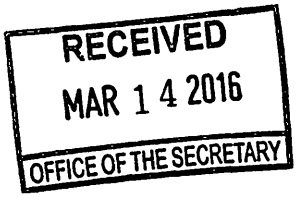
**ALLEN M. PERRES RESPONSE TO**
**SEC DIVISION OF ENFORCEMENT**
**MOTION FOR SUMMARY DISPOSITION.**

File No. 3-17013

In the Matter of Allen M. Perres and Willard St. Germain

March 10, 2016

Cc: Anne C. Mckinley
Emily A. Rothblatt
Division of Enforcement
U.S Securities and Exchange Commission
175 West Jackson Boulevard, Suite 900
Chicago, IL 60604




**RESPONSE TO SEC REQUEST FOR SUMMMARY DISPOSITION**

I, Allen M. Perres, direct this communication in response to the SEC Request for Summary Disposition in File No. 3-17013. It is my intent to show that the SEC found against me despite additional facts that were not properly concluded and which were incomplete. I respectfully request that the financial penalty to which I have agreed be sufficient punishment and that I not be held to the Penny Stock Ban which I feel is excessive, vague and which I hope to show, unfairly abridges my ability to carry on my business life.

I am 68 years old, have lived a business life, often in financially oriented industries and have been careful to follow the rules and guidelines appropriate to my activity. I was a NASD licensed securities principal for over 10 years, in good standing with no complaints or violations.

Several times it is stated that I have disputed certain facts per my agreement with the SEC. In this document, I endeavor to present as accurately as possible, additional scope to these facts I may at times cross over the agreement I signed. This is not intended to be disrespectful to the SEC.

I had been a licensed securities principal for over ten years raising money for real estate transactions both through my own broker dealer and in concert with local, regional and national firms, in all instances complying strictly with proper securities laws and regulations. My license was maintained in good standing (NASD and SEC) despite an issue I had in the early 1970's about **41 years ago**. My business background strongly indicates my record of securities compliance I sincerely hope my response shows that the SEC's Motion is excessive and practically speaking unnecessary. Also, I have repeatedly requested clarification on what the SEC's restrictions actually mean to me from a functional standpoint and have not been able to receive a clear answer. Nor has my securities counsel been able to so advise me.

Accordingly, and because I respond to this document without the assistance of an attorney, I will follow the "Memorandum of Law in Support of Its Motion." I sincerely request that my lack of formality is not taken as disrespect to the Court or the SEC.

## I. Response to **PRELIMINARY STATEMENT**

As my response will describe later in this document, I did agree with the SEC to a "bifurcated process." I felt this was practical because I needed to take responsibility for the careless actions of the company for which I worked, Southern Cross Resources Group, Inc. and for my lack of assertive action as I witnessed behavior which I believed was inappropriate but which I felt I could help improve.

In this paragraph, the amount of disgorgement is stated at $125,145. My settlement agreement is as follows:

"Payment shall be made in the following installments:

(1) $2,607 no later than the last day of each quarter beginning in March 2016 and continuing through December 2018."

It is paragraph #2 of the SEC motion which I passionately dispute and which if granted, will negate my ability to be financially viable and which does not take into account my long years of securities compliance. It is also most important to note that the SEC's description of my function at Southern Cross is factually incomplete and in some instances, wrong.. I have been placed in the same category as Willard St. Germain which I feel is totally inappropriate.

**Response to PARAGRAPH II: STATEMENT OF UNDISPUTED FACTS**

In the second paragraph, it is stated that I was "one of the marketers for Southern Cross and earned commissions from funds raised from investors..."

First, I was indeed a marketer but this was not my main position nor did it occupy more than a small fraction of my time, responsibility and focus. This is critical to the entire matter. My hiring by Southern Cross was initially and clearly defined as follows: a) to source institutional debt and equity for the company and various of its to be created entities. b) to create and sustain relationships with commodity owners and brokers representing owners. c) to attract professionals, consultants and potential employees to Southern Cross from my relationships over the years. I expressly indicated that I would not be involved in any sourcing of funds from individuals considered non-institutional.

During the date identified by the Motion, I brought in a controller (10 months with the Company), created relationships with numerous brokers of commodities (such effort being responsible for the entirety of Southern Cross's commodities initiative, sourced professionals including engineering firms who delivered extensive professional services for the Company in

both the US and Mexico. Providing these services was how I was to be compensated. My agreement was as follows: I was to be made an employee to receive a $5,000 per month stipend or salary. In addition, I was to receive a bonus and incentive compensation (cash and stock) for delivering on the services described above. This did not happen at any time.

Becoming an employee was critical to me (which I clearly explained to the Company and confirmed by having them speak to securities counsel) because as an employee, I could speak to funding sources on behalf of the firm as long as I was not specifically compensated with a commission tied to funding.

Southern Cross agreed to these terms and, as I testified to the SEC, among the reasons that the company would work with me on my terms (described above) was **their fervent claim that they did not need funds from small investors because Michael Nasatir, CEO of the company had significant net worth, had placed and would continue to place funds into the firm.**

Unfortunately and to my dismay, almost immediately upon my arrival at Southern Cross, I was asked to change my job description to speak to small investors on the Company's behalf. Nasatir felt that it would be too early to attract institutional funds and wanted to extend his effort with small investors. I expressed concern about this request and at first, refused. After repeated requests, I relented and agreed to spend "a few months" speaking to small investors. I expressly warned the company that neither I or any other person could be compensated for raising money. I reduced the time I was spending on sourcing institutional funds and commodity sources (coal sources at that time, later to include iron ore brokers and related professionals and finally oil representatives).

The financial stipend which was repeatedly promised to me was repeatedly postponed. My admission as an employee was pushed back virtually indefinitely. (I never became an employee of the firm). The $5,000 per month with incentives for sourcing commodities, iron ore brokers, etc., was never paid. I did, for a period of about 1 year, receive $3,000 per month for various functions as described herein.

My agreement to speak with small investors was under my following terms: a/ that it be for a short time (no longer than 3-4 months and that I would not solicit people with whom I did not have a prior existing relationship) b/ that proper documentation be created (PPM, Subscription Agreement, along with proper disclosure information) c/ that any numbers (forecasts, balance sheets, be vetted and supported by seasoned professionals. d/ that my stipend be paid per agreement and that I become an employee of the company. e/ that the Company file a Form D for investors I might source. f/ that the Company's commitment (made verbally) for allocation of shares to me for my efforts with institutional funds be formalized with a written agreement. All of this was agreed to orally to be followed up with a written agreement. However, none of the terms of the oral agreement were made part of any written agreement.

**It is critical that my testimony about my compensation understood. The Company informed me that I would be advanced funds when money arrived. My overall compensation was to be tied to significantly greater functions (again, sourcing commercial debt, institutional investors, sources for coal, iron ore and oil, recruitment of professionals who could help the company grow). I was repeatedly promised that I would become an employee. In addition, the Company committed that it would solicit small investors for "only a few months to just to "help get us going". This, of course, is not what happened.**

Response to **III. ARGUMENT**

**"a motion for summary disposition should be granted when there is "no genuine issue with regard to any material fact and the party making the motion is entitled....."**

As I stated in the previous paragraphs, I have expressed quite extensively and passionately the intended structure of my compensation. This explanation, for whatever reason, was not accepted by the SEC.

Among the reasons I agreed to the financial disgorgement was that when I saw the extent to which Southern Cross broke its commitments to me regarding stipend and/or salary, proper professional support and other failures of professionalism, I should have resigned. This was an unequivocal failure on my part, and it is why I agreed to the fine.

**Response to III. B.**

I implore all parties to understand that while I made mistakes, among the most important factors was that at no time was I willful. I was the opposite. I repeatedly admonished the company to follow proper securities law guidelines, I offered specific strategies to do so and when the company's plans changed materially (due to the market or the Company's change of strategy) **It is a matter of record that I strongly insisted that the Company make on offer of rescission and do so with an experienced, competent lawyer. I introduced them to a lawyer and I threatened to leave the Company if the rescission offer was not performed. They did follow my demand in this regard.**

**Response to III C.**

I want to be a good citizen and to be financially viable. I have no intention of speaking with small investors in the future (I did not do so for the previous 20 years prior to Southern Cross). Over the years I learned how to guide entrepreneurs to the right attorneys, accountants, financial plans, etc. I had no complaints throughout my time as a registered NASD BD and was often asked to speak at the Real Estate Syndication and Securities Institute. The subject I most often lectured on was proper documentation and regulatory compliance. An SEC order that I be barred from suggesting a broker dealer for a company or introduce a pension fund to a needy real estate project is extremely unfair and unwarranted.

As I explained when I requested that this matter be bifurcated, banning me on such a scale is almost impossible for me to understand. For example, ifI am speaking with a client about a first mortgage or a marketing strategy for business development, and the subject of conversation moves to funding equity, am I supposed to recuse myself at that point and go to another room? The SEC's position is totally unclear on this point.

**Response to paragraph entitled: "The *Steadman* factors.."**

The SEC's position is that my violations were egregious. First, every one of the investors to whom I spoke were known to me in prior relationships. **I never cold called or solicited investors.** Second, I had good reason to believe the Company would keep its commitments to:

prepare complete disclosure documents, hire me as a full time employee who could legally speak to possible investors and be compensated in a proper manner (which meant that my compensation not be tied to amounts raised). All of my investors were known and/or represented to me as accredited.

**Paragraph beginning "Perres' experience in the securities..."**

The SEC claim is disappointing and confusing. The violation of which they report occurred in the early 1970's and its finding and my consent decree was in 1975, when I was in my 20's, **forty one years ago**. I was the director of training for a Multi-Level company. The SEC filed suit claiming a distributorship was an investment contract and that its distributors did not hold securities licenses. The SEC prevailed, and I signed a consent decree with a number of others, not thinking this would be a severe mark against me. I was not advised by counsel.

Later, I formed an affiliate company called RealShares, Inc which was a licensed NASD broker/dealer entitled to sell direct participation securities. I received my principal's and sales license as well as other necessary licenses. I hired a highly competent financial executive (licensed) several salesmen (licensed), had competent securities counsel and in over ten years, had no violations or allegations of violations. Our firm was properly operated. I certainly had to fully explain the 1975 decree to the NASD when I applied for admission and was granted a principal's license which I honored properly.

I find it highly unfair that when the SEC says, "Given his past experiences with the securities laws and his previous violation..." I believe they are failing to cite the many years of successful operation I had and the fact that the consent decree is 41 years old.

The SEC states that my violations were frequent and continued. This onerous characterization is frustrating and confusing to me. The only investors I recruited were those with whom I had a prior relationship, were accredited and who were properly informed of the risk. In this connection, I entered into the monetary penalty because I felt it was fair based on my conduct. Certainly this shows the recognition of my conduct. I never arranged a meeting with other investors and was in attendance at the company's behalf to assure that information was properly described and risk factors presented fairly.

The SEC states that I "made no assurances against future violations nor has he offered any recognition of the wrongful nature of this conduct beyond the settlement agreement."

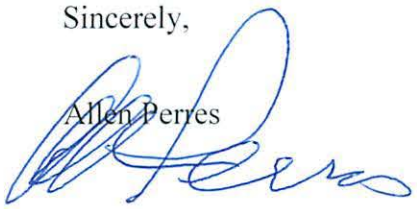
I am bewildered at this uncalled for statement. I have explained fully what I did and why I felt I was careless. I entered into the monetary penalty settlement. I have stated that for over 20 years I did not raise money except for debt for commercial purposes and as a mortgage broker. I have no idea why the SEC indicates my lack of contrition.

**CONCLUSION:**

I respectfully request the Court to find against the SEC's position that I am a habitual violator who took advantage of people. I have worked hard to be fair and honorable and my

long-term record supports this. I did stay longer at Southern Cross than I should have and been more assertive about the improprieties I witnessed and fought against. As stated above, this is why I entered into the monetary settlement. If I have the SEC's citations against me, no client, financial or pure marketing, will seek my services. I respectfully request the Court not demand the Penny Stock Ban nor other restrictions as stated in the filing.

Sincerely,



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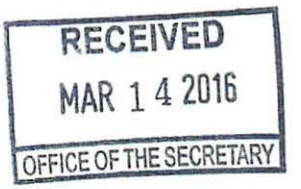
**ALLEN PERRES**

# Fax

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|---|---|---|---|
| **To:** | BRENT J. FIELDS<br>OFFICE OF THE SECRETARY<br>100F STREET, N.E.<br>WASHINGTON, D.C. 20549 | **From:** | ALLEN PERRES. FILE NO. 3-17013 |
| **Fax:** | 703 818 9793 | **Pages:** | 12 PAGES INCLUDING COVER+ one document (1) |
| **Phone:** | [redacted] | **Date:** | March 12, 2016 |
| **Re:** | FILE NO. 3-17013 RESPONSE TO MOTION FOR SUMMARY DISPOSITION | **cc:** | MS. EMILY BROTHBLATT<br>ANNE C. MCKINLEY (via had delivery or fed ex) and Judge Elliott via email at alj@sec.gov |

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Comments:

Per direction from the Division of Enforcement in Chicago, Ms. Emily Rothblatt and Anne McKinley, enclosed is my replay to the SEC's Motion for Summary Disposition.

I am instructed that either this fax or hard copies be sent to your office. I am doing both. Please note that the last page of this transmission is a Certificate of Service to Ms Rothblatt and Ms. McKinley.

Thank you for attention to this matter

CERTIFICATE OF SERVICE

I hereby certify that a copy of my written response to SEC Admin. Proc. File No. 3-17013 (Motion for Summary Disposition) - "In the Matter of Allen M. Perres and Willard St. Germain" was sent via Federal Express the 12th day of March, 2016 to Ms. Anne C. McKinley and Ms. Emily A. Rothblatt, Division of Enforcement, U.S. Securities and Exchange Commission, 175 West Jackson Blvd., Chicago, IL 60605

Allen Perres
[redacted]