

DEVELOPER: Order finds Adolf mislead his investors

Continued from page 1

to fund the facility in Sisters. Adolf has been attempting to finance a senior-living facility in Sisters (called the Lodge in the consent order) since 2011, first working with the owners of the McKenzie Meadow Village (MMV) near Sisters High School and, after that relationship was severed, on his own at a location near Sisters' post office.

According to the consent order entered January 11, the Adolfs and their businesses sold securities — investor shares in the project — without proper registration and without their being registered as securities salespersons. Additionally, the order states that in their representations to investors they “made untrue statements of material fact or omitted to state material facts necessary to make the material facts ... not misleading.”

Securities Division spokesman Adam Yeaton told *The Nugget* that investigations by the Securities Division are generally undertaken based on “a complaint by an investor or an interested third party.”

Adolf initially worked with the Reed, Willitts, and Kallberg families of Sisters to develop a facility

at MMV. Adolf's site plan was approved by the City in 2011. Due to Adolf's inability to secure financing for the project, the property owners granted repeated extensions on his contract, being assured that Adolf would successfully acquire the financing. After three years' delay due to lack of adequate finances, the contract with Adolf was terminated.

Bend resident Kevin Cox, owner of Ageia Health Services, who has built and operates six senior-living facilities, came forward with a proposal to build the MMV facility. In the meantime, Adolf applied to the City for permits to build his facility on the empty property adjacent to the post office, between Larch and Locust streets.

Those permits have long been approved, but have not been pulled, according to City of Sisters planner Patrick Davenport.

“They're still sitting there, waiting for that to happen, Davenport said.

The planner noted that there is a clock ticking on the project: If work is not begun before state code updates go into effect, Adolf will have to reapply. Davenport did not have a timeline as to when that might happen.

The consent order explores Adolf's failure to secure debt financing to launch and complete the project, stating:

“Over approximately the last five years, Mark Adolf has lulled investors by sending numerous emails claiming that lenders were interested in the Lodge and that the project was on track. In the emails, Mark Adolf blamed various causes for his inability to secure financing, such as the Dodd-Frank Act, bank mergers, and lenders pulling back from rural areas. During this time, he failed to inform investors about significant ongoing problems with the Lodge. For instance, he failed to inform investors in August 2013 that the purchase and sale agreement for the proposed site for the Lodge had expired. He also failed to inform investors that a competing facility was being planned at the site formerly planned for the Lodge, or that Pinnacle was suing the company involved with the new facility for allegedly stealing his designs for the Lodge.”

The order asserts that the Adolfs “failed to adequately disclose certain fees which they would receive from the investors regardless of the success of the Lodge. The executive summary provided to investors included an estimated \$10.7 million in total construction costs and stated that ‘a Development Fee for owner and investor representation and oversight of design, development, and construction’ would be included in the costs, but did not disclose the

\$350,000 in fees which would go to the Adolfs, through Pinnacle, immediately after they had finished raising money from investors...

“Through Pinnacle, Mark Adolf paid \$48,749 to himself and Anita Adolf for the first 25 percent fee immediately after the Lodge had finished raising money from investors, even though the Lodge had not closed construction financing on the property yet.

“Mark Adolf misrepresented to investors the circumstances under which he would withdraw this fee by claiming that he would take the fee ‘at the close of construction financing,’ but taking it when construction financing had not yet closed.”

Securities Division spokesman Yeaton confirmed that the Adolfs have signed the consent order, which resolves the violations.

The order requires the Adolfs to cease and desist from violations and makes them “jointly and severally liable” to pay a fine of \$10,000 and investigative costs of \$5,000.

The parties also agreed that the consent order “does not constitute, and is not intended to be used as, an admission of or evidence of any fault, omission or liability of any Respondent in any civil, criminal, arbitration, or administrative proceeding.”

The effect of the consent

order on Adolf's project is unclear. Adolf responded after deadline to multiple phone messages and an emailed list of questions from *The Nugget* with an email stating that he was out of town for a funeral.

Adolf subsequently emailed *The Nugget*, declining to comment, stating, “Considering the accuracy, tone, and slant of previous article (sic) in *The Nugget*... I do not feel that any information I might provide to you would be portrayed accurately or in an honest light...”

Full consent order can be found with the online version of this story at www.NuggetNews.com.

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