendants accepted
21 Plaintiffs' funds and have failed to repay Plaintiffs the funds invested and otherwise deal with them
22 in a fair and non-deceptive manner after the subject transactions were executed. Defendants' unfair
23 or deceptive acts or practices are ongoing and are a proximate cause of Plaintiffs' injuries.

24 207. Plaintiffs have been damaged in an amount to be proven at trial. Plaintiffs are entitled
25 to an award of attorneys' fees and costs and treble damages pursuant to RCW 19.86.090.

26 **NINETH COUNT**

27 **VOIDABLE TRANSFER UNDER THE WASHINGTON UNIFORM VOIDABLE** 28 **TRANSACTIONS ACT RCW 19.40**

1 H. Subordination of competing priority interests; and

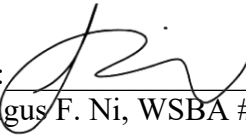
2 I. Granting such other and further relief as this Court may deem just and proper.

3 **VII. JURY TRIAL DEMAND**

4 Plaintiffs hereby demand a trial by jury in this action of all issues so triable.

5
6 Date: July 20, 2023

7 **AFN Law PLLC**

8 by: 
9 Angus F. Ni, WSBA # 53828

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