

NICK MAZANEC
Office of the Montana State Auditor,
Commissioner of Securities and Insurance (CSI)
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Helena, MT 59601
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Attorney for the CSI

**BEFORE THE COMMISSIONER OF SECURITIES AND INSURANCE,
OFFICE OF THE MONTANA STATE AUDITOR**

IN THE MATTER OF:)	CASE NO. SEC-2015-369
)	
KAIROS PROPERTIES LLC and)	CONSENT AGREEMENT AND
MARTIN CONNELL,)	FINAL ORDER
)	
Respondents.)	

This Consent Agreement (Agreement) is entered into by the Office of the Montana State Auditor, Commissioner of Securities and Insurance (CSI), acting pursuant to the authority of the Securities Act of Montana, Mont. Code Ann. § 30-10-101 et seq. (Act), and Kairos Properties LLC (Kairos) and Martin Connell (Connell) (collectively, Respondents). The corresponding Final Order (Order) is issued by the authority of the Commissioner of Securities and Insurance, Office of the Montana State Auditor (Commissioner).

RECITALS

WHEREAS, Kairos is a building operator that develops and manages a large commercial property in downtown Billings, Montana;

WHEREAS, Connell is a member and principal of Kairos;

WHEREAS, between December 9, 2009, and August 24, 2014, Respondents issued seven promissory notes to investors with Kairos as maker,

WHEREAS, between December 31, 2008, and July 8, 2014, Respondents sold for consideration three membership interests in Kairos:

WHEREAS, in the Fall of 2015, the CSI received a complaint from a Kairos investor who reported that Respondents did not return her note principal to her upon maturity of the note:

WHEREAS, three of the notes were paid in full with agreed interest by Kairos;

WHEREAS, following an investigation, the CSI alleged that Respondents violated Mont. Code Ann. § 30-10-301;

NOW, THEREFORE, in consideration of the mutual undertakings contained in this Agreement, the CSI and Respondents hereby agree to settle this matter pursuant to the following terms and conditions:

STIPULATIONS AND CONSENTS

I Respondents stipulate and consent to the following:

A. Respondents neither admit nor deny the allegations in the Recitals, above.

B. Within thirty calendar days from the execution of this Agreement, Kairos shall pay the State of Montana an administrative penalty of ten thousand dollars (\$10,000.00).

The payment shall be in the form of check made payable to the State of Montana, and sent to:

Montana State Auditor
c/o Darla Sautter
840 Helena Avenue
Helena, MT 59601

C. Within thirty calendar days from the execution of this Agreement, Connell shall pay the State of Montana an administrative penalty of five thousand dollars (\$5,000.00).

The payment shall be in the form of a check made payable to the State of Montana, and sent to:

Montana State Auditor
c/o Darla Sautter
840 Helena Avenue
Helena, MT 59601

D. Within thirty calendar days of the effective date of this Agreement, Kairos shall make offers of rescission to those parties set forth in Exhibit A. These rescission offers shall include repayment of principal and interest at the lesser of either 10 percent or the interest rate set forth in the note, if applicable. The interest rates for the rescission offers are stated in Exhibit A. The rescission offers must be made in the form of a letter agreed upon by Respondents and the CSI, which the CSI shall issue to the affected parties.

E. In the event that a noteholder or investor elects rescission, Kairos shall pay all principal and interest due within 180 calendar days of Kairos' notification of the election to rescind. Payments shall be made in the form of separate checks, each check made out and sent to the individual noteholder or investor. Copies of each check shall be sent to:

Montana State Auditor
c/o Lisa Monroe
840 Helena Avenue
Helena, MT 59601

F. Respondents shall comply with the Act and all other laws of the State of Montana

G. Respondents fully and forever release and discharge the CSI, its employees, and its agents from any and all actions, claims, causes of action, demands, or expenses for damages or injuries, whether asserted or unasserted, known or unknown, foreseen or unforeseen, arising out of this Agreement.

H. Respondents specifically and affirmatively waive a contested case hearing and all rights to appeal under the Montana Administrative Procedure Act, Mont. Code Ann. § 2-4-101 et seq., and elect to resolve this matter on the terms and conditions set forth herein.

I. Respondents acknowledge that this Agreement is signed by Connell and by Kairos' authorized representative, who have read and understand each term of this Agreement.

J. Respondents acknowledge that they enter into this Agreement voluntarily and without reservation.

II. All parties to this Agreement stipulate and consent as follows:

A The CSI has jurisdiction over the subject matter of this Agreement.

B This Agreement is entered without adjudication of any issue, law, or fact.

It is entered solely for the purpose of resolving the CSI's investigation and allegations, and is not intended to be used for any other purpose.

C The CSI warrants and represents that so long as Respondents comply with the terms of this Agreement, the CSI will not bring any further action against Respondents arising from facts known to the CSI as of the date of the Agreement relating to the Recitals.

D. The applicable statute of limitations is tolled for two years from the date of execution of this Agreement with regard to the allegations set forth above. In the event either Respondent violates the terms of this Agreement at any time before the applicable statute of limitations has run, the CSI reserves the right to seek any additional administrative penalties or further regulatory action against that Respondent.

E. This Agreement constitutes the entire agreement between the parties and no other promises or agreements, either express or implied, have been made by the CSI or by any member, officer, agent, or representative of the CSI to induce Respondents to enter into this Agreement

F. This Agreement may not be modified orally, and any subsequent modifications to this Agreement must be mutually agreed upon in writing to be effective.

J. This Agreement and Order are public records under Montana law and as such may not be sealed or otherwise withheld from the public.

DATED this 15th day of June, 2016.

**OFFICE OF THE MONTANA STATE
AUDITOR, COMMISSIONER OF
SECURITIES AND INSURANCE**

By: 

NICK MAZANEC
Attorney for the CSI

DATED this 7th day of June, 2016.

KAIROS PROPERTIES LLC

By: 

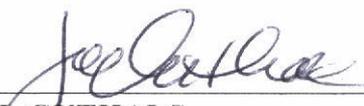
Name: MARTIN CONNELL
Its: MANAGER

DATED this 7th day of June, 2016.



MARTIN CONNELL

Reviewed for legal content this 7th day of June, 2016.



JOEL GUTHALS

FINAL ORDER

Pursuant to the authority vested by Mont. Code Ann. § 2-4-603 and § 30-10-101 et seq., and upon review of the foregoing Consent Agreement, and good cause appearing,

IT IS HEREBY ORDERED that the foregoing Consent Agreement between the CSI and Respondents Kairos Properties LLC and Martin Connell is adopted as if set forth fully herein.

DATED this 15 day of June, 2016.

MONICA J. LINDEEN
Commissioner of Securities and Insurance,
Office of the Montana State Auditor

By: 
ANDREW POSEWITZ
Deputy State Auditor

**EXHIBIT A
TO
CONSENT AGREEMENT AND FINAL ORDER**

In accordance with the Consent Agreement and Final Order (“Agreement”) entered in the matter of Kairos Properties, LLC and Martin Connell. Case No. SEC-2015-369, Kairos Properties, LLC shall make rescission offers in accordance with Article I.D. of the Agreement as follows:

<u>Name of Payee/Investor</u>	<u>Dated of Note/Investment</u>	<u>Amount</u>	<u>Interest Rate</u>
WD and SD	12/31/2008	\$ 2,625	5%
RS	07/26/2011	\$100,000	3.25%
MN	07/08/2014	\$ 50,000	5%
PH and DH	08/22/2014	\$ 50,000	5%