

STATE OF NEW JERSEY  
BUREAU OF SECURITIES  
P.O. Box 47029  
Newark, New Jersey 07101  
(973) 504-3600

**IN THE MATTER OF:**

Jeffrey Mitchell Isaacs (CRD# 2056122),  
individually, and d/b/a JB Financial  
Resources, JMI Associates LLC d/b/a JB  
Financial Resources, and 83 Delafield St.,  
LLC,

Respondents.

**SUMMARY PENALTY  
ORDER**

Pursuant to the authority granted to Christopher W. Gerold, Chief of the New Jersey Bureau of Securities (“Bureau Chief”), under the Uniform Securities Law (1997), N.J.S.A. 49:3-47 to -83 (“Securities Law”) and certain regulations thereunder, and based upon documents and information obtained during the investigation by the New Jersey Bureau of Securities (“Bureau”), the Bureau Chief hereby finds that there is good cause and it is in the public interest to enter this Summary Penalty Order (“Order”) against Jeffrey Isaacs (“Isaacs”), individually and d/b/a JB Financial Resources, JMI Associates LLC d/b/a JB Financial Resources, and 83 Delafield St., LLC (“Delafield LLC”).

**SUMMARY**

Between 2013 and 2017, Isaacs and his related entities sold \$7.1 million of unregistered securities in the form of promissory notes described as First Position Commercial Mortgages

("FPCMs") to more than twenty-six (26) New Jersey investors on behalf of funds sponsored by the Woodbridge Group of Companies, LLC ("Woodbridge"). Isaacs marketed the FPCMs as short-term, safe investments, secured by real estate that paid an annual interest rate of 5% or more. In reality, the securities were unregistered, unsecured, and part of an alleged \$1.2 billion Ponzi scheme.

On December 4, 2017, Woodbridge and the funds it sponsored, along with other related entities, filed for Chapter 11 bankruptcy protection and the FPCM interest payments to investors ceased. Shortly thereafter, on December 20, 2017, the United States Securities and Exchange Commission ("SEC") filed a complaint in the United States District Court for the Southern District of Florida alleging that Woodbridge and Woodbridge-related companies, including the funds that issued the FPCMs, were part of a massive \$1.2 billion Ponzi scheme orchestrated by Woodbridge's former Chief Executive Officer Robert Shapiro.

Isaacs and his related entities were paid approximately \$195,000 for selling the unregistered FPCMs, while investors are now left to deal with the devastating impact of trying to recover their investments.

Accordingly, the Bureau Chief makes the following findings of fact and conclusions of law:

## **FINDINGS OF FACT**

### **A. Respondents**

1. Jeffrey Mitchell Isaacs (CRD# 2056122), residing in New Brunswick, New Jersey, was registered with the Bureau as an agent and/or investment adviser representative of various broker-dealers and investment advisers from July 1990 to December 2011. On March 5, 2013, Isaacs consented with the Bureau to a suspension of his agent and investment adviser

representative registrations for three years from November 23, 2011 through November 23, 2014 (“Consent Order”). The Consent Order contained findings by the Bureau Chief that Isaacs had engaged in dishonest or unethical practices in the securities business. Isaacs has not applied for registration in any capacity with the Bureau since the conclusion of his three-year suspension.

2. JMI Associates LLC is a New Jersey limited liability company, formed on or about July 30, 2010. Isaacs is the managing member. It has a principal address of 2171 Woodbridge Avenue, 2<sup>nd</sup> Floor, Edison, New Jersey, and maintains a business address located at Isaacs’ residential address in New Brunswick, New Jersey.

3. JB Financial Resources is an unformed business association. Since approximately 2003, Isaacs has done business under the name “JB Financial Resources,” which is located at 2171 Woodbridge Avenue, 2<sup>nd</sup> Floor, Edison, New Jersey. JMI Associates LLC also does business under the name “JB Financial Resources.” Isaacs is the sole employee of JB Financial Resources. JB Financial Resources purports to offer tax preparation services, retirement planning, insurance, annuities, and long-term care insurance.

4. Delafield LLC is a New Jersey limited liability company, formed on or about February 25, 2011. Isaacs is the managing member. It maintains a business address located at Isaacs’ residential address in New Brunswick, New Jersey. Isaacs used Delafield LLC to pool the money from smaller investors to allow them to invest in the FPCMs.

## **B. Background**

5. Woodbridge, a California-based financial company, purported to be a commercial lender that made hard-money loans that were secured by mortgages on commercial property. To help fund the purported hard-money loans, Woodbridge raised money from investors by offering the FPCMs issued by Woodbridge-related entities: Woodbridge Mortgage Investment Fund 1,

LLC, Woodbridge Mortgage Investment Fund 2, LLC, Woodbridge Mortgage Investment Fund 3, LLC, Woodbridge Mortgage Investment Fund 3A, LLC, and Woodbridge Mortgage Investment Fund 4, LLC (collectively, “Woodbridge Funds”).

6. The FPCMs issued by the Woodbridge Funds included related documents including a Promissory Note (defined above as the FPCMs), a Loan Agreement, Assignment of Promissory Note and Mortgage, Collateral Assignment of Note, Mortgage, and other Loan Documents, and an Intercreditor Agreement (collectively, “FPCM Documents”).

7. The FPCM Documents included a representation that the investment included collateral consisting of a secured, first lien interest in a specific property address and mortgage. The FPCMs were for a term of approximately one-year and purported to pay 5% interest annually to investors on a monthly basis, and included a representation that if the Woodbridge Funds failed to pay, then Woodbridge would pay the investors. At the conclusion of the term, investors could either receive a return of their principal investment or roll-over their investment into a new FPCM.

8. The FPCMs issued by the Woodbridge Funds are securities as defined in N.J.S.A. 49:3-49(m) of the Securities Law and were required by N.J.S.A. 49:3-60 to be registered with the Bureau, federally covered, or exempt from registration.

9. The FPCMs issued by the Woodbridge Funds were not registered with the Bureau, federally covered, or exempt from registration.

10. On December 4, 2017, Woodbridge, the Woodbridge Funds, and other Woodbridge-related entities filed for Chapter 11 bankruptcy protection in the U.S. Bankruptcy Court for the District of Delaware.

11. On December 20, 2017, the SEC filed a complaint in the United States District Court for the Southern District of Florida against Woodbridge, Woodbridge’s former Chief

Executive Officer Robert Shapiro (“Shapiro”), the Woodbridge Funds, and other Woodbridge-related entities alleging, among other things, that the sale of the FPCMs were fraudulent and part of a \$1.2 billion Ponzi scheme orchestrated by Shapiro.

**C. Sale of the Unregistered FPCMs**

12. Between 2013 and 2017 (“the Relevant Time Period”), Isaacs, JMI Associates LLC, and JB Financial Resources sold approximately eighty-eight (88) FPCMs to twenty-six (26) New Jersey residents on behalf of the Woodbridge Funds. The total value of the eighty-eight (88) FPCMs that Isaacs sold, which includes investments that were rolled over into another investment in the FPCMs, was approximately \$7.1 million.

13. Isaacs, JMI Associates LLC and JB Financial Resources, through solicitation materials that Isaacs presented to investors, represented that the FPCMs were “a unique lending opportunity with higher yields that [are] simple, safer and secured.” According to these materials, the Woodbridge Funds used the proceeds from the sale of the FPCMs to extend commercial loans to third-party commercial borrowers.

14. Isaacs, JMI Associates LLC and JB Financial Resources, through Isaacs, represented to investors that the FPCMs contained “Three Layers of Collateral”:

- i. **PROMISSORY NOTE:** Contractual promise to repay the lender according to the agreed terms and conditions set forth in both the Promissory Note and Loan Agreement. The Promissory Note forms the basis of a lender’s right to payment according to the terms set forth.
- ii. **LOAN AGREEMENT:** The Loan Agreement creates and attaches a security interest in the lender-selected collateral in favor of that lender.
- iii. **ASSIGNMENT AND COLLATERAL ASSIGNMENT:** These documents are a pledged conveyance of all of its rights, title, and interest as holder and owner of the selected commercial note and mortgage loan instruments and proceeds.

15. In reality, however, many of the FPCMs sold by Isaacs were not immediately collateralized. In some cases, the loans were not extended to borrowers until weeks, or even months, after Isaacs sold the FPCMs to investors. Isaacs' advertisements of the FPCMs as safe and secured obscured that fact.

16. Isaacs, JMI Associates LLC and JB Financial Resources, through Isaacs, also represented to investors that "[t]here are no transaction fees [for the FPCMs], nor are there any sales commissions to pay, EVER. Every dollar (100%) of the Lenders deposit goes to work IMMEDIATELY!" Contrary to this representation, Isaacs, directly or through JMI Associates LLC and JB Financial, was compensated for each FPCM they sold.

17. To compensate Isaacs, JMI Associates LLC and/or JB Financial Resources for the sales of the FPCMs, the Woodbridge Funds paid Isaacs the difference between the wholesale interest rate paid by the FPCMs, which was typically 9%, and the rate of interest that the investor received from the FPCM. Woodbridge and the Woodbridge Funds gave Isaacs the discretion to adjust the interest rate that investors would receive.

18. According to Isaacs, he would make this determination on an investor by investor basis based upon certain factors, including the amount invested and how long the investor had been his client.

19. Over the Relevant Time Period, the Woodbridge Funds paid Isaacs, JB Financial Resources and/or JMI Associates LLC approximately \$195,000 for the sale of the unregistered FPCMs issued by the Woodbridge Funds.

20. Isaacs acted as an agent of the Woodbridge Funds, as defined in N.J.S.A. 49:3-49(b), in effecting or attempting to effect transactions in securities in the form of FPCMs in and from New Jersey.

21. Isaacs was not registered with the Bureau as an agent of Woodbridge or with any other entity during the relevant time period.

**D. Sale of Unregistered Promissory Notes for Indirect Investment in the FPCMs**

22. Isaacs, JB Financial Resources, and Delafield LLC, through Isaacs, offered and sold securities in the form of promissory notes issued by Delafield LLC, which invested the funds in the FPCMs.

23. According to Isaacs, the minimum required investment amount in certain of the FPCMs issued by the Woodbridge Funds was \$25,000. For certain of Isaacs' clients that could not, or did not want, to invest \$25,000, Isaacs used Delafield LLC to facilitate smaller investments in the FPCMs issued by the Woodbridge Funds.

24. In order to meet the required minimum amount for investment in the FPCMs, Isaacs had investors remit checks to Delafield LLC. Isaacs would then pool the investors' funds, and Delafield LLC would purchase the FPCMs from the Woodbridge Funds on behalf of these smaller investors under Delafield LLC's name. The Woodbridge Funds would then pay the interest to Delafield LLC, which in turn would send interest payments to its smaller investors.

25. Isaacs, JB Financial Resources, and Delafield LLC had at least six investors remit money to Delafield LLC. Delafield LLC in turn purchased at least four FPCMs with those investors' funds. The Woodbridge Funds listed Delafield LLC on the FPCM Documents with no reference to the investors in Delafield LLC.

26. In order to provide investors evidence of their investment in Delafield LLC, and in turn the FPCMs, Isaacs created a promissory note for the investors in Delafield LLC by copying the promissory note that the Woodbridge Funds would provide as part of the FPCM Documents. According to Isaacs, he did this so the investor had "something tangible that they could take home

with them.”

27. The promissory notes issued by Delafield LLC are securities as defined in N.J.S.A. 49:3-49(m) of the Securities Law and were required by N.J.S.A. 49:3-60 to be registered with the Bureau, federally covered, or exempt from registration.

28. The promissory notes issued by Delafield LLC were not registered with the Bureau, federally covered, or exempt from registration.

### **CONCLUSIONS OF LAW**

#### **ISAACS, JB FINANCIAL RESOURCES AND JMI ASSOCIATES LLC, THROUGH ISAACS, SOLD UNREGISTERED SECURITIES N.J.S.A. 49:3-60**

29. The preceding paragraphs are incorporated by reference as though set forth verbatim herein.

30. Isaacs, JB Financial Resources, and JMI Associates LLC, through Isaacs, offered and sold unregistered securities issued by the Woodbridge Funds in the form of FPCMs in violation of N.J.S.A. 49:3-60.

31. Each offer and sale of unregistered securities constitutes a separate violation of N.J.S.A. 49:3-60 and is cause for the imposition of civil monetary penalties pursuant to N.J.S.A. 49:3-70.1.

#### **ISAACS, JB FINANCIAL RESOURCES, AND DELAFIELD LLC, THROUGH ISAACS, SOLD UNREGISTERED SECURITIES N.J.S.A. 49:3-60**

32. The preceding paragraphs are incorporated by reference as though set forth verbatim herein.

33. Isaacs, JB Financial Resources, and Delafield LLC, through Isaacs, offered and



sold unregistered securities in the form of promissory notes issued by Delafield LLC in violation of N.J.S.A. 49:3-60.

34. Each offer and sale of unregistered securities constitutes a separate violation of N.J.S.A. 49:3-60 and is cause for the imposition of civil monetary penalties pursuant to N.J.S.A. 49:3-70.1.

**ISAACS ACTED AS AN AGENT WITHOUT REGISTRATION**  
**N.J.S.A. 49:3-56(a)**

35. The preceding paragraphs are incorporated by reference as though set forth verbatim herein.

36. Isaacs acted as an agent in effecting or attempting to effect transactions in securities from or in New Jersey, as defined by N.J.S.A. 49:3-49(b), without being registered by the Bureau, in violation of N.J.S.A. 49:3-56(a).

37. Each and every sale of securities to investors constitutes a separate violation of N.J.S.A. 49:3-56(a) and is cause for the imposition of a civil monetary penalty for each separate violation pursuant to N.J.S.A. 49:3-70.1

**CONCLUSION**

**THEREFORE**, it is on this 16<sup>th</sup> day of April 2018, hereby **ORDERED** that:

38. Civil monetary penalties totaling Seven Hundred Fifty Thousand dollars (\$750,000) are hereby assessed as provided in the following paragraphs.

39. Jeffrey Mitchell Isaacs, JB Financial Resources, and JMI Associates LLC are jointly and severally assessed and liable to pay civil monetary penalties in the amount of Three Hundred Seventy-Five Thousand dollars (\$375,000), pursuant to N.J.S.A. 49:3-70.1, for the violations of the Securities Law described in this Order, which is immediately due and payable.

40. Jeffrey Mitchell Isaacs, JB Financial Resources, and 83 Delafield St., LLC are jointly and severally assessed and liable to pay civil monetary penalties in the amount of Fifty Thousand dollars (\$50,000), pursuant to N.J.S.A. 49:3-70.1, for the violations of the Securities Law described in this Order, which is immediately due and payable.

41. Jeffrey Mitchell Isaacs is assessed and liable to pay civil monetary penalties in the amount of Three Hundred Twenty-Five Thousand dollars (\$325,000), pursuant to N.J.S.A. 49:3-70.1, for the violations of the Securities Law described in this Order, which is immediately due and payable.

42. In total, Jeffrey Mitchell Isaacs is assessed and liable to pay civil monetary penalties as set forth in ¶¶ 39 – 41 above, in the total amount of Seven Hundred Fifty Thousand dollars (\$750,000).

43. In total, JMI Associates LLC is assessed and liable to pay civil monetary penalties as set forth in ¶ 39 above, in the total amount of Three Hundred Seventy-Five Thousand dollars (\$375,000).

44. In total, JB Financial Resources is assessed and liable to pay civil monetary penalties as set forth in ¶¶ 39 – 40 above, in the total amount of Four Hundred Twenty-Five Thousand dollars (\$425,000).

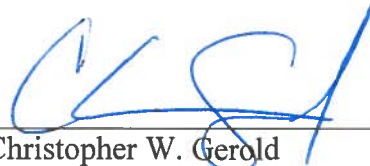
45. In total, 83 Delafield St., LLC is assessed and liable to pay civil monetary penalties as set forth in ¶ 40 above, in the total amount of in the amount of Fifty Thousand dollars (\$50,000).

46. Payment of civil monetary penalties shall be made by certified check, bank check, or an attorney trust account check, payable to “State of New Jersey, Bureau of Securities,” and delivered to the Bureau at 153 Halsey Street, 6th Floor, Newark, NJ 07102, to the attention of the

Bureau Chief. The civil monetary penalty payments shall be deposited in the Securities Enforcement Fund, pursuant to N.J.S.A. 49:3-66.1.

47. All exemptions contained in N.J.S.A. 49:3-50 subsection (a) paragraph 9, 10, and 11 and subsection (b) are hereby **DENIED** as to Jeffrey Mitchell Isaacs, JMI Associates LLC, JB Financial Resources, and 83 Delafield St., LLC.

48. All exemptions to the registration requirements provided by N.J.S.A. 49:3-56(b), N.J.S.A. 49:3-56(c), and N.J.S.A. 49:3-56(g) are hereby **REVOKED** as to Jeffrey Mitchell Isaacs, JMI Associates LLC, JB Financial Resources, and 83 Delafield St., LLC.



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Christopher W. Gerold  
Chief, New Jersey Bureau of Securities

### **NOTICE OF RIGHT TO HEARING**

Pursuant to the Uniform Securities Law (1997), N.J.S.A. 49:3-47 to -83 (“Securities Law”), specifically, N.J.S.A. 49:3-58(c), the Bureau Chief shall entertain on no less than three days’ notice, a written application to lift the summary revocation on written application of the applicant or registrant and in connection therewith may, but need not, hold a hearing and hear testimony, but shall provide to the applicant or registrant a written statement of the reasons for the summary revocation.

This matter will be set down for a hearing if a written request for such a hearing is filed with the Bureau within 20 days after the respondent receives this Order. A request for a hearing must be accompanied by a written response, which addresses specifically each of the allegations set forth in the Order. A general denial is unacceptable. At any hearing involving this matter, an individual respondent may appear on his/her own behalf or be represented by an attorney.

Orders issued pursuant to this subsection to suspend or revoke any registration shall be subject to an application to vacate upon 10 days’ notice, and a preliminary hearing on the order to suspend or revoke any registration shall be held in any event within 20 days after it is requested, and the filing of a motion to vacate the order shall toll the time for filing an answer and written request for a hearing.

If no hearing is requested, the Order shall become a Final Order and will remain in effect until modified or vacated. If a hearing is held, the Bureau Chief shall affirm, vacate or modify the order in accordance with the findings made at the hearing.

### **NOTICE OF OTHER ENFORCEMENT REMEDIES**

You are advised that the Securities Law provides several enforcement remedies, which are available to be exercised by the Bureau Chief, either alone or in combination. These remedies include, in addition to this action revoking your registration, the right to seek and obtain injunctive and ancillary relief in a civil enforcement action, N.J.S.A. 49:3-69, and the right to seek and obtain civil penalties in an administrative or civil action, N.J.S.A. 49:3-70.1.

You are further advised that the entry of the relief requested does not preclude the Bureau Chief from seeking and obtaining other enforcement remedies against you in connection with the claims made against you in this action.