

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

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

6 Pacific Investors Group, LLC;  
Cougar Mountain Estates, LLC;  
7 The Peak Estate #1, LLC;  
The Peak Estate #2, LLC;  
8 The Peak Estate #3, LLC;  
Cougar Ridge Estate, LLC;  
Vadim Scherbinin, d/b/a Apex Elite Homes;

9 Respondents

Order No. S-20-2845-22-CO01

CONSENT ORDER

10 **INTRODUCTION**

11 Pursuant to the Securities Act of Washington, RCW 21.20, the Securities Division of the Department  
12 of Financial Institutions (“Securities Division”) and Respondents Pacific Investors Group, LLC; Cougar  
13 Mountain Estates, LLC; The Peak Estate #1, LLC; The Peak Estate #2, LLC; The Peak Estate #3, LLC;  
14 Cougar Ridge Estate, LLC; and Vadim Scherbinin, do hereby enter into this Consent Order in settlement  
15 of the matters alleged herein. Respondents Pacific Investors Group, LLC; Cougar Mountain Estates, LLC;  
16 The Peak Estate #1, LLC; The Peak Estate #2, LLC; The Peak Estate #3, LLC; Cougar Ridge Estate, LLC;  
17 and Vadim Scherbinin neither admit nor deny the Findings of Fact and Conclusions of Law as stated below.

18 **FINDINGS OF FACT**

19 **Respondents**

20 1. Pacific Investors Group, LLC is a Washington limited liability company formed on May 26,  
21 2010 and dissolved on October 3, 2020.  
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2. Cougar Mountain Estates, LLC is a Washington limited liability company formed on March 28, 2015 and was dissolved on August 3, 2021.

3. The Peak Estate #1, LLC is a Washington limited liability company formed on April 27, 2015 and dissolved on September 3, 2020.

4. The Peak Estate #2, LLC is a Washington limited liability company formed on April 27, 2015 and dissolved on April 16, 2018.

5. The Peak Estate #3, LLC is a Washington limited liability company formed on April 27, 2015 and dissolved on September 3, 2020.

6. Cougar Ridge Estate, LLC is a Washington limited liability company formed on July 7, 2015 and dissolved on December 3, 2020.

7. Vadim Scherbinin (Scherbinin) d/b/a Apex Elite Homes, is a resident of Washington. Scherbinin used a business address in Bellevue, Washington. Scherbinin was a member of and the governing person of Pacific Investors Group, LLC; Cougar Mountain Estates, LLC; The Peak Estate #1, LLC; The Peak Estate #2, LLC; The Peak Estate #3, LLC; and Cougar Ridge Estate, LLC. Scherbinin filed for bankruptcy in 1999, 2010, and 2020.

### **Nature of the Conduct**

#### *Overview*

8. Between approximately 2014 and 2018, Scherbinin raised more than \$3 million from about a dozen investors in Washington. Scherbinin raised these funds through promissory note investments that he offered and sold to investors in connection with multiple real estate development projects. Several of the projects involved the construction of a single-family luxury residential home in King County, Washington. In 2015, Scherbinin purchased five properties using multiple entities. In 2017, while Scherbinin was still attempting to complete his earlier projects, Scherbinin purchased a property in Bellevue for \$1.3 million. In

1 2018, Scherbinin purchased another property in Bellevue for over \$1 million. By 2020, multiple properties  
2 were in foreclosure and Scherbinin filed for bankruptcy. Scherbinin's investors have lost more than \$2  
3 million.

4 9. Scherbinin typically formed a new limited liability company (LLC) for each home that was to  
5 be constructed. The LLCs issued promissory notes to investors with a term that was typically one year. Each  
6 promissory note was supposed to pay a specific return on investment, which ranged from 12% to 20%.  
7 Scherbinin led investors to believe that he would generate these investment returns by constructing and  
8 selling a luxury home on a property that was owned by one of his LLCs. Investors were passive and relied  
9 completely on Scherbinin to generate a return on their investment. Scherbinin represented to investors that  
10 their promissory note investment would be secured by a deed of trust that would be recorded against a specific  
11 property that was owned by one of his affiliated LLCs.

12 10. In some cases, Scherbinin issued personal promissory notes to investors. At least one of these  
13 promissory notes was secured by a deed of trust that was recorded against Scherbinin's home. In some cases,  
14 Scherbinin represented to investors that he would personally guarantee repayment of the promissory note.  
15 Scherbinin failed to disclose the basis for his ability to guarantee repayment of the note. Scherbinin failed to  
16 disclose material information regarding his financial condition at the time that he made his guarantees.  
17 Scherbinin did not provide investors with any written documentation concerning his assets and liabilities at  
18 that time that he made his guarantees.

19 11. Investors paid for their investments through checks, cashier's checks, or wire transfers.  
20 Investor funds were generally deposited into bank accounts that were in the name of the LLCs that were  
21 formed by Scherbinin. In some cases, Scherbinin directed investors to make their payment to a title company  
22 or to the bank account of prior investor who was owed money.

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1 to install a carpet for a home that Scherbinin was building. Scherbinin provided I.G. with a \$300,000  
2 promissory note that was issued by The Peak Estate #3, LLC. The promissory note had a term of one year  
3 and was supposed to pay a return of 20%. Shortly after I.G. made his investment, Scherbinin repaid a prior  
4 investor who had invested in 2014.

5 15. In September 2016, investor A.M., a resident of Kirkland, Washington, began investing with  
6 Scherbinin. A.M. met Scherbinin through his realtor. Between 2016 and 2018, A.M. invested a total of over  
7 \$630,000 with Scherbinin. In September 2016, A.M. invested \$150,000 and received a promissory note  
8 issued by The Peak #1, LLC and a deed of trust that was recorded against a property owned by the LLC. In  
9 February 2017, A.M. invested an additional \$150,000, and Scherbinin issued a personal promissory note that  
10 was secured by a home that he owned. Scherbinin repaid the note a few months later in July 2017. After  
11 receiving this repayment (approximately \$160,000), A.M. invested approximately \$172,000 in September  
12 2017. In June 2018, A.M. invested an additional \$160,000 and received a promissory note issued by Cougar  
13 Mountain Estate that was personally guaranteed by Scherbinin.

14 16. In October 2016, investor J.A., a retired resident of Redmond, Washington, began investing  
15 with Scherbinin. J.A. initially invested \$100,000 in 2016. In 2017, J.A. invested proceeds from his mother's  
16 estate, including investments of \$85,000 and \$300,000. J.A.'s wife, N.A., separately invested more than  
17 \$120,000 with Scherbinin.

18 17. In December 2016, investor N.V. and her husband A.L., residents of Bellevue, Washington,  
19 began investing with Scherbinin. Between 2016 and 2018, N.V. invested a total of more than \$850,000 with  
20 Scherbinin. In December 2016, N.V. made a \$150,000 investment in The Peak Estate #2, LLC and made a  
21 \$175,000 investment in The Peak Estate #3, LLC. In July 2017, N.V. invested \$400,000 in Pacific Investors  
22 Group, LLC. After Scherbinin repaid one of N.V.'s investments in September 2017, N.V. made two more  
23 investments in 2018.

2017 Investor Funds

18. By 2017, Scherbinin faced significant financial difficulties stemming from funds that he owed to his earlier investors. In January 2017, Scherbinin was contacted by investor A.B., who invested \$250,000 in 2015. A.B. threatened legal action that if Scherbinin failed to repay his “long overdue” investment by January 15, 2017. A.B.’s investment had been personally guaranteed by Scherbinin. Within a few weeks, Scherbinin raised an additional \$300,000 through additional promissory note investments, including a \$150,000 promissory note issued to investor A.M. that was secured by his home. Scherbinin continued to raise additional funds from investors. In July 2017, Scherbinin purchased a home in Bellevue for \$1.3 million using Pacific Investors Group, LLC. Scherbinin raised \$400,000 from investors N.V. and A.L. and executed a promissory note that was issued by Pacific Investors Group.

19. By September 2017, Scherbinin issued new promissory notes to prior investors that were captioned as “Extension to Promissory Note” or “Promissory Note Extension.” The accrued interest was added to the balance of the note. For example, in September 2017, Scherbinin contacted investor A.M. regarding his 2016 investment. Scherbinin signed an extension that made the new balance due six months later. Around this same time period, A.M. made a new investment of \$172,000 and received a promissory note that was issued by The Peak Estate #1. Scherbinin arranged for A.M. to wire the funds directly to a previous investor that he owed money to. Scherbinin continued to issue promissory note extensions through at least 2018.

20. On September 22, 2017, Scherbinin raised \$250,000 from investor D.O., a resident of Mercer Island, Washington. D.O. met Scherbinin through his mother, investor N.A. D.O. received a promissory note that was issued by the Peak Estate #3, LLC and signed by Scherbinin. Scherbinin told D.O. that he was constructing a home on a property owned by the LLC and that it would be finished within one year. D.O. paid for his investment using two cashier’s checks. Scherbinin provided D.O. with a deed of trust, but failed

1 to record the deed of trust, which left his investment unsecured. Scherbinin used approximately \$166,500 of  
2 D.O.'s funds to repay investors N.V and A.L., who had previously invested \$150,000 in 2016.

3 *2018 Investor Funds*

4 21. In 2018, Scherbinin continued to raise hundreds of thousands of dollars from investors. In  
5 July 2018, Scherbinin solicited investors D.C. and M.B. regarding a promissory note investment in Pacific  
6 Investors Group. D.C. and M.B. met Scherbinin when they were looking for a contractor to build a home  
7 on a vacant lot that they owned. Scherbinin provided a one-page document that was captioned "Investment  
8 Opportunity" and showed them other homes that he had built in the area. Scherbinin represented that the  
9 investors would receive a second position deed of trust that would be recorded against a property owned by  
10 Pacific Investors Group. Scherbinin failed to disclose to D.C. and M.B. that he previously executed and  
11 recorded two deeds of trust against that property, putting the investors in third position. D.C. and M.B. wired  
12 \$250,000 to a bank account in the name of Pacific Investors Group. A few months later, in October 2018,  
13 Scherbinin formed a new entity, Bellevue Investors Group, LLC, which purchased a home in Bellevue for  
14 over \$1 million.

15 *2019-2020 Events*

16 22. By 2019, multiple properties were in foreclosure and Scherbinin was named in a civil action  
17 that was filed by one of the purchasers of his homes. Nonetheless, Scherbinin continued to issue new  
18 promissory notes to prior investors. For example, in February 2019, Scherbinin provided investor I.G. with  
19 a promissory note for \$537,600, which included thousands of dollars in additional interest that was owed on  
20 the investment. In February 2020, Scherbinin provided investor I.G. with an even larger promissory note for  
21 \$602,112. By early 2020, Scherbinin named as a defendant in two civil lawsuits that were filed by investors.

22 23. In December 2020, Scherbinin filed for Chapter 7 bankruptcy. Scherbinin identified  
23 approximately \$1.2 million in assets and approximately \$7.8 million in liabilities, including millions owed

1 to his investors. The case was later converted to a Chapter 11 reorganization. In September 2021, Scherbinin  
2 submitted a plan of reorganization and on November 1, 2021, the bankruptcy court confirmed Scherbinin's  
3 modified plan. Scherbinin's approved reorganization plan requires him to make monthly payments to his  
4 creditors for five years. Scherbinin's promissory note investors lost more than \$2 million.

### 5 **Registration Status**

6 24. Pacific Investors Group, LLC is not currently registered to sell its securities in the state of  
7 Washington and has not previously been so registered, nor has it filed a claim of exemption from registration.

8 25. Cougar Mountain Estates, LLC is not currently registered to sell its securities in the state of  
9 Washington and has not previously been so registered, nor has it filed a claim of exemption from registration.

10 26. The Peak Estate #1, LLC is not currently registered to sell its securities in the state of  
11 Washington and has not previously been so registered, nor has it filed a claim of exemption from registration.

12 27. The Peak Estate #2, LLC is not currently registered to sell its securities in the state of  
13 Washington and has not previously been so registered, nor has it filed a claim of exemption from registration.

14 28. The Peak Estate #3, LLC is not currently registered to sell its securities in the state of  
15 Washington and has not previously been so registered, nor has it filed a claim of exemption from registration.

16 29. Cougar Ridge Estate, LLC is not currently registered to sell its securities in the state of  
17 Washington and has not previously been so registered, nor has it filed a claim of exemption from registration.

18 30. Vadim Scherbinin is not currently registered as a securities salesperson or broker-dealer in the  
19 state of Washington and has not previously been so registered.

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

### 21 **CONCLUSIONS OF LAW**

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





1 LLC; Cougar Ridge Estate, LLC; and Vadim Scherbinin, and their agents and employees each shall cease and  
2 desist from violating RCW 21.20.010, the anti-fraud section of the Securities Act of Washington.

3 IT IS FURTHER AGREED AND ORDERED that Respondents s Pacific Investors Group, LLC;  
4 Cougar Mountain Estates, LLC; The Peak Estate #1, LLC; The Peak Estate #2, LLC; The Peak Estate #3,  
5 LLC; Cougar Ridge Estate, LLC; and Vadim Scherbinin shall be liable for and shall pay investigative costs  
6 of \$5,000 to be paid on or before entry of this Consent Order.

7 IT IS FURTHER AGREED AND ORDERED that Respondents Pacific Investors Group, LLC;  
8 Cougar Mountain Estates, LLC; The Peak Estate #1, LLC; The Peak Estate #2, LLC; The Peak Estate #3,  
9 LLC; Cougar Ridge Estate, LLC; and Vadim Scherbinin shall be liable for and shall pay a fine of \$20,000 to  
10 be paid in five equal installments of \$4,000 delivered by the last day of the month commencing the month  
11 after this Consent Order is fully executed. Failure to make said payments shall be grounds to vacate this  
12 Consent Order.

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

14 IT IS FURTHER AGREED that Respondents Pacific Investors Group, LLC; Cougar Mountain  
15 Estates, LLC; The Peak Estate #1, LLC; The Peak Estate #2, LLC; The Peak Estate #3, LLC; Cougar Ridge  
16 Estate, LLC; and Vadim Scherbinin each entered into this Consent Order freely and voluntarily and with a  
17 full understanding of its terms and significance.

18 IT IS FURTHER AGREED that in consideration of the foregoing, Respondents Pacific Investors  
19 Group, LLC; Cougar Mountain Estates, LLC; The Peak Estate #1, LLC; The Peak Estate #2, LLC; The Peak  
20 Estate #3, LLC; Cougar Ridge Estate, LLC; and Vadim Scherbinin each waive their right to a hearing and to  
21 judicial review of this matter pursuant to RCW 21.20.440 and Chapter 34.05 RCW.

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

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3 Signed this 12th day of April 2023.

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5 Signed by:  
Pacific Investors Group, LLC

6 /s/  
Vadim Scherbinin, Manager

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9 Signed by:  
Cougar Mountain Estates, LLC

10 /s/  
11 Vadim Scherbinin, Manager

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13 Signed by:  
14 The Peak Estate #1, LLC

15 /s/  
Vadim Scherbinin, Manager

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18 Signed by:  
The Peak Estate #2, LLC

19 /s/  
20 Vadim Scherbinin, Manager

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Signed by:  
The Peak Estate #3, LLC

/s/  
Vadim Scherbinin, Manager

Signed by:  
Cougar Ridge Estate, LLC

/s/  
Vadim Scherbinin, Manager

Signed by:  
/s/  
Vadim Scherbinin, Individually

1 SIGNED and ENTERED this 21st day of April, 2023.

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/s/

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William M. Beatty  
Securities Administrator

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Approved by:

Presented by:

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/s/

/s/

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Brian J. Guerard  
Chief of Enforcement

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Robert Kondrat  
Financial Legal Examiner

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