

**UNITED STATES DISTRICT COURT
NORTHERN DISTRICT OF ILLINOIS
EASTERN DIVISION**

**UNITED STATES SECURITIES AND
EXCHANGE COMMISSION,**

Plaintiff,

v.

**SOUTHERN CROSS RESOURCES GROUP,
INC., MICHAEL A. NASATIR, AND
ANDREW L. MADENBERG**

Defendants.

COMPLAINT

Plaintiff United States Securities and Exchange Commission (the “Commission”) alleges as follows:

SUMMARY OF THE ACTION

1. The Commission brings this action based upon a fraudulent offering of securities, conducted by Michael A. Nasatir (“Nasatir”) and Andrew L. Madenberg (“Madenberg”) on behalf of the company they controlled, Southern Cross Resources Group, Inc. (“Southern Cross”), an asset-based trading company focusing on energy-producing assets. Between April 2012 and September 2014, Nasatir, Madenberg, and Southern Cross raised over \$5 million from nearly 100 investors located in 12 states, including certain investors in other entities who received Southern Cross shares.

2. Southern Cross investors were provided with written offering materials informing them that Nasatir and Madenberg personally invested millions of dollars of their own money and assets into the company. In reality, Nasatir and Madenberg invested no cash and only minimal

assets into the company.

3. Southern Cross stated that the assets invested by Nasatir and Madenberg included substantial coal reserves and valuable nickel wire, which were worth between \$26 million and \$310 million. However, Southern Cross never owned the rights to mine most of the coal reserves; and, the company was never able to sell any of its nickel wire, even at a significantly lower value than what was described in the offering documents.

4. Further, Southern Cross investors were informed that Nasatir and Madenberg owned a majority of the company's outstanding shares. In fact, Nasatir and Madenberg never owned more than a minority of Southern Cross shares. Southern Cross eventually sold certain of the company shares Nasatir controlled, in violation of a lock-up agreement.

5. In March 2014, Southern Cross advised approximately one-half of its investors that they could cancel or rescind their investments in the company. This "rescission offer" informed investors that certain statements in initial offering documents were incorrect. However, the rescission offer failed to correct all of the misstatements in the initial offering documents, and contained other materially misleading statements and omissions about Southern Cross.

6. Southern Cross spent all of the initial money it raised from investors and has had to borrow additional funds in order to continue operations. Southern Cross' shares are not listed on any exchange, and cannot be sold to the public. Southern Cross has only a few assets which could be sold for a gain. Accordingly, Southern Cross' investors are likely to suffer a significant loss on their investments in the company.

JURISDICTION AND VENUE

7. The Court has jurisdiction over this action pursuant to Sections 20 and 22 of the

Securities Act [15 U.S.C. §§ 77t and 77v] and Sections 21 and 27 of the Exchange Act [15 U.S.C. §§ 78u and 78aa]. Defendants Southern Cross, Nasatir, and Madenberg, directly or indirectly, have made use of the means or instrumentalities of interstate commerce and of the mails, in connection with the acts, practices, and courses of business alleged in this Complaint.

8. Venue is proper in this Court pursuant to Section 22 of the Securities Act [15 U.S.C. § 77v] and Section 27 of the Exchange Act [15 U.S.C. §78aa] because some of the acts, practices, and courses of business constituting the violations alleged in this Complaint occurred within the jurisdiction of the United States District Court for the Northern District of Illinois. In addition, Nasatir and Madenberg reside within the Northern District of Illinois and Southern Cross resides and conducts business within the Northern District of Illinois.

DEFENDANTS

9. Michael A. Nasatir (“Nasatir”), age 56, currently resides in Glenview, Illinois. Nasatir serves as the CEO of Southern Cross.

10. Andrew L. Madenberg (“Madenberg”), age 55, currently resides in Deerfield, Illinois. Madenberg serves as the President of Southern Cross.

11. Southern Cross Resources Group, Inc. (“Southern Cross”), is a Nevada corporation headquartered in Vernon Hills, Illinois. It was incorporated in 2014 as the successor to a 2007 Nevada corporation of the same name. Southern Cross is an asset based trading company with a focus on energy producing assets.

BACKGROUND FACTS

A. Nasatir and Madenberg’s Acquisition of Southern Cross

12. On April 4, 2012, Nasatir and Madenberg entered into an agreement to obtain control of a shell corporation, known as Southern Cross, from an individual who owned the

majority of the company's shares. The agreement provided for 45,909,740 of the 55,909,740 outstanding shares of Southern Cross to be transferred to a Nasatir-controlled brokerage account. Nasatir was supposed to transfer 13,772,922 of these shares to an account controlled by Madenberg.

13. However, these shares could not be released until Nasatir and Madenberg paid off a \$140,000 debt of the seller.

14. The agreement further provided that 8,166,662 shares owned by the seller would be transferred into a brokerage account in Southern Cross' name.

15. Nasatir also transferred to Southern Cross 2.6 million meters of nickel wire, which Nasatir claimed was appraised at over \$200 million.

16. Finally, Southern Cross entered into a \$1,000,000 promissory note with the seller, but payments under this note would be deferred until the seller's \$140,000 debt was paid off.

B. Southern Cross' Misstatements and Omissions

17. In April 2012, Southern Cross began raising funds through the use of a series of offering documents, including private placement memoranda ("PPMs"), and informational brochures, which were provided to investors. Both Nasatir and Madenberg helped prepare those offering documents, and they each reviewed the PPMs.

Description of Coal Properties in the Initial Offering Documents

18. The early PPMs described Southern Cross as a company engaged in developing "various energy properties," including "coal properties and related energy products."

19. The May 2012 PPM stated that the principals of Southern Cross had placed over \$310 million of audited assets into the company, including "nickel wire inventory and coal mining assets." However, at the time, neither the assets nor Southern Cross had been audited.

20. Approximately \$84 million of the \$310 million in assets described in the May 2012 PPM was attributable to the coal mining properties. However, at the time the PPM was issued, Southern Cross did not have rights or ownership interests in \$84 million of the coal mines or coal assets.

21. Southern Cross used the financial statements from an unrelated company which owned a different coal mine as the basis for its \$84 million valuation in the May 2012 PPM. Southern Cross had no ownership interest in the other coal property.

22. In July 2012, Southern Cross began distributing a new version of the PPM. This version stated that Nasatir and Madenberg had invested over \$26 million in unencumbered assets into Southern Cross, including the nickel wire and 22 million tons of coal reserves at the Jenny's Creek and Logan Gap coal mines in Kentucky, 19 million of which were at Logan Gap.

23. However, Southern Cross did not have the rights to mine any of the coal at Logan Gap. The owner of those coal reserves never sold, leased, or otherwise transferred his interest in the coal reserves to Southern Cross. And Southern Cross never paid the owner of Logan Gap for the rights to mine the property.

24. The July 2012 PPM also stated that Southern Cross owned an estimated 3 million tons of coal reserves at Jenny's Creek. However, one of the permits for the Jenny's Creek property had already expired in January 2012 and Southern Cross failed to tell investors that the remaining permit was scheduled to expire in March 2013 and that the lease for the property was scheduled to expire in June 2013.

Description of Coal Properties in the Rescission Offer

25. In March 2014, Southern Cross provided 54 of its investors the opportunity to cancel their investment in the company, along with a new PPM. This "rescission offer"

purported to advise investors that certain statements in initial offering documents and PPMs were incorrect, and that those statements may have misled investors.

26. Both Nasatir and Madenberg helped prepare the rescission offer and the new March 2014 PPM, and Nasatir reviewed the rescission offer and Madenberg reviewed the rescission offer and PPM before they were provided to investors.

27. The Southern Cross rescission offer stated that the company had decided not to “commit resources to the production and exploitation of the coal assets” due to the deteriorating market prices of coal.

28. However, in the new March 2014 PPM, Southern Cross continued to advise its investors that it owned “significant coal reserves at the Jenny’s Creek and Logan’s [sic] Gap Development coal mines in Kentucky,” and that Southern Cross held permits to mine those reserves. This was not true.

29. Southern Cross failed to disclose that both of its permits to mine coal at Jenny’s Creek had expired, as had its lease agreement, and that it never had permits or any rights to mine at Logan Gap.

30. In several versions of the PPMs provided to investors, Southern Cross stated that its coal properties had been “reviewed and evaluated by an independent third party, which has used industry accepted standards to prepare a valuation of the Company’s coal reserves.” According to this valuation, the reserves were valued at \$25 million. Southern Cross provided an excerpt of this valuation in a brochure given to investors.

31. However, the so-called independent valuation was not independent and was false.

Description of Nickel Wire in the Initial Offering Documents

32. Southern Cross’ May 2012 PPM stated that Nasatir had contributed over \$310

million of assets to the company, including 2.6 million meters of nickel wire valued at \$87 per meter, for a total contribution of \$226,200,000.

33. Nasatir did not pay anything for this wire. Instead, Nasatir received the nickel wire from an overseas business associate who requested that he try to sell it in the United States on consignment.

34. In subsequent documents provided to investors Southern Cross reduced both the amount of nickel wire contributed to Southern Cross, and the valuation of the wire per meter. For example, in a March 2013 amendment to the Stock Transfer Agreement, Southern Cross reduced Nasatir's contribution to only 100,000 meters of wire, at a total valuation of \$4 million.

Description of Nickel Wire in the Rescission Offer

35. Despite the reduction in the amount and value of the contributed nickel wire, the March 2014 rescission offer did not specifically identify the nickel wire or the amount by which it was reduced.

36. However, in the March 2014 PPM which accompanied the rescission offer, Southern Cross did advise investors that the amount of wire had been reduced in May 2012 to 46,000 meters, and that the value was \$4 million, but shown on the financial statements at a \$100,000 value.

37. In the March 2014 PPM, Southern Cross also advised investors that the purpose of the nickel wire was to "generate revenues in transactions in which portions of the nickel wire are provided as collateral security for loans made to third parties." The PPM further stated that Southern Cross "realizes significant fees and other considerations, including equity interests, providing the nickel wire as collateral in such third party loans."

38. In reality, Nasatir has attempted since 2009 to sell the wire for as little as \$10 per

meter, but has been unable to sell any portion of the wire. Since April 2012 Southern Cross has been unable to sell any portion of the wire or generate any fees by using the wire as collateral.

Misrepresentations about Madenberg and Nasatir

39. Southern Cross' PPMs and other promotional materials advised investors that Nasatir and Madenberg each had made substantial cash contributions to finance Southern Cross' operations. In fact, neither Nasatir nor Madenberg ever invested any of their own money into Southern Cross.

40. The PPMs and other offering materials stated that Nasatir was a "founding member" of a financial services company with over \$2 billion in assets under management that he took public and sold for a significant return. In reality, Nasatir had no operational authority with that company and was merely a shareholder.

41. The PPMs and brochures also stated that Madenberg was the president of a company which grew to \$50 million in assets in two years. However, the PPMs failed to disclose that the company ultimately went out of business in 2009.

42. Southern Cross' promotional materials stated that Nasatir had "a net worth in the hundreds of millions" and that Nasatir and Madenberg had "amassed a substantial net worth over their days as traders." In fact, neither Nasatir nor Madenberg ever had a substantial net worth during their association with Southern Cross, and since at least 2011 Nasatir had been having difficulty meeting some of his monthly obligations.

Misrepresentations Regarding the Number of Shares Held by Nasatir and Madenberg

43. Beginning in April 2012, Southern Cross' PPMs and brochures stated that Nasatir and Madenberg were the majority shareholders of the company. In fact, Nasatir and Madenberg never owned a majority of the Southern Cross shares, either individually or jointly.

44. The only shares of Southern Cross that Nasatir and Madenberg ever actually owned were the 8,166,662 shares that were supposed to be placed in an account in the company's name. In fact, these shares were transferred to an account of another company which was controlled by Nasatir.

45. More than 45 million of the company's existing shares remained in the prior owner's name, and could not be released, because Nasatir and Madenberg never paid the seller's \$140,000 debt pursuant to the stock purchase agreement.

46. Southern Cross' investors were not informed of this existing debt obligation until the company's March 2014 rescission offer. The rescission offer stated that Southern Cross had settled that obligation, and that the shares would soon be released. In fact, Nasatir and Madenberg's settlement offer was rejected by the seller, and the shares were never released.

47. As a result, in May 2014 Southern Cross began cancelling the issuance of company shares and issuing shares in a new company, also named Southern Cross, which was created by Nasatir and Madenberg. In July 2014, the initial Southern Cross "shell" company was transferred back to the seller under a new name.

Misrepresentations Regarding Investors' Ability to Publicly Trade Shares

48. Southern Cross also made a series of misrepresentations to investors about the possibility of reselling the company's shares through a public market. Beginning in May 2012, Southern Cross told investors that the company was publicly traded overseas on the Frankfurt Stock Exchange.

49. In its July 2012 PPM Southern Cross stated that it had applied for a listing on the London Stock Exchange. And in May 2013 Southern Cross representatives informed investors that the company's stock had begun trading on the London Stock Exchange.

50. In reality, Southern Cross was registered on the Deutsche Börse Group's First Quotation Board ("FQB") from April of 2012 until December 15, 2012, when the Deutsche Börse closed the FQB.

51. In April 2013, Southern Cross moved its shares to the GXG, a Danish Exchange regulated by the Danish Financial Supervisory Authority. Southern Cross was no longer listed on the GXG starting in July 2014.

52. Southern Cross never applied for admission to the London Stock Exchange and its shares were never traded there.

Violation of the Lock-Up Agreement

53. Under the initial acquisition agreement, approximately 8 million Southern Cross shares were supposed to be held in a brokerage account in the company's name. These shares were subject to a separate "lock-up" agreement and could not be released until April 2014.

54. However, in March 2013, Nasatir directed the sale of approximately 6 million of those shares, in violation of the lock-up agreement, to two British Virgin Islands companies based in China. These companies had agreed to sell the shares on the Danish GXG exchange, and to give 35% of the proceeds of the sales to Southern Cross.

55. In the March 2014 PPM that accompanied the rescission offer, Southern Cross advised investors that none of the approximately 8 million shares had been sold. However, this was not true. Southern Cross failed to inform investors that Nasatir had directed the sale of the majority of these shares in the hopes of generating trades in Southern Cross shares on the GXG.

C. Failure to Register the Offering

56. Between April 2012 and September 2014, Nasatir, Madenberg, and Southern Cross raised over \$5 million from at least 97 investors located in 12 states, including certain

investors in other entities who received Southern Cross shares.

57. At no point in time was a registration statement filed with the Commission in connection with the securities offering for Southern Cross.

58. During the course of the securities offering, Nasatir, Madenberg, and the company's promoters failed to provide any Southern Cross investors with certain kinds of disclosure documents required for registered offerings.

59. Nasatir, Madenberg, and the company's promoters also sold Southern Cross stock to investors without obtaining the required information as to whether they qualified as accredited investors.

D. Investors Are Likely to Lose a Significant Amount of Their Investment

60. Currently, Southern Cross has only a few assets which could be sold for a gain.

61. Southern Cross also spent the initial money raised from investors, and has had to borrow additional funds just to continue operations.

62. Southern Cross' securities are not listed on any exchange, and therefore cannot be sold to the public. Accordingly, Southern Cross investors are likely to suffer a significant loss on their investment.

COUNT ONE

Against Southern Cross Resources Group, Inc., Michael A. Nasatir, and Andrew L. Madenberg for Violations of Section 17(a)(1) of the Securities Act

63. The Commission realleges and incorporates by reference paragraphs 1 through 62.

64. At all relevant times, Nasatir and Madenberg, as the Chief Executive Officer and President, respectively, controlled Southern Cross and reviewed, approved and had ultimate authority over the written offering documents given to investors and potential investors in

Southern Cross.

65. Southern Cross, Nasatir, and Madenberg, in the offer or sale of securities, by the use of the means and instruments of transportation or communication in interstate commerce and by the use of the mails, directly or indirectly, employed devices, schemes and artifices to defraud.

66. Southern Cross, Nasatir, and Madenberg knowingly or recklessly engaged in the fraudulent conduct described above.

67. By engaging in the conduct described above, Southern Cross, Nasatir, and Madenberg have violated, and unless restrained and enjoined, will continue to violate, Section 17(a)(1) of the Securities Act [15 U.S.C. § 77q(a)(1)].

COUNT TWO

Against Southern Cross Resources Group, Inc., Michael A. Nasatir, and Andrew L. Madenberg for Violations of Sections 17(a)(2) and 17(a)(3) of the Securities Act

68. The Commission realleges and incorporates by reference paragraphs 1 through 62.

69. Southern Cross, Nasatir, and Madenberg, in the offer or sale of securities, by use of the means or instruments of transportation or communication in interstate commerce or by use of the mails, directly or indirectly obtained money or property by means of untrue statements of material fact or omitted to state material facts necessary in order to make the statements made, in the light of the circumstances under which they were made, not misleading; or engaged in transactions, practices, or courses of business which operated or would operate as a fraud or deceit upon purchasers of securities

70. By engaging in the conduct described above, Southern Cross, Nasatir, and Madenberg have violated, and unless restrained and enjoined, will continue to violate, Sections 17(a)(2) and 17(a)(3) of the Securities Act [15 U.S.C. §§ 77q(a)(2) and 77q(a)(3)].

COUNT THREE

Against Southern Cross Resources Group, Inc. Michael A. Nasatir, and Andrew L. Madenberg for Violations of Section 10(b) of the Exchange Act and Rule 10b-5 thereunder

71. The Commission realleges and incorporates by reference paragraphs 1 through 62.

72. Nasatir and Madenberg, as the Chief Executive Officer and President, respectively, controlled Southern Cross. Nasatir and Madenberg reviewed, approved, and had ultimate authority over the written content contained in the offering documents for Southern Cross prior to their issuance.

73. Southern Cross, Nasatir, and Madenberg, in connection with the purchase or sale of securities, by the use of the means or instrumentalities of interstate commerce or of the mails, directly or indirectly: (a) used or employed devices, schemes, or artifices to defraud; (b) made untrue statements of material fact or omitted to state material facts necessary in order to make the statements made, in the light of the circumstances under which they were made, not misleading; or (c) engaged in acts, practices, or courses of business which operated or would operate as a fraud and deceit upon other persons.

74. Southern Cross, Nasatir, and Madenberg knowingly or recklessly engaged in the fraudulent conduct described above.

75. By engaging in the conduct described above, Southern Cross, Nasatir, and Madenberg have violated, and unless restrained and enjoined, will continue to violate, Section

10(b) of the Exchange Act [15 U.S.C. § 78j(b)] and Rule 10b-5 thereunder [17 C.F.R. § 240.10b-5].

COUNT FOUR

Against Southern Cross Resources Group, Inc., Michael A. Nasatir, and Andrew L. Madenberg for Violations of Sections 5(a) and 5(c) of the Securities Act

76. The Commission realleges and incorporates by reference paragraphs 1 through 62.

77. The shares of Southern Cross that Nasatir and Madenberg offered to sell and sold to the investing public were “securities” as defined by Section 2(a)(1) of the Securities Act [15 U.S.C. § 77b(a)(1)] and Section 3(a)(10) of the Exchange Act [15 U.S.C. § 78c(a)(10)].

78. No registration statement was filed or in effect with the Commission and no exemption from registration existed with respect to the Southern Cross securities and transactions described in this Complaint.

79. As described above, Southern Cross, Nasatir, and Madenberg have, directly or indirectly:

(a) made use of the means or instruments of transportation or communication in interstate commerce or of the mails to sell, through the use or medium of any prospectus or otherwise, securities as to which no registration statement was in effect;

(b) for the purpose of sale or delivery after sale, carried or caused to be carried through the mails or in interstate commerce, by means or instruments of transportation, securities as to which no registration statement was in effect; or

(c) made use of means or instruments of transportation or communication in interstate commerce or of the mails to offer to sell, through the use or medium of a prospectus or otherwise, securities as to which no registration statement has been filed.

80. By engaging in the conduct described above, Southern Cross, Nasatir, and Madenberg have violated Sections 5(a) and 5(c) of the Securities Act [15 U.S.C. §§ 77e(a) and 77e(c)].

RELIEF REQUESTED

WHEREFORE, the Commission respectfully requests that the Court:

I.

Permanently enjoin Defendants Southern Cross, Nasatir, and Madenberg from, directly or indirectly, violating or aiding and abetting violations of Sections 5(a), 5(c), 17(a)(1), 17(a)(2) and 17(a)(3) of the Securities Act [15 U.S.C. §§ 77e(a), 77e(c), 77q(a)(1), 77q(a)(2) and 77q(a)(3)], Section 10(b) of the Exchange Act [15 U.S.C. § 78j(b)] and Rule 10b-5 thereunder [17 C.F.R. § 240.10b-5];

II.

Order Defendants Southern Cross, Nasatir, and Madenberg to disgorge all of their ill-gotten gains received as a result of the violations alleged in this Complaint, plus prejudgment interest;

III.

Order Defendants Southern Cross, Nasatir, and Madenberg to pay civil penalties pursuant to Section 20 of the Securities Act [15 U.S.C. § 77t] and Section 21 of the Exchange Act [15 U.S.C. § 78u];

IV.

Retain jurisdiction of this action in accordance with the principles of equity and the Federal Rules of Civil Procedure in order to implement and carry out the terms of all orders and

decrees that may be entered or to entertain any suitable applications or motions for additional relief within the Court's jurisdiction;

V.

Grant such other and further relief as the Court deems necessary and appropriate.

Respectfully Submitted,

By: /s/Robert M. Moye

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