

STATE OF ILLINOIS  
SECRETARY OF STATE  
SECURITIES DEPARTMENT

IN THE MATTER OF: LISA ANN ESPOSITO

FILE NO. 0201065

ORDER OF DENIAL

TO THE RESPONDENT:

Lisa Ann Esposito  
(CRD#: 236228)  
55 Underhill Drive  
Pomona, New York 10970

c/o Millennium Brokerage, L.L.C.  
50 Tice Boulevard  
Woodcliff Lake, New Jersey 07677

WHEREAS, a Summary Order of Denial was issued by the Secretary of State on March 3, 2003, which denied Lisa Ann Esposito's (the "Respondent") application as a salesperson in the State of Illinois until further order from the Secretary of State.

WHEREAS, pursuant to Section 11.F of the Illinois Securities Law of 1953 [815 ILCS 5] (the "Act"), the failure to request a hearing within thirty (30) calendar days of the entry of a Summary Order shall constitute an admission of any facts alleged therein and constitute a sufficient basis to make the Summary Order final.

WHEREAS, the Respondent has failed to request a hearing on the matters contained in the Summary Order within thirty (30) calendar days of the entry of said summary Order and the Respondent is hereby deemed to have admitted the facts alleged in the said Summary Order.

WHEREAS, the Secretary of State, by and through his duly authorized representative, has adopted the Findings of Fact contained in the said Summary Order as the Secretary of State's Findings of Fact as follows:

1. On November 26, 2002, Millennium Brokerage, L.L.C., a registered dealer, filed a Form U-4 application for registration of the Respondent as a salesperson in the State of Illinois.

Order of Denial

-2-

2. That on June 13, 2001 the United States Securities And Exchange Commission (SEC) issued Order Making Findings Imposing Remedial Sanctions And Issuing Cease And Desist Order Against Respondent in Administrative Proceedings File No. 3-10150 which imposed the following sanctions:
  - A. Censure.
  - B. Cease and desist, pursuant to Section 21C of the Exchange Act, from causing any violations and any future violations of Regulation T, Section 7 (c) of the Exchange Act and Exchange Act Rule 10b-16.
  - C. Civil money penalty in the amount of \$10,000.
  - D. Suspended from association with any broker or dealer for a period of three months.
  
3. That the order found:
  - A. The Respondent, 34, is and was during the relevant period, employed by All-Tech Direct, Inc. f/k/a All-Tech Investment Group, Inc. ("All-Tech") as a supervisor in its margin department at the firm's headquarters in Montvale, New Jersey. She resides in Garnerville, New York.
  - B. All-Tech, is, and was during the relevant period, a broker-dealer registered with the Commission and incorporated under the laws of the State of Delaware. All-Tech offers day-trading services to customers through its principal office and twenty-one branches throughout the United States and through direct line electronic access similar to an internet connection.
  - C. Mark Shefts ("Shefts"), 42, is, and was during the relevant period, a registered representative and President of All-Tech. Shefts owns two percent of All-Tech directly and another 48 percent indirectly through his ownership of Rushmore Financial Services, Inc. Shefts works at All-Tech's headquarters in Montvale, New Jersey, and resides in Tuxedo Park, New York.
  - D. Harry Lefkowitz ("Lefkowitz"), 43, is, and was during the relevant period, Vice President of Operations for All-Tech and supervises All-Tech's back office, including the margin department, and branch office operations. Lefkowitz works in All-Tech's headquarters in Montvale, New Jersey and resides in Goshen, New York.
  - E. Ralph Zulferino ("Zulferino"), 40, is, and was during the relevant period, an All-Tech registered representative, and the owner and manager of All-Tech's Edison, New Jersey, branch office. He resides in Marlboro, New Jersey.

Order of Denial

-3-

- F. David Waldman ("Waldman"), 58, resides in Monsey, New York and was employed by All-Tech from approximately February through August 14, 1998. During this period, Waldman was an associated person, although he did not have a formal title. Waldman is an attorney.
- G. Throughout 1998, when the equity in certain margin accounts held by day-trading customers fell below the minimum required by ("Regulation T") promulgated by the Board of Governors of the Federal Reserve ("Federal Reserve"), 12C.F.R. Paragraphs 220.1 – 220.12, All-Tech, directly or indirectly, extended uncollateralized loans from the accounts of associated persons to those customers. The customers who received these loans could not otherwise cover the margin calls issued by All-Tech's clearing firm, Southwest Securities, Inc. ("Southwest"). Regulation T prohibited All-Tech from supplying those customers with additional extensions of credit absent additional collateral.
- H. The accounts held by associated persons from which All-Tech extended credit in contravention of Regulation T included:
  - (1) An account in Waldman's name at All-Tech's Montvale headquarters office.
  - (2) An account at All-Tech's Edison, New Jersey branch in the name of Z-Tech Investments, Inc. ("Z-Tech"), which Zulferino controlled.
- I. All-Tech's margin department effected the transactions necessary for All-Tech to make loans out of the Waldman and Zulferino accounts to day-trading customers of All-Tech. The Respondent instructed Southwest to transfer sufficient funds from either the Waldman or Zulferino accounts to the account of the customer that had received the margin call by preparing and sending standard "journal forms" to Southwest. The Respondent filled in the recipient's account number and the amount to be transferred on the journal form, and Lefkowitz approved the journal form for each such margin call loan. She then faxed the journal form to Southwest, which executed the journal instructions in reliance on Lefkowitz's signature. Before making any loans from the Waldman or Z-Tech accounts, All-Tech required each customer to sign a journal form authorizing Southwest to transfer the borrowed money back to the Waldman or Z-Tech account the next day.
- J. In effecting the transactions set forth above, All-Tech's margin department exercised discretion and control over the margin call loans made out of the Waldman and Zulferino accounts. While Waldman and Zulferino owned and/or controlled the funds in the accounts and were sometimes compensated by the customers who received the loans for making the

Order of Denial

-4-

loans, Waldman and Zulferino let All-Tech decide when, to whom and on what terms All-Tech could use their accounts to satisfy margin calls to customers. Waldman and Zulferino provided the Respondent with pre-signed blank journal forms. She photocopied the pre-signed forms and forwarded the photocopies to Southwest in the manner set forth above. Lefkowitz signed the journal forms authorizing the transfers even though they were obviously photocopies. Sulfuring and Waldman thus did not authorize particular loans, learn the identities of borrowers, approve the creditworthiness of particular borrowers, or decide the amounts of any particular loans.

- K. From in or about May through August 1998, while Waldman was employed by All-Tech, All-Tech loaned a total of \$1,667,270 from Waldman's account to All-Tech customers to satisfy forty-eight margin calls issued under Regulation T. From August 14, through December 4, 1998, while Sulfuring was a branch manager of All-Tech, All-Tech loaned a total of \$1,941,155 from the Z-Tech account to All-Tech customers to satisfy forty-nine margin calls issued under Regulation T.
- L. The uncollateralized loans that All-Tech made in 1998 from the Z-Tech and Waldman accounts contravened Regulation T and violated All-Tech's own internal written policies.
- M. The Respondent knew or was reckless in not knowing that :
  - (1) The loans described above using the Waldman and Z-Tech accounts were intended to provide funds to satisfy Regulation T margin calls issued to day-trading customers of All-Tech.
  - (2) The accounts that funded the loans were owned or controlled by associated persons.
  - (3) All-Tech decided whether and when to extend the loans and determined the terms of each loan. Accordingly, she knew or was reckless in not knowing that these loans violated both All-Tech's own written procedures and Regulation T.
- N. From in or about April through December 1998, All-Tech, while extending credit to customers in connection with securities transactions, failed to establish procedures to assure that for each account in which credit was extended, the customer received a written statement or statements, at least quarterly, that complied with the requirements of Rule 10b-16 promulgated under the Exchange Act. As a supervisor in All-Tech's Margin Department, the Respondent failed to take steps to assure that the disclosures required by Exchange Act Rule 10b-16 were provided to customers.

Order of Denial

-5-

- P. By reason of the foregoing, All-Tech willfully violated:
- (1) Regulation T and Section 7(c) of the Exchange Act in that it directly or indirectly extended uncollateralized margin calls to customers in contravention of Regulation T.
  - (2) Rule 10b-16 promulgated under the Exchange Act by directly or indirectly extending credit in connection with securities transactions without establishing procedures to assure that each customer is given or sent written statements, at least quarterly, that disclose, among other things:
    - a. The balance at the beginning of the period; the date, amount and a brief description of each debit and credit entered during such period; the closing balance; and, if interest is charged for a period different from the period covered by the statement, the balance as of the last day of the interest period.
    - b. The total interest charge for the period during which interest is charged (or, if interest is charged separately for separate accounts, the total interest charge for each such account), itemized to show the dates on which the interest period began and ended; the annual rate or rates of interest charged and the interest charge for each such different annual rate of interest; and either each different debit balance on which an interest calculation was based or the average debit balance for the interest period, except that if an average debit balance is used, a separate average debit balance must be disclosed for each interest rate applied.
    - c. All other charges resulting from the extension of credit in that account.

Q. By reason of the foregoing, the Respondent willfully aided and abetted, and was a cause of, All-Tech's violations of Section 7(c) of the Exchange Act, Regulation T and Exchange Act Rule 10b-16.

4. That Section 8.E (1)(j) of the Act provides, inter alia, that the registration of a salesperson may be denied if the Secretary of State finds that such salesperson has any order entered against her after notice and opportunity for a hearing by the United States Securities and Exchange Commission arising from any fraudulent or deceptive act or a practice in violation of any statute, rule, or regulation administered or promulgated by the agency.

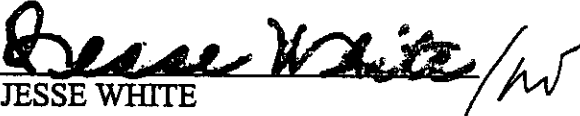
Order of Denial

-6-

5. That the Respondent had notice and opportunity to contest the matters in controversy but chose to settle matter with the SEC.

NOW IT IS HEREBY ORDERED THAT: Lisa Ann Esposito's application for registration as a salesperson in the State of Illinois is DENIED.

ENTERED: This 7<sup>th</sup> day of, April, 2003

  
JESSE WHITE  
Secretary of State  
State of Illinois

NOTICE: This is a final order subject to administrative review pursuant to the Administrative Review Law, [735 ILCS 5/3-101 et seq.] and the Rules and Regulations of the Act (14 Ill. Admin. Code, Ch. 1., Sec. 130.1123). Any action for judicial review must be commenced within thirty-five days from the date a copy of this Order is served upon the party seeking review.