

STATE OF MICHIGAN
DEPARTMENT OF LICENSING AND REGULATORY AFFAIRS
CORPORATIONS, SECURITIES & COMMERCIAL LICENSING BUREAU

In the matter of:

SOUTHERN TRUST SECURITIES, INC.
CRD# 103781
Unregistered

Complaint Nos. 338507 & 338509

And

FRANK TROMBATORE
CRD# 2126568
Unregistered

Respondents.

Issued and entered
this 23rd day of August, 2019

ADMINISTRATIVE CONSENT AGREEMENT AND ORDER

A. Relevant information and statutory provisions, under the Michigan Uniform Securities Act (2002) (the “Securities Act”), 2008 PA 551, MCL 451.2101 *et seq.*:

1. On April 24, 2019, the State of Michigan, Department of Licensing and Regulatory Affairs, Corporations, Securities & Commercial Licensing Bureau (the “Bureau”) and the Director of the Bureau, who serves as Administrator of the Act (the “Administrator”), issued the following three orders (the “Disciplinary Orders”) to Respondents Southern Trust Securities, Inc. (“Southern Trust”) and Frank Trombatore (“Trombatore”) (collectively, “Respondents”):
 - a. A Notice of Intent to Revoke Broker-Dealer Registration issued to Southern Trust under MCL 451.2409 and MCL 451.2412(2);
 - b. A Notice and Order to Cease and Desist issued to Southern Trust under MCL 451.2604, which was immediately effective under MCL 451.2604(2); and

- c. A Notice and Order to Cease and Desist issued to Trombatore under MCL 451.2604, which was immediately effective under MCL 451.2604(2).
2. Southern Trust is a Florida corporation which was registered as a broker-dealer pursuant to the Securities Act in Michigan from on or around August 26, 2005 until it withdrew its registration on or around January 3, 2019.
3. Trombatore is a resident of the state of New Jersey who applied for registration under the Securities Act in Michigan on or around July 30, 2018, but withdrew the registration application on or around December 12, 2018. Respondent is employed by or associated with Southern Trust.
4. Following issuance of the Disciplinary Orders, the Bureau and Respondents (collectively, "the Parties"), engaged in ongoing discussions for their resolution through this Administrative Consent Agreement and Order (the "Consent Order").
5. Respondents were represented by legal counsel throughout the process of resolving the Disciplinary Orders.

B. STIPULATION

The Parties agree to resolve the Disciplinary Orders based on the following terms and conditions:

1. Respondents agree to comply with the Securities Act in connection with all future conduct and activities, including but not limited to, ensuring that Respondents are registered or exempt from registration under section 401 or 402 of the Act, as applicable, MCL 451.2401 or MCL 451.2402, before effecting any further securities transactions in Michigan, and ensuring that any securities Respondents offer or sell in Michigan are sold in compliance with sections 301 and 501 of the Act, MCL 451.2301 and MCL 451.2501.
2. Southern Trust agrees to pay the Bureau a civil fine in the amount of Three Thousand Dollars (\$3,000.00) (the "Civil Fine"). Southern Trust agrees to pay the Civil Fine within sixty (60) calendar days after the mailing date of this Consent Order. The Civil Fine must be paid by cashier's check or money order made payable to the "State of Michigan," contain identifying information (name and "Complaint No. 338507"), and be mailed to:

Corporations, Securities & Commercial Licensing Bureau
Securities & Audit Division – Final Order Monitoring
P.O. Box 30018
Lansing, MI 48909

3. If any portion of the Civil Fine is overdue, the Administrator may refer it to the Michigan Department of Treasury for collection action against Respondents or take other available legal action to collect the Civil Fine.
4. The Parties agree that the Disciplinary Orders are fully resolved by this Consent Order and that Respondents' hearing requests related to the Disciplinary Orders are withdrawn.
5. This Consent Order is a public record required to be published and made available to the public, consistent with section 11 of the Michigan Freedom of Information Act, MCL 15.241. The Bureau currently publishes copies of orders issued under the Act to the Bureau's website and includes a summary of order content in monthly disciplinary action reports separately published on the Bureau's website. Following entry of the attached Order, the Bureau will update the relevant three Forms U6 with the Central Registration Depository reflecting the Parties' resolutions of each of the Disciplinary Orders.
6. Respondent agrees that the Administrator may use any of the facts set out in the Disciplinary Orders if and when considering future applications for registration by Respondents, and Respondents agree to waive any assertion or claim under MCL 451.2412(9) which would otherwise bar the Administrator from consideration of such facts in making her determination.
7. Respondents neither admit nor deny any wrongdoing in connection with this matter and consent to entry of this Consent Order only for the purpose of resolving the Disciplinary Orders in an expeditious fashion that avoids the time and expense associated with an administrative hearing and any related appeals. Respondents agree that they will not make or permit to be made any public statement denying, directly or indirectly, any allegation in the Disciplinary Orders is without factual basis, and that they will not make or permit to be made any statement that Respondents do not admit the allegations in the Disciplinary Orders without also stating that they do not deny the allegations.

8. Respondents agree to comply with any reasonable investigative demands made by the Bureau in the future for purposes of ensuring compliance with this Consent Order or the Act.
9. The Parties acknowledge and agree that the Administrator retains the right to pursue any action or proceeding permitted by law to enforce the provisions of this Consent Order.
10. Respondents acknowledge and agree that: (a) the Administrator has jurisdiction and authority to enter this Consent Order; (b) the Administrator may enter this Consent Order without any further notice to Respondents; and (c) upon entry of this Consent Order, it is final and binding, and Respondents waive any right to a hearing or appeal of this Consent Order and the Disciplinary Orders under the Act, the rules promulgated under the Act or the predecessor Act, the Administrative Procedures Act of 1969, 1969 PA 306, MCL 24.201 *et seq.*, or other applicable law.
11. The Parties understand and agree that this Consent Order will be presented to the Administrator for her final approval as evidenced by its entry, and that the Administrator may, in her sole discretion, decide to accept or reject this Consent Order. If the Administrator accepts this Consent Order by entering it, this Consent Order becomes fully effective and binding in accordance with Paragraph B.10. above. If the Administrator rejects this Consent Order by refusing to enter it, the Parties waive any objection to submitting the Hearing Request for adjudication through a formal administrative proceeding and the Administrator remaining the final decisionmaker at the conclusion of that proceeding.
12. The Parties agree that facsimile or electronically-transmitted signatures may be submitted in connection with this Consent Order and are binding on that party to the same extent as an original signature.

[This space intentionally left blank]

Through their signatures, the Parties agree to the above terms and conditions.

Signed: Susan Escobio
Susan Escobio, President
Southern Trust Securities, Inc.

Dated: 8-6-19

Signed: _____
Frank Trombatore

Dated: _____

Acknowledged and reviewed by:

Signed: _____
William Uchimoto
Attorney for Respondents

Dated: _____

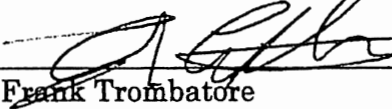
Approved by:

Signed: _____
Timothy L. Teague
Securities & Audit Division Director
Corporations, Securities & Commercial
Licensing Bureau

Dated: _____

Through their signatures, the Parties agree to the above terms and conditions.

Signed: _____ Dated: _____
[name]
Southern Trust Securities, Inc.

Signed:  _____ Dated: 8-6-19
Frank Trombatore

Acknowledged and reviewed by:

Signed: _____ Dated: _____
William Uchimoto
Attorney for Respondents

Approved by:

Signed: _____ Dated: _____
Timothy L. Teague
Securities & Audit Division Director
Corporations, Securities & Commercial
Licensing Bureau

Through their signatures, the Parties agree to the above terms and conditions.

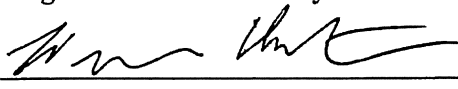
Signed: _____
[name]
Southern Trust Securities, Inc.

Dated: _____

Signed: _____
Frank Trombatore

Dated: _____

Acknowledged and reviewed by:

Signed: 

William Uchimoto
Attorney for Respondents

Dated: August 6, 2019

Approved by:

Signed: _____
Timothy L. Teague
Securities & Audit Division Director
Corporations, Securities & Commercial
Licensing Bureau

Dated: _____

Through their signatures, the Parties agree to the above terms and conditions.

Signed: _____
[name]
Southern Trust Securities, Inc.

Dated: _____

Signed: _____
Frank Trombatore

Dated: _____

Acknowledged and reviewed by:

Signed: _____
William Uchimoto
Attorney for Respondents

Dated: _____

Approved by:

Signed: Timothy L. Teague
Timothy L. Teague
Securities & Audit Division Director
Corporations, Securities & Commercial
Licensing Bureau

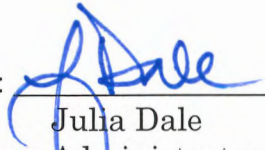
Dated: 8.9.19

C. ORDER

The Administrator NOW, THEREFORE, ORDERS:

THE TERMS AND CONDITIONS IN THE FOREGOING FULLY EXECUTED
CONSENT AGREEMENT ARE INCORPORATED BY REFERENCE AND MADE
BINDING AND EFFECTIVE THROUGH THIS CONSENT ORDER.

By:



Julia Dale
Administrator and Director
Corporations, Securities & Commercial Licensing Bureau

**STATE OF MICHIGAN
DEPARTMENT OF LICENSING AND REGULATORY AFFAIRS
CORPORATIONS, SECURITIES & COMMERCIAL LICENSING BUREAU**

In the matter of:

Agency No. 338507

SOUTHERN TRUST SECURITIES, INC.
CRD#: 103781
Unregistered

Respondent.

_____ /
This 24th day of April, 2019

**NOTICE OF INTENT TO REVOKE
BROKER-DEALER REGISTRATION**

I. RELEVANT FACTS AND APPLICABLE LAW.

Relevant information and statutory provisions, under the Michigan Uniform Securities Act (2002), 2008 PA 551, as amended, MCL 451.2101 *et seq* (the "Securities Act"):

1. Southern Trust Securities, Inc. (CRD# 103781, "Respondent") is a Florida corporation which was registered as a broker-dealer pursuant to the Securities Act in Michigan from on or around August 26, 2005 until it withdrew its registration on or around January 3, 2019.
2. The Corporations, Securities & Commercial Licensing Bureau ("the Bureau") within the State of Michigan Department of Licensing and Regulatory Affairs began an investigation of Respondent in or around November of 2018 in relation to its employment or association with an unregistered agent.
3. In conjunction with the investigation, Bureau staff, pursuant to the Bureau's inspection authority under MCL 451.2411(4), requested that Respondent provide certain books and records that Respondent is required to maintain by Order No. 09-070-M, paragraph 8, and SEC Rules 17a-3 and 17a-4, 17 CFR 240.17a-3 and 17 CFR 240.17a-4.
4. Respondent failed to provide the records necessary for Bureau staff to complete its investigation of Respondent's association with unregistered agents, thereby impeding an inspection of records being conducted pursuant to MCL 451.2411(4).
5. Respondent withdrew its broker-dealer registration through the filing of a Form BDW on the Central Registration Depository ("CRD") on or around January 3, 2019. As a part of the Form BDW filing, in part 8 of the form, Respondent represented that "the

broker-dealer's books and records will be preserved and available for inspection as required by law." Respondent has failed to comply with this representation.

6. From August 26, 2005 until January 3, 2019, Respondent was registered as a broker-dealer in Michigan and, as a result, had a legal obligation to maintain and make its required records available for inspection by the Bureau. When Respondent withdrew its registration, it represented that it would preserve its records from the period that it was registered and obligated to maintain records; it also represented that it would make those records available for inspection. Respondent failed to do so, contrary to its obligation and its Form BDW representation.
7. Respondent is the subject of a Notice and Order to Cease and Desist issued concurrently with this Notice of Intent to Revoke Broker-Dealer Registration for employing or associating with an unregistered agent, contrary to section 401(4) of the Securities Act, MCL 451.2401(4). (Exhibit 1 – Southern Trust Securities, Inc. C&D Order).
8. The Director of the Bureau ("Administrator") has reviewed materials regarding Respondent's actions to impede the Bureau's lawful records inspection under the Securities Act. The Administrator has determined that it is authorized, appropriate, and in the public interest to revoke Respondent's broker-dealer registration.
9. Section 409 of the Securities Act, MCL 451.2409, states in relevant part:

Withdrawal of registration by a broker-dealer; agent, investment adviser, or investment adviser representative is effective 60 days after an application to withdraw is filed or within a shorter period as provided by rule or order under this act, unless a revocation or suspension proceeding is pending when the application is filed. If a proceeding is pending, withdrawal is effective when and on conditions required by rule or order under this act. *The administrator may institute a revocation or suspension proceeding under section 412 within 1 year after the withdrawal became effective automatically and issue a revocation or suspension order as of the last date on which registration was effective if a proceeding is not pending.* [Emphasis added].

10. Section 412(2) of the Securities Act, MCL 451.2412(2), states in relevant part:

If the administrator finds that the order is in the public interest and subsection (4) authorizes the action, an order under this act may revoke, suspend, condition, or limit the registration of a registrant and if the registrant is a broker-dealer or investment adviser, of a partner, officer, director, or a person having a similar status or performing similar functions, or a person directly or indirectly in control of the broker-dealer or investment adviser...

11. Section 412(4) of the Securities Act, MCL 451.2412(4) states in relevant part:

(4) A person may be disciplined under subsections (1) to (3) if any of the following apply to the person:

(h) The person refuses to allow or otherwise impedes the administrator from conducting an audit or inspection under section 411(4) or refuses access to a registrant's office to conduct an audit or inspection under section 411(4).

(l) The person is the subject of a cease and desist order issued by the securities and exchange commission or issued under the securities, commodities, investment, franchise, banking, finance, or insurance laws of a state...

12. Section 412(7) of the Securities Act, MCL 451.2412(7), states:

(7) Except under subsection (6), an order shall not be issued under this section unless all of the following have occurred:

- (a) Appropriate notice has been given to the applicant or registrant.
- (b) Opportunity for hearing has been given to the applicant or registrant.
- (c) Findings of fact and conclusions of law have been made on the record pursuant to the administrative procedures act of 1969, 1969 PA 306, MCL 24.201 to 24.328.

13. The Administrator may revoke Respondent's broker-dealer registration pursuant to sections 409 and 412(2) of the Securities Act, MCL 451.2409 and MCL 451.2412(2), because it is in the public interest, and because:

- A. Respondent has impeded the Bureau's inspection of Respondent's required records under MCL 451.2411(4), giving the Administrator cause to issue an order under sections 409, 412(2), and 412(4)(h) of the Securities Act, MCL 451.2409, MCL 451.2412(2), and MCL 451.2412(4)(h).
- B. Respondent is the subject of a cease and desist order issued under the securities laws of a state, giving the Administrator cause to issue an order under sections 409, 412(2), and 412(4)(l) of the Securities Act, MCL 451.2409, MCL 451.2412(2), and MCL 451.2412(4)(l).

II. ORDER.

The Administrator finds that this ORDER is authorized, appropriate, and in the public interest based on the above-cited facts and law.

IT IS ORDERED as follows:

1. The Administrator intends TO REVOKE THE BROKER-DEALER REGISTRATION OF SOUTHERN TRUST SECURITIES, INC. under sections 409 and 412(2) of the Securities Act, MCL 451.2409 and MCL 451.2412(2), because it has impeded the inspection of its records of pursuant to section 411(4) of the Securities Act, MCL 451.2411(4), and because Respondent is the subject of a cease and desist order issued under the securities laws of a state, both being grounds that support the revocation of Respondent's broker-dealer registration under the above-cited provisions of the Michigan Uniform Securities Act (2002), 2008 PA 551, MCL 451.2101 *et seq.*

2. In accordance with sections 409, 412(2), and 412(7) of the Securities Act, MCL 451.2409, MCL 451.2412(2), and MCL 451.2412(7): This is NOTICE that the Administrator intends to revoke Respondent's broker-dealer registration, and that Respondent has thirty (30) days after the date that this Order is served on Respondent to respond in writing to the enclosed Notice of Opportunity to Show Compliance. If the Administrator timely receives a written request, depending upon the election, the Administrator shall either promptly schedule a compliance conference, or schedule a hearing within fifteen (15) days after receipt of the written request. If you fail to respond to this Notice and Order within the time frame specified, the Administrator shall schedule a hearing. If a hearing is requested or ordered, the Administrator, after notice of and an opportunity for hearing to Respondent, may modify or vacate this Order or extend the Order until final determination.

If Respondent requests a hearing, the request must be in writing and filed with the Department of Licensing and Regulatory Affairs, Corporations, Securities & Commercial Licensing Bureau, Regulatory Compliance Division, P.O. Box 30018, Lansing, MI 48909.

DEPARTMENT OF LICENSING AND REGULATORY AFFAIRS
CORPORATIONS, SECURITIES & COMMERCIAL LICENSING BUREAU

By:



Julia Dale, Administrator and Director
Corporations, Securities & Commercial Licensing Bureau

4/24/19
Date

STATE OF MICHIGAN
DEPARTMENT OF LICENSING AND REGULATORY AFFAIRS
CORPORATIONS, SECURITIES & COMMERCIAL LICENSING BUREAU

In the Matter of:

Complaint No. 338507

SOUTHERN TRUST SECURITIES, INC.
CRD#103781
Unregistered

Respondent.

This 24th day of April, 2019
Issued and entered

NOTICE AND ORDER TO CEASE AND DESIST

Julia Dale, the Director (the “Administrator”) of the Corporations, Securities & Commercial Licensing Bureau (“Bureau”), pursuant to her statutory authority and responsibility to administer and enforce the Michigan Uniform Securities Act (2002), 2008 PA 551, as amended, MCL 451.2101 *et seq* (“Securities Act”), hereby orders Southern Trust Securities, Inc. (“Respondent”) to cease and desist from employing or associating with an unregistered agent, contrary to the Securities Act. Respondent is also notified of the opportunity to request a hearing in this matter.

I. BACKGROUND

A. The Respondent

1. Southern Trust Securities, Inc. is a Florida-incorporated business entity that was registered as a broker-dealer under the Securities Act in Michigan from on or around August 26, 2005 until on or around January 3, 2019, when Respondent elected to withdraw its registration in favor of relying on an exemption.

B. Findings of Fact

1. The Bureau investigated Respondent’s activities under the Securities Act in Michigan.
2. Respondent, while it was registered as a broker-dealer under the Securities Act in Michigan, employed or associated with an agent, Frank Trombatore

(CRD#2126568), who was not registered under the Securities Act. (Exhibit 1 – Frank Trombatore Notice & Order to Cease and Desist).

3. Respondent has failed to identify a relevant¹ exemption, exception, preemption, or exclusion from the Securities Act’s agent registration requirements for Frank Trombatore during the relevant time period.

II. RELEVANT STATUTORY PROVISIONS

1. Section 402(4) of the Securities Act, MCL 451.2402(4), states:

A broker-dealer, or an issuer engaged in offering, selling, or purchasing securities in this state, shall not employ or associate with an agent who transacts business in this state on behalf of broker-dealers or issuers unless the agent is registered under subsection (1) or exempt from registration under subsection (2).

2. Section 503(1) of the Securities Act, MCL 451.2503(1), states:

In a civil action or administrative proceeding under this act, a person claiming an exemption, exception, preemption, or exclusion has the burden to prove the applicability of the exemption, exception, preemption, or exclusion.

III. CONCLUSIONS OF LAW

1. Respondent Southern Trust Securities, Inc. employed or associated with an unregistered and non-exempt agent, in violation of section 402(4) of the Securities Act, MCL 451.2402(4).

¹ Respondent and Frank Trombatore claimed reliance on an exemption from agent registration which required the Respondent to be exempt from registration. See MCL 451.2402(2)(b): “An individual who represents a broker-dealer that is exempt under section 401(2) or (4)... [is exempt from registration as an agent].” Respondent claimed that it was exempt pursuant to MCL 451.2401(2)(a)(iii) in that it had no place of business in Michigan and that its only customers were institutional investors. Respondent may have qualified for that exemption from registration as a broker-dealer, but between August 26, 2005 and January 3, 2019, *elected* to register as a broker-dealer. By registering in lieu of relying on the exemption, Respondent subjected itself and its agents to both the benefits and the requirements that come along with being registered, including the having to register agents that did business in Michigan. A person that qualifies for a registration exemption but chooses instead to register may not selectively choose which registration requirements it will comply with and which ones it will ignore while it is registered. As a result of Respondent’s decision to register for the time period in question, the claimed exemption did not apply to Frank Trombatore’s activities.

IV. ORDER

IT IS THEREFORE ORDERED, pursuant to section 604 of the Securities Act, MCL 451.2604, that:

- A. Respondent shall immediately CEASE AND DESIST from employing or associating with an unregistered agent, contrary to the Securities Act.
- B. Pursuant to section 604(2) of the Securities Act, this Notice and Order to Cease and Desist is IMMEDIATELY EFFECTIVE.
- C. In her Final Order, the Administrator, under section 604(4) of the Securities Act, MCL 451.2604(4), intends to impose a civil fine of \$10,000.00 against Respondent.
- D. Pursuant to section 508 of the Securities Act, MCL 451.2508, a person that willfully violates the Securities Act, or an order issued under the Securities Act, is guilty of a felony punishable by imprisonment for not more than 10 years or a fine of not more than \$500,000.00 for each violation, or both. An individual convicted of violating a rule or order under this act may be fined, but shall not be imprisoned, if the individual did not have knowledge of the rule or order.

V. NOTICE OF OPPORTUNITY FOR HEARING

Section 604 of the Securities Act, MCL 451.2604, provides that Respondent has 30 days beginning with the first day after the date of service of this Notice and Order to Cease and Desist to submit a written request to the Administrator asking that this matter be scheduled for a hearing. If the Administrator receives a written request in a timely manner, the Administrator shall schedule a hearing within 15 days after receipt of the request. The written request for a hearing must be addressed to:

Corporations, Securities & Commercial Licensing Bureau
Regulatory Compliance Division
P.O. Box 30018
Lansing, MI 48909

VI. ORDER FINAL ABSENT HEARING REQUEST

- A. Under section 604 of the Securities Act, MCL 451.2604, the Respondent's failure to submit a written request for a hearing to the Administrator within 30 days after the service date of this **NOTICE AND ORDER TO CEASE AND DESIST** shall result in this order becoming a **FINAL ORDER** by operation of law. The **FINAL**

Notice & Order to Cease & Desist
Southern Trust Securities, Inc., CRD#103781
Complaint No. 338507

ORDER includes the imposition of the fines cited described in section IV.C., and the fine amounts set forth below will become due and payable to the Administrator within sixty (60) days after the date this order becomes final:

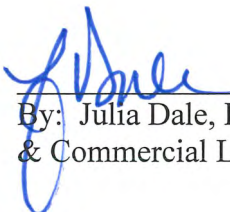
\$10,000.00 – Southern Trust Securities, Inc., under section 604 of the Securities Act, MCL 451.2604.

- B. CIVIL FINE payments should be payable to the STATE OF MICHIGAN and contain identifying information (e.g., names and complaint numbers) and mailed to the following address:

Corporations, Securities & Commercial Licensing Bureau
Final Order Monitoring
P.O. Box 30018
Lansing, MI 48909

- C. Failure to comply with the terms of this Order within the time frames specified may result in additional administrative penalties, including the summary suspension or continued suspension of all registrations held by Respondent under the Securities Act, the denial of any registration renewal, and/or the denial of any future applications for registration, until full compliance is made. Respondent may voluntarily surrender or withdraw a registration under the Securities Act; however, the surrender or withdrawal will not negate the summary suspension or continued suspension of the relevant registrations or any additional administrative proceedings if a violation of this Order or the Securities Act occurred.
- D. Failure to pay the civil fines within six (6) months after this Order becomes final may result in the referral of the civil fines to the Michigan Department of Treasury for collection action against Respondents.

CORPORATIONS, SECURITIES & COMMERCIAL LICENSING BUREAU


By: Julia Dale, Director, Corporations, Securities
& Commercial Licensing Bureau

4/24/19
Date