

1 STATE OF CALIFORNIA  
2 BUSINESS, CONSUMER SERVICES AND HOUSING AGENCY  
3 DEPARTMENT OF FINANCIAL PROTECTION AND INNOVATION  
4

5 TO: Scoutpads LLC  
6 1623 Central Avenue, Suite 18  
7 Cheyenne, Wyoming 82001

8 Sief Khafagi  
9 11583 Flowerwood Court  
10 Moorpark, California 93021

11 **DESIST AND REFRAIN ORDER**  
12 **(For violations of Sections 25210 and 25401 of the Corporations Code)**

13 The Complainant, the Commissioner of Financial Protection and Innovation (Commissioner) of the  
14 Department of Financial Protection and Innovation (Department), is informed and believes, and  
15 based on such information and belief, finds as follows:

16 **I. Introduction**

17 1. From June 2021 through August 2023, Scoutpads LLC (Scoutpads) was a Wyoming  
18 limited liability company. Scoutpads was administratively dissolved in August 2023 by the  
19 Wyoming Secretary of State. Prior to its dissolution, Scoutpads did business in California but was  
20 not registered with the California Secretary of State.

21 2. At all relevant times, Sief Khafagi (Khafagi) was a California resident and control  
22 person of Scoutpads. Khafagi was employed as a recruiter at Facebook beginning in or around  
23 2018 through 2021. Khafagi represented to potential investors, including other employees of  
24 Facebook, that he was doing business in California using the business name “Scoutpads.”

25 3. At all relevant times, Metallic Blue Development LLC (Metallic Blue) was a  
26 California limited liability company located in Beverly Hills, California. Metallic Blue was  
27 registered with the California Secretary of State on or about January 24, 2018.

28 4. At all relevant times, Brian Dozier (Dozier) was a resident of California and a  
control person for Metallic Blue.



1           11.     Instead, Khafagi and Scoutpads misleadingly marketed the investments to make  
2 investors believe that he and Scoutpads were in control of the investments and investment  
3 properties. For example:

- 4           a)     Khafagi sent potential investors an offering brochure about a specific investment  
5           property titled “Scoutpads x Harper”, which falsely stated, “We also know the  
6           property extremely well, having owned it since 2017...” The final slide says,  
7           “Interested? Join Us. Scoutpads.com”. In fact, Khafagi and Scoutpads did not  
8           own the property.
- 9           b)     Khafagi sent investors an email update about a property from his Scoutpads  
10           email address that said, “Interior work is nearing completion within the next 30-  
11           60 days or so in which we’ll then get started on some landscaping, paint etc.  
12           The part where we make it look better ;)” In fact, Khafagi and Scoutpads were  
13           not directing the renovations on the properties, and were instead transmitting  
14           information to investors at the direction of Dozier and Metallic Blue.

15           12.     When investors directly asked Khafagi and Scoutpads about the role Metallic Blue  
16 played in the investments, Khafagi and Scoutpads misrepresented their relationship. For example,  
17 in responding to a confused investor inquiry, “Could you clarify who Metallic is? I thought your  
18 company was called Scoutpads,” Khafagi falsely replied, “Metallic is one of several LLCs we  
19 have. We use different LLC’s to purchase, sell, capital distributions etc. It protects both us, [and]  
20 our investors from unnecessary risk.”

21           13.     Khafagi made these misrepresentations and omissions to give potential investors  
22 assurance that they were investing with a trusted co-worker, rather than with a third-party real  
23 estate flipper. The fact that someone that investors knew (Khafagi) was involved was a key factor  
24 for many in deciding to invest.

25           14.     Contrary to Khafagi’s statements, Dozier and Metallic Blue alone controlled the  
26 investments. Khafagi’s communications failed to disclose that Scoutpads was communicating with  
27 investors only on behalf of Dozier and Metallic Blue and that he was earning substantial  
28 compensation from Dozier under an independent contractor agreement.

1           15.     Around June of 2021, Khafagi told investors that Scoutpads was transitioning from  
2 selling investments in individual projects to a “fund” model. Khafagi told investors that they had  
3 the option of rolling over their existing investments into the fund and began offering new  
4 investment contracts with Metallic Blue titled “Investment Commitment Agreement.”

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

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

17           18.     On March 5, 2022, Khafagi emailed investors that Metallic Blue would officially  
18 handle “investor relations” directly without the involvement of Khafagi and Scoutpads.

19           19.     Khafagi’s and Scoutpads’ disclosure of the fact that, contrary to earlier  
20 representations, they were not in control of the fix-and-flip business, but instead were only  
21 responsible for “investor relations”—shocked investors. Investors attempted to contact Dozier and  
22 Metallic Blue to resolve their concerns, with little success.

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

27           21.     Contrary to Khafagi’s prior representations to investors, Khafagi testified under oath  
28 in the Metallic Blue Bankruptcy proceedings that “Scoutpads was a platform to introduce folks to

1 real estate investments. These properties were never mine or ours. They were Metallic Blue’s or  
2 under the control and direction of Metallic Blue.” Khafagi further admitted that he and Scoutpads  
3 had no financial control over Metallic Blue’s properties or business and that he relied on Dozier for  
4 all information relevant to the investments.

5 22. Since investing with Khafagi and Scoutpads, several investors lost most or all of  
6 their funds.

7 **III.**

8 **DESIST AND REFRAIN ORDER TO**  
9 **SIEF KHAFAGI AND SCOUTPADS LLC**

10 **(For Violations of California Corporations Code sections 25401 and 25210)**

11 The Commissioner is authorized to administer and enforce the provisions of the Corporate  
12 Securities Law of 1968 (Cal. Corp. Code § 25000 et seq.) and the regulations promulgated  
13 thereunder at Title 10 of the California Code of Regulations. Based on the foregoing findings, the  
14 Commissioner is of the opinion that the investment contracts described above are securities under  
15 the Corporate Securities Law of 1968 (Cal. Corp. Code § 25000 et seq.), thus subject to regulation  
16 by the Commissioner. The Commissioner is of the further opinion that Khafagi and Scoutpads LLC  
17 offered or sold these securities by means of written and oral communications that included untrue  
18 statements of material fact and omissions of material fact necessary to make the statements, in light  
19 of the circumstances under which they were made, not misleading, in violation of California  
20 Corporations Code section 25401.

21 Pursuant to California Corporations Code section 25532, subdivision (c), Sief Khafagi and  
22 Scoutpads LLC, and their successors and assignees are hereby ordered to desist and refrain from  
23 offering or selling any security in the State of California by means of any written or oral  
24 communication which includes an untrue statement of a material fact or omits to state a material  
25 fact necessary to make the statements, in light of the circumstances under which they were made,  
26 not misleading.

27 Additionally, the Commissioner is of the opinion that Khafagi and Scoutpads LLC  
28 conducted business as securities broker-dealers by engaging in the business of effecting

1 transactions in securities for the account of others and did induce or attempt to induce the purchase  
2 or sale of a security in California. Khafagi and Scoutpads LLC were required under Corporations  
3 Code section 25210 to obtain a certificate from the Commissioner to act as securities broker-  
4 dealers in the State of California. The Commissioner has no record of having received an  
5 application from or having granted a broker-dealer certificate to Khafagi or Scoutpads LLC.

6 Based on the foregoing findings, the Commissioner of Financial Protection and Innovation  
7 is of the opinion that Sief Khafagi and Scoutpads LLC effected transactions in securities and did  
8 induce or attempt to induce the purchase or sale of securities as broker-dealers in the State of  
9 California without having first applied for and secured from the Commissioner a certificate, then in  
10 effect, authorizing them to act in that capacity, in violation of section 25210 of the Corporations  
11 Code. Under section 25532 of the Corporations Code, subdivision (b), Sief Khafagi and Scoutpads  
12 LLC are hereby ordered to desist and refrain from effecting any transaction in or inducing or  
13 attempting to induce the purchase or sale of, any security in this state, unless and until they have  
14 applied for and secured from the Commissioner a certificate, then in effect, authorizing them to act  
15 in that capacity.

16 This Order is necessary and in the public interest for the protection of investors and is  
17 consistent with the purposes, policies, and provisions of the Corporate Securities Law of 1968.

18

19 Dated: October 17, 2024

CLOTHILDE V. HEWLETT  
Commissioner of Financial Protection and Innovation

20

21



22

By:

23

\_\_\_\_\_  
MARY ANN SMITH  
Deputy Commissioner  
Enforcement Division

24

25

26

27

28