
*
IN THE MATTER OF: *
*
JAX ACQUISITIONS II LLC *
*
(“Respondent”) *
*

ORDER TO CEASE AND DESIST
NOTICE OF INTENT TO FINE
AND
NOTICE OF RIGHT TO HEARING
DOCKET NO. CF-21-8397-S

I. PRELIMINARY STATEMENT

1. The Banking Commissioner (“Commissioner”) is charged with the administration of Chapter 672a of the General Statutes of Connecticut, the Connecticut Uniform Securities Act (“Act”), and Sections 36b-31-2 to 36b-31-33, inclusive, of the Regulations of Connecticut State Agencies (“Regulations”) promulgated under the Act.

2. Pursuant to Section 36b-26(a) of the Act, the Commissioner, through the Securities and Business Investments Division (“Division”) of the Department of Banking (“Department”), has conducted an investigation into the activities of Respondent to determine if Respondent violated, is violating or is about to violate provisions of the Act or Regulations (“Investigation”).

3. As a result of the information obtained during the Investigation, the Commissioner has reason to believe that Respondent has violated certain provisions of the Act. Accordingly, the Commissioner has reason to believe that a basis exists to: (a) issue a cease and desist order against Respondent pursuant to Section 36b-27(a) of the Act, and (b) impose a fine upon Respondent pursuant to Section 36b-27(d) of the Act.

II. RESPONDENT

4. Respondent is a currently inactive Florida limited liability company whose principal place of business and address last known to the Commissioner is 2101 Vista Parkway, Suite 125, West Palm Beach, Florida 33411. Respondent is not and has never been registered in any capacity under the Act. Respondent's primary business was to raise money to acquire and renovate a multi-family property known as Genesis Apartments ("Genesis Real Estate") located at 2852 W 1st Street, Jacksonville, Florida 32254. The Managing Member of Respondent is Palm Beach Atlantic Acquisitions Group, LLC, which is operated by Managing Member William Smith.

II. STATEMENT OF FACTS

5. Beginning in 2010, Respondent solicited three Connecticut investors ("Connecticut Investors") to purchase units in Jax Acquisitions II LLC ("Jax II Units"). The minimum investment was \$15,000. In connection with the offer and sale of the Jax II Units, the Connecticut Investors were given a Confidential Private Offering Memorandum ("PPM") which represented that the Connecticut Investors who purchased \$15,000 of Jax II Units would be paid: (a) a preferred interest return of 10%; (b) 3% of the distributable cash flow; and (c) 3% of the distributable equity upon sale of the Genesis Real Estate.

6. The Connecticut Investors each purchased \$15,000 of JAX II Units, which was the minimum initial Capital Contribution.

7. The PPM stated that, with respect to the JAX II Units, "the securities offered hereby have not been registered under the Securities Act of 1933, as amended . . . , the securities laws of the state of Florida, or under the securities laws of any other state or jurisdiction in reliance upon the exemptions from registration provided by the . . . [Securities Act of 1933, as amended] and regulation D Rule 504 promulgated thereunder, and the comparable exemptions from registration provided by other applicable securities laws."

8. The PPM stated “[t]he company is not obligated to register for sale under either federal or state securities laws the units purchased pursuant hereto, and the issuance of the units is being undertaken pursuant to Rule 504 of Regulation D under the Securities Act.”

9. The PPM stated “[t]he Units are being offered for sale in reliance upon certain exemptions from the registration requirements of the Securities Act, applicable Florida Securities Laws, and other applicable state securities laws. If the sale of Units were to fail to qualify for these exemptions, purchasers may seek rescission of their purchases of Units.”

10. No Regulation D Rule 504 exemptive filing was made with the Securities and Exchange Commission or with the Department for the JAX II Units.

11. The JAX II Units that were offered and sold by Respondent are securities within the meaning of Section 36b-3(19) of the Act, which securities were not registered under Section 36b-16 of the Act nor were they the subject of a filed exemption claim or claim of covered security status.

12. The individuals who contacted the Connecticut Investors on behalf of Respondent regarding the purchase of the JAX II Units, had themselves been solicited and purchased Jax II Units from Respondent (“Initial Investors”). The Initial Investors were encouraged by Respondent to help raise additional money for Respondent by inviting their friends to purchase Jax II Units. These Initial Investors did not receive any direct or indirect compensation related to the purchases or sales of the Jax II Units to the Connecticut Investors. After being contacted by the Division regarding their involvement in the sale of the JAX II Units to the Connecticut Investors, the Initial Investors agreed to purchase the Jax II Units from the Connecticut Investors. The Connecticut Investors each received \$15,000 from the Initial Investors and their Jax II Units were transferred to the Initial Investors pursuant to a Membership Purchase Agreement and Assignment of Interest.

IV. STATUTORY AND REGULATORY BASIS FOR ORDER TO CEASE AND DESIST AND ORDER IMPOSING FINE

a. Violation of Section 36b-16 of the Act – Offer and Sale of Unregistered Securities

13. Paragraphs 1 through 12, inclusive, are incorporated and made a part hereof as if more fully set forth herein.

14. Respondent offered and sold securities in and/or from Connecticut to at least three investors, as more fully described in paragraphs 4 through 12, inclusive, which securities were not registered in Connecticut under the Act, as more fully described in paragraphs 11. The offer and sale of such securities absent registration constitutes a violation of Section 36b-16 of the Act, which forms a basis for an order to cease and desist to be issued against Respondent under Section 36b-27(a) of the Act, and for the imposition of a fine upon Respondent under Section 36b-27(d) of the Act.

V. ORDER TO CEASE AND DESIST, NOTICE OF INTENT TO FINE AND NOTICE OF RIGHT TO HEARING

WHEREAS, as a result of the Investigation, the Commissioner finds that, with respect to the activity described herein, Respondent has committed at least one violation of Section 36b-16 of the Act;

WHEREAS, the Commissioner further finds that the issuance of an Order to Cease and Desist and the imposition of a fine upon Respondent is necessary or appropriate in the public interest or for the protection of investors and consistent with the purposes fairly intended by the policies and provisions of the Act;

WHEREAS, notice is hereby given to Respondent that the Commissioner intends to impose a maximum fine not to exceed one hundred thousand dollars (\$100,000) per violation upon Respondent;

WHEREAS, the Commissioner **ORDERS** that **JAX ACQUISITIONS II LLC CEASE AND DESIST** from directly or indirectly violating the provisions of the Act and Regulations, including without limitation, offering and selling unregistered securities in or from Connecticut;

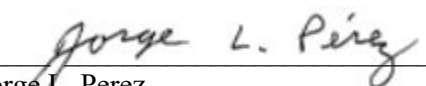
THE COMMISSIONER FURTHER ORDERS THAT, pursuant to Section 36b-27 of the Act, Respondent will be afforded an opportunity for a hearing on the allegations set forth above if a written

request for a hearing is received by the Department of Banking, Securities and Business Investments Division, 260 Constitution Plaza, Hartford, Connecticut 06103-1800 or submitted by e-mail to DOB.hearingsupport@ct.gov within fourteen (14) days following Respondent's receipt of this Order. To request a hearing, complete and return the enclosed Appearance and Request for Hearing Form to one of the above-referenced addresses. If Respondent will not be represented by an attorney at the hearing, please complete the Appearance and Request for Hearing Form as "pro se". If a hearing is requested, the hearing will be held remotely via videoconference using Microsoft Teams on May 26, 2021, at 10 a.m.

The hearing will be held in accordance with the provisions of Chapter 54 of the General Statutes of Connecticut, Executive Order 7B, Section 1, as amended or superseded, and the Remote Hearing Guidelines available on the Department of Banking's website at <https://portal.ct.gov/dob>. At such hearing, Respondent will have the right to appear and present evidence, rebuttal evidence and argument on all issues of fact and law to be considered by the Commissioner.

If Respondent does not request a hearing within the time period prescribed or fails to appear at any such hearing, the allegations herein against Respondent will be deemed admitted. Accordingly, the Order to Cease and Desist shall remain in effect and become permanent against Respondent and the Commissioner may order that the maximum fine be imposed upon Respondent.

Dated at Hartford, Connecticut,
this 9th day of April 2021.



Jorge L. Perez
Banking Commissioner

CERTIFICATION

I hereby certify that on this 9th day of April 2021, I caused to be mailed by certified mail, return receipt requested, the foregoing Order to Cease and Desist, Notice of Intent to Fine and Notice of Right to Hearing to Jax Acquisitions II LLC, 2101 Vista Parkway, Suite 125, West Palm Beach, Florida 33411. Certified mail no. 7019 1640 0000 1584 4145.

_____/s/_____
Julie Carta