

STATE OF NEW JERSEY
BUREAU OF SECURITIES
123 Halsey Street
P.O. Box 47029
Newark, New Jersey 0710

In the Matter of:

JEFFREY BERNSTEIN

SUMMARY ORDER

and DIRECTIVE SECURITY CORPORATION

Respondents.

To: Jeffrey Bernstein

Directive Security Corporation

Pursuant to the authority granted to the Chief of the New Jersey Bureau of Securities (“Bureau” or “Bureau Chief”) by the Uniform Securities Law, N.J.S.A. 49:3-47 et seq., (“Securities Law”), more specifically, N.J.S.A. 49:3-52, and after careful review and due consideration of the matter, the Bureau Chief hereby finds good cause that Jeffrey Bernstein (“Bernstein”) and Directive Security Corporation (“Directive”) shall be assessed a **CIVIL MONETARY PENALTY** for the following:

Findings of Facts

1. At all relevant times, Bernstein resided in East Brunswick, New Jersey.
2. Directive is a Delaware corporation formed in December 2006, with purported business locations in East Rutherford, New Jersey and Hazlet, New Jersey.
3. Directive was engaged in the business of providing electronic risk management services to its clients.
4. Bernstein created and controlled Directive. Bernstein also held the title of President

of Directive.

The Sale of Securities

5. In or around January 2007, Directive through Bernstein, approached an investor about an investment of capital in Directive.

6. On January 22, 2007, Bernstein and the investor signed an agreement memorializing the terms of the investment (the “January 22, 2007 Investment Agreement”).

7. The January 22, 2007 Investment Agreement provided, in relevant part, that:

- (a) Directive would issue one million shares of its stock;
- (b) the investor would initially invest \$300,000.00 in Directive in four (4) installments of \$75,000.00 on scheduled dates from January 2007 through October 2007;
- (c) upon the signing of the January 22, 2007 Investment Agreement and the initial payment, the investor would be entitled to 7.5% of Directive’s outstanding shares. For each of the three (3) subsequent payments under the January 22, 2007 Investment Agreement, the investor would be entitled to another 7.5 % of Directive’s outstanding shares, totaling a 30% equity stake in Directive over the course of one (1) year;
- (d) upon making the four (4) agreed upon payments, the investor would have the option of purchasing another 20% of Directive’s outstanding shares for \$200,000.00;
- (e) the investor would receive 15% of the “cash-basis” net pre-tax profits of Directive;

- (f) the investor would have the right to appoint one (1) person to Directive's Board of Directors; and
- (g) Directive would make its financial records available for review by the investor.

8. On or around January 22, 2007 and April 16, 2007, the investor made two (2) payments of \$75,000.00 to Directive and received two (2) stock certificates purporting to represent the number of shares owned in Directive as a result of the two (2) payments.

9. Prior to the due date for the third \$75,000.00 installment payment, Bernstein approached the investor for advance funding in the amount of \$25,000.00.

10. On or around May 30, 2007, the investor wire transferred \$25,000.00 to Directive.

11. Per an addendum to the January 22, 2007 Investment Agreement, Directive and Bernstein agreed that this \$25,000.00 advance entitled the investor to an additional 5% of Directive's outstanding shares, bringing the investor's total equity interest in Directive to 20%.

Representations to the investor by Directive through Bernstein

12. To persuade the investor to invest, Bernstein provided the investor with documents purporting to provide information about Directive's business, its client list, the services it provided and the background and capabilities of its employees.

13. The documents stated, among other things, that:

- (a) Directive had employees who had experience in working for the FBI, CIA, National Reconnaissance Organization, Department of Defense and the Department of State;
- (b) Directive's clients included Tiffany & Co., Savient Pharmaceuticals, Becton

Dickinson, Cadwalder, Wickersham and Taft, CIT Group and Atlantis Health Plan; and

- (c) Directive had a Security Operation Center staffed by experienced security engineers who were available twenty-four (24) hours a day, seven (7) days per week.

14. Each of the representations made in the documents provided to the investor were false or misleading as Directive did not have the listed clients or capabilities it claimed, nor did Directive employ individuals from any of the listed government agencies or departments.

15. In truth and in fact, Directive had few employees at any given time other than Bernstein and his wife, Marnie Allyn Bernstein.

16. Directive through Bernstein also represented to the investor that the investor funds would be used for: (a) leasing office space; (2) paying salaries; (3) purchasing software licenses needed to perform services; and (4) paying consultant fees.

17. These representations were also false and/or misleading as Bernstein used a portion of the investor funds for his personal benefit including payment of Bernstein's personal expenses, ATM cash withdrawals and transfers to Bernstein's personal bank account.

Failure to return investor funds

18. In or around May 2007, it came to the attention of the investor that Bernstein was the subject of a lawsuit alleging fraud and misrepresentation and the investor demanded the return of its investment funds.

19. Bernstein agreed that he would repurchase the investor's shares for \$50,000.00 to be paid in two (2) installments.

20. Bernstein also agreed that he would produce Directive's financial records to the investor.

21. On or about February 26, 2008, Bernstein made a payment of \$22,000.00 on his obligation to repurchase the investor's shares.

22. Despite repeated assurances and agreements that he would fully repurchase the investor's outstanding shares, Bernstein has yet to fully repay the investor funds or produce Directive's financial records to the investor.

Conclusions of Law

Making materially false and misleading statements and/or omitting material facts

N.J.S.A. 49:3-52(b)

(As to Directive and Bernstein)

23. Respondents, individually or through their directors, officers, employees, agents, attorneys, successors, subsidiaries directly and/or indirectly, made materially false and misleading statements or omitted material facts to an investor in connection with the offer and sale of securities.

24. Among the materially false and misleading statements were that:

- (a) Directive had employees who had experience in working for the FBI, CIA, National Reconnaissance Organization, Department of Defense and the Department of State;
- (b) Directive's clients included Tiffany & Co., Savient Pharmaceuticals, Becton Dickinson, Cadwalder, Wickersham and Taft, CIT Group and Atlantis Health Plan;
- (c) Directive had a Security Operation Center staffed by experienced security engineers who were available twenty-four (24) hours a day, seven (7) days

per week; and

- (d) investor funds would be used for: (a) leasing office space; (2) paying salaries; (3) purchasing software licenses needed to perform services; and (4) paying consultant fees.

25. Among the omitted material facts was that investor funds would be used for Bernstein's personal benefit including payment of Bernstein's personal expenses, ATM cash withdrawals and transfers to Bernstein's personal bank account.

26. Each omission or materially false or misleading statement made was in violation of N.J.S.A. 49:3-52(b).

27. Each violation of N.J.S.A. 49:3-52(b) by each Respondent upon the investor was a separate violation of that statute 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.

Engaging in any act or practice which would operate as a fraud or deceit upon any person
N.J.S.A. 49:3-52(c)
(As to Directive and Bernstein)

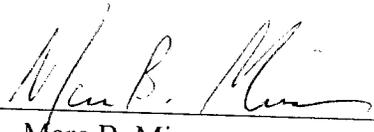
28. Respondents' practice of, among other things, misrepresenting the nature of Directive's services and the capabilities of its employees, failing to return investor funds while misappropriating investor funds for personal benefit and use, operated as a fraud or deceit upon the investor, in violation of N.J.S.A. 49:3-52(c).

29. Each violation of N.J.S.A. 49:3-52(c) by each Respondent upon the investor was a separate violation of the statute and is cause for the imposition of a civil monetary penalty for each violation pursuant to N.J.S.A. 49:3-70.1.

THEREFORE, based on the foregoing findings of fact and conclusions of law, it is on this 2nd day of December, 2010 **ORDERED** that:

- (a) Jeffrey Bernstein is assessed a civil monetary penalty in the amount of \$14,000.00 pursuant to N.J.S.A. 49:3-70.1, for violations of N.J.S.A. 49:3-52(b) and N.J.S.A. 49:3-52(c). This penalty shall be paid to the Bureau within thirty (30) days of the execution of this order;
- (b) Directive Security Corporation is assessed a civil monetary penalty in the amount of \$10,000.00 pursuant to N.J.S.A. 49:3-70.1, for violations of N.J.S.A. 49:3-52(b) and N.J.S.A. 49:3-52(c). This penalty shall be paid to the Bureau within thirty (30) days of the execution of this order;
- (c) Jeffrey Bernstein and Directive Security Corporation shall cease and desist from future violations of the Securities Law including but not limited to: making materially false and misleading statements and/or omitting material facts in violation of N.J.S.A. 49:3-52(b); and engaging in any act or practice which would operate as a fraud or deceit in violation of N.J.S.A. 49:3-52(c).
- (d) Jeffrey Bernstein and Directive Security Corporation are denied all exemptions provided in N.J.S.A. 49:3-50, subsection (a) paragraph 9, 10 and 11 and subsection (b); and

- (e) Jeffrey Bernstein and Directive Security Corporation are denied all registration exemptions 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).

By: 

Marc B. Minor
Chief, New Jersey Bureau of Securities

NOTICE OF RIGHT TO HEARING

You are advised that upon service of notice of this Penalty Order issued by the Bureau Chief, Jeffrey Bernstein and Directive Security Corporation shall have up to fifteen (15) days to respond to the Bureau in the form of a written answer and written request for a hearing. A request for a hearing must be accompanied by a written response, which addresses specifically each of the reasons set forth in the Order which formed the basis for its entry. A general denial is unacceptable. Within five (5) business days of receiving the written answer and request for a hearing, the Bureau Chief shall either transmit the matter to the Office of Administrative Law for a hearing, or schedule a hearing at the Bureau of Securities. At any hearing involving this matter, an individual respondent may appear on his/her own behalf or be represented by an attorney. If an applicant fails to respond by filing a written answer and request for a hearing with the Bureau within the fifteen (15) day prescribed period, the Order shall remain in effect until modified or vacated.

NOTICE OF OTHER ENFORCEMENT REMEDIES

You are advised that the Uniform Securities Law (1997) N.J.S.A. 49:3-47 et seq., 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, 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 a Final Order 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.