STATE OF WASHINGTON
DEPARTMENT OF FINANCIAL INSTITUTIONS
SECURITIES DIVISION

IN THE MATTER OF DETERMINING Whether there has been a violation of the Securities Act of Washington by: Scoutpads LLC; Sief Khafagi; Corbin Weinerman; Metallic Blue Development LLC; Brian Dozier, Respondents.	Order No. S-22-3451-25-FO01 ENTRY OF FINDINGS OF FACT AND CONCLUSIONS OF LAW AND FINAL ORDER TO CEASE AND DESIST AND TO IMPOSE FINES

THE STATE OF WASHINGTON TO: **Metallic Blue Development LLC**
Brian Dozier

STATEMENT OF CHARGES

On January 7, 2025, the Securities Administrator of the state of Washington issued a Statement of Charges and Notice of Intent to Enter Order to Cease and Desist, to Impose Fines, and to Charge Costs, Order No. S-22-3451-24-SC01 ("Statement of Charges"). The Statement of Charges, together with a Notice of Opportunity for Hearing ("Notice") and an Application for Adjudicative Hearing ("Application"), were served on Respondents Scoutpads LLC, Sief Khafagi, Corbin Weinerman, Metallic Blue Development LLC, and Brian Dozier on January 7, 2025.

The Notice advised Respondents Scoutpads LLC, Sief Khafagi, Corbin Weinerman, Metallic Blue Development LLC, and Brian Dozier that the Application must be received within twenty days from the date of service. Respondents Metallic Blue Development LLC and Brian Dozier failed to request an administrative hearing on the Statement of Charges within twenty days of service.

The Securities Administrator therefore adopts as final the following Findings of Fact and Conclusions of Law as set forth in the Statement of Charges and enters a final order against Respondents Metallic Blue

Development LLC and Brian Dozier to cease and desist from violations of the Securities Act, and to impose the fines and costs sought in the Statement of Charges.

FINDINGS OF FACT

Respondents

1. Scoutpads LLC ("Scoutpads") was a Wyoming limited liability corporation formed on June 23, 2021 with its principal place of business in Beverly Hills, California. Scoutpads was administratively dissolved on August 9, 2023. Scoutpads represented publicly that they were a real estate investment firm. Scoutpads represented to the Division that it was an outside vendor hired on a contract basis to provide investor relations services on behalf of MBD.

2. Sief Khafagi ("Khafagi") is a resident of Los Angeles, California. Khafagi was formerly a principal and co-owner of Scoutpads from 2018 to 2022. Khafagi was employed as a recruiter at Facebook beginning in or around 2015 through 2021. Khafagi represented to potential investors, including other employees of Facebook, that he was doing business in California using the business name "Scoutpads."

3. Corbin Weinerman ("Weinerman") is a resident of Los Angeles, California. Weinerman was also formerly a principal and co-owner of Scoutpads.

4. Metallic Blue Development LLC ("MBD") is a California limited liability corporation formed on January 24, 2018 with its principal place of business in Beverly Hills, California. MBD represented itself to investors as a real estate investment firm. On November 28, 2022, Blue Orchid Concepts LLC, a business owned by Khafagi, along with a group of creditors, filed an involuntary bankruptcy petition against MBD.

5. Brian Dozier ("Dozier") was a resident of Beverly Hills, California. Dozier was the managing member of MBD. Dozier is believed to have assumed an alias and moved to Las Vegas, Nevada.

Related Parties

6. Blue Orchid Concepts LLC ("Blue Orchid") is a California limited liability corporation that was formed on January 2, 2019 with its principal place of business in Beverly Hills, California. Its initial business registration went inactive on December 4, 2020 before going active again on November 28, 2022. Sief Khafagi is the operating manager of Blue Orchid. Blue Orchid represents publicly that it is in the real estate investment business.

Nature of the Conduct

Overview

7. Between 2019 and early 2022, Respondents raised over $40 million from over four hundred investors, including more than $3.5 million from approximately forty Washington investors. Khafagi was the primary person soliciting the investments, largely targeting high income investors from large technology companies (Facebook, Google, Amazon, etc.). Respondents initially sold investments in individual real estate projects, but later shifted to selling investments in real estate funds.

8. Between 2019 and 2021, Khafagi and Weinerman told investors that they were investing in short-term real estate projects with Scoutpads, and that Khafagi was the primary individual managing the projects and investments. For the project-based investments, Khafagi and Scoutpads provided investors with an investment agreement and a slide deck on the project.

9. In the summer of 2021, Khafagi and Weinerman started pitching investors to instead invest in various real estate funds. For the fund-based investments, Khafagi and Scoutpads generally provided investors with a private placement memorandum, slide deck on the funds, and an investment commitment agreement.

10. Respondents made multiple material misrepresentations and omissions to investors to give many potential investors the assurance that they were investing with a trusted co-worker, rather than with a third-party real estate flipper. These misrepresentations included misrepresenting which company managed

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the investments, misrepresenting the ownership of the properties, and mischaracterizing Khafagi's and Scoutpads's management role, among others.

Background

11. Sometime in 2018, Khafagi moved from San Francisco to Los Angeles. He connected with his friend, Weinerman, whom he asked if he had any connections to investors in the Los Angeles real estate market. Weinerman introduced Khafagi to Dozier, who Weinerman's family had invested with previously. The meeting led to Khafagi and Weinerman founding Scoutpads, though Scoutpads's business entity was not formed until June 23, 2021 in Wyoming.

12. On October 22, 2019, Khafagi and Dozier signed an independent contractor agreement providing Khafagi twelve percent of the net profits generated by any project, between $400,000 and a $1,000,000 a year in cash payments, and a $900 a month vehicle allowance for "network[ing] for capital funding opportunities", as well as for various technical and marketing services for businesses owned by or associated with Dozier. It was in this capacity that Khafagi, Weinerman, and Scoutpads raised funds on behalf of Dozier and MBD. Scoutpads had no agreement with MBD or Dozier and did not receive compensation from MBD or Dozier. Scoutpads had minimal to no revenues and was barely, if at all, capitalized.

Offer and Sale of Project-Based Investments

13. Khafagi, Weinerman, and Scoutpads purported to raise money for Scoutpads managed projects, and later funds, but were actually raising money for MBD and Dozier. From approximately October 2018 through January 2022, Khafagi and Scoutpads offered and sold securities in the form of investment contracts on behalf of Dozier and Metallic Blue. The investment contracts had titles such as "Investment Agreement" and "Investment Agreement – Profit Sharing."

14. Khafagi represented to potential investors that the purpose of the investment contracts was to raise funds for short term, fix-and-flip residential property projects in the Los Angeles area. Investment

contracts were associated with individual properties, and investment gains were purportedly tied to sale profits of each property. Most of the projects were to be short-term investments, ranging in duration from six months to eighteen months. Investors would generally be promised a rate of return between twelve percent and twenty percent. Khafagi told investors that the risk was minimized because the projects were backed by equity in the properties. When projects were completed, investors were given the option to roll over their principal and profits into a new project or be paid out.

15. Khafagi and Scoutpads offered the investments to Khafagi's co-workers at Facebook on an internal company social media page as well as through various electronic means, such as emails and video calls. Khafagi was generally the sole point of contact for Facebook investors.

16. Khafagi, Weinerman, and Scoutpads also offered investments to people outside of Facebook, though most were still employed in the tech industry (Amazon, Google, PayPal, etc.), through various electronic means, such as emails and video calls.

17. In solicitations with investors, Khafagi, Weinerman, and Scoutpads failed to disclose their independent contractor relationships with Dozier and Metallic Blue. Khafagi also failed to disclose to investors that as part of his independent contractor agreement with Dozier, Khafagi was to receive twelve percent of the net profits generated by any project, between $400,000 to $1,000,000 a year in cash payments, and a vehicle allowance of $900 a month.

18. Instead, Khafagi, Weinerman, and Scoutpads misleadingly marketed the investments to make investors believe that Scoutpads and Khafagi were in control of the investments and investment properties. For example:

a. Weinerman made public appearances on podcasts and interviews where he mischaracterized Scoutpads as a "real estate investment firm" and did not disclose MBD's role.

b. Khafagi sent potential investors an offering brochure about a specific investment property titled "Scoutpads x Harper", which falsely stated, "We also know the property extremely well, having owned it since 2017…." The final slide says, "Interested? Join Us. Scoutpads.com". In fact, Khafagi and Scoutpads did not own the property.

c. Khafagi sent investors an email update about a property from his Scoutpads email address that said, "Interior work is nearing completion within the next 30-60 days or so in which we'll then get started on some landscaping, paint etc. The part where we make it look better ;)". In fact, Khafagi and Scoutpads were not directing the renovations on the properties and were instead transmitting information to investors at the direction of Dozier and MBD.

d. The Scoutpads's website described itself as "a boutique real estate investment firm" and that its team "primarily invests in single family and multifamily projects."

e. The Scoutpads website did not disclose MBD's role and also shared misleading reviews. One such review stated. "I first met Sief at a conference and learned about Scoutpads and the returns they were continuously generating were terrific." In fact, Scoutpads was not the entity generating returns.

19. When investors directly asked Khafagi about the role Metallic Blue played in the investments, Khafagi and Scoutpads misrepresented their relationship. For example:

a. When an investor asked Khafagi, "Could you clarify who Metallic is? I thought your company was called Scoutpads," Khafagi falsely replied, "Metallic is one of several LLCs we have. We use different LLC's to purchase, sell, capital distributions etc. It protects both us, [and] our investors from unnecessary risk."

b. When an investor told Khafagi that he was surprised to see MBD and Dozier listed on the signature line of the investment agreement instead of Scoutpads, as Khafagi's "use of the word 'we' throughout the earlier documents" lead him "to believe you/scoutpads are involved in the rehab, if not necessarily the owner of the property itself." Khafagi told the investor "Scoutpads is our consumer facing/online brand. Real estate itself is unsexy and we have a dozen+ LLC's we use to buy, sell, capital distribution etc. for legal protection . . . We are the owners."

c. When another investor noted that the investment agreement was with MBD and asked which organization that was, Khafagi told the investor that MBD was Scoutpads's managing member LLC and dba.

d. When an investor asked if Scoutpads's bank account had received the investor's wire transfer, Khafagi confirmed it even though it went to MBD's bank account instead.

e. When an investor asked why Brian Dozier was listed as Scoutpads representative instead of Khafagi, Khafagi told the investor that Dozier was his partner. Khafagi did not disclose to the investor that the investment was with MBD instead of Scoutpads, or that Khafagi only had an independent contractor agreement with Dozier.

20. Khafagi made these misrepresentations and omissions to give many potential investors the assurance that they were investing with a trusted co-worker, rather than with a third-party real estate flipper. The fact that Khafagi was a co-worker that some investors knew was involved was a key factor for many in deciding to invest.

21. Contrary to Khafagi's statements, Dozier and MBD alone controlled the investments. Khafagi's communications failed to disclose that Scoutpads was communicating with investors only on behalf of Dozier and MBD, and that he was earning substantial compensation from Dozier under an independent contractor agreement.

22. The investments were presented as real estate fix-and-flip opportunities. Scoutpads would share slide decks with information including the cost of the property, the estimated cost of improvements, the final sales price, and comparable properties among other things. Khafagi and Scoutpads's main selling point was that they were able to acquire properties below market value due to their connections in the Los Angeles real-estate market. In reality, Scoutpads and MBD did not acquire the title for some properties, some properties MBD only had an option to buy on them, and other properties were titled in the name of affiliates of Dozier—not himself or MBD.

23. When individual projects were completed, a majority of investors, including a majority of Washington investors, chose to roll over their funds into new projects instead of being paid out, as they thought they were making good returns on their investment, and they were safe as Scoutpads supposedly owned the properties.

24. Until some point in 2020, investors were told that most projects were finished on time and given the option to withdraw or roll over their funds. Up until this point, investors that withdrew were successfully paid out.

25. Around June of 2020, a new project was presented to investors that was a different from the traditional fix-and-flip. This was presented as a ready-to-issue project where Scoutpads would be getting the land ready for construction by acquiring all the permits before selling it off to a developer. This was presented as a higher profit project with lower risk. This project was delayed, along with several other fix-and-flip projects that started around this timeframe. The common reason given to investor for these delays was COVID.

Offer and Sale of Fund Based Investments

26. Around June of 2021, Khafagi began telling investors that Scoutpads was transitioning from selling investments in individual projects to a "fund" model. Scoutpads offered investments in their SPSTR 1 LLC ("Scoutpads fund") fund.

27. Around October of 2021, Khafagi began telling investors that Scoutpads would be pivoting to the fund model and that if investors wanted to stay in a long term real estate investment, then they would need to rollover their funds to one of three funds MBD was offering: Equity Consultants, LLC, Equity Holding Group, LLC, and United Properties Holdings, LLC (collectively the "MBD Funds"). The majority of investors were offered and sold investments in the Equity Consultants LLC fund, which MBD also referred to as the SPLA fund.

28. Khafagi represented to investors that the MBD funds were supposed to distribute profits on an annualized basis and have a five-year holding period. The Equity Consultants LLC fund was supposed to have a 12% rate of return and investors were supposed to be able to withdraw funds by making a written request between January 1st and 15th of each year. When investors made requests to withdraw their funds, MBD did not acknowledge or respond to them.

29. Khafagi also told investors that they had the option of rolling over their existing project-based investments into the MBD funds as they came due and began offering new investment contracts with MBD titled "Investment Commitment Agreement."

30. A majority of investors rolled over the purported returns from their project-based investments into the MBD funds, as a majority of investors had already been rolling over their project-based investment returns into new project-based investments when they came due. This meant that a majority of investors saw no actual funds transferred to them when projects were completed. Because of this, it took investors months to realize that the projections and profits that had been shared with them were inaccurate.

31. Shortly after the new funds launched—and after many investors had executed investment contracts in reliance on Khafagi's representations that he played a key role in the fix and-flip business—Khafagi and Scoutpads began to distance themselves from MBD and Dozier. For example, a new disclaimer appeared at the end of an October 23, 2021 email update from Khafagi to investors, stating: "Scoutpads LLC shares and disperses information on behalf of its partners and clients. This message has been signed off, approved and directed by Metallic Blue Development LLC (MBD), the Operator."

32. On January 29, 2022, Khafagi sent investors an email invitation to a webinar presentation called "Meet MBD and Q&A! with SP" and emailed that, "Metallic Blue Development (MBD) has shared that to provide the best experience for investors, they want to move investor relations internally to improve the quality of updates, communications, and relationships with their investors. We respect and understand the decision."

33. On March 5, 2022, Khafagi emailed investors stating that, "MBD will now own all investor relations moving forward for any LA specific projects and we couldn't be more supportive of their growth."

34. Khafagi's and Scoutpads's disclosure of the fact that, contrary to earlier representations, they were not in control of the fix-and-flip business, but instead were only responsible for "investor relations"—shocked investors. Investors attempted to contact Dozier and MBD to resolve their concerns, with little success.

35. Investors immediately began to have problems with their investment once Khafagi and Scoutpads were no longer involved. Dozier and MBD failed to provide updates to investors and multiple investor attempts to reach anyone at MBD were ineffective. The MBD funds only made a single distribution to investors since their inception.

36. Despite repeated attempts from investors and the Division, no one has been able to locate or contact Dozier. Khafagi testified that he was concerned about MBD and Dozier as early as the first or second quarter of 2022.

37. Khafagi failed to provide investors with sufficient financial information to make informed decisions. Because Scoutpads and Khafagi did not disclose to investors that they relied on MBD and Dozier for their numbers, investors did not know how their funds were actually being used. Ultimately, a majority of those who invested in Scoutpads with Khafagi lost most or all of their funds, including more than $3.5 million from approximately forty Washington investors.

Involuntary Bankruptcy

38. In November of 2022, Khafagi hosted a webinar with investors to discuss potential actions related to the investments with MBD. Khafagi represented to investors that he and Weinerman were victims of MBD and Dozier too.

39. On November 28, 2022, Blue Orchid Concepts LLC, a business owned by Khafagi, along with a group of creditors, filed an involuntary bankruptcy petition against Metallic Blue (Case No. 2:22-bk-16483-ER). Khafagi claimed to investors that MBD owed Khafagi and Scoutpads $3.5 million in unpaid compensation.

40. On November 30, 2022, Khafagi, Weinerman, and Scoutpads began circulating to investors a Subordination and Standstill Agreement. The agreement subordinated Khafagi, Weinerman, and Scoutpads' claims against MBD to those of the investors that executed the agreement, in exchange for releasing the Khafagi, Weinerman, and Scoutpads of liability. Additionally, the agreement included a confidentiality clause that prevented the investors from disparaging Khafagi, Weinerman, and Scoutpads or their affiliates in any statements made publicly and to other creditors, equity holders, or investors in MBD.

41. In the Bankruptcy proceedings, the Debtor—MBD—took the position that its sole manager, Brian Dozier, resigned effective as of May 10, 2023.

42. Contrary to Khafagi's prior representations to investors, Khafagi testified under oath in the MBD Bankruptcy proceedings that "Scoutpads was a platform to introduce folks to real estate investments. These properties were never mine or ours. They were Metallic Blue's or under the control and direction of Metallic Blue." Khafagi further admitted that he and Scoutpads had no financial control over MBD's properties or business and that he relied on Dozier for all information relevant to the investments.

43. On June 6, 2024 the bankruptcy court approved the sale and transfer of all claims of the MBD estate to Blue Orchid and its principals. The investor-creditors' claims against Blue Orchid and its principals—Khagai and Weinerman—were released and Blue Orchid and its principals subordinated their claims against the bankruptcy estate of MBD. At the time of the sale, Blue Orchid represented that it was prepared to engage a law firm to pursue the remaining creditors' claims on a contingency basis. If recoveries from these subsequent lawsuits do not exceed two million dollars within three years after the first lawsuit is filed, then another $250,000 is to be paid to the MBD bankruptcy estate from Blue Orchid.

Registration Status

44. Respondent Scoutpads LLC is not currently registered to sell its securities in the state of Washington and has not previously been so registered, nor has it filed a claim of exemption from registration.

45. Respondent Sief Khafagi is not currently registered as a securities salesperson or broker-dealer in the state of Washington and has not previously been so registered.

46. Respondent Corbin Weinerman is not currently registered as a securities salesperson or broker-dealer in the state of Washington and has not previously been so registered.

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47. Respondent Metallic Blue Development LLC is not currently registered to sell its securities in the state of Washington and has not previously been so registered, nor has it filed a claim of exemption from registration.

48. Respondent Brian Dozier is not currently registered as a securities salesperson or broker-dealer in the state of Washington and has not previously been so registered.

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

CONCLUSIONS OF LAW

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

2. Respondents Metallic Blue Development LLC and Brian Dozier violated RCW 21.20.140, the securities registration section of the Securities Act of Washington, by offering and/or selling securities for which no registration is on file with the Securities Administrator.

3. Respondent Brian Dozier violated RCW 21.20.040, the licensee registration section of the Securities Act of Washington, by offering and/or selling said securities while not being registered as a securities salesperson or broker-dealer in the state of Washington.

4. Respondents Metallic Blue Development LLC and Brian Dozier violated RCW 21.20.010, the anti-fraud section of the Securities Act of Washington, by making untrue statements of material fact and omitting to state material facts necessary to make the statements made, in light of the circumstances in which they were made, not misleading.

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

FINAL ORDER

IT IS HEREBY ORDERED that Respondents Metallic Blue Development LLC and Brian Dozier, and their agents and employees, shall each cease and desist from violating RCW 21.20.140, the securities registration section of the Securities Act of Washington

IT IS FURTHER ORDERED that Respondents Metallic Blue Development LLC and Brian Dozier, and their agents and employees, shall each cease and desist from violating RCW 21.20.010, the anti-fraud section of the Securities Act of Washington.

IT IS FURTHER ORDERED that Respondent Brian Dozier, and his agents and employees, shall each cease and desist from violating RCW 21.20.040, the registration section of the Securities Act of Washington.

IT IS FURTHER ORDERED that Respondent Brian Dozier shall be liable for and pay a fine in the amount of $50,000.

IT IS FURTHER ORDERED that Respondent Metallic Blue Development LLC shall be liable for and pay a fine in the amount of $50,000.

An administrative penalty in the amount of $50,000 for Respondent Metallic Blue Development LLC is justified by the facts recited in this Order and considering the factors set forth in RCW 21.20.395. On or about November 28, 2022, an involuntary bankruptcy petition was filed against Respondent Metallic Blue Development LLC for bankruptcy relief pursuant to Title 11, Chapter 7 of the United States Code ("U.S.C.") in the United States Bankruptcy Court for the Central District of California. The automatic stay imposed by the Bankruptcy Code—specifically, 11 USC § 362(a)—does not apply to the commencement or continuation of an action or proceeding by a governmental unit to enforce such governmental unit's police or regulatory power, by virtue of the exception set out at 11 USC§ 362(b)(4). Accordingly, the Securities Division of the Washington State Department of Financial Institutions—a governmental unit as defined under 11 USC§ 101(27)—is expressly excepted from the automatic stay in pursuing enforcement of the State's Securities laws, and in seeking to assess a monetary judgment for such violations. However, so long as the automatic stay is

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in effect in the Respondent’s bankruptcy proceedings, the Department of Financial Institutions will not seek to execute or collect upon any monetary judgment assessed without first approaching the United States Bankruptcy Court where the Respondent's bankruptcy case is pending as necessary

AUTHORITY AND PROCEDURE

This FINAL ORDER is entered pursuant to the provisions of RCW 21.20 and is subject to Chapter 34.05 RCW. Respondents have the right to petition the superior court for judicial review of this agency action under Part V of Chapter 34.05 RCW. Pursuant to RCW 21.20.395(4), a certified copy of this Final Order may be filed in superior court. If so filed, the clerk shall treat the Final Order in the same manner as a superior court judgment as to the fine, and the fine may be recorded, enforced, or satisfied in like manner.

WILLFUL VIOLATION OF THIS ORDER IS A CRIMINAL OFFENSE.

SIGNED and ENTERED this 21st day of February, 2025.

/s/

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William M. Beatty
Securities Administrator

Approved by:

/s/

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Presented by:

/s/

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Brian J. Guerard
Chief of Enforcement

Keenan Osborne
Financial Legal Examiner

Reviewed by:

/s/

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Holly Mack-Kretzler
Financial Legal Examiner Supervisor