

INITIAL DECISION RELEASE NO. 710  
ADMINISTRATIVE PROCEEDING  
File No. 3-15974

UNITED STATES OF AMERICA  
Before the  
SECURITIES AND EXCHANGE COMMISSION  
Washington, D.C. 20549

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In the Matter of

NATURAL BLUE RESOURCES, INC., : INITIAL DECISION MAKING FINDINGS  
JAMES E. COHEN, and : AND IMPOSING SANCTIONS BY DEFAULT  
JOSEPH A. CORAZZI : AS TO NATURAL BLUE RESOURCES, INC.<sup>1</sup>  
: November 26, 2014

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APPEARANCES: Rua M. Kelly, Mayeti Gametchu, and Thomas J. Rappaport for the  
Division of Enforcement, Securities and Exchange Commission

BEFORE: Carol Fox Foelak, Administrative Law Judge

### SUMMARY

This Initial Decision orders Natural Blue Resources, Inc. (Natural Blue), to cease and desist from violations of the antifraud and reporting provisions of the federal securities laws and to pay a civil penalty of \$130,000.

### I. BACKGROUND

The Securities and Exchange Commission instituted this proceeding with an Order Instituting Proceedings (OIP) on July 16, 2014, pursuant to Sections 8A of the Securities Act of 1933 (Securities Act) and 15(b) and 21C of the Securities Exchange Act of 1934 (Exchange Act). Natural Blue was served with the OIP on August 4, 2014.<sup>2</sup> Its Answer was due within twenty days of service on it. *See* OIP at 12; 17 C.F.R. § 201.220(b). To date, Natural Blue has failed to file an Answer.<sup>3</sup> The Division of Enforcement (Division) filed a Motion for Entry of Default and Imposition of Sanctions, requesting

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<sup>1</sup> James E. Cohen and Joseph A. Corazzi remain in the proceeding.

<sup>2</sup> Natural Blue was served with the OIP by USPS Certified Mail, tracking No. 70132630000226622934, attempted delivery at “the most recent address shown on [its] most recent filing with the Commission.” *See* 17 C.F.R. § 201.141(a)(2)(ii).

<sup>3</sup> Natural Blue was previously warned that, if it failed to file an Answer within the time provided, it would be deemed to be in default. *Natural Blue Res., Inc.*, Admin. Proc. Rulings Release No. 1686, 2014 SEC LEXIS 2863 (A.L.J. Aug. 8, 2014).

that Natural Blue be ordered to cease and desist from violations of Section 17(a) of the Securities Act and of Sections 10(b) and 15(d) of the Exchange Act and Rules 10b-5, 15d-1, and 15d-13, thereunder; and to pay a civil penalty of \$130,000.<sup>4</sup> Natural Blue did not respond and was ordered to show cause, by November 14, 2014, why these sanctions should not be imposed. *Natural Blue Res., Inc.*, Admin. Proc. Rulings Release No. 1984, 2014 SEC LEXIS 4182 (Nov. 5, 2014). Natural Blue did not respond.

Thus, Natural Blue has failed “to answer, to respond to a dispositive motion within the time provided, or otherwise to defend the proceeding” within the meaning of 17 C.F.R. § 201.155(a)(2). Accordingly, Natural Blue is in default, and the undersigned finds that the allegations in the OIP are true as to it. *See* OIP at 12; 17 C.F.R. §§ 201.155(a), .220(f). Official notice has been taken of the Commission’s public official records concerning Natural Blue, pursuant to 17 C.F.R. § 201.323.

## II. FINDINGS OF FACT

Natural Blue is a forfeited Delaware corporation based in Woburn, Massachusetts, with a class of securities registered with the Commission pursuant to Exchange Act Section 12(g). Natural Blue’s corporate charter was declared forfeited by the Delaware Secretary of State in November 2010. The company is delinquent in its periodic filings with the Commission, having not filed any periodic reports since it filed a Form 10-Q for the quarter ended September 30, 2010.<sup>5</sup> As of June 16, 2014, Natural Blue’s common stock was quoted on OTC Link (formerly “Pink Sheets”) operated by OTC Markets Group Inc., had seven market makers, and was eligible for the “piggyback” exception of Exchange Act Rule 15c2-11(f)(3). During the period at issue in this proceeding, from August 2009 through late 2011, Natural Blue’s securities qualified as a “penny stock,” as defined by Exchange Act Section 3(a)(51) and Rule 3a51-1.

Natural Blue became a public company in August 2009 through a reverse merger. Its purported mission was to invest in environmentally-friendly companies. An early initiative of Natural Blue was to locate, purify, and sell water recovered from underground aquifers in New Mexico and elsewhere. Later, it changed its focus to recycled steel. The company never generated any income, however. Subsequently, in February 2011, Natural Blue announced that a subsidiary had entered two environmental restoration/demolition contracts totaling \$2.5 million involving remediation of contaminated soil and ground water associated with an infrastructure project of the Boston, Massachusetts, transit authority, and was negotiating additional contracts in Massachusetts and Rhode Island, which would bring the subsidiary’s expected revenue for the year to over \$50 million. Natural Blue made similar statements on its website. These statements were completely false. There were no contracts, and the subsidiary never had any revenues. Natural Blue, through its then chairman and CEO, made oral representations to

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<sup>4</sup> The Division also requests an order suspending trading in Natural Blue stock, pursuant to Exchange Act Section 12(k). However, this proceeding was instituted pursuant to Exchange Act Sections 15(b) and 21C and does not authorize the undersigned to act pursuant to Section 12(k).

<sup>5</sup> As an issuer whose securities were registered under Exchange Act Section 12(g), Natural Blue was required to file annual and quarterly reports under Exchange Act Section 13(a) and Rules 13a-1 and 13a-13. The OIP did not charge Natural Blue with violating those provisions, however.

investors concerning steel contracts, which were also completely false. Natural Blue also omitted to disclose material information concerning the individuals who controlled the company.

### **III. CONCLUSIONS OF LAW**

Natural Blue violated Securities Act Section 17(a) and Exchange Act Section 10(b) and Rule 10b-5 through the conduct described above.<sup>6</sup>

### **IV. SANCTIONS**

As the Division requests, Natural Blue will be ordered to cease and desist from violations of Section 17(a) of the Securities Act and of Section 10(b) of the Exchange Act and Rule 10b-5, thereunder; and to pay a civil penalty of \$130,000.

#### **A. Sanction Considerations**

The Commission determines sanctions pursuant to a public interest standard. *See* 15 U.S.C. § 78o(b)(6). The Commission considers factors including:

the egregiousness of the defendant's actions, the isolated or recurrent nature of the infraction, the degree of scienter involved, the sincerity of the defendant's assurances against future violations, the defendant's recognition of the wrongful nature of his conduct, and the likelihood that the defendant's occupation will present opportunities for future violations.

*Steadman v. SEC*, 603 F.2d 1126, 1140 (5th Cir. 1979) (quoting *SEC v. Blatt*, 583 F.2d 1325, 1334 n.29 (5th Cir. 1978)). The Commission also considers the age of the violation and the degree of harm to investors and the marketplace resulting from the violation. *Marshall E. Melton*, Exchange Act Release No. 48228, 2003 SEC LEXIS 1767, at \*4-5 (July 25, 2003). Additionally, the Commission considers the extent to which the sanction will have a deterrent effect. *Schild Mgmt. Co.*, Exchange Act Release No. 53201, 2006 SEC LEXIS 195, at \*35 & n.46. The Commission considers fraud to be particularly serious. *Marshall E. Melton*, 2003 SEC LEXIS 1767, at \*24-25, \*29-30.

#### **B. Sanction**

As described in the Findings of Fact, Natural Blue's violative conduct was recurrent over at least a year. Insofar as it violated the antifraud provisions, it was egregious and involved a high degree of scienter. Natural Blue's failure to file periodic reports since the third quarter of 2010 hid its true financial condition and enabled the false representations describe above. The antifraud violations are recent and the omissions to disclose material information are continuing. The degree of direct financial harm to investors is not quantified, but, as the Commission has often emphasized, the public interest determination extends beyond consideration of the particular investors affected by a

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<sup>6</sup> Natural Blue was not subject to Exchange Act Section 15(d) and Rules 15d-1 and 15d-13, which do not apply to issuers whose securities are registered under Exchange Act Section 12(g). Thus, Natural Blue did not violate those provisions.

respondent's conduct to the public-at-large, the welfare of investors as a class, and standards of conduct in the securities business generally. *See Christopher A. Lowry*, Investment Company Act of 1940 Release No. 2052, 2002 SEC LEXIS 2346, at \*20 (Aug. 30, 2002), *aff'd*, 340 F.3d 501 (8th Cir. 2003); *Arthur Lipper Corp.*, Exchange Act Release No. 11773, 1975 SEC LEXIS 527, at \*52 (Oct. 24, 1975). In light of the above factors, a cease-and-desist order is appropriate as is a \$130,000 civil money penalty.

## V. ORDER

It is ORDERED that pursuant to Section 8A of the Securities Act and 21C of the Exchange Act, Natural Blue Resources, Inc., shall CEASE AND DESIST from violations of Section 17(a) of the Securities Act and of Section 10(b) of the Exchange Act and Rule 10b-5.

It is FURTHER ORDERED that, pursuant to Securities Act Section 8A(g) and Exchange Act Section 21B, Natural Blue Resources, Inc., shall PAY A CIVIL MONEY PENALTY in the amount of \$130,000.

Payment of penalties shall be made on the first day following the day this Initial Decision becomes final. Payment shall be made by certified check, United States postal money order, bank cashier's check, wire transfer, or bank money order, payable to the Securities and Exchange Commission. The payment, and a cover letter identifying the Respondent and Administrative Proceeding No. 3-15974, shall be delivered to: Enterprises Services Center, Accounts Receivable Branch, HQ Bldg., Room 181, AMZ-341, 6500 South MacArthur Bld., Oklahoma City, Oklahoma 73169. A copy of the cover letter and instrument of payment shall be sent to the Commission's Division of Enforcement, directed to the attention of counsel of record.

This Initial Decision shall become effective in accordance with and subject to the provisions of Rule 360 of the Commission's Rules of Practice, 17 C.F.R. § 201.360. Pursuant to that Rule, a party may file a petition for review of this Initial Decision within twenty-one days after service of the Initial Decision. A party may also file a motion to correct a manifest error of fact within ten days of the Initial Decision, pursuant to Rule 111 of the Commission's Rules of Practice, 17 C.F.R. § 201.111. If a motion to correct a manifest error of fact is filed by a party, then that party shall have twenty-one days to file a petition for review from the date of the undersigned's order resolving such motion to correct a manifest error of fact. The Initial Decision will not become final until the Commission enters an order of finality. The Commission will enter an order of finality unless a party files a petition for review or a motion to correct a manifest error of fact or the Commission determines on its own initiative to review the Initial Decision as to a party. If any of these events occur, the Initial Decision shall not become final as to that party.<sup>7</sup>

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Carol Fox Foelak  
Administrative Law Judge

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<sup>7</sup> A respondent may also file a motion to set aside a default pursuant to 17 C.F.R. § 201.155(b). *See Alchemy Ventures, Inc.*, Exchange Act Release No. 70708, 2013 SEC LEXIS 3459, at \*13-14 & n.28 (Oct. 17, 2013); *see also David Mura*, Exchange Act Release No. 72080, 2014 SEC LEXIS 1530 (May 2, 2014).