

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: _____

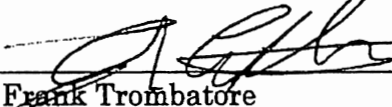
Approved by:

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.

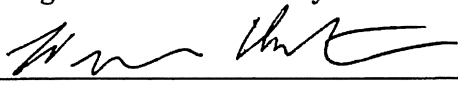
Signed: _____
[name]
Southern Trust Securities, Inc.

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:

Complaint No. 338509

FRANK TROMBATORE
CRD#2126568
Unregistered

Respondent.

_____/

This 24th day of April, 2019

Issued and entered

NOTICE AND ORDER TO CEASE AND DESIST

Julia Dale, the Director (“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 Frank Trombatore (“Respondent”) to cease and desist from acting as an unregistered agent of a broker-dealer, contrary to the Securities Act. Respondent is notified of the opportunity to request a hearing in this matter.

I. BACKGROUND

A. The Respondent

1. Frank Trombatore (CRD# 2126568) is an individual who resides in the state of New Jersey. He applied for registration as an agent of a broker-dealer under the Securities Act in Michigan on or around July 30, 2018, but withdrew the registration application on or around December 12, 2018.
2. Respondent is employed by or associated with Southern Trust Securities, Inc. (CRD# 103781, “Southern Trust”), a broker-dealer that was registered in Michigan from on or around August 26, 2005 until on or around January 3, 2019, when it withdrew its registration under the Securities Act and elected to rely on an exemption.

B. Findings of Fact

1. The Bureau investigated Respondent's activities under the Securities Act.
2. The investigation developed evidence that Respondent, as an agent of Southern Trust, offered and sold securities in Michigan on behalf of Southern Trust while Southern Trust was registered as a broker-dealer, but Respondent was not registered as an agent of the broker-dealer.
3. Neither Respondent nor Southern Trust has identified a relevant exemption, exception, preemption, or exclusion from the applicability of the Securities Act for the time period that Southern Trust was registered as a broker-dealer.¹

II. RELEVANT STATUTORY PROVISIONS

1. Section 102(b) of the Securities Act, MCL 451.2102(b), defines "agent" in part as "an individual other than a broker-dealer who represents a broker-dealer in effecting or attempting to effect purchases or sales of securities..."
2. Section 402(1) of the Securities Act, MCL 451.2402(1), states:
 - (1) An individual shall not transact business in this state as an agent unless the individual is registered under this act as an agent or is exempt from registration as an agent under subsection (2).
3. Section 503(1) of the Securities Act, MCL 451.2503(1), states:
 - (1) 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 exclusions.

¹ Respondent and Southern Trust claimed reliance on an exemption from agent registration which required the broker-dealer 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]." Southern Trust 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. Southern Trust 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, Southern Trust 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 Southern Trust's decision to register for the time period in question, the claimed exemption did not apply to Respondent's activities.

III. CONCLUSIONS OF LAW

1. Respondent, Frank Trombatore, acted as an unregistered agent of Southern Trust Securities, Inc., a registered broker-dealer, when he offered and sold securities in Michigan without being registered as an agent. Neither Respondent, nor Southern Trust Securities, Inc. has identified a relevant exemption, exception, preemption, or exclusion from the Securities Act's agent registration requirements, causing a violation of section 402(1) of the Securities Act, MCL 451.2402(1).

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 acting as 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 civil fines 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.
- E. The Administrator retains the right to pursue further administrative action against Respondent under the Securities Act if the Administrator determines that such action is necessary and appropriate in the public interest, for the protection of investors and is authorized by the Securities Act.

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:

**Cease & Desist Order
Frank Trombatore, CRD# 2126568
Complaint No. 338509**

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 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:

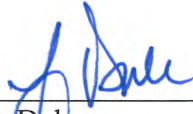
\$10,000.00 – Frank Trombatore, under section 604 of the Securities Act, MCL 451.2604.

- 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 Respondent.

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



Julia Dale
Director, Corporations, Securities &
Commercial Licensing Bureau

4/24/19
Date