

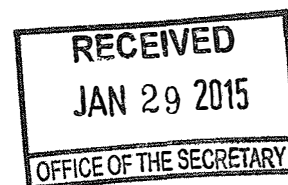
UNITED STATES OF AMERICA
Before the
SECURITIES AND EXCHANGE COMMISSION

ADMINISTRATIVE PROCEEDING
File No. 3-15974

In the Matter of

NATURAL BLUE
RESOURCES, INC.
JAMES E. COHEN, and
JOSEPH A. CORAZZI,

Respondents.



PRE-HEARING SUBMISSION
ON BEHALF OF JAMES COHEN

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PRELIMINARY STATEMENT

The claims against James Cohen arise from his involvement with the company Natural Blue Resources, Inc. (“NBR” or the “Company”), and the SEC’s allegation that the Company’s filings were false because Mr. Cohen and Joseph Corazzi acted as undisclosed *de facto* officers of Natural Blue. As set forth below, relevant authority plainly establishes that, to constitute a *de facto* officer, one must occupy the policy-making role within a company, and not merely advise those who possess that authority. Neither an activist shareholder nor a “forceful” consultant mutates into an officer – and renders all public filings false – unless he, and *not* the named officers, is the actual decision maker regarding the company’s policy and actions. The slope is not so slippery that a company’s public filings become false because a consultant is responsible for even a significant aspect of the company’s business, so long as its decisions are made by its executives and its board. Here, this Company possessed an active and capable slate of officers and directors who were assisted by counsel, and Mr. Cohen’s dealings with the Company did not render false the Company’s disclosures regarding that management and board.

These events involving Natural Blue grew out of discussions between former New Mexico Governor and Attorney General Toney Anaya and Mr. Corazzi, a long-time friend of the Governor’s. The Governor was interested in developing a business relating to water purification, and property that he held in New Mexico. As confirmed in the OIP, that initial plan to develop the water purification business was “an idea formulated by, among others, Anaya, a former governor of New Mexico.” (OIP at ¶ 10).

Corazzi, in turn, contacted Mr. Cohen who he had known years earlier but had not dealt with for many years. Mr. Cohen took initial steps to assist the business, introducing them to Paul Pelosi and proposing a particular reverse merger as the corporate structure. Mr. Cohen

thereafter, Respondent submits, continued as shareholder and consultant in relation to other possible acquisitions while others, particularly Governor Anaya, assumed the operational roles and served as directors of NBR.

The SEC contends that Mr. Cohen's and Mr. Corazzi's roles were so substantial that it rendered the Company's description of management in its public filings -- reviewed by counsel and the Board and approved and executed by its officers -- false. According to the SEC, therefore, a raft of individuals -- Governor Anaya, Erik Perry, Paul Pelosi, the accountants and lawyers and board members -- all participated in a fraud, abrogated their responsibilities, and served as puppets for Mr. Cohen and Mr. Corazzi.

The evidence will demonstrate that there was no such massive failure on the part of Natural Blue's executives and officers. Most of the evidence concerning the operation and activities of the company will, Respondent anticipates, not be disputed. There is no question that Gov. Anaya served as the Chief Executive Officer and Chairman of the Board through January 2011, and that Erik Perry then assumed the position until his removal by the Board in June 2011. It is clear from his testimony that Governor Anaya, a seemingly accomplished businessman and politician, actively participated in the management of NBR, made decisions regarding its business and its disbursements, consulted with the Board, and reviewed and certified public filings that accurately reflected his role, the roles of the other officers and directors, and Mr. Cohen's consulting relationship.

The Company was also served by its President, its financial officers, its Board, and counsel. Governor Anaya and those other officers and directors have confirmed in their testimony that, while Mr. Cohen was certainly vocal, and made any number of recommendations, they were just that: recommendations and not decisions or even demands.

Amplly supported by the evidence and testimony is that Mr. Anaya and the Board did oversee and control the public company, retained Mr. Cohen and his consulting firm, JEC, to advise regarding acquisitions, and then proceeded to make business decisions with respect to each of the proposed transactions and contracts. Equally clear is that Mr. Cohen did not “control” those officers and directors; he did remain involved with the company not only as a consultant but also as a significant shareholder who held, and invariably shared, strong opinions regarding the Company but he did not make decisions or set policy for the Company.

STATEMENT OF FACTS

I. SEC’S CONTENTIONS

The SEC’s OIP recites its overarching claim against Mr. Cohen: “Cohen and Corazzi” created and “controlled” Natural Blue “while failing to disclose their roles as *de facto* officers.” (OIP ¶ 47).

It also includes a series of allegations that reflect that Governor Anaya and Erik Perry occupied the executive positions and possessed and exercised the authority associated with their positions. Even the SEC’s OIP appears to acknowledge that those executives ran the Company but claims that, in so doing, they were too “influenced” in their decisions. According to the SEC, Anaya, Perry and others improperly “deferred” to “Cohen and Corazzi,” and by “deferring” to them, allowed the “consultants to dictate the company’s affairs” (OIP ¶ 23). For example, according to the OIP, “Cohen and Corazzi recommended virtually all of the officers and directors” of Natural Blue, and those recommendations were allegedly accepted by the Chairman and Chief Executive Officer. (OIP ¶¶ 11, 13). “Cohen and Corazzi” allegedly “exercised significant influence over the company” (OIP ¶ 12). “Cohen and Corazzi” supposedly pressured the board” and executives who then “approved” consulting agreements. (OIP ¶ 12).

Throughout the OIP, the SEC effectively acknowledges that the company was controlled by its executives but asserts that the Company's filings were false because those executives acceded to the recommendations that were made by "Cohen and Corazzi."

II. Natural Blue Events

1. Natural Blue/Datameg

As reflected in the OIP, the genesis of Natural Blue was an outgrowth of prior business dealings between Governor Anaya and Joseph Corazzi. Governor Anaya had engaged in various business transactions and invested with Mr. Corazzi, and had discussed with Mr. Corazzi his interest in pursuing a business involving land that he owned in Moriarty, New Mexico. (Ex. A, Anaya Tr. at 13-14, 17-18. Mr. Corazzi then contacted Mr. Cohen whose area of expertise was acquisitions and financings. Mr. Cohen proposed that they form the business in a private entity, Natural Blue, which would then engage in a reverse merger with a publicly traded company. As set forth in the OIP:

Natural Blue was created through the merger of Natural Blue Resources, Inc., a privately-held Nevada corporation ("Natural Blue-Nevada") into Datameg Corporation, a publicly-traded Delaware corporation, in July 2009. Natural Blue's purported mission was to create, acquire or otherwise invest in environmentally-friendly companies. An early initiative undertaken by Natural Blue was to locate, purify, and sell water recovered from underground aquifers in New Mexico and elsewhere, where water resources are depleting. This was an idea formulated by, among others, former New Mexico Governor Toney Anaya, Chief Executive Officer and Member of the Board of Directors of Natural Blue from August 2009 to January 2011.

OIP at ¶ 9.

Through Mr. Cohen and Mr. Corazzi, Governor Anaya met Paul Pelosi, who had a technology that could be used in the water purification process. Governor Anaya agreed to serve as Chairman and CEO and "oversee" the activities of Natural Blue, with day to day operations to be handled by Mr. Pelosi. (Ex. A, Anaya Tr. at 14-15).

Ownership of the resulting entity was reported as follows on the Company's 2009 Form 10-K (Ex. B at 30 of 35):

<i>Name and Address of Beneficial Owner</i>	<i>Title</i>	<i>Amount and Nature of Beneficial Ownership</i>	<i>Percent of Class</i>
<i>Directors and Executive Officers</i>			
Toney Anaya	Chief Executive Officer and Chairman of the Board	9,010,049	18.28 %
Daryl Kim	Director	1,324,227	2.69 %
Walter R. Cruickshank	Chief Financial Officer	-0-	0.0 %
Officers and Directors as a Group (total of 3 persons)		10,334,276	20.968%
Paul Pelosi, Jr. 2269 Chestnut San Francisco, CA 94123	Greater than 5% Stockholder	8,125,133	16.49 %
Patricia Cohen 5036 Dr. Phillips Blvd. Suite 321 Orlando, FL 32819	Greater than 5% Stockholder	5,844,465	(1) 11.9 %

(1) Includes 1,882,457 shares owned by Mrs. Cohen and 1,991,060 shares owned by Ms. Cohen's daughter. Also includes 1,970,948 shares owned by the JEC Family Limited Partnership over which Mrs. Cohen holds the voting power and investment control through JEC Corp., a Nevada corporation wholly owned by Mrs. Cohen, which is the general partner and holder of a 1% interest in the partnership.

Neither Mr. Cohen, nor Mr. Corazzi, nor a combination of the two of them, held a controlling interest in Natural Blue.

2. Officers and Directors

The evidence will reflect that, at each stage of the development of Natural Blue, it had in place not only officers and directors but also counsel who, according to their prior testimony, fully understood that it was the Company's management and board that determined the policy

and the actions of the Company. Throughout the period from its inception through January 2011, the position of Chief Executive Officer was held by Governor Anaya, and his prior testimony makes plain that he exercised that authority. Governor Anaya is a licensed attorney, having received an undergraduate degree from Georgetown University and a law degree from American University (Ex. A, Anaya Tr. at 9). He served not only as Governor of the State of New Mexico but also as its Attorney General, and continues his practice of law to this date. (Ex. A, Anaya Tr. at 9-10). Governor Anaya had also previously served as a member of a board of directors. (Ex. A, Anaya Tr. at 11).

Under Governor Anaya, and assisting in the day to day operations of the Company were those occupying operational, financial and legal roles. Legal services for the Company were initially provided by Paul Vuksich, who became involved because he was the counsel for the reverse merged entity, Datameg. (Ex. A, Anaya Tr. at 58). At a later point in 2009, a Baker Hostetler attorney, Jeff Decker, took over, providing legal services for the Company through in or about April 2010. The Company was unable to keep up with the cost of his services, and he was replaced by Steven Rountree, who was referred by the Company's accounting firm. (See Ex. A, Anaya Tr. at 60).

The Chief Financial Officer, Walter Cruickshank, served until in or about September 2010.¹ At that point, and again based on the Company's failure to pay amounts due, he resigned from that role and counsel, Steven Rountree, brought in Jehu Hand to serve as the Company's financial officer. (Ex. A, Anaya Tr. at 46-47, 62-63). At one point, the accounting firm of

¹ Mr. Cruickshank was, according to Governor Anaya, the "keeper" of the financial books and "all official records, board resolutions." (Ex. A, Anaya Tr. at 66).

Governor Anaya testified that at some point, he requested certain financial information concerning the Company but did not receive it. Governor Anaya confirmed that all of his requests for that information were "always through Walter." (Ex. A, Anaya Tr. at 65). The Governor moved the physical address of the Company to Santa Fe and sought to hire a CFO in Santa Fe. Governor Anaya testified that he directed Cruickshank to provide the financial records but did not receive them. (Ex. A, Anaya Tr. at 67-68). The bookkeeper, Bill McPherson, later located all of the electronic records and sent them to a new bookkeeper, Kim McIntosh. (Ex. A, Anaya Tr. at 69).

Child, Van Wagoner and Bradshaw served as the principal independent account for the firm. (Ex. A, Anaya Tr. at 60-61). The Child firm was replaced by Cross, Fernandez & Riley. (Ex. A, Anaya Tr. at 61-62).

Those other officers and counsel to the Company have confirmed in their testimony that it was Governor Anaya who made decisions regarding corporate action and had ultimate authority while Mr. Cohen and Mr. Corazzi served as consultants. Paul Pelosi, President of Natural Blue, testified that it was Governor Anaya and he who ran the Company; Mr. Cohen was a consultant, particularly with respect to finance and deal structure. (Ex. C, Pelosi Tr. at 34-35, 40, 54). Pelosi has confirmed that, in his position, he worked closely with Governor Anaya and with the Company's attorneys. (Ex. C, Pelosi Tr. at 56-57). Pelosi also testified that, with respect to the recommendations that were made by Mr. Cohen, that at times he strongly disagreed with his Mr. Cohen but knew that he "was always looking out for the best interest of the company." (Ex. C, Pelosi Tr. at 183).

The attorneys who handled corporate matters and who reviewed the public filings have also testified that Governor Anaya served as the chief executive of the Company, while Mr. Cohen advised on various aspects of the business, particularly deal structure, but did not have control over decisions or policy. (Ex. D, Vuksich Tr. at 25-26, 40, 58). Jeff Decker of Baker Hostetler likewise has testified that Governor Anaya functioned as the Chief Executive Officer. He was aware that Mr. Cohen was a consultant, and dealt with him on a regular basis on various matters, but did not view Mr. Cohen's role, substantial as it was, as being inconsistent with the public filings. (Ex. E, Decker Tr. at 22-23, 56-57).

As for the Board, it reviewed and decided all significant aspects of its business including the Company's public filings. Governor Anaya testified that the names of prospective board

members were presented by Mr. Cohen and Mr. Corazzi as “recommendations,” “not a demand.” (Ex. A, Anaya Tr. at 55). It was Governor Anaya’s view that the individuals who were recommended, including Paul Whitford and John McCall, had appropriate credentials and worked closely with the Governor. And minutes of the meetings of the Board demonstrate that the Board evaluated and decided the significant issues relating to contracting, investment and personnel.

4. JEC Agreement

With respect to Mr. Cohen and Mr. Corazzi, the evidence will certainly confirm that they were involved with the Company: they were “founders,” shareholders and consultants to the company. Governor Anaya described them as the individuals who helped form and found Natural Blue, and as consultants and/or advisors to the company. (Ex. A, Anaya Tr. at 19-20, 23, 27, 105). As of November 2009, and given various obstacles that had arisen in the company’s original business plan, it was agreed that Mr. Cohen’s consulting firm, JEC, would be retained to locate and pursue other potential merger or acquisition opportunities.²

Pursuant to their consulting agreement, Mr. Cohen and Mr. Corazzi provided leads to Natural Blue as to companies to invest in through acquisition or merger. (Ex. A, Anaya Tr. at 104). As explained by Governor Anaya, “they weren’t employees in the legal sense but they were the principal advisors” through which the Company obtained leads on acquisition candidates. (Ex. A, Anaya Tr. at 105).

² There is no dispute that Governor Anaya knew, prior to the formation of Natural Blue, that Mr. Corazzi “had a problem with the SEC and was barred from serving on the board of directors, serving as an officer.” (Ex. A, Anaya Tr. at 72). Governor Anaya’s recollection was that Mr. Corazzi’s disclosure of that SEC issue “did use the word ‘fraud’”. (Ex. A, Anaya Tr. at 74-75). It was “obvious” to Governor Anaya that it was a “serious problem.” (Ex. A, Anaya Tr. at 75). Governor Anaya was also aware, as of early 2010, that Mr. Cohen had “spent a couple of years in prison.” (Ex. A, Anaya Tr. at 76, 80). After learning about the issues relating to Mr. Cohen and Mr. Corazzi, Governor Anaya had discussions with the board and with the Company’s attorney, Steve Rountree. (Ex. A, Anaya Tr. at 80-81). He did not take any steps to terminate the contract with JEC. (Ex. A, Anaya Tr. at 108).

While Governor Anaya sought and at times accepted the advice of these consultants, he also at times aggressively rejected their views. In or about the summer of 2010, according to Governor Anaya, there was “a major blowup” between him and “Corazzi and Cohen.” (Ex. A, Anaya Tr. at 33). Governor Anaya, at that point, “suspended” the consulting contract with Mr. Corazzi (Ex. A, Anaya Tr. at 34, 116) and sought and obtained the approval of the board to terminate the consulting agreement (Ex. A, Anaya Tr. at 106). From that point on, Governor Anaya sought to lessen the roles of Mr. Cohen and Mr. Corazzi (Ex. A, Anaya Tr. at 48). According to Governor Anaya, Mr. Cohen became upset at the diminution of his role but Governor Anaya “reminded him it wasn’t his company,” that it was Anaya and the board that “had the obligation to the shareholders” to get the company “back on its feet.” (Ex. A, Anaya Tr. at 49). As of the time of the Atlantic acquisition, Governor Anaya rejected Mr. Cohen’s effort to obtain compensation; “Jim Cohen became very irate with me over the telephone and hung up on me after that.” (Ex. A, Anaya Tr. at 107).

5. Corporate Action and Filings

Throughout the period at issue, August 2009 through June 2011, Natural Blue engaged in various corporate actions and filed its periodic reports, all accomplished through its officers with assistance and review of its counsel and approval by the board. Each of its public filings was prepared and/or reviewed by its chief financial officer, circulated to the board for approval and executed by Governor Anaya (Ex. A, Anaya Tr. at 59).

Those filings, approved by the board and by Governor Anaya, disclose the actual management structure of the Company as well as its consulting agreements. (Ex. B, 2009 Form 10-K at 7-8 of 35, 23 of 35 and 30 of 35). Natural Blue’s 2009 Form 10-K states that JEC Corp. “is owned by one of our shareholders and the shareholder is related to one of our consultants.”

(*Id.* at 7 of 35). Governor Anaya approved and signed this filing as Natural Blue's CEO. (*Id.* at 34 of 35).

Natural Blue's Form 10-Q filings for the first three quarterly periods of 2010 contained the same disclosure about the Management Agreement and the Advisory Agreement with JEC Corp. Governor Anaya approved and signed each of these filings as Natural Blue's CEO.

Natural Blue also issued a series of press releases which, Anaya has explained, would be drafted either by Mr. Corazzi or a PR firm and reviewed by general counsel, either Paul Vuksich, Jeff Decker or Steve Rountree. The release would then be sent to Governor Anaya for his approval and signature. (Ex. A, Anaya Tr. at 59-60). To the best of Governor Anaya's recollection, the press releases relating to the formation of Natural Blue Steel and Atlantic were reviewed and authorized by him. (Ex. A, Anaya Tr. at 95-102, 131).

6. Atlantic

Governor Anaya has explained that, as its various attempts to pursue green projects had failed to produce a viable business, "I was presented and the board was presented with the opportunity of going into the steel building dismantling [business]." (Ex. A, Anaya Tr. at 26). Anaya has testified that "Cohen and Corazzi told me about the possibility of a transaction with what turned out to be Atlantic Demolition" which "to me at that time seemed like an excellent way for Natural Blue Resources to get back on its feet." (Ex. A, Anaya Tr. at 85, 88). Anaya explained that a "financing plan was developed by Mr. Corazzi and Mr. Cohen" and a contract was prepared with the help of attorney Steve Rountree (Ex. A, Anaya Tr. 86-87). A new subsidiary of Natural Blue was formed – Natural Blue Steel – with Robert Hunt serving as President. (Ex. A, Anaya Tr. at 27). According to Governor Anaya, he "always held up hope that the steel business would pick up and save the company." (Ex. A, Anaya Tr. at 83).

Governor Anaya decided to pursue that opportunity and so continued conversations with Mr. Corazzi as well as with Erik Perry and Joseph Montalto. (Ex. A, Anaya Tr. at 114-115). Governor Anaya also had discussions with Eric Ross, Atlantic's financial advisor, and received and reviewed his agreement with Atlantic. (Ex. A, Anaya Tr. 119, 121, 129-130). Governor Anaya received and reviewed the underlying contracts that were presented by Atlantic, and had counsel, Steve Rountree, look at the issue of assignability of those Atlantic contracts. (Ex. A, Anaya Tr. at 123-27). He also spoke with board member Phil Braeuning regarding those contracts and the need for a Clawback provision in the Natural Blue contract. (Ex. A, Anaya Tr. at 133). Governor Anaya was involved in the final approval of the agreement with Atlantic, had counsel review the agreement, and the Board agreed to it. (Ex. A, Anaya Tr. at 117-18).

At that point, Governor Anaya resigned and the Atlantic management team took over as Chief Executive Officer and President. (Ex. A, Anaya Tr. at 122, 134-35).

DISCUSSION

From a legal perspective, the claims of the SEC appear to ignore both existing authority regarding alleged *de facto* officers, and the plain teachings of Janus. First, relevant authority demonstrates that one cannot be found to be a *de facto* officer – undisclosed in public filings that are thereby rendered false – unless he occupies a policy making function. It is not enough that he provides services to a corporation, or that he is an active critic or advisor to the company. If that were the case, countless companies and their executives would be in violation of the securities laws. There has to be, and there is, a standard by which such issues are judged, and that standard cannot be so nebulous that a consultant’s rendering of advice, or an executive’s acceptance of that advice, transforms the advisor into a *de facto* officer. As discussed below, to constitute a *de facto* officer, an individual has to actually set and control policy.

Here, the evidence will demonstrate that neither the executives nor the accounting professionals nor the board nor the Company’s counsel were “controlled” by Mr. Cohen or Mr. Corazzi. The public filings that described them as consultants were reviewed and approved, time and again, by that combination of professionals, all of whom were fully aware that Mr. Cohen and Mr. Corazzi were consultants and were active in assisting in the Company’s affairs but were also aware that it was the executives and the Board who made the final decisions and accepted, or rejected, the consultant’s advice.

Even assuming that Mr. Cohen was acting as an undisclosed officer, the allegedly false statements to investors were made by those who issued the public filings – not by Mr. Cohen. Under the language and reasoning of the Janus decision, those “makers” of the allegedly false statements would be liable for the public filings. Any effort to circumvent the holding of Janus through a “scheme” theory would also fail, since courts have repeatedly held that a scheme

theory cannot be deployed to charge fraudulent statements where the charges would otherwise fail under Janus.

1. The SEC Can Not Establish That Cohen was a *De Facto* Officer

Only two decisions have been located that address the definition of a *de facto* officer in this context.³ Both of the decisions illustrate that Mr. Cohen falls well outside the scope of those who can be characterized as officers for purposes of a finding that all of the Company's public filings were false.

The most fulsome discussion of the issue appears in SEC v. Prince, 942 F.Supp.2d 108 (D.D.C. 2013). That case involved the same basic claims at issue here: the SEC alleged that Gary Prince was an undisclosed *de facto* officer of Integral, and that he and others were therefore liable for false statements in the public filings that described him as a consultant. There, as here, Prince was responsible for, among other things, "investigat[ing] possible acquisitions of other companies" and reporting those to Chamberlain, the Chief Executive Officer. But Prince was also responsible for a range of other corporate responsibilities including "overseeing the operations of the subsidiaries" and supervising their activities and employees. Id. at 115-130. Further, he was a member of a small group of advisors who were consulted by the Chief Executive Officer in relation to the creation of policy. Id. at 116.

Generally, Prince would advise and make recommendations to Chamberlain, who would then accept or reject them. Once Chamberlain made a decision, Prince or the relevant Group head would then implement it.

Id. at 117.

³ In SEC v. Prince, 09 cv 01423-GK, in its Post-Trial Submission on this issue, the SEC commented that there is a "dearth of decisional law on the issue of what functions are sufficient to bring an employee, regardless of title, within the definition of officer as that term is defined by the federal securities laws." [Doc. 149 at 11 of 59]. The SEC went on to cite what was then, before the Prince decision, the only applicable ruling on the issue: SEC v. Solucorp Indust. Ltd., 274 F.Supp.2d 379 (S.D.N.Y. 2003).

Notably, the Chief Executive Officer was fully aware that Prince had a legal history, and deliberately created a “position for Prince that would not require Integral to disclose” that background. *Id.* at 113. Integral’s counsel was fully aware of the substantial role occupied by Prince and confirmed to management that Prince’s biographical information need not be disclosed in the company’s public filings. *Id.* at 121-24.

In a lengthy decision concluding that the SEC had failed to establish that Prince was a *de facto* officer, the Court set forth the requisite elements for the SEC’s allegation that Prince was part of a scheme to conceal his role as a *de facto* officer and his legal history. The SEC must begin, the Court stated, by proving “that Prince was a *de facto* officer” and must also prove by a preponderance of the evidence that (1) Prince did not make certain disclosures “in order to perpetuate a ‘scheme to defraud’ that had the principal purpose of not disclosing his history of securities fraud violations to the public; (2) his legal history was a material fact; (3) the scheme was made in connection with the purchase or sale of securities; and (4) Prince had the requisite scienter.” *Id.* at 131.

On the threshold issue of Prince’s alleged status as a *de facto* officer, the Court looked to Rule 3b-7 of the Exchange Act defines “executive officer” as “any officer who performs a *policy making function* or any other person who performs similar policy making functions.” *Id.* at 132 (citing 17 C.F.R. § 240.3b-7) (emphasis added). The court then turned to consideration of the facts and readily concluded that it was the Chief Executive Officer – not Prince – who “was the only person who had authority to make company policy for Integral.” *Id.* at 134. The Court considered each of the roles that Prince occupied, as an “influential” advisor, as the director of the Mergers and Acquisitions program, and as the supervisor of the Contracts Department.

Notwithstanding those substantial functions, the evidence confirmed that “the ultimate decision” on significant issue “remained with Chamberlain,” the Chief Executive Officer.

The record is clear that, while Prince exercised significant influence at Integral and was very close to Chamberlain, he did not have the authority to make or implement any policy decisions. Such authority lay with Chamberlain and the heads of the various groups. To decide that the Regulations reach individuals involved in discussing company strategy and policy, but who do not have the authority to actually implement such policy would expand the scope of de facto officer status far beyond what any court has to date recognized as policy making authority.

Id. at 136.

The Court also considered “the few cases that have found an employee to be a de facto officer because of their ability to make policy.” Id. at 134. Those cases, the Court found, “involved alleged ‘consultants’ who were actually in total control of a company” and so none of those cases involved factual situations similar to Integral, where there was management in place and making the “ultimate decisions.”

The role occupied by Mr. Cohen in this case was certainly far less substantial than that of Prince, and the same result should hold. The dealings between Mr. Cohen and the public company are susceptible of only one logical and consistent explanation, in contrast to the Staff’s rather unlikely tale of a conspiracy among a cast of changing and disparate characters. The public filings for the period of the transactions at issue – the fall of 2009 through 2011 – are signed by Governor Anaya, Walter Cruickshank, Daryl Kim, Erik Perry and others. According to those filings, the management of the Company is comprised of its officers and directors, who make business decisions regarding the Company’s activities based on input from many sources but, ultimately, their own business judgment. The contemporaneous documents and email communications demonstrate that Governor Anaya was actively involved in the business and fully capable of making his own decisions. The SEC will not establish that Mr. Cohen occupied

any role that, under the reasoning of SEC v. Prince, could lead to a conclusion that he should be considered a *de facto* officer.

2. The SEC Can Not Establish that Mr. Cohen was the Maker of any False Statement

The assertion that Mr. Cohen served as an undisclosed officer is, analytically, a claim that the officers and directors of the company each knowingly lied in public filings. That theory not only requires the factual proof of a sweeping conspiracy but also implicates the substantial authorities relating both to the identity of the “maker” of the statement and the extent to which omissions are actionable. Unlike statements, omissions are actionable only if the defendant had a duty to disclose the omitted information.” Genesee Cnty. Emps’ Ret. Sys. v. Thornburg Mortg. Sec. Trust, 825 F. Supp. 2d 1082, 1127 (D.N.M. 2011). Here, an omission or “concealment” would require evidence not only of Mr. Cohen’s actual control but also that he and others knew that his role required disclosure. In this case, the level of Mr. Cohen’s involvement was plain to officers, directors and counsel, but was not perceived to be at odds with management’s the board’s own description of its role. Under these circumstances, the SEC will not be able to establish that all of these various individuals had a duty to disclose further information regarding Mr. Cohen, understood that obligation, but deliberately failed to comply with their duty.

This claim of a misrepresentation or failure of disclosure also squarely implicates the decision of the Supreme Court in Janus Capital Grp., Inc. v. First Derivative Traders, 131 S. Ct. 2296 (2011). There, the Supreme Court rejected an interpretation of Rule 10b-5 that would impose liability for misstatements on those who supposedly enable or “create” the statements. Id. at 2303. The court held, in language that established the new standard for § 10(b), that liability for an allegedly false statements lies with the person or entity who *made* it, and defined the maker as the one with “ultimate authority” over the issuance and content of the statement. As

plainly stated in Janus, “the maker of a statement is the entity with authority over the content of the statement and whether and how to communicate it.” Id. at 2303.

Applying that new standard, the Janus Court held that an investment adviser and administrator who were “significantly involved in preparing” the allegedly false statements could *not* be liable for those misstatements and omissions under §10(b) and rule 10b-5(b). Id. at 2299, 2305. The Supreme Court held that only the company which issued the prospectus could be liable for misstatements and omissions, because any assistance the investment advisor provided was subject to the company’s “ultimate control.” Id. at 2304-05.

The Supreme Court also stated that its holding in Janus was “supported by our recent decision in Stoneridge,” in which the Supreme Court found that entities that agreed to arrangements which allowed another company to mislead its auditor and investors could not be liable for the false statements, because ““nothing [the defendants] did made it necessary or inevitable for [the company] to record the transactions as it did.”“ Id. at 2303 (citing Stoneridge Inv. Partners, LLC v. Scientific-Atlanta, Inc., 552 U.S. 148, 152-53 (2008)).

Janus and related decisions establish that Mr. Cohen cannot be charged in relation to the statements that were made – or not made – by the Company and its representatives because Mr. Cohen did not “make” the statements at issue. *See* SEC v. Kelly, 817 F.Supp.2d 340 (S.D.N.Y. 2011) (SEC conceded that the new Janus standard precluded a claim for false statements against those who participated in the reported underlying event). The proposed claim does not satisfy this first and fundamental component of liability: the utterance – or “making” – of a false statement by Mr. Cohen.

In some instances, the SEC has attempted to evade the Janus requirement by arguing that it is alleging a scheme rather than a false statement. As noted in SEC v. Kelly, however, “courts

have routinely rejected the SEC's attempt to bypass that elements necessary to impose 'misstatement' liability under subsection (b) by labelling the alleged misconduct a scheme rather than a misstatement. Kelly, 817 F.Supp.2d at 343.

Courts have not allowed subsection (a) and (c) of Rule 10b-5 to be used as a 'backdoor into liability for those who help others make a false statement or omission in violation of subsection (b) of Rule 10b-5. As the Court explained in PIMCO, to permit scheme liability 'to attach to individuals who did no more than facilitate preparation of material misrepresentations or omissions actually communicated by others ... would swallow' the bright line test between primary and secondary liability.

Id.

The courts in this and other jurisdictions have consistently held that "scheme liability must be based on conduct beyond misrepresentations or omissions actionable under Rule 10b-5(b)." Pub. Pension Fund Grp. v. KV Pharma, Co., 679 F.3d 972, 987 (8th Cir. 2012) (courts in the Second Circuit have held that "scheme liability must be based on conduct beyond misrepresentations or omissions actionable under Rule 10b-5(b)."). Stoneridge Inv. Partners, 128 S. Ct. at 770. The SEC may not construct a § 10(b) claim against a third party – who is not the "maker" of the alleged false statement – simply by asserting that they were involved in a transaction or "scheme" that was the underpinning for a false statement; the SEC can proceed against that third party only if it can identify separate conduct that, in and of itself, constitutes a deceptive or fraudulent act.

In the Kelly case, for example, the court was confronted with claims regarding AOL's arrangements with third parties which supposedly enabled AOL to overstate advertising revenue. The court noted that the underlying conduct was not deceptive in and of itself, but allegedly involved deception because it resulted in an overstatement of revenue in a public filing. The Kelly court rejected the SEC's attempt to pursue that claim. The court found that "[t]o impose liability on the third party under those circumstances would circumvent the holding in Janus;"

the contracting parties did not “make” the allegedly false statement concerning revenue in the public filing, and the SEC’s claim was dismissed.

Here too, a scheme theory fails. There is no evidence that the consulting agreements were part of a “scheme,” and certainly neither the Company nor its officers and directors would ever agree that they participated in such a scheme. In addition, the particular disclosures relating to Mr. Cohen were specifically reviewed and approved by counsel at Baker Hostetler. Finally, the alleged “concealment” and the “scheme” are essentially one and the same, and so the holding of Janus governs.

CONCLUSION

Dated: January 26, 2015

Respectfully Submitted,

/s/

Maranda E. Fritz
Thompson Hine LLP
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1 APPEARANCES:

2

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13 On behalf of the Witness:

14 THE HONORABLE TONEY ANAYA, PRO SE

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1 PROCEEDINGS

2 MR. RAPPAPORT: On the record at

3 9:57 a.m., November 29th, 2012. Would you raise

4 your right hand, please.

5 Whereupon,

6 THE HONORABLE TONEY ANAYA

7 was called as a witness and, having been first duly

8 sworn, was examined and testified as follows:

9 EXAMINATION

10 BY MR. RAPPAPORT:

11 Q. And would you please state and spell your

12 full name, for the record.

13 A. Toney Anaya, T-O-N-E-Y A-N-A-Y-A.

14 Q. I'm Thomas Rappaport and this is Rua

15 Kelly. We are both members of the staff of the

16 Boston Regional Office of the U.S. Securities and

17 Exchange Commission, and we're both Officers of the

18 Commission for the purposes of this proceeding.

19 This is an investigation by the U.S.

20 Securities and Exchange Commission in the Matter of

21 Natural Blue Resources, No. B-02723, to determine

22 whether there have been violations of certain

23 provisions of the Federal Securities Laws; however,

24 the facts developed in this investigation might

25 constitute violations of other federal or state,

1 civil or criminal laws. Prior to the opening of the
2 record, you were provided with a copy of the Formal
3 Order of Investigation in this matter, and it will
4 be available for your examination throughout the
5 course of this proceeding. Governor, have you had
6 an opportunity to review the Formal Order?

7 A. Yes, I have.

8 Q. And prior to the opening of the record,
9 you also were provided with a copy of the
10 Commission's Supplemental Information Form, Form
11 1662. A copy of that notice has been marked as
12 Exhibit Number 1. Have you had an opportunity to
13 read Exhibit Number 1?

14 A. Yes, I have.

15 Q. And do you have any questions about it at
16 this time?

17 A. Not at this point.

18 Q. Are you represented by counsel today?

19 A. I am not.

20 Q. You have the right to be accompanied,
21 represented and advised by counsel. This means that
22 you may have an attorney present and that your
23 attorney can advise you before, during and after
24 your examination here today. Do you understand
25 that?

1 A. Yes, I do.

2 Q. And since you are not represented by
3 counsel, there are certain matters discussed in
4 Exhibit Number 1 that I want to highlight for you.
5 Do you understand that upon your request, these
6 proceedings will be adjourned so that you may obtain
7 counsel?

8 A. Yes, sir.

9 Q. Do you understand that the statutes set
10 forth in Exhibit Number 1 provide criminal penalties
11 for knowingly providing false testimony or knowingly
12 using false documents in connection with this
13 investigation?

14 A. Yes.

15 Q. And do you understand that you may assert
16 your rights under the Fifth Amendment to the
17 Constitution and refuse to answer any question that
18 may tend to incriminate you?

19 A. Yes.

20 Q. I will be asking you a number of questions
21 today to which you are to respond. You are being
22 deposed under penalty of perjury just as you would
23 be if you were in a court before a judge and jury.
24 The penalties for perjury include fines and
25 imprisonment. Again, if you do not hear a question,

1 please let me know and I will repeat it and if you
2 don't understand a question, let me know and I will
3 rephrase it for you. As we proceed, when I refer to
4 you, I mean to include both you acting in an
5 individual capacity and you acting through Natural
6 Blue Resources and its affiliated entities. Do you
7 understand that?

8 A. Yes, sir.

9 Q. Also, when I refer to Atlantic, I mean to
10 include both Atlantic Dismantling Site Contractors
11 Corp and Atlantic Acquisitions, LLC, unless I
12 specify otherwise.

13 A. Okay.

14 MR. RAPPAPORT: Would you mark this as
15 Exhibit 7, please.

16 (SEC Exhibit Nos. 7 and 8 were
17 marked for identification.)

18 Q. Governor, this copy of a subpoena dated
19 October 24th, 2012, and addressed to Toney Anaya has
20 been marked as Exhibit 7. Is this a copy of the
21 subpoena that you are appearing pursuant to today?

22 (Reviewing document.)

23 A. Yes, it is.

24 Q. What are your date and place of birth?

25 A. April 29, 1941, Moriarty, New Mexico.

1 That's M-O-R-I-A-R-T-Y, New Mexico.

2 Q. And what is your Social Security number?

3 A. 525-78-5194.

4 Q. And how are you presently employed?

5 A. I'm an attorney, self-employed.

6 Q. And licensed in the State of New Mexico?

7 A. State of New Mexico, yes.

8 Q. And aside from your law license in New
9 Mexico, have you held any professional licenses?

10 A. A real estate broker's license, which I no
11 longer hold, and I think that's it.

12 Q. Would you very briefly describe your
13 education and professional training, including any
14 college or university degrees?

15 A. I have a law degree from American
16 University in Washington, D.C., an undergraduate
17 degree from Georgetown University in Washington,
18 D.C. I attended for a while the university in New
19 Mexico, New Mexico Highlands University.

20 And I left during my senior year in high
21 school to take advantage of a program that was being
22 offered to certain seniors with a grade point
23 average of -- in the high 5 percentile and so I
24 never technically completed high school, but I was
25 admitted into college.

1 **Q. And would you briefly describe your**
 2 **employment during the last ten years?**
 3 A. I've been a practicing attorney in Santa
 4 Fe, New Mexico, various clients, consulting, and
 5 have done -- I've had any number of clients,
 6 including working for the State of New Mexico for
 7 various governors when they've asked me to take on
 8 assignments, but all under the umbrella of my law
 9 practice.
 10 **Q. And prior to that you served the State of**
 11 **New Mexico first as Attorney General from 1975 to**
 12 **'78 and later as Governor from 1983 to 1987, is that**
 13 **correct?**
 14 A. Through December 31, 1986.
 15 **Q. '86.**
 16 A. That's correct.
 17 **Q. Okay. Have you ever been associated with**
 18 **a broker-dealer or investment advisor?**
 19 A. I have.
 20 **Q. In what capacity?**
 21 A. No formal -- I mean, I have had -- I have
 22 as a client to them.
 23 **Q. Have you ever been employed by a**
 24 **broker-dealer or investment advisor?**
 25 A. No, sir.

1 **Q. Have you ever been an officer or a**
 2 **director of any public company other than Natural**
 3 **Blue Resources?**
 4 A. Valor, V-A-L-O-R, Telecommunications. I
 5 was on a board of directors. That was a
 6 telecommunications company formed probably about ten
 7 years ago; subsequently sold about six or seven
 8 years after that.
 9 **Q. And --**
 10 A. About six or seven years ago. I'm sorry.
 11 **Q. What was the period of time when you were**
 12 **a director?**
 13 A. I'm guessing.
 14 **Q. Approximately.**
 15 A. But it was -- it would have been about in
 16 1992, '93, somewhere in that time frame for
 17 approximately a year and a half.
 18 **Q. Aside from Valor --**
 19 A. Oh, I'm sorry.
 20 **Q. Yes.**
 21 A. Let me correct that. It was not a
 22 publicly traded company. It was closely held.
 23 Sorry.
 24 **Q. So, again, aside from Natural Blue**
 25 **Resources, have you been an officer or director of**

1 **any public company?**
 2 A. Not that I recall. I don't -- I don't
 3 recall being one.
 4 **Q. Other than in your official capacities as**
 5 **Attorney General and Governor, have you ever**
 6 **testified in an investigation by the Securities and**
 7 **Exchange Commission or its staff or any other**
 8 **federal agency, state agency, stock exchange or**
 9 **FINRA or the NASD?**
 10 A. Did you say other than?
 11 **Q. Other than in your official capacity.**
 12 A. No, sir. I did respond to a letter that
 13 was sent in the last couple of years to officials of
 14 Natural Blue Resources from FINRA. It was sent to
 15 the then CEO. I think his name at the time was Erik
 16 Perry.
 17 And then there may have been a subsequent
 18 communication through Joseph Montalto, officers of
 19 Natural Blue, and they, in turn, sent them to me as
 20 they were asked to do to anybody that had been
 21 affiliated with Natural Blue.
 22 And I responded to those questions through
 23 Mr. Perry and Mr. Montalto, but I, personally, have
 24 not appeared and testified, nor responded directly
 25 to any communications by the SEC.

1 **Q. Have you ever been named as a defendant or**
 2 **respondent in any action brought by the Securities**
 3 **and Exchange Commission or any other Federal**
 4 **Government agency or state securities agency or**
 5 **stock exchange or FINRA?**
 6 A. I have not. Again, outside of my formal
 7 official position as Attorney General and Governor,
 8 I may have been named in that capacity. I just
 9 simply wouldn't recall but as an individual, no,
 10 sir.
 11 **Q. And have you ever been a defendant or a**
 12 **witness in any civil litigation related to the**
 13 **securities laws?**
 14 A. No, sir.
 15 **Q. Could you please briefly describe how you**
 16 **became involved with Natural Blue Resources?**
 17 A. I had invested through a friend of mine
 18 that I had known but really hadn't had much contact
 19 with by the name of Joseph Corazzi.
 20 I was contacted somewhere in the time
 21 frame, and I forget whether it's 2008 or 2009 when
 22 the Natural Blue Resources was formed, but in the
 23 time period of around April or May of that year when
 24 he contacted me about Natural Blue.
 25 But prior to that, Mr. Corazzi had claimed

2 real estate development mostly, and my wife and I
3 investod several tens of thousands of dollars with
4 him and subsequently never did get financing that
5 was to flow from those -- from those investments,
6 and we lost quite a bit of money, somewhere in the
7 order of 60 to \$80,000.

8 Mr. Corazzi subsequently contacted me and
9 advised me about the company that then became
10 Natural Blue Resources; that they were acquiring a
11 company that -- publicly traded company and would
12 like for me to be a part of it.

13 There were a number of conversations and
14 communications that flowed after that, and I did
15 agree to come on board as CEO and chairman of the
16 board. It was either 208 or 209, but it was in the
17 April, May, June time frame of that particular year.
18 That's how I came into contact with Mr. Corazzi
19 again.

20 Through him I met Jim Cohen, Sr., who was
21 introduced to me over the phone by Mr. Corazzi as a
22 very intelligent individual who knew his way around
23 securities law and had been very successful.

24 And after what I learned later, it made
25 sense at the time that I wasn't being told the full

1 truth. At that particular conversation when he
2 introduced me to him, Mr. Corazzi indicated that
3 Mr. Cohen, Sr., had disappeared for approximately
4 ten years and that he and Mr. Corazzi thought he had
5 passed away and that he found out that he was very
6 much alive and well and they were teaming up to form
7 this new company and wanted me to be a part of it.

8 They introduced at the time Mr. Paul
9 Pelosi to me and indicated that Mr. Pelosi was being
10 asked to be president of the company, would have the
11 responsibilities for the day-to-day operations and
12 that my responsibility, if I chose to take it, would
13 be to kind of oversee what was going on, but that
14 the day-to-day operations would be performed by
15 Mr. Pelosi. That's how I met him or that's how I
16 came into contact with this.

17 We had a board of directors meeting in
18 Florida. The initial board of directors meeting in
19 late August, early September of that year, and it
20 was agreed that I would not assume my
21 responsibilities until the end of the third quarter
22 of that year, which would have been starting with
23 October 1st because the reporting to the SEC was --
24 had to be completed and everybody felt it would be
25 better if the previous CEO of the company that was

being taken over, a gentleman by the name of Jim
2 Murphy, that he continue being CEO until the -- that
3 third quarter report was filed.

4 BY MS. KELLY

5 Q. Can we just back up for one second? How
6 is it that you originally met Joe Corazzi?

7 A. To the best of my recollection, it was
8 about a year before, several months before he
9 introduced me to Natural Blue Resources when -- I
10 remember when he -- when I heard him tell the story
11 or when he's told it back to me, he's known me for
12 some 30 years.

13 One of his cousins from New Mexico had
14 been my chief of staff as governor, and he says
15 through that he remembers meeting me. He remembers
16 helping raise money. I honestly don't.

17 Q. You don't remember this, though?

18 A. I don't. In fact, he and I subsequently
19 had quite a disagreement over -- over that very
20 point because he had -- constantly was telling other
21 people he knew me for 30 years, and I honestly don't
22 remember that 30-year relationship.

23 Q. But how is it that you were then sort
24 of -- when do you remember meeting him?

25 A. Okay. I was involved with other business

1 associates in New Mexico on a real estate project in
2 Northern New Mexico, Angel Fire, and I don't
3 remember if one of the other individuals, it would
4 have been an individual from Albuquerque, New
5 Mexico, by the name of Art Trujillio, whether he's
6 the one that made contact with Joe and if so, Joe
7 Corazzi or how that relationship actually started.

8 Maybe during the proceedings here this
9 morning I'll remember that and I'll come back to it,
10 but I don't remember if it was Art Trujillio -- I'll
11 take it back. I do remember.

12 I had been working with another advisor
13 who is from New Mexico who now lives in Houston,
14 Texas, and did at the time, a gentleman by the name
15 of Cruz Alderete, A-L-D-E-R-E-T-E. C-R-U-Z
16 Alderete.

17 Cruz Alderete is in the brokerage
18 business. I don't know if he's licensed. He helps
19 raise money for projects, and I had been working
20 with him for a project in -- some land that I owned
21 and still own in Moriarty, New Mexico.

22 Cruz introduced me -- now that I remember
23 it, Cruz introduced me to Joe Corazzi and said he
24 could help put together the financing, and it was
25 through Cruz that I then started having

1 conversations with Joe Corazzi and Cruz about
2 putting together funding for my project in Moriarty,
3 a subdivision project, real estate project, and then
4 we moved into the Angel Fire project in Northern New
5 Mexico; and then there were other projects that Joe
6 introduced me, who's other individual that
7 subsequently was involved with Natural Blue, a
8 gentleman from Arizona by the name of Bob Hunt,
9 Robert Hunt, and he had a number of projects that he
10 was trying to develop in Arizona.

11 And so everything kind of came together
12 around the development of these various projects,
13 and my principal interest was Moriarty and Angel
14 Fire, although I knew about the others and was
15 prepared to be involved in the others.

16 That led to even more projects, including
17 a couple in Nevada, the State of Nevada, and it was
18 in those projects that we -- me and a couple of
19 associates in New Mexico formed -- I think it was a
20 total of three separate limited liability companies
21 to develop projects.

22 I had my own in Moriarty, so I think there
23 was a total of around four LLC's that we created,
24 one of them for me and three with other associates,
25 and it was in those that my wife and I invested

1 those two particular businesses. They were kind of
2 left moribund until later before my leaving they
3 rose to the top because not from a positive point of
4 view but from a negative point of view in that
5 former employees of one of the subsidiaries, two
6 former employees brought lawsuits against Natural
7 Blue to try to recover what they claim they were
8 due, which to the best of my knowledge they were not
9 due those funds that they were claiming.

10 And I don't know what the status of that
11 litigation is today. I don't know if it was
12 ultimately settled. I tried to get it settled while
13 I was there and don't know if it ever was settled or
14 not.

15 The individuals that formed the company
16 before I came onboard thought that at the formation
17 of Natural Blue that they had settled out and, in
18 fact, had given stock in lieu of any claims.

19 We -- as I recall, the documentation that
20 they signed at the time of the stock transfers and
21 so on, the settlement agreement wasn't the best
22 draft. It wasn't as airtight as it should have
23 been, and there was some room in there for the
24 former employees to make the argument that they
25 really hadn't settled out their -- what was owed to

1 somewhere between 60 and \$80,000 of hard cash
2 through Joe Corazzi.

3 BY MR. RAPPAPORT

4 **Q. At the time you took over Natural Blue**
5 **Resources as the CEO, you were also chairman of the**
6 **board, is that correct?**

7 A. Correct.

8 **Q. What did the company consist of? Could**
9 **you just very briefly describe its components and**
10 **the extent of its operations, if any?**

11 A. It brought over with it two affiliates
12 that were headquartered in North Carolina. An
13 attorney by the name of Ryan Adams had been involved
14 in helping him form those -- one was having to do
15 with -- one of the affiliates had to do with some
16 telecommunications technology that they had been
17 trying to perfect over a number of years and felt
18 that they were in the process of making a
19 breakthrough, which never happened, and I forget
20 what -- the second affiliate.

21 But those advising, those forming the
22 company and advising the company felt that really it
23 should go -- that the company should move more in
24 the area of green technology and green businesses
25 and try to find other entities and kind of set aside

1 them in lieu of an exchange for stock.

2 **Q. At the time you became the CEO, was the**
3 **company earning any revenues?**

4 A. No.

5 **Q. And including the subsidiaries.**

6 A. No. To the best of my recollection, and
7 there may be a -- with a couple of exceptions that
8 I'll try to recollect, the company never really
9 earned revenues.

10 It had lots of -- the plan of action that
11 was approved at that first board meeting that I
12 referred to in late August, early September in
13 Florida, the first board meeting that was held,
14 there was a work plan that was approved at that
15 point to reach out and bring in -- there were two
16 specific companies, as I recall, but generally to
17 adopt the policy of reaching out for green energy,
18 renewable energy-type projects.

19 The one specific project that was talked
20 about at some length that day, and there was a
21 presentation, a PowerPoint presentation and handouts
22 and so on that was made with respect to a
23 technology that was known as Echo Wave, E-C-H-O
24 separate word W-A-V-E, Echo Wave, and it was a
25 small -- relatively speaking a small sewage

1 treatment plant that was going to be marketed mostly
2 to communities. It was determined that, and there
3 had been some research, that communities were
4 really -- and I knew this from my own personal
5 knowledge in New Mexico that communities are very
6 hard pressed, cities and counties, as well as the
7 private sector, but I was more personally
8 knowledgeable in the government sector, that
9 communities and counties just were simply running
10 out of capacity to treat the sewage that they were
11 picking up coming in from either -- either from the
12 sewers or from the trash that they were picking up,
13 whatever.

14 And the -- this technology would have
15 taken the sludge and been able to treat it within
16 these small plants, relatively small plants and very
17 inexpensively.

18 They would have been around a
19 million-dollar for -- for the average size of unit,
20 and it was going to be that -- that was going to be
21 one of the subsidiaries, one of the companies that
22 was going to help generate revenue for the company.

23 We authorized spend being \$400,000 for a
24 demonstration unit; subsequently spent a couple
25 hundred thousand more on a truck to haul it and some

1 other amenities. That particular company when it
2 was all said and done with equipment and consulting
3 fees and other expenses, my educated guess would be
4 that we -- Natural Blue probably spent between
5 800,000 and a million dollars in trying to get that
6 operation going, which subsequently partially
7 because of internal arguing ultimately did not
8 succeed.

9 We talked about investing in another
10 company known as Blue Earth Solutions, which was
11 owned by one of the individuals that helped found
12 Natural Blue, Jim Cohen, Sr., and that was recycling
13 plastics and making things like plastic trays and
14 tableware.

15 And they apparently had a number of
16 contracts ongoing. We agreed to invest in that
17 company. That also never was consummated, although
18 we invested about a hundred thousand dollars.

19 BY MS. KELLY

20 **Q. Can I stop you for one moment?**

21 A. Sure.

22 **Q. Did either Mr. Corazzi or Mr. Cohen have a
23 formal title with the company Natural Blue?**

24 A. They did not and, you know, at the time it
25 was just passing curiosity on my part that they

1 didn't want to be -- they didn't want to be
2 officers. They didn't want to have a title.
3 Subsequently as things evolved and as I'm sitting
4 here today, it's less than curious. It was planned
5 on their part not to -- not to have a formal title,
6 but they did have a consulting contract.

7 **Q. And what was the entity that had the
8 consulting contract?**

9 A. Natural Blue.

10 **Q. Did Cohen and Corazzi have a name of their
11 consultancy?**

12 A. It was JEC Consulting. I think it was
13 JEC, James E. Cohen Consulting, and -- and I don't
14 recall right now if Corazzi was part of that. It
15 was J.E. Cohen. JEC Consulting. And whether Joe
16 was part of that, I seem to remember he had a
17 separate contract. It was just Joseph Corazzi. Let
18 me reflect a minute.

19 I think they were both covered by the same
20 consulting agreement under JEC Consulting.

21 BY MR. RAPPAPORT

22 **Q. Did the consulting agreement with JEC
23 predate your involvement, your becoming an officer
24 and director of Natural Blue?**

25 A. No. No.

1 **Q. So that's something that occurred after
2 you were in office?**

3 A. That's correct.

4 **Q. Now, at the time that you took office with
5 Natural Blue, was it engaged in any way in the steel
6 or metals recycling business?**

7 A. That was not -- no. That did not occur
8 until later in the progression of the company. We
9 tried the Echo Wave; that was being run by one of
10 the members of the board of directors of Natural
11 Blue, a fellow by the name of Samir, S-A-M-I-R,
12 Bursan, B-U-R-S-A-N, and he was one of the original
13 board members. There were five board members. He
14 was one of them.

15 He and an associate of his, Daryl,
16 D-A-R-Y-L, Kim, K-I-M, who was also on the board of
17 directors, they were recommended to be on the board
18 of directors because of their involvement with the
19 technology of Echo Wave.

20 Daryl Kim had a relationship with somebody
21 in Korea that owned the technology and they brought
22 it to Mr. Cohen. Mr. Cohen brought it to the board,
23 Mr. Cohen, Sr. There's also a Cohen, Jr., but --
24 who was involved, but Cohen, Sr., and they brought
25 that technology to us.

1 And as I said, there were other green
2 companies that we had been looking at, that were
3 presented at that particular first board meeting
4 that as an individual and from my background I
5 really appreciated that the company was going to be
6 going into green -- green-type companies, various
7 ones that were tried and none of them were
8 successful. Different reasons for each one of them.

9 But as the company progressed and nothing
10 was coming to pass, then I was presented and the
11 board was presented with the opportunity of going
12 into the steel building dismantling.

13 This was during the recession, and there
14 were a lot of empty buildings, big buildings from
15 automobile dealers and many others all over the
16 country that were being vacated, could be bought
17 inexpensively relatively speaking, and the company
18 could then turn to the recycling of steel buildings.

19 A plan was developed by -- a financing
20 plan was developed by Mr. Corazzi and Mr. Cohen, Sr.
21 We went to New York. They had planned a trip to New
22 York, Corazzi and Cohen, Sr., to meet with
23 investors, investment houses, brokerage firms,
24 including one, and I'll try to remember the name.
25 One -- one large company that had several billions

1 of dollars to invest, and I attended that particular
2 presentation. They had made other presentations
3 without me. And the individuals the presentation
4 was given to, it was going to be a fairly large deal
5 to allow the buying and demolishing and selling of
6 the steel, the recycled steel; That funding
7 ultimately never materialized, and I honestly can't
8 tell you why, but it didn't. The company -- the
9 consultants then continued to look for other
10 building -- other steel building opportunities.

11 A company -- in the meantime, a company
12 had been formed as these presentations are being
13 made of Natural Blue Steel and that was a subsidiary
14 a wholly owned subsidiary of Natural Blue Resources.

15 And Natural Blue Steel, the president of
16 that entity was a gentleman by the name of Robert
17 Hunt out of Arizona, and he was -- he then went out
18 to look for -- he had a number of opportunities in
19 the steel business that he claimed he could bring to
20 the company.

21 And he had been working with Mr. Corazzi
22 and Mr. Cohen, Sr., and so he was installed as
23 president of Natural Blue Steel to get the steel
24 part of the company moving because that seemed to be
25 a good opportunity. They -- there was a contract

1 that Mr. Hunt brought to the company in Louisiana.
2 That subsequently turned out to be a nightmare for
3 Natural Blue Resources in that Mr. Hunt and
4 Mr. Cohen and -- Mr. Hunt on the one side; Mr. Cohen
5 and Mr. Corazzi on the other simply could not work
6 together.

7 I was left trying to find a middle ground
8 to have them work together to get this one project
9 in Louisiana to come to fruition, and it ultimately
10 did, but to the best of my knowledge, it didn't
11 have revenue flowing from it and if there was,
12 it was never reported to -- to Natural Blue
13 Resources.

14 I kept insisting on getting reports. I
15 would never get them from either Corazzi or Cohen,
16 who had by then kind of taken over that project, and
17 Mr. Hunt was constantly calling me complaining about
18 it.

19 That project was finalized in -- the
20 formal reports that I got was that it had lost money
21 and that other investors that had been brought in,
22 friends of Mr. Corazzi, had lost money in the
23 process, and I could never get them to provide me
24 with the proper accounting, and I'll come back to
25 that theme several times.

1 BY MS. KELLY

2 Q. Can I stop you for one second.

3 A. Sure.

4 Q. Who was it -- you mentioned investors that
5 were being solicited that were friends with Corazzi
6 and Cohen. Were you involved in soliciting
7 investors at all?

8 A. No.

9 Q. Who was responsible for that?

10 A. Corazzi, Cohen, Sr., and then there was
11 a -- another board member. As I was recalling all
12 of this in preparation to come here and last night
13 and this morning, it's the only board member's name
14 who will come to me but not right now. He's from
15 West Virginia.

16 He searched for a short period of time.
17 He solicited investors for Natural Blue Resources.
18 Jim Murphy was involved initially. This was going
19 back to when the company was formed. If I recall,
20 there was a total of about 3.4 million that was
21 raised for Natural Blue Resources initially.

22 And Mr. Murphy was paid a consulting fee
23 to bring over investors. I didn't know he was going
24 to be paid a consulting fee. This was prior to my
25 coming onboard, but subsequently he submitted a bill

1 of, like, 60 or \$80,000 and we wound up paying it,
2 but Jim Murphy, Joseph Corazzi, Jim Cohen, Sr., to
3 the best of my knowledge. I was never sitting in
4 the room when they were making phone calls or
5 visiting with anybody. And the other board member
6 from West Virginia, who I will think about here in a
7 minute, and there may have been others, but those
8 are the individuals that I recall.

9 Now, when the transaction in -- in
10 Louisiana was pulled together and the company was
11 pretty short on cash, and at that time Mr. Corazzi
12 advised me that he had solicited an individual, a
13 friend of his, an acquaintance of mine from
14 Albuquerque, New Mexico, a fairly famous attorney in
15 his time from Albuquerque that he had solicited
16 somewhere in the order of 50 or \$60,000 from him.

17 **Q. What was the attorney's name?**

18 A. William Machiondo, M-A-C-H-I-O-N-D-O. If
19 he did or -- if he did, I don't know for sure. The
20 money never flowed into Natural Blue Resources.

21 BY MR. RAPPAPORT

22 **Q. So just going back to Mr. Machiondo for a
23 minute. Mr. Corazzi solicited the investment from
24 him?**

25 A. That's what he told me.

1 **Q. He told you, but you don't know one way or
2 the other whatever occurred?**

3 A. That's correct. That's correct. He told
4 me later that he was -- he told me at the time that
5 Mr. Machiondo, you know, he might -- he might
6 argue -- Mr. Corazzi may argue with the choice of my
7 use of solicitation, but he did tell me at the time
8 that Machiondo had agreed to invest money in the --
9 in the Louisiana project and they expected that one
10 to turn a profit fairly quickly.

11 Subsequently Mr. Corazzi advised me
12 that -- when I kept pressing for records verbally,
13 the -- one of the several reasons that I had wanted
14 to get out of the company, but that was a principal
15 reason. I could never get financial records from
16 Corazzi or Cohen.

17 Cohen had recommended the CFO, and he
18 subsequently wound up leaving just shortly before I
19 did. The CFO did, but the -- and even after,
20 after I stepped down and I was trying to help the
21 new CEO reconstruct records.

22 **Q. Was that Mr. Cruikshank that departed?**

23 A. The CFO, correct. That's correct.
24 Walter. But the -- but back to Mr. Machiondo, when
25 the project failed to show any profits allegedly,

1 and I don't know if it did or didn't, Mr. Corazzi
2 told me that he was very concerned about confronting
3 Mr. Machiondo because Mr. Machiondo has made his
4 living as a criminal defense attorney and
5 representing some very high-profile folks and that
6 he and Mr. Corazzi were concerned about facing Mr.
7 Machiondo. I don't know if that's true or not or
8 whether that was just being told to me for my
9 benefit.

10 The -- there was another point I was going
11 to make about that particular project. Oh, the year
12 that I stepped down, I technically stepped down
13 in -- January the 24th.

14 And, again, I apologize. I didn't have a
15 lot of files I could go back to refresh my memory.
16 It was either 210 or 211. I think it was 210 when
17 I -- January 24th, 2010. I'll say that subject to
18 clarifying it if I need to.

19 **Q. It's 2011, I believe.**

20 A. 2011. Okay. Okay. And prior to that,
21 there was -- so it would have been in 210. About
22 the summer of 210 I learned almost by coincidence
23 that there had been another transaction that had
24 been entered into for a steel demolition building in
25 February or March of 210 and it involved a steel

1 building. I think it was in Michigan, but I would
2 have to correct that if it wasn't in Michigan. And
3 involved in that transaction were Cohen, Sr., and
4 Corazzi, Bob Hunt, a consultant that Mr. Corazzi and
5 Mr. Cohen, Sr., were using. It was mostly a
6 relationship with Mr. Corazzi by the name of Mike
7 Cenit, C-E-N-I-T. Mike Cenit, and the board member
8 from West Virginia had advanced them some 50 or
9 \$60,000 to do that project.

10 Under my interpretation of everybody's
11 relationship with Natural Blue Resources, Mike Cenit
12 by then was being paid as a consultant to bring
13 in -- bring in business. Mr. Hunt was being paid.
14 Mr. -- the steel business. Joseph Corazzi and Jim
15 Cohen, Sr.

16 Instead of bringing that transaction to
17 Natural Blue Resources, they set up a separate
18 entity and did the transaction outside of the
19 company. I learned about it early summer of 2010,
20 and there was a major, major blowup between me and
21 Corazzi and Cohen.

22 Mr. Cohen, Sr., basically threw -- Joseph
23 Corazzi and his telephone conversations with me, he
24 threw Mr. Corazzi under the bus as having been the
25 individual that put this whole transaction together

1 and decided not to bring it to Natural Blue. I
2 suspended the contract with Mr. Corazzi, the
3 consulting contract, until I could learn more of
4 what was going on. I tried meeting with
5 Mr. Corazzi. He traveled between Wisconsin and
6 Albuquerque. He had --

7 BY MS. KELLY

8 Q. Where is he based, do you know?

9 A. Today I -- I think he's based in
10 Albuquerque. He used to be based in Wisconsin. I
11 could get you the last name and address that I had,
12 but he was -- had been working somewhere in the
13 Wisconsin area, his base of operation, going back
14 and forth to Albuquerque. I have heard that he
15 recently has moved back to Albuquerque. It's been a
16 while since I've talked to him. During that
17 confrontation, he tried justifying that he would
18 never meet with me in person.

19 And at one time in a very emotional
20 outburst by him over the telephone of crying over
21 the telephone and telling me he would never do
22 anything to embarrass me; that we've been friends
23 for 30-plus years; that he had done this strictly to
24 protect Natural Blue Resources because it was a
25 troublesome transaction.

1 And he went on and on in that general
2 theme, and I could -- I didn't -- I didn't accept
3 the explanation and, like I say, I suspended him.
4 The transaction in Louisiana evolved about that same
5 time and slowly he managed to wiggle his way back in
6 with Jim Cohen, Sr., who initially had, like I say,
7 placed all the blame for the other steel transaction
8 on Corazzi.

9 At the time, I asked him to send me -- and
10 it was a weird story that Mr. Cohen told me at the
11 time. I don't know if the details are important to
12 you, but I'll give you and cut me off if you are
13 getting too much detail.

14 When I called Mr. Cohen, Sr., about it, I
15 first confronted Corazzi and -- by telephone, and he
16 said just a minute. Let me put you on hold, and so
17 I called immediately called Mr. Cohen, Sr., in case
18 he was trying to call Mr. Cohen, Sr., and I got
19 a hold of Cohen, Sr., and we talked about it and I
20 kept -- Corazzi, ultimately he hung up. I kept him
21 on the other line.

22 But Mr. Cohen said he had coincidentally
23 gone by his attorney's office in Florida to pick up
24 some other papers and that he had asked, hey, do you
25 by any chance have -- asked the secretary to copy

1 the escrow account for this other company that had
2 been set up, and he said she didn't even ask
3 questions. She gave me a copy of the escrow
4 agreement -- the escrow printout for money in; money
5 out, and I said would you e-mail that to me right
6 now? And he said, yeah, and he did.

7 And, you know, it showed who had gotten
8 what with the other board member, who I wish I could
9 think of his name, indicating -- he got his -- his
10 invested -- the money he had invested he got it
11 back, and it didn't look like he got anything else
12 other than that, and the -- but it showed the funds
13 going in and out with Mr. Corazzi getting a big
14 share and also Mr. Cohen.

15 And subsequently when I did talk to
16 Corazzi, he came up that day and when I talked to
17 him a couple of other times, he came up with the
18 justification, trying to justify it on the basis
19 that he was trying to protect the company; that it
20 was a transaction that may, in fact, fall apart,
21 create some legal issues.

22 And my response to him was that's a
23 transaction you should have brought to me and let me
24 and the board make the decision whether we want to
25 go into that transaction or not. Give us all of the

1 pros and cons, but -- and that's when I suspended
2 him. He ultimately wanted to back into the
3 Louisiana transaction that I referred to earlier
4 with Cohen, Sr., and then they wanted to drive in
5 Bob Hunt, who was the one that brought the project,
6 pressuring him off to one side. I don't know if
7 that answers the question you had.

8 Q. Yes.

9 A. But we're kind of bouncing around with
10 dates here.

11 BY MR. RAPPAPORT

12 Q. A couple of questions. You said that they
13 set up another entity outside of Natural Blue
14 Resources?

15 A. Correct.

16 Q. Do you recall the name of that entity?

17 A. I don't, but I can try to get it for you.

18 BY MS. KELLY

19 Q. Actually, could I just -- you had
20 referenced before that you had exchanged e-mails. I
21 wonder, did you exchange e-mails through an address
22 associated with Natural Blue or was that through a
23 personal e-mail address that you have?

24 A. I don't recall, but if you'll tell me what
25 you need, I'll try to get it for you.

1 conversation.
 2 BY MS. KELLY
 3 Q. Where was that? I'm sorry to interrupt.
 4 A. It's close to -- it's one of the addresses
 5 that we were using for Natural Blue Resources.
 6 BY MR. RAPPAPORT
 7 Q. Is it in the Orlando area, generally?
 8 A. Yeah, I was going to say it was in the
 9 Orlando area, but the -- at any rate, as a result of
 10 that involvement, everything fell apart and I could
 11 never finalize that transaction.
 12 I was also trying to clean up a couple of
 13 other matters and trying to position the company to
 14 function under a different umbrella with different
 15 management and transition it into something that may
 16 succeed.
 17 I had talked to two of the attorneys. One
 18 of them an SEC lawyer, Jehu, J-E-H-U, Hand from
 19 California. Steve Rountree, R-O-U-N-T-R-E-E. No D.
 20 Steve Rountree.
 21 Steve was by -- by then the general
 22 counsel for the company. Jehu was also advising the
 23 company and when Walter Cruikshank left, Steve --
 24 Jehu Hand became the CFO in the interim.
 25 Through them I reached out to them, how

1 can we salvage things, how can we advance things,
 2 how can we get the company moving beyond Cohen and
 3 Corazzi. I talked to Paul Pelosi, trying to figure
 4 out an exit plan for the company to survive and an
 5 exit plan for me. Jehu Hand knew of a gold mining
 6 firm in Nevada that was looking for a publicly
 7 traded company. That, unfortunately, didn't
 8 materialize.
 9 There was another company that Steve and
 10 Jehu brought to me, a company in Florida that was in
 11 the luxury boat construction business. I looked
 12 into that. That was right in the start of the
 13 recession and felt that that probably was not a good
 14 business for the company to be in as people were
 15 spending -- as the rich people were spending less
 16 and less on those kinds of items.
 17 The -- giving you the broad -- the broad
 18 scenario, the 30,000-foot level answer to your
 19 question, that's the kind of role I was playing.
 20 The day-to-day management was really in these other
 21 entities and my overseeing them.
 22 The individual that -- from the outset,
 23 and I'll come back to just before my assuming the
 24 CEO position, I was already seeing really and I
 25 mentioned it in an e-mail to the board early on and

1 Jim Cohen got very upset at me, Sr., for having
 2 mentioned that in my e-mail. I didn't see the harm
 3 at the time. I didn't see the reason for him being
 4 upset, but as I was involved with him more and more
 5 and as I appear here before you today, it was
 6 evident later why he didn't like that -- my use of
 7 the word.
 8 But I sent an e-mail to the company that
 9 from the way things were -- to the board that the
 10 way things were operating, that Jim Cohen was
 11 basically the chief operating officer and with input
 12 from -- from Joe Corazzi with Pelosi being the
 13 president, but everything was being managed on the
 14 ground by Jim Cohen, Sr., and it's really the way it
 15 continued through thick and thin.
 16 When I had this confrontation over the
 17 steel building sale through the separate company
 18 with Cohen, it -- and in my mind and in conversation
 19 with the other board member at the time, trying to
 20 figure out how to extricate the company from both
 21 Corazzi and Cohen to see where to move forward,
 22 Cohen got extremely irate with me and separately
 23 at -- Daryl Kim was still on the board at the time.
 24 He and then subsequently Paul Whitford.
 25 But Cohen -- Daryl reported to me later.

1 I wasn't present. It was a face-to-face discussion
 2 between or confrontation between Cohen, Sr., and
 3 Daryl and then Cohen basically had the same
 4 confrontation with me over the telephone, and I can
 5 only tell you about his call to me, but it was --
 6 Daryl Kim reported basically the same conversation
 7 that he had had face-to-face with Cohen where he was
 8 screaming and advising me that I was not going to
 9 force him out of the company; that he and Corazzi
 10 had formed the company; that it was their company
 11 and that I simply wasn't going to get rid of him.
 12 And I reminded him it wasn't his company;
 13 that he -- none of his -- with the exception of very
 14 little money, none of his money had gone in as
 15 investments and that we had the obligation to the
 16 shareholders and I needed to find a way to get this
 17 company back on its feet.
 18 But throughout the whole process, I think
 19 that summed it up in their minds and certainly in
 20 reality that they formed the company. It was their
 21 company and they were going to run the company, and
 22 it was very, very difficult to -- to act in that
 23 environment.
 24 At the very beginning, he told Corazzi, he
 25 said, I see what's happening, and this was before I

1 Paul Vuksich was the initial attorney with Datameg
 2 who stayed on. There was another --
 3 **Q. Sorry. Could you spell that name for the**
 4 **court reporter?**
 5 A. V-U-K-S-I-C-H. Subsequently an attorney
 6 in Orlando, Florida. His first name is Jeffrey.
 7 I'll think of his last name here shortly.
 8 Then Steve Rountree, who I mentioned
 9 before, R-O-U-N-T-R-E-E, and Jehu Hand who
 10 functioned more as a SEC attorney for filings with
 11 the SEC and not -- and not general counsel work, but
 12 the press release would be reviewed by the attorney,
 13 subsequently sent to me and I would authorize it
 14 being sent out.
 15 **Q. So in all cases, any press release issued**
 16 **while you were the CEO of the company eventually**
 17 **came to you for review and approval and release?**
 18 A. As far as I know.
 19 **Q. As far as you know. Did you ever see any**
 20 **press release that was purportedly issued by Natural**
 21 **Blue Resources that you had not previously seen?**
 22 A. No. I would not necessarily have run
 23 across such a press release, but I don't have any
 24 reason to believe that that occurred.
 25 **Q. And, similarly, with regard to the**

1 **company's filings with the Securities and Exchange**
 2 **Commission, what generally was the process?**
 3 A. Our CFO, who most of the time while I was
 4 there was Walter Cruikshank, the -- he would -- he
 5 had an assistant by the name of Billy, William,
 6 McPherson, M-C-P-H-E-R-S-O-N, and from time to time
 7 they would need -- they would ask for authority to
 8 hire someone else to assist them. They would
 9 prepare the filings. They would circulate them to
 10 the board members for approval. The -- I'm trying
 11 to think back if there was any -- the attorney would
 12 be involved, corporate counsel.
 13 It would be submitted to an independent
 14 auditor to -- prior to being submitted to the board,
 15 it would be submitted to an independent auditor for
 16 their -- their review and whatever work they had to
 17 do to certify it.
 18 And a draft would have been submitted to
 19 the board also prior to the final, but -- after the
 20 independent auditor and the attorney would sign off
 21 and it would be brought to the attention of the CEO
 22 for signature.
 23 **Q. And, again, to the best of your knowledge,**
 24 **there were no SEC filings made by the company that**
 25 **didn't go through that process and didn't come to**

1 **you for signature?**
 2 A. To the best of my knowledge, that's
 3 correct.
 4 **Q. And while you were CEO at Natural Blue**
 5 **Resources, did the company retain securities counsel**
 6 **specifically to advise it?**
 7 A. Yes. There were -- I think all the
 8 attorneys had some SEC background starting with Paul
 9 Vuksich. Jeffrey, from Orlando, Jehu Hand. Steve
 10 Rountree had some SEC experience, but he -- he
 11 recommended Jehu Hand because he didn't feel
 12 comfortable handling the SEC filings, so, yes, there
 13 would be at least the three attorneys that had been
 14 retained by Natural Blue.
 15 **Q. And at some point the accounting firm of**
 16 **Child, Van Wagoner & Bradshaw was the principal**
 17 **independent accountant for the firm. Do you recall**
 18 **that?**
 19 A. I don't recall that name. May be one of
 20 the principals within the -- within the company.
 21 **Q. The company in an SEC filing announced**
 22 **that it had dismissed that firm as principal**
 23 **independent accountant in January 2010, so that was**
 24 **just a few months after you assumed office.**
 25 A. I don't recall the name. I may recall one

1 of the principals, if the principal's name surfaced.
 2 **Q. Do you recall the company dismissing --**
 3 A. Yes.
 4 **Q. -- an outside accounting firm?**
 5 A. Yes.
 6 **Q. And do you know what the reason was?**
 7 A. I'm trying to think back. There was at
 8 least once, if not twice, there was a dispute over
 9 invoices of a firm of Horwitz or the name of Horwitz
 10 comes to mind and Fernandez.
 11 But I don't believe they were -- in terms
 12 of their relationship with that particular company
 13 that you mentioned, I don't recall that, but the
 14 firm name included Horwitz. One of the associates,
 15 I think his name is Fernandez that was working on
 16 it, and there was a dispute over -- over invoices,
 17 and we couldn't resolve that and so other -- other
 18 auditors were retained.
 19 **Q. And apparently Child, Van Wagoner &**
 20 **Bradshaw was replaced by the firm of Cross,**
 21 **Fernandez & Riley?**
 22 A. That's the one, yeah.
 23 **Q. And in turn, Cross, Fernandez & Riley**
 24 **apparently resigned in April 2010, less than three**
 25 **months after it was engaged. Do you recall the**

1 **circumstances of that resignation?**

2 A. There had been ongoing dialogue and,
3 again, some of that, if not most of it was with
4 Cohen, Sr., in terms of the -- and Walter, the CFO,
5 in terms of the availability of information that
6 they needed, in terms of -- invoicing, again, was an
7 issue, but it wasn't -- well, I shouldn't say but.

8 To the best of my recollection, there
9 wasn't a confrontation or disagreement over any of
10 the requirements for filing or ethics involved in
11 any of the filings.

12 It was over not being able to supply
13 information they wanted and as I was told, the
14 billings that they were seeking -- retainers that
15 they were seeking from the company, the amount.

16 BY MS. KELLY

17 **Q. Did you deal with the auditors directly?**

18 A. I did not.

19 **Q. Who was the person that dealt directly
20 with the auditors?**

21 A. The CFO.

22 BY MR. RAPPAPORT

23 **Q. So that was in the first instance
24 Mr. Cruikshank and following him Mr. Hand, is that
25 correct?**

1 A. Right.

2 **Q. And when you talk about disputes over
3 invoicing, is it that Natural Blue Resources felt
4 that they were being overcharged or was it more an
5 inability by the company to pay the bills presented
6 by the accounting firm or both?**

7 A. A little of both but initially it was the
8 amount of the billings, that the company felt we
9 were being overcharged.

10 I did become involved, and I'm trying to
11 think of what time -- what point in time there in
12 terms of disputing -- as I had recalled at the time
13 in my discussions with Walter and with Cohen, Sr.,
14 and with Corazzi but mostly with Walter and Cohen,
15 Sr.

16 At the time I had recalled personally
17 going to the bank and wiring -- I think it was about
18 \$60,000 for one of the firms, and they didn't seem
19 to have been given credit for that amount and that
20 may have been the first firm that you mentioned
21 before, the Fernandez firm.

22 And they were still demanding the
23 substantial amount, additional amount, and I just
24 felt that that -- they weren't owed that and that
25 led to them -- us parting company with them.

1 The second firm, the subsequent firm,
2 again, there was a little -- a little of both. I
3 felt that they should have been able to pick up
4 from -- certainly they had to go back and review
5 some stuff, but the amount that they were charging I
6 thought was extraordinary when it was brought to me
7 by Walter for approval for payment, and we were
8 short of money and at that point we were almost out
9 of money.

10 **Q. Do you recall specific information that
11 the accountants were seeking from Natural Blue
12 Resources and then claimed they were unable to get?**

13 A. There may have been -- I'm thinking as
14 we're chatting here, not chatting, conversing, that
15 there was a letter sent by one of the firms and,
16 again, the name Horwitz keeps popping up.

17 He may have been with the first firm that
18 you mentioned advising that they -- they couldn't
19 continue advising the company under the
20 circumstances, and it may have referenced lack of
21 the ability to get information they needed. I don't
22 recall specifically, but it could have. That would
23 have been -- I'm thinking maybe in the 2000 -- late
24 2009 time frame.

25 **Q. And do you remember any other instances of**

1 **the -- one of the accounting firms complaining about
2 not being able to get specific information it
3 claimed it needed?**

4 A. I don't recall. I'm trying to think back.
5 I know that I certainly hadn't been able to get
6 financial documentation from the headquarters in
7 Florida. My requests were always through Walter.

8 And I suspected later that he was -- the
9 data I was seeking, which may or may not have been
10 similar data that the accountant, the independent
11 auditor was looking for, basically, where's the
12 money going? And I want to see the full reports in
13 terms of income and outgo expenses and that kind of
14 information.

15 Now, whether the -- whether the auditors
16 were -- I assumed all along that they were getting
17 access to the books and couldn't -- and kept
18 wondering why I couldn't get access to those books.

19 But as I sit here today, I don't recall
20 the accounting firms, other than the one letter that
21 I'm thinking back to having contacted me either by
22 letter, e-mail, telephone and specifically
23 complaining about certain information. I don't
24 remember.

25 **Q. You just referred to your attempts to get**

1 financial information from headquarters in Florida.
2 Could you explain what you mean by the "headquarters
3 in Florida"?

4 A. The -- the main office, the main address
5 that we used for the company from day one, the
6 company used from day one was an office building in
7 Florida that was shared with Jim Cohen, Sr.'s Blue
8 Earth Solutions company and that's where Walter
9 worked out of, Billy McPherson, Jim, Jr., Jim Cohen,
10 Jr. Samir Bursan had his own separate office nearby.

11 Walter was the keeper of the financial
12 books. He was also the keeper of all official
13 records, board resolutions. Those kinds of things.
14 He was the repository.

15 And if I requested copies of certain
16 documents, if they didn't pertain to financial
17 stuff, I usually got them. If they pertained to any
18 of the financial dealings, and my insistence became
19 more persistent probably beginning in late 209,
20 certainly by early 210. I was insisting more and
21 more on getting more detailed breakdowns other than
22 just summaries and Walter always found a reason not
23 to send them to me, and as it turned out, he was
24 under the direction of Jim Cohen, Sr.

25 And that led to a number of

1 this went back and forth for three or four telephone
2 calls between me and Walter, me and Cohen and asking
3 that -- trying to get those files. Eventually Cohen
4 sent me a small box of junk and said this is all I
5 could find. There were no financials. It was just
6 pieces of correspondence. There was really nothing
7 there of any value, of any consequence at all on any
8 subject. Certainly nothing financial.

9 I knew because Walter told me that there
10 were electronic copies of all the bookkeeping, the
11 setup, whatever bookkeeping system they used, but
12 software, but there weren't electronic copies.

13 And I kept demanding. I called up --
14 after Walter left, I asked Billy McPherson, who was
15 the bookkeeper, asked him to send it to me. He was
16 being -- I suspected and I'm sure that's what was
17 going on. He was being told by Cohen, Sr., not to
18 send them to me.

19 After I left in 2011 and Erik Perry came
20 in as CEO, the -- they hired as a bookkeeper -- he
21 hired at the recommendation of Jim Murphy a
22 bookkeeper in North Carolina, Kim McIntosh,
23 M-C-I-N-T-O-S H.

24 Kim McIntosh, who had been the bookkeeper,
25 a mother, her and her daughter had been the

1 confrontations. It led to my sitting down with Joe
2 Corazzi on one of his trips to New Mexico and
3 telling him I just couldn't continue to function in
4 this fashion; that I needed out or that we needed to
5 sever relationships with -- at least with Cohen, Sr.
6 But the -- at one point in time, it was right after
7 this major flare-up that we had over the steel
8 building that was sold outside of Natural Blue
9 Steel, that at that time I with the board's approval
10 moved the physical address to Santa Fe, sought to
11 hire a CFO in Santa Fe.

12 And by then Walter was signaling to me
13 that he wanted out. He hadn't yet resigned, and I
14 demanded that all the records be sent to me from
15 Florida. Walter said he would pull them all
16 together. I asked for electronic and physical
17 copies. Walter said he would compile them.

18 He subsequently resigned and left, moved
19 to Southern Florida somewhere. I called him and
20 said, you know, where's the files? And he said I
21 left them and he described exactly where he left
22 them.

23 I talked to Cohen, Sr., told him what
24 Walter had said. Walter -- Cohen then reported to
25 me that he simply couldn't find anything there, and

1 bookkeepers for Datameg and so he hired Kim at the
2 recommendation of Jim Murphy, Erik Perry did, to try
3 to help bring all of the books up-to-date so that he
4 could next -- make the next filing which was then
5 due -- it was due for the end of 2010 and then there
6 was going to be one coming up for first quarter
7 2011, and he hired her.

8 I told Erik Perry and Kim where to go for
9 the information. I supplied everything that I could
10 supply. I had the bank send them canceled --
11 canceled checks, all of the monthly statements from
12 day one.

13 The -- and then miraculously Billy
14 McPherson found the electronic copies of the
15 bookkeeping and sent them to Kim McIntosh. They
16 never came through my hands.

17 So it was obvious to me, my conclusion,
18 that Cohen had been working behind the scenes all
19 this time. Maybe not so much behind the scenes but
20 refused me access to the books.

21 And this became -- there were lots of
22 phone conversations, several e-mails, several
23 private conversations, face-to-face. There was one
24 conversation with Corazzi.

25 And for whatever reasons, the CEO could

1 not get the records and to this day I don't have
2 them. Obviously, after I left in early 2011, I wrote
3 a report to Erik Perry summarizing what I just told
4 you with respect to access to financial records. I
5 summarized some of the pending litigation. I
6 summarized the relationship with Cohen and Corazzi;
7 recommended to him that he really needed to distance
8 himself early on from the influence of Corazzi and
9 Cohen and basically gave him an overall summary of
10 activities as I saw them within the company so that
11 it would make his transition easier.

12 BY MS. KELLY

13 **Q. I just want to stop you for one second.**
14 **You've referred a number of times to having learned**
15 **information subsequent to your departure as CEO**
16 **about Corazzi and Cohen.**

17 **Could you just briefly describe what it is**
18 **that you learned about Corazzi and Cohen and when**
19 **you learned it?**

20 A. Okay. Corazzi, I learned early in the
21 process, and I don't recall if it was after I came
22 onboard in the -- with the -- with Natural Blue
23 Resources or during that same time period.

24 If you will recall, I mentioned to you
25 that I had become involved in -- through Cruz

1 did disclose that he had had a previous -- and I
2 don't remember if he said problems with the SEC or
3 with somebody, but he did divulge in the document
4 that he had had a -- some difficulties with previous
5 investment, some entertainment business, and that's
6 one of the things I was alluding to. I asked him
7 about it and, again, this was at the beginning of a
8 relationship that had greatly soured in my mouth
9 later on, and I was still trusting him because of
10 past family relationships.

11 But he did divulge there that he had
12 had -- and I think it was with the SEC, that he had
13 had a problem with the SEC and had gotten fined and
14 barred from serving on the board of directors,
15 serving as an officer.

16 But he -- you know, he had a different
17 explanation for it when he talked to me face to
18 face, that, you know, certainly it wasn't his fault,
19 but he had been thrown under the bus by others and
20 so on, so, anyway, I learned that then. When he --

21 **Q. Just to clarify, you learned information**
22 **from him about his issues with the SEC and his**
23 **explanation differed when he presented it to you**
24 **orally from the written representations that he had**
25 **made to you?**

1 Alderete with Joe Corazzi in trying to finance some
2 transactions. In those, on behalf of the entities
3 that we had set up, I paid money over to Corazzi on
4 behalf of the entities, it was mine and my wife's
5 money, in exchange for the entities that I was
6 investing on behalf of extra stock, and so we were
7 going to get it on the backside. Those never
8 materialized.

9 But during that whole process, that plus
10 the -- it was prior to coming in with Natural Blue
11 I'm pretty sure, but it was in that same general
12 time period.

13 Corazzi also told me about high-yield
14 investments that he was involved in and that he
15 would -- he would work with me on that. My wife and
16 I invested another 60 or 70,000 with him on those
17 high-yield investments and when I did, he sent me a
18 document -- let me fast-forward.

19 I subsequently asked for that money back
20 and he did send it back. No profits, no additional
21 revenue. He just returned the principal that we had
22 invested.

23 As I was doing that, he sent me a document
24 to sign where I guess it was part of the -- part of
25 what he was required to do. Maybe by the SEC. He

1 A. Well, the written representation was, as I
2 recall, one line, maybe two lines in a disclosure
3 statement that he sent me that he signed and I had
4 to sign for the new investment. And it really
5 wasn't -- as I recall, it really wasn't detailed in
6 the disclosure statement, but it did reference he
7 had had problems with the SEC.

8 When he described it to me verbally, it
9 was somebody else's fault and he took the fall. I
10 didn't either believe him or disbelieve him. I
11 mean, --

12 **Q. In describing the disclosures, you**
13 **referenced a new investment.**

14 A. Yes.

15 **Q. What do you mean "new investment"?**

16 A. He was in a high-yield -- he was working
17 with somebody in high-yield investments. This is
18 separate from the real estate transactions where we
19 lost our money, never recovered it. We'll never get
20 it back.

21 He indicated -- he advised me of
22 high-yield investments that he was working with
23 somebody else on and that he could get me fairly
24 high returns and --

25 **Q. Like what?**

1 A. I'm sorry?

2 **Q. Like what? What kinds of returns?**

3 A. He didn't give a specific amount like

4 10 percent or a hundred percent or whatever. He

5 just said high yield, and I was kind of familiar

6 with high-yield investments but never had really

7 dabbled in them.

8 And so that's when -- I think we sent him

9 60,000 from a stock fund that we had and whether it

10 wasn't performing or at least I wasn't getting any

11 responses, I demanded he return the money, and it

12 took him a few days, a couple of weeks maybe, but he

13 did return that.

14 So there was the money in the real estate

15 investments that I never got back. There was this

16 high-yield investments that I did get the principal

17 back but no yield.

18 BY MR. RAPPAPORT

19 **Q. In that disclosure, did Mr. Corazzi say**

20 **that in his problems with the SEC that he had**

21 **been -- there had been a judgment against him for**

22 **violating the antifraud provisions? Was it that**

23 **specific?**

24 A. I think so, and I'm making a note to see

25 if I can find that document. I think -- I think it

1 did use the word "fraud." It was obvious it was a

2 serious problem that he had had with the SEC and

3 either he said in that disclosure or in a subsequent

4 conversation that he wasn't able to serve as a

5 member of a publicly -- board of directors or an

6 officer and so then -- subsequently when he -- he

7 was the consultant and active in running the company

8 with Cohen that, you know, that piece of it, talking

9 of Corazzi and then I can get to Cohen, that it was

10 obvious why he wasn't in an up-front position

11 with -- with Natural Blue Resources because he had

12 signed a consent decree or whatever he signed,

13 judgment or whatever.

14 BY MS. KELLY

15 **Q. Did you -- I also asked you about**

16 **Mr. Cohen, Sr. Did you at some point learn**

17 **information about Mr. Cohen, Sr., that gave you**

18 **concern about his background?**

19 A. Yeah, it wasn't until sometime later when

20 I referenced to you that I had gone with Cohen,

21 Corazzi and Bob Hunt and there was another

22 gentleman. We went to New York.

23 A presentation was made to a large firm

24 there that was looking at investing and, in fact,

25 that morning the principal came in for a few

1 minutes. We had visited with a staff -- with other

2 officers for several hours, probably four hours.

3 The principal came in and got a briefing, and he

4 agreed to go ahead and fund the steel business that

5 we were in, and he and I shook hands and the

6 agreements were supposed to be put together.

7 Subsequently, he probably had some due

8 diligence performed that he uncovered what I'm

9 getting ready to tell you that I started learning in

10 piecemeal.

11 At that particular meeting in a break, in

12 those discussions with that presentation, I was

13 having a brief discussion with Corazzi and somehow,

14 I don't recall in what context he volunteered it, he

15 said that Cohen had spent a couple of years in

16 prison, and I said he what? And he said, well,

17 maybe it wasn't even that long or something to that

18 effect.

19 So I went across the room where Cohen,

20 Sr., was, and I said I need to know and he said not

21 now and by then Corazzi came over and he said not

22 now, not now and Corazzi says we can't be discussing

23 these things with other people in the room.

24 And subsequent to that meeting, I again

25 asked for an explanation and I never got one from

1 either Corazzi or Cohen. I had flashbacks to

2 the -- to that first call when Corazzi introduced

3 me over the phone when they were trying to put

4 together the deal with Datameg, and he introduced

5 Corazzi -- Cohen, Sr., over the phone and he

6 said -- joking about it and laughing saying, God,

7 this is an old friend of mine. We have done

8 business together. I had lost track of him for the

9 last ten years. Me and everybody else associated

10 with him thought he had died and suddenly he appears

11 again.

12 Well, I don't know if it's truth or not,

13 but in my mind as things evolved prior to my

14 leaving, just trying to piece everything together,

15 the ten years when Corazzi claims he thought he had

16 died were probably ten years he had spent in a

17 federal penitentiary of which he had -- Corazzi

18 admitted two years of it on behalf of Cohen, but

19 Cohen never admitted anything and -- except one time

20 when he called me and was chewing me out when I had

21 severed relations with Corazzi over that separate

22 steel deal and was looking to move Cohen out as well

23 and when he attacked me verbally over the phone

24 about it's his company. He and Corazzi founded it.

25 I wasn't going to move him out of the company.

1 And he said it to me, and I think Daryl
2 Kim may have been on one of those conversations with
3 me, but Daryl did confirm later that he had told him
4 the same thing, so I don't know if it was that
5 conversation where the three of us were on or just
6 me and Cohen, but -- where Cohen said I didn't pay
7 the high price that I paid to be pushed around this
8 way.

9 I took that to mean -- whether he meant it
10 that way or not, I took that to mean he didn't spend
11 time in prison to come back and put something
12 together and then be pushed aside.

13 **Q. You referenced earlier when you were**
14 **talking about the New York presentation that you had**
15 **shaken hands with the person in New York and then**
16 **you made a reference to him having maybe done some**
17 **due diligence. Did that deal come apart and if so,**
18 **why?**

19 A. It fell apart and I never knew why. I
20 tried to -- and I'm not absolving anybody of any
21 responsibility here but -- any of the officers, any
22 of the board members, but Corazzi and Cohen were
23 always, always insistent upon by word or deed of not
24 allowing me or the board members to ever talk to any
25 of the principals that they were talking to on any

1 financing and very specifically on this one. So
2 while I kept -- and I should have gone ahead and
3 called the individual at the time, the president of
4 the company subsequently, but I didn't. I was told
5 everything is sensitive right now. This is where it
6 is. Any direct communications will crash the deal.

7 So Corazzi and Cohen, Sr., if nothing
8 else, were extremely good marketers and they were
9 very convincing in what they would tell me and
10 others, so I never learned why. I can only surmise.

11 **Q. Meaning you never learned why that deal**
12 **collapsed?**

13 A. Correct.

14 **Q. Okay. And when you referred before to the**
15 **possibility that due diligence had been done, are**
16 **you surmising that perhaps this principal of the New**
17 **York City financing firm had uncovered some**
18 **information about their backgrounds that gave him**
19 **pause?**

20 A. That is my guess.

21 BY MR. RAPPAPORT

22 **Q. So after learning what you did about both**
23 **Mr. Corazzi and Mr. Cohen, did you have discussions**
24 **with corporate counsel or other members of the board**
25 **to share that information and try to decide how to**

1 proceed?

2 A. I did and by then the board was --

3 **Q. And I'm sorry to interrupt, but can we put**
4 **a time frame on any of this?**

5 A. That would have been early in 2010 when we
6 went to see the -- maybe in the start of the second
7 quarter in 2010, somewhere in there. I'd say from
8 March to April of 2010 that we were in New York.

9 The -- and at the time, I'm trying to
10 think of which board members were still there
11 besides me, and I don't recall if McCall was on or
12 if it was only Whitford, but, yes, I did have
13 discussions with them, and I also had discussions
14 with Steve Rountree.

15 The -- Paul Whitford did indicate to me
16 that his relationship with Corazzi, I don't recall
17 he knew Cohen, Sr., but he told me his relationship
18 with Corazzi went back quite a number of years; that
19 he had been his CPA. He had been -- provided him
20 with some legal counsel.

21 And he apparently was advising him at the
22 time that Corazzi's problems with the SEC came
23 about, so he was very much aware of that and he
24 didn't have any proposed solutions.

25 I discussed it with Steve Rountree. Steve

1 had also, the attorney, Steve, had also had
2 previously represented Corazzi. He had -- talking
3 beyond any attorney/client privilege that he had,
4 but as counsel to Natural Blue Resources, he -- he
5 did not have a very high opinion of -- of the ethics
6 that Corazzi might use or might not use. It was
7 after that that I started looking for other
8 companies to fold it into.

9 The option that I had at the time was just
10 to hang it up and resign myself and wash my hands of
11 it. The option that I decided to do after those
12 discussions was to try to cleanse the company, try
13 to make it clean, try to make it pure again.

14 And one of the options was to take it --
15 there was no way that I could keep Natural Blue the
16 way it was and rid the company of Cohen and Corazzi
17 without there having been a major inferno blowing up
18 and probably the company caving on itself.

19 BY MS. KELLY

20 **Q. What do you mean, though? If they didn't**
21 **have any official title with the company in the**
22 **first place, how could you wash the company clean of**
23 **Corazzi and Cohen?**

24 A. I couldn't because they created it and
25 they were -- they knew the people that had invested.

1 They had all these tentacles out to everybody else.
 2 And without totally restructuring it by bringing
 3 in -- as I mentioned earlier, looking at another
 4 company to buy us out, like the gold mining company
 5 or the boat manufacturing company, trying to find
 6 other folks with money who needed a publicly
 7 traded company, short of just using a nuclear
 8 option of just selling it to somebody else who could
 9 make -- could make the company successful with the
 10 existing shareholders and anybody else they brought
 11 in, short of that, to try to keep any semblance of
 12 the relationships of trying to sell Natural Blue the
 13 way it was or trying to merge it into somebody
 14 else without -- I just had to sever because to try
 15 to -- try to do anything short of that, even
 16 abolishing their consulting contracts because they
 17 created it, because they had all these tentacles
 18 out, because they knew everybody that had been
 19 involved in the formation of the company, they would
 20 just constantly continue to make life impossible and
 21 the company wouldn't have gone anywhere.
 22 **Q. So but you found out about -- by March or**
 23 **April of 2010 you knew about Corazzi's past with the**
 24 **SEC and you knew that Cohen had been incarcerated at**
 25 **some point, albeit, you know, not much more than**

1 **that. Is that fair to say?**
 2 A. That's fair to say.
 3 **Q. And you stepped down from the company in**
 4 **January of 2011, right?**
 5 A. That's correct.
 6 **Q. And so other than telling Paul Whitford**
 7 **and telling Steve Rountree about what you had**
 8 **learned, did you do anything else in connection with**
 9 **the information about Corazzi and Cohen?**
 10 A. Discussed it with Paul Pelosi, who was no
 11 longer on the board but just somebody I would call
 12 from time to time. I tried to find -- as I
 13 mentioned earlier, tried to find other companies to
 14 take over.
 15 And it was during this period that there
 16 seemed to be some hope for the steel business to
 17 develop, so I always held up hope that the steel
 18 business would pick up and save the company.
 19 So that's when I said a while ago I didn't
 20 want to go totally nuclear with Corazzi and Cohen if
 21 there was some hope of saving the company, so there
 22 were a lot of discussions and there was some effort
 23 to even make the steel business go or to sell it to
 24 some other entity.
 25 The -- the steel business certainly seemed

1 to have tremendous, tremendous opportunity to it,
 2 especially after the trip to New York and before
 3 things fell apart there, and it was a few months
 4 later, sometime in the summer of 2010 that I learned
 5 about the separate steel deal that I mentioned
 6 earlier and everything was falling apart again.
 7 So fast-forwarding to two or three months
 8 later when, as I mentioned earlier, Bob Hunt had
 9 found the deal in Louisiana, I mean, there was
 10 evolving stuff going on all the time.
 11 When Bob Hunt found the steel project in
 12 Louisiana that the company signed a contract to tear
 13 down a building, harvest the steel and sell it for
 14 what was projected to be a decent profit, the -- and
 15 by then I had suspended Corazzi over the steel deal,
 16 still hadn't taken any action with Cohen.
 17 The -- I'm trying to make sure I get my
 18 dates here correctly. Corazzi kept working his way
 19 back in with Cohen even though Cohen at least
 20 verbally severed his relationship with Corazzi at
 21 that point.
 22 I think he was looking over his own
 23 shoulder and didn't want to get into further trouble
 24 with the SEC or anybody else, and -- but he managed
 25 to work his way back in with Cohen, and Cohen and

1 Hunt were supposed to be overseeing the project in
 2 Louisiana. Cohen subsequently basically forced Hunt
 3 out of the day-to-day oversight of that project and
 4 slowly worked Corazzi back into it, always with some
 5 plausible explanation as to why it was necessary to
 6 seal that deal. In the meantime, towards the end of
 7 September, October, this was -- again, the Louisiana
 8 transaction was going on.
 9 Towards the end of September, maybe early
 10 October, Cohen and Corazzi told me about the
 11 possibility of a transaction with what turned out to
 12 be Atlantic Demolition and that since they were down
 13 in Louisiana, that they could probably do that.
 14 Atlantic Demolition had a transaction in
 15 Louisiana that they could probably bring to the
 16 company for a management fee and oversee the -- that
 17 particular project, and I said, well, bring what you
 18 got and we'll take a look at it.
 19 They subsequently -- Corazzi subsequently
 20 asked to meet with me in Albuquerque and that would
 21 have been sometime in October 2010 as memory -- as I
 22 can best recall right now.
 23 And I went and met with him in the lobby
 24 of a hotel there in Albuquerque, and he had a number
 25 of documents and he presented to me in concept the

1 idea was to have Atlantic Demolition -- I don't
 2 recall the exact technical -- the legal language
 3 that was used at the time, but whether it was a
 4 merger or a takeover or whatever, but of -- I'll use
 5 the word loosely of merging the two operations.
 6 That may not be the legal consequence of merging
 7 Atlantic Demolition with -- with Natural Blue
 8 Resources; that it would solve all the things that I
 9 had been trying to resolve and things that obviously
 10 him and Cohen were interested in; that it would give
 11 value to the company, to Natural Blue. They had
 12 some 35 contracts, which I subsequently was provided
 13 with copies of, that would be brought in to Natural
 14 Blue Steel.

15 Subsequently it was decided to form a
 16 separate steel company. I forget the name that was
 17 given to that. That was right after I left, but at
 18 any rate not to lose that particular thread, they
 19 were bringing in the 35 contracts.

20 They would -- if Natural Blue agreed, they
 21 would have their own management. They would have to
 22 bring money into the project and in exchange they
 23 would get certain stock.

24 There was a -- the subsequent agreement
 25 that was put together with the help of Steve

1 Rountree did provide for clawback provisions that in
 2 the event -- and they basically had a year. There
 3 were different stages within the contract. They
 4 would have a year in which to produce the revenue
 5 that they were supposed to bring. I forget the
 6 exact amount, but it was probably 20 to \$30 million
 7 of additional revenue. I shouldn't say additional.
 8 Nobody really had been making any money, but revenue
 9 into the company with these some 35 contracts for
 10 demolition of steel buildings.

11 And they had their own management. Erik
 12 Perry was the chairman or CEO of Atlantic
 13 Demolition, as I recall. Joe, Joseph Montalto, and
 14 then -- while he was not part of the officers or
 15 whatever that were negotiated with or the board of
 16 directors subsequently for Natural Blue saw
 17 Montalto, who I understand was Joseph Montalto's
 18 father who had been in the demolition business for
 19 many, many years, so it seemed like a very good
 20 transaction to enter into.

21 MS. KELLY: Let me stop you for just
 22 one second so I can confer with my colleague.

23 THE WITNESS: If I could just finish
 24 that one thought that I left off on?

25 MR. RAPPAPORT: Certainly.

1 A. That to me at that time seemed like an
 2 excellent way for Natural Blue Resources to get back
 3 on its feet. On the surface, we had a company that
 4 on the surface had some 25, 30 years of combined
 5 experience in the steel business. They were
 6 bringing in all these contracts.

7 There were clawback provisions in the
 8 stock that was being issued to them and to a
 9 financial advisor that they brought in by the name
 10 of Eric, E-R-I-C, Ross, who was going to be helping
 11 bring in additional financing to the company.

12 They were bringing in, allegedly,
 13 professional management, and it seemed like a good
 14 way to finally exit this headache and save the
 15 shareholders and get the company back on its feet.
 16 That didn't happen.

17 BY MR. RAPPAPORT

18 **Q. Just to finish off with the obstacle that**
 19 **you faced in trying to rid the company of**
 20 **Mr. Corazzi and Mr. Cohen, they both were**
 21 **shareholders in the company, is that correct?**

22 A. That's correct.

23 **Q. I believe Mr. Cohen's stock maybe was in**
 24 **his wife's name or in the name of his corporation,**
 25 **JEC Corp, but in any event, they each were**

1 **shareholders in their own right. Is that your**
 2 **recollection?**

3 A. That's correct. They had -- they had
 4 substantial shares of stock in different entities,
 5 and it wasn't totally evident even to me and even
 6 today as I look at the shareholders' list of which
 7 entities belong to whom. Some of them are pretty
 8 evident.

9 I know Mr. Cohen, Sr., put stock in his
 10 wife's name, in his company's name, in -- I think
 11 his son had some stock, maybe his daughter, but
 12 there may have been other entities.

13 And Corazzi, one entity was very easy to
 14 identify, but then there were two or three others
 15 that I understand he also held stock in, so, you
 16 know, I'm not saying this and I never believed it,
 17 but they could have collectively the majority
 18 shareholders. I don't know.

19 **Q. Okay. Do you know whether they controlled**
 20 **additional stock through other shareholders? That**
 21 **is, stock that they didn't legally have control of**
 22 **but because of the relationships with shareholders,**
 23 **they could basically dictate how those shareholders**
 24 **would vote if there came to be an open confrontation**
 25 **between you and them?**

1 **Q. But that was in January 2011 at the**
2 **earliest, I believe. At least that's when the**
3 **agreement was signed so that's almost a year later.**

4 A. No, not with --

5 **Q. Oh, Atlantic?**

6 A. Not with Atlantic.

7 **Q. Sorry.**

8 A. We had a very small number of shares, and
9 this may have been -- I don't know, but this may
10 have been the shares that belong to Daryl Kim that
11 he gave back as part of the settlement of the
12 \$280,000 that he owed Natural Blue.

13 200,000 was a promissory note that he
14 signed and 80,000 was in stock. The stock was
15 placed by Natural Blue into -- on the market to sell
16 it and Rockland Trust may have been the account
17 where those proceeds being deposited in.

18 Wachovia, there's four listings for
19 Wachovia, and I had a reason for having signed off
20 on this but right now I don't recall what the
21 Wachovia accounts were.

22 It may have been some of the trading that
23 was being anticipated for the steel business, but
24 honest to goodness, I don't remember, and I wouldn't
25 have signed this had I not had a good reason for

1 authorizing four accounts for Wachovia, but I don't
2 remember what they were for. I apologize.

3 **Q. Might have they have been for various**
4 **subsidiary companies of Natural Blue?**

5 A. No. The only subsidiary we had at the
6 time, but I was -- I was wanting all the money to
7 come through one central bank account, so it was for
8 a specific purpose, but I don't recall what the
9 purpose was.

10 **Q. Okay. Well, --**

11 A. I'm sorry.

12 **Q. -- I don't want to spend any more time**
13 **presently on that. And I'm handing you now a**
14 **document that's been marked as Exhibit 9, a**
15 **three-page document that purports to be a press**
16 **release dated November 11th, 2009, and the headline**
17 **on it says Company Forms Wholly Owned Subsidiary,**
18 **Natural Blue Resources, LLC.**

19 (Reviewing document.)

20 A. Yes, I see it. I'm reading it, and this
21 is probably one that I authorized at the time that
22 went through the procedure I mentioned earlier. I
23 don't recall it specifically, but I know that that's
24 about the time that we formed the Natural Blue
25 Steel.

1 BY MS. KELLY

2 **Q. What do you mean it's probably one that**
3 **you authorized?**

4 A. Well, I'm assuming it is. I -- because we
5 did form the company, Natural Blue Steel, and I'm
6 making some assumptions here that they would --
7 because I was aware that the company was formed;
8 that we had a charter for it and then we would get
9 into the steel business, that it's one that I would
10 have authorized. It has some quotes from me here.
11 I don't have any recollection that I specifically
12 authorized it or that I didn't. I'm assuming I did.

13 But that was the -- the general intent is
14 covered by the -- the general intent for forming
15 Natural Blue Steel is covered by the release, and we
16 did place an addition on the website, as I recall,
17 for Natural Blue Steel as one of the subsidiaries
18 for Natural Blue Resources.

19 BY MR. RAPPAPORT

20 **Q. I'm going to hand you now another**
21 **document. I'm showing you a document that has been**
22 **marked Exhibit No. 10, a two-page document that**
23 **purports to be a press release dated February 8th,**
24 **2010. Can you identify Exhibit 10? And according**
25 **to this, the headline is Natural Blue Resources,**

1 **Inc., announces today the signing of three contracts**
2 **by ENSO, E-N-S-O, Steel, Inc., for the sale of HMSI**
3 **recycled steel for an aggregate sales price of**
4 **\$13.4 million to customers based in China.**

5 (Reviewing document.)

6 A. That's February 210. ENSO Steel was the
7 company that Robert Hunt owned and that subsequently
8 was to be brought into Natural Blue Resources under
9 Natural Blue Steel.

10 **Q. This was not the entity that you were**
11 **referring to that Cohen and Corazzi and Hunt had**
12 **created outside of Natural Blue unknown to you?**

13 A. It is not.

14 **Q. Okay.**

15 (Reviewing document.)

16 A. I have no reason to question its
17 authenticity, but I don't remember a
18 13-million-dollar deal referring to China.

19 **Q. Do you have any idea where the information**
20 **in this press release came from, such as the**
21 **13.4-million-dollar figure?**

22 A. It would had to have started or at least
23 involved -- I shouldn't say started. Involved
24 Robert Hunt, who at the time that was his company,
25 ENSO Steel. It had been in existence prior to

1 Natural Blue Resources, certainly prior to Natural
2 Blue Steel. And Corazzi and Cohen, I don't see Bob
3 having generated the language, and, again, assuming
4 it went through the normal process, it would have
5 come to our legal counsel and to me. As I said, I
6 don't have any reason to question that it did go
7 through the process, but I don't recall it
8 specifically.

9 **Q. The press release says that Natural Blue**
10 **Steel, a wholly owned subsidiary of Natural Blue**
11 **Resources has associated with ENSO Steel an**
12 **otherwise unaffiliated company for the purpose of**
13 **pursuing opportunities in the recycled steel**
14 **business and arranged for the sale of the recycled**
15 **steel under contracts.**

16 **The gist of this press release appears to**
17 **be announcing that ENSO Steel had entered into**
18 **contracts with Chinese entities or customers based**
19 **in China. Do you know why Natural Blue Resources**
20 **would be issuing a press release about that?**

21 **(Reviewing document.)**

22 **A. I'm reading through it again quickly**
23 **trying to refresh my memory on this. The**
24 **discussions that were going on with ENSO Steel with**
25 **Robert Hunt, again, the owner of ENSO Steel, the**

1 discussions that were going on was to openly bring
2 ENSO Steel into Natural Blue Steel to replace-- and
3 that did occur later on, that what I'm trying to
4 remember is why this was issued by ENSO Steel or why
5 was ENSO Steel so prominently mentioned and not
6 Natural Blue unless we hadn't formed Natural Blue
7 yet. It does reference it, yeah.

8 BY MS. KELLY

9 **Q. Is it fair to say that there's nothing in**
10 **this press release that suggests that there's going**
11 **to be any financial benefit whatsoever from the ENSO**
12 **Steel contracts to Natural Blue Resources?**

13 **A. Well, it doesn't mention that. Again, the**
14 **general intent -- separate from the press release,**
15 **the general intent was to build up Natural Blue**
16 **Steel as the -- as the major force within Natural**
17 **Blue Resources.**

18 **And ENSO Steel with Robert Hunt, who had**
19 **been associated with the company for a while, with**
20 **Natural Blue Resources, was the -- was going to be**
21 **one of the primary contacts but there were others.**

22 **Q. Right. But is it fair to say that sitting**
23 **here today, you can't -- you don't necessarily know**
24 **why this press release would have been issued by**
25 **Natural Blue?**

1 **A. That's fair to say, other than just**
2 **generally to show that there was activity, that**
3 **Natural Blue was trying to expand its operations.**

4 BY MR. RAPPAPORT

5 **Q. Did Natural Blue Resources or Natural Blue**
6 **Steel enter into an actual contract with ENSO Steel?**

7 **A. I'm trying to think. There were some**
8 **agreements. I'm trying to think if there was a**
9 **written agreement. There had to have been an**
10 **initial written agreement like prior to this press**
11 **release being issued. Subsequently I --**

12 **Q. Well, excuse me. Why do you say that?**
13 **Since this doesn't refer specifically to a contract**
14 **between those two companies.**

15 **A. No, it doesn't refer to that. I'm**
16 **assuming there was either a verbal agreement or some**
17 **reason to believe that ENSO Steel was going to be**
18 **working with Natural Blue Steel in enhancing Natural**
19 **Blue Resources' operation, but I don't recall a**
20 **written agreement to that effect and this doesn't**
21 **specifically say that. Sorry.**

22 MS. KELLY: That's okay.

23 **Q. To your knowledge, did Natural Blue**
24 **Resources or Natural Blue Steel ever derive any**
25 **revenues through transactions with ENSO Steel?**

1 **A. Not to my knowledge.**

2 **Q. Please remind me. Mr. Hunt, did Mr. Hunt**
3 **have some prior relationship with Mr. Corazzi or**
4 **Mr. Cohen outside of Natural Blue Resources?**

5 **A. Yes. Robert Hunt was introduced to me by**
6 **Joe Corazzi back when -- started looking at**
7 **investing in real estate development through**
8 **Mr. Cruz who introduced -- re-introduced me to Joe**
9 **Corazzi. Joe Corazzi at that time introduced me to**
10 **Robert Hunt via telephone.**

11 **Subsequently, Robert Hunt -- he introduced**
12 **me to him with respect to the investments in real**
13 **estate, subsequently reintroduced me to Robert Hunt**
14 **in connection with ENSO Steel as one source of**
15 **potential contracts for Natural Blue Steel.**

16 **And to clarify the previous answer I gave**
17 **you when you asked did Natural Blue Resources ever**
18 **receive any revenue from any contracts with ENSO**
19 **Blue and I said not to my knowledge, but to clarify**
20 **that a little further, ENSO Steel or Robert Hunt,**
21 **leaving the entity aside, Robert Hunt is the one**
22 **that found the transaction in Louisiana I referred**
23 **to three or four times and whether any money was**
24 **ever made from that entity for anybody, I don't**
25 **know. None of it ever came to Natural Blue Steel or**

1 Natural Blue Resources when they completed that
2 contract and that's part of what I kept insisting to
3 get and I never did. I asked -- recommended Erik
4 Perry that he try to get that. I don't think he
5 ever did. And then ENSO Steel may have been
6 involved in the other transaction involving the
7 steel building. And, again, I think it was in
8 Michigan.

9 That was done in, interestingly, about the
10 same time, February, March of 2010, that they went
11 off and did that. Now, whether that was part of
12 this 13.4 million, I don't know.

13 (Reviewing document.)

14 A. But that was about the time that they did
15 this other steel building and -- but Natural Blue
16 Resources never got benefit.

17 Q. I'm showing you now a document that's been
18 marked as Exhibit Number 11. It's a one-page
19 document that purports to be a press release dated
20 September 28th, 2010. Can you identify Exhibit 11?

21 (Reviewing document.)

22 A. It's a press release that announces a
23 salvage agreement between Natural Blue and --

24 Q. It actually says that Natural Blue
25 Resources announces that one of its wholly owned

1 subsidiaries, Natural Blue Steel, has signed its
2 first salvage purchase agreement and its first sale
3 contract of steel salvage from a building and then
4 it goes on to say that Natural Blue Steel has
5 arranged for the financing and sale of the salvage
6 steel to a buyer in New Orleans, Louisiana. Do
7 you -- have you seen this press release before?

8 A. I don't remember it, and I'm trying to
9 think of who the buyer in Louisiana would have been.
10 Oh, that was in connection -- I probably did see
11 this press release before.

12 This was probably in connection with the
13 transaction that I have alluded to a number of times
14 that occurred in Louisiana. There was a steel -- a
15 contract to tear down a building and the buyer, as I
16 recall, was in New Orleans, but that transaction was
17 ultimately never run through Natural Blue Steel or
18 Resources.

19 Q. I'm showing you now a document that's been
20 marked Exhibit 12. It's a two-page document that
21 purports to be the minutes of a meeting of the
22 directors of Natural Blue Resources. It's dated
23 April 28th, 2010. Can you identify Exhibit 12?

24 (Reviewing document.)

25 A. It's a two-page minutes of a meeting that

1 the board of directors had, Natural Blue Resources.
2 It's signed by me, and I have no reason to believe
3 that it's anything but a true copy.

4 Q. Okay. And the minutes refer to a possible
5 sale by the corporation to an investor group of
6 certain shares of the common stock of Natural Blue
7 Steel and then later on refers to an ongoing
8 agreement and understanding with JEC Corp, which is
9 Mr. Cohen's corporation, is that correct?

10 A. That's correct.

11 Q. An ongoing agreement, an understanding
12 with JEC Corp with respect to certain investment
13 advisory services previously and to be provided by
14 JEC to the corporation.

15 A. Correct.

16 Q. Could you briefly describe what the
17 agreement and understanding is that -- was that is
18 referred to as being between JEC Corp and Natural
19 Blue Resources?

20 A. There was an agreement signed with --
21 with Jim Cohen, Sr., that -- a consulting agreement
22 that -- and the agreement also referred to Joe
23 Corazzi working under that same agreement with --
24 with Jim Cohen, Sr., and he -- they were providing
25 services of funding businesses to -- for the

1 corporation to get into. They brought a number of
2 businesses to the -- to the company, to Natural Blue
3 Resources, of finding individuals to invest in the
4 company. A lot of what I've testified to, that they
5 were the principal employees of the company as
6 consultants.

7 They weren't employees in the legal sense,
8 but they were the principal advisors to the company
9 to which the company got its leads on which
10 companies to invest in, the steel, the -- many
11 others that I could try to recall and put on the
12 record.

13 Q. Do you know when Natural Blue entered into
14 this agreement with JEC Corp?

15 A. Initially probably sometime in 2009. The
16 agreement is of record. I know it's been referred
17 to in some of the SEC filings because I tried to get
18 that changed with the filings beginning in 2011
19 where it referred to the outstanding contracts
20 with -- with Cohen, and it may have referred to
21 Corazzi, but Corazzi was under that contract, also.

22 But those have been disclaimed --
23 disclosed in 10-Qs and, like I say, I tried to get
24 it -- the language in there changed to knock off the
25 agreement because I felt after I had had the

1 discussions and got the approval of the board to
2 sever that relationship with Cohen and Corazzi
3 probably about three or four months after this was
4 signed, but they were -- they were the backbone of
5 our employee base other than the CFO and bookkeeper.

6 **Q. Was the agreement between Natural Blue and
7 JEC Corp terminated or did it expire at any point
8 while you were still with Natural Blue Resources?**

9 A. Unfortunately, I did not take the step to
10 submit a written termination for cause. I did get
11 the approval from the board to do so, like in the
12 summer of 2010, and I did have a discussion with Jim
13 Cohen, Sr.

14 He subsequently denied it, but he did say
15 in that conversation that I alluded to earlier as
16 him throwing Joe Corazzi under the bus, but he did
17 agree that the contract would be -- was now
18 terminated.

19 I, unfortunately, did not follow up with a
20 formal termination notice. At that point, I felt
21 that this consulting agreement was -- that we're
22 talking about was over and done with.

23 They subsequently, when the agreement was
24 being put together with Atlantic Demolition, felt
25 that the contract was still in existence. They

1 **difficulties with the law, either criminal or civil?**

2 A. I was aware of the problems with Corazzi
3 and as far as the time frame of when I found out of
4 Cohen's serious problems of incarceration, I don't
5 recall if it was before April of 2010 or it was
6 after that when we were in New York.

7 **Q. Well, you indicated previously that the
8 New York meeting happened sometime in the time frame
9 of March or April of 2010, is that correct?**

10 A. That's correct. And because the time
11 frames are so close together with the documents
12 you're showing me now, I don't recall if it was just
13 before I found out or just after.

14 **Q. Okay. But fair to say that you didn't
15 take any steps to terminate the contract until, you
16 know, months later when the difficulties arose with
17 regard to another contract that was not given to
18 Natural Blue?**

19 A. That's correct.

20 BY MR. RAPPAPORT

21 **Q. Going back to the reference in here to a
22 possible sale by Natural Blue to an investor group
23 of certain shares of Natural Blue Steel stock, do
24 you know whether Mr. Corazzi and/or Mr. Cohen were
25 part of that investment group?**

1 wanted -- I think it was 20 percent of ongoing
2 revenue from the transaction with Atlantic
3 Demolition. I said absolutely not; that if they
4 wanted to agree on some shares, some additional
5 shares for their services, that I could agree to
6 that. Jim Cohen became very irate with me over the
7 telephone and hung up on me after that.

8 I wrote a memo to Erik Perry when he took
9 over. When I saw the draft -- I asked to see a
10 draft of the annual filing for 2010 when it was
11 being prepared by Jehu Hand, the independent
12 auditor.

13 When I saw language in there referencing
14 the agreement which had been appearing in every
15 filing before that, I sent written communications to
16 both Jehu and to Erik Perry advising that that
17 should be taken out.

18 BY MS. KELLY

19 **Q. But just to pause for a moment, you're
20 talking about months after Exhibit 12 --**

21 A. Correct.

22 **Q. -- was signed? And at the time Exhibit 12
23 was signed, this April 28th, 2010, at that point,
24 you were aware of Joe Corazzi and Jim Cohen's
25 background, correct, in terms of having had**

1 A. They were not part of the investment
2 group. They are the individuals that brought the
3 investment group, and I'm assuming here today that
4 that's the group that I keep referring to, the
5 meeting in New York.

6 **Q. I see. And do you have a recollection as
7 to what -- approximately what percentage -- well,
8 let me express it differently.**

9 **Was the potential sale to the investment
10 group to be a minority or majority ownership of the
11 shares of Natural Blue Steel?**

12 A. As I recall at the time -- as I recall
13 today, the transaction at the time contemplated that
14 the investment group would have the majority
15 ownership of the company.

16 And it was expressed -- if that's the same
17 one that I'm thinking about, it was expressed to me
18 at the time that it could result in the individual
19 share prices going up to anywhere from one to \$3 a
20 share because of the value that was being placed on
21 the steel buildings that they were looking at --
22 they were recommending that the company purchase,
23 but they couldn't do it without -- the presentation
24 to the investment group, if that's the same one, but
25 an investment group in New York was for them to put

1 All of this was told to you by Mr. Corazzi, is that
 2 correct?
 3 A. Initially at that setting.
 4 Q. Right.
 5 A. Then subsequently there were conversations
 6 with Cohen and Corazzi. Sometimes on a conference
 7 call; sometimes individually on a call.
 8 Q. And did these conversations that you've
 9 just referred to involve also people from Atlantic
 10 or was it only Cohen and Corazzi and Cohen
 11 initially?
 12 A. No. It subsequently involved discussions
 13 with Erik Perry from Atlantic and Joseph Montalto
 14 from Atlantic, and I -- I believe -- strongly
 15 believe that -- that at least one of the
 16 conversations Sal Montalto, M-O-N-T-A-L-T-O.
 17 Q. There's a Sal Tecce, T-E-C-C-E, and
 18 there's a Joseph Montalto, Sr., as well as a Joseph
 19 Montalto, Jr.
 20 A. Well, I must be confusing them. It was
 21 the -- there was a Sal on that one phone call.
 22 Q. There's a Sal Tecce who was part of the
 23 Atlantic Group. If you think that it was someone
 24 other than that, I defer to your recollection.
 25 A. No. I'm pretty sure it was Sal, but at

1 another point in time, several points in time Joseph
 2 Montalto, Jr., referred to his father, Joseph
 3 Montalto, Sr., and I honestly don't remember if I
 4 ever talked to Joseph, Sr., on the telephone. But
 5 there were discussions with Montalto, Jr., and Erik
 6 Perry as the transaction was being put together and
 7 some phone calls, some e-mail exchanges as the
 8 agreement was being negotiated.
 9 Q. And when was this subject first broached
 10 by Mr. Corazzi?
 11 A. Initially the management contract was
 12 probably in the September 2010 time frame that.
 13 Evolved to late -- I'd say sometime in October into
 14 early November into possibly doing the bigger deal
 15 of having them buy us out or merging or whatever the
 16 transaction would ultimately evolve into and so that
 17 would have been late -- the bigger deal would have
 18 been in late October, early November 2010.
 19 Q. Let me ask you this: Was there ever a
 20 point at which Mr. Cohen or Mr. Corazzi or both
 21 overtly tried to oust you from your positions at
 22 Natural Blue Steel either by threats or persuasion?
 23 A. Not that I -- none that came to my
 24 mind -- none that came to my attention. I mean, --
 25 Q. Well, that's what I mean.

1 A. No. No. The closest was when I described
 2 a couple of times before, whether this would have
 3 been in the late summer, early fall of 2010 when I
 4 was having the problems after I found out about the
 5 other steel deal that they had not run through
 6 Natural Blue Resources.
 7 And I had already put Corazzi on --
 8 suspended his contract and he was no longer
 9 providing services, that Cohen, Sr., then he and I
 10 exchanged some harsh words, and the closest that
 11 came to that was this is my company. I formed it.
 12 Joe and I formed it. It's our company and nobody is
 13 going to push us aside.
 14 That could have been a threat that I was
 15 going to be ousted or whatever. If somebody else
 16 could have come in and taken over, they wouldn't
 17 have had to oust me. If somebody credible would
 18 have stepped up at as CEO, I would have stepped out.
 19 Q. The suspension of Mr. Corazzi as a
 20 consultant, did you say that was a written
 21 communication or was that just verbal?
 22 A. It was verbal.
 23 Q. So there is no record in the -
 24 A. No.
 25 Q. -- as far as you know in the company

1 records of that suspension?
 2 A. Not in the company records. There may
 3 have been an e-mail, but -- but it was not a formal
 4 letter. Not that I recall.
 5 MR. RAPPAPORT: Let the record reflect
 6 that Ms. Kelly is leaving the testimony.
 7 BY MR. RAPPAPORT
 8 Q. As the discussions about a relationship
 9 between Natural Blue Resources and Atlantic
 10 progressed, they eventually turned into some kind of
 11 negotiations, is that correct?
 12 A. That's correct.
 13 Q. Okay. And were you, personally, involved
 14 in the negotiations as to the terms of the --
 15 whatever the final agreement would be?
 16 A. I was involved in the final approval, and
 17 the negotiations were actually conducted by Corazzi
 18 and Cohen, Sr., and I'm trying to think back if I
 19 injected any particular terms so that he could be
 20 considered part of the negotiations, but I certainly
 21 was involved at the approval stage, as was our
 22 attorney, Steve Rountree, and Paul Whitford, the
 23 other board member.
 24 Q. And did you -- once the subject of a
 25 relationship and agreement between the companies had

2 diligence or did you direct anybody at the company
3 to do any kind of due diligence concerning Atlantic
4 to determine their actual track record as a company
5 and information about the management of the company
6 and the nature of the business that it theretofore
7 had engaged in?

8 A. I did not, and I don't recall that I asked
9 our attorney or anybody else to do anything other
10 than have our attorney review the contract, the
11 various documents that were being presented at the
12 time -- short answer no.

13 At the time, the company was on its back.
14 This looked like a credible opportunity and I went
15 ahead and agreed to it. The board agreed to it.

16 Q. So at the time that you were presented
17 with a negotiated agreement between the companies
18 and asked to approve it either individually or as
19 part of the board, what did you know about Atlantic?

20 A. I didn't know anything prior to the first
21 meeting with -- the first time I heard about it was
22 when Joe Corazzi first mentioned the possibility of
23 entering into an agreement with -- to manage a
24 contract in Louisiana since we were already down
there with a company out of Massachusetts, and I

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1 don't recall that he mentioned a name.

2 Q. What I'm really asking is, at the point
3 where the agreement was formally approved and
4 entered into by Natural Blue Resources, at that
5 point what did you know from whatever source about
6 Atlantic?

7 A. Other than what was communicated to me by
8 Corazzi and Cohen, Sr., discussions with Erik Perry
9 and Joseph Montalto, Jr., those are the disclosures
10 or the explanation that Atlantic management gave us
11 in terms of the -- who they were, their history,
12 what they had been doing, what they planned to do
13 and the explanation initially from Cohen and
14 Corazzi, that's -- that's what I based --

15 Q. Well, what was your understanding at that
16 point based on what they had told you about the
17 nature of the business that Atlantic was engaged in?

18 A. I should also mention that Eric Ross,
19 their financial advisor, that's how he was
20 introduced to me, he and I had different
21 conversations, and he impressed me as a separate
22 individual from Atlantic but as an investment
23 advisor and venture capitalist that he was going to
24 bring substance to that company; that was also key,
25 but in terms of what was described to me both by

2 Corazzi, Cohen and the impression that was left in
3 conversations with Perry and Montalto, Jr., were
4 that this was a company that had been in business.
5 Subsequently learned it wasn't a company. It was
6 the individuals involved, but they had been in the
7 demolition business, steel dismantling business
8 harvesting steel, selling it successfully for some
9 30 years; that they had their own management. They
10 had their own attorneys. They had their own
11 accountants.

12 All of the personnel that we had had
13 struggled -- except at the outset that we, Natural
14 Resources, had struggled to keep, retain usually
15 because of lack of money, all of the resources to
16 make a successful company; that they already had a
17 successful company; that they already had the
18 infrastructure, the staff; that they already had the
19 infrastructure in terms of the equipment and the
20 reputation in the business with over some 30 years
21 of being involved in this business and that's
22 something that Corazzi kept stressing.

23 As I say, later on I learned that the
company wasn't -- hadn't necessarily been in
business for 30 years but that the individuals
involved, mostly Perry and Montalto, had been in

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1 business and that may have included Montalto, Sr.,
2 had been in business collectively for 30-plus years,
3 but it was the experience, the infrastructure of the
4 personnel as well as equipment, the business
5 contracts that they showed me that they would be
6 assigning over to Natural Blue Steel.

7 And then Eric Ross' convincing me --
8 my -- I shouldn't say convincing me. He didn't go
9 out of his way to convince me. My assessment after
10 talking to Eric Ross that he, in fact, was going to
11 be available to bring -- he was given additional
12 shares as part of the transaction to bring in a
13 minimum of \$10 million in cash from investors, in
14 addition to the approximately \$35 million in
15 revenue that would be coming in from the contract,
16 so that wouldn't be net profit, obviously, but
17 whatever profit would be coming in through those
18 contracts. So that's the summary, the thinking
19 that -- and the context in which the decision was
20 made.

21 Q. Did you understand Atlantic to be on a
22 firm financial footing?

23 A. Yes, I did.

24 Q. And why was it that as part of this
25 arrangement you agreed to resign as CEO and chairman

1 of Natural Blue Resources?
 2 A. Two reasons. One, they were -- they
 3 were -- they, Atlantic, was bringing over their own
 4 management team and, secondly, I just had all I
 5 could do with -- I just didn't want anything more to
 6 do with Cohen and Corazzi.
 7 Q. I'm showing you a document that's been
 8 marked as Exhibit No. 13. It's a six-page document
 9 that purports to be an agreement and it's dated
 10 January 23rd, 2011. Can you identify Exhibit 13?
 11 (Reviewing document.)
 12 A. Yes. This is the agreement between
 13 Natural Blue Resources and Atlantic consummating the
 14 transaction that I have just been testifying to.
 15 Q. And on the next-to-last page, page five or
 16 Bates No. 87, there are two signatures.
 17 A. Correct. I signed it and so did Salvatore
 18 Tecce, T-E-C-C-E.
 19 Q. Now, the third paragraph of the agreement
 20 recites that Atlantic wishes to assign all of its
 21 present and future dismantling contracts to Natural
 22 Blue Resources and it refers to Exhibit A, which is
 23 the last page of this exhibit.
 24 A. Yes.
 25 Q. But Exhibit A does not include a list of

1 contracts and states that a list of contracts and
 2 process and a list of contracts in negotiation are
 3 to come. When you signed the agreement, were you
 4 concerned that the document did not include the list
 5 of Atlantic contracts that were to be assigned?
 6 A. No. I was told about them and, as I
 7 recall, either a listing of the contracts were sent
 8 to me or -- I think I had already received the
 9 contracts because I requested to see them.
 10 And I did receive all the contracts and
 11 they were fairly voluminous because they were --
 12 like I say, there were like 35 different contracts.
 13 So I'm pretty sure by the time this was signed that
 14 the contracts had been sent to me.
 15 Q. And what did you understand the term
 16 "dismantling contracts" to mean?
 17 A. Well, the contracts involved quite a
 18 number of entities, some school buildings, some
 19 other facilities around the country that Atlantic
 20 had the authority to go in and harvest the steel and
 21 sell it, pay for the -- pay for the steel with
 22 individual -- they weren't all with the same
 23 individual. There were quite a number of entities.
 24 And they had the authority -- they had the
 25 legal ability to go in, dismantle it, pay the -- pay

1 the folks that they were taking the buildings from
 2 and sell the product and make money, and the
 3 proceeds were supposed to come to Natural Resources
 4 under this contract.
 5 Q. So was it your understanding that in all
 6 of the contracts, whether it involved a school or
 7 some larger structure, that in addition to
 8 demolishing the structure, Atlantic would harvest
 9 the steel and scrap metal and sell it and that
 10 would be part of the revenue, the profit from the
 11 project?
 12 A. Correct.
 13 Q. I'm showing you now a document that's been
 14 marked Exhibit No. 14. It's a one-page document
 15 that purports to be a letter dated January 25th,
 16 2011, so this date is two days later than the
 17 document we just looked at. Can you identify
 18 Exhibit Number 14?
 19 (Reviewing document.)
 20 A. Yes, it is. It is a letter from Atlantic
 21 signed by Joseph Montalto, Jr., on behalf of
 22 Atlantic. And I had been pressing, and now that I
 23 look at the dates I had been pressing for copies of
 24 the contracts that were referred to in Exhibit 8.
 25 And as I recall, the contracts had been

1 submitted to me, but there was no assignment to
 2 them, so that there was nothing showing that they
 3 would go over to Natural Blue Resources.
 4 Mr. Montalto sent me this letter, and I
 5 contacted through Joe Corazzi. I had asked Joe to
 6 follow up on this, and I subsequently advised him
 7 that this -- this had no legal efficacy; that we had
 8 to have some formal agreement that, in fact, would
 9 be binding on them.
 10 Certainly, we could take this to court and
 11 try to enforce it, but it had no -- in and of itself
 12 in my judgment, and I consulted our legal counsel,
 13 Steve Rountree, and as I recall, I asked Steve to
 14 keep following up and make sure that we got the
 15 contracts formally assigned, and I don't know that
 16 that -- that ever occurred, but we had the
 17 contracts.
 18 And then this was an attempt to show me
 19 that they were assigning them to me, but while it
 20 had some good-faith effort, it didn't have -- in my
 21 judgment, it didn't have a binding effect on the
 22 individuals that they had contracted with and
 23 perhaps not even on Atlantic without us forcing them
 24 into court.
 25 Q. The letter purports to attach paperwork

4 the Commission staff was without any attachment.
5 Did the letter have an attached list when you
6 received it?

7 A. I don't recall. I have the contracts, and
8 this may have been -- I'm trying to think back to
9 the progression of events. I had the contracts
10 around this time frame.

11 And I raised the issue of, okay, I got the
12 contracts, but how does Natural Blue benefit from
13 these contracts? There's no -- there's no
14 assignment of them and this was the attempt.
15 Because I had the contracts, they may not have
16 attached anything. I may be able to --

17 Q. Do you recall the timing of receiving the
18 contracts, whether they were simultaneous with the
19 letter and signing the agreement or sometime
20 subsequent?

21 A. No. It was around this same time frame.

22 Q. I ask because we've now looked at two
23 documents dated two days apart, each of which
24 purports to list the contracts that were involved in
25 the assignment process and, yet, apparently there

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1 was no such list provided, and I guess my question
2 is, if that was the case and you did not yet have
3 the contracts, you know, were you concerned that
4 something might be amiss?

5 A. Yeah, no. I understand, and I did get the
6 contracts. Whether I still -- you know, whether I
7 stored them away with old files or not, I tried to
8 submit everything that I had to somebody, either to
9 Erik Perry or subsequently to Joe Montalto.

10 It's possible, and I would be happy to
11 check if it's relevant to the SEC to see if I still
12 have the contracts whether there's any further
13 identification on them as to when they were sent.

14 They were sent, as I recall, by overnight
15 delivery, UPS or whatever, and whether I
16 subsequently sent them to anybody else or they're
17 still in my possession and, if so, are they still in
18 the original envelope from UPS showing a date. If
19 that's -- again, if that's relevant, I'll be happy
20 to reply with any requests that you may have.

21 Q. Okay. We would appreciate that. So,
22 again, you received copies of the contracts. You
23 received this letter, Exhibit 14, from Mr. Montalto
24 saying that Atlantic was pleased to assign all the
25 current Atlantic Steel contracts to Natural Blue,

4 contracts to Natural Blue, is that right?

5 A. That's correct.

6 Q. And to your knowledge, you've described
7 how you conferred or directed Mr. Rountree and I
8 believe Mr. Corazzi to follow up in that regard.

9 Do you know whether there was ever any
10 further legal document or process occurred that
11 legally affected the assignment?

12 A. I don't recall, but I'll be happy to see
13 if I find anything.

14 Q. Having looked -- well, let me back up.
15 When you received the contracts, did you look at
16 them? Did you read through each one or many of
17 them?

18 A. I read through several of them.

19 Q. Do you know whether the various contracts
20 actually permitted Atlantic to assign them to a
21 third party?

22 A. I don't recall. I don't recall and that's
23 something that I would have asked for legal advice
24 on, but I don't recall having -- I don't recall what
25 happened at that point.

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1 MR. RAPPAPORT: What time is your
2 flight?

3 THE WITNESS: It's at 3:05, but I
4 don't want to -- you know, I don't want to infringe
5 upon what you need to get done. I'd rather finish
6 it today and not have you concerned about unanswered
7 questions or me having to come back.

8 Q. I just want to show you -- showing you a
9 document that was previously marked as Exhibit No.
10 4, it's a 19-page document that purports to be an
11 agreement for consulting services dated
12 January 23rd, 2011, together with confidentiality
13 and non-circumvent agreements dated January 26th,
14 2011.

15 (Reviewing document.)

16 A. Right.

17 Q. And I just want to know if you can
18 identify this exhibit. You may not have seen it
19 in this format, but it indicates that at the top
20 of the first page it was filed as an Exhibit 10.3,
21 I believe, to an SEC filing by Natural Blue
22 Resources.

23 A. Yes. This was an agreement that was one
24 of the factors that made me feel even more
25 comfortable about entering into the agreement with

1 Atlantic, and this was an agreement with Eric Ross
2 of Watch Harbor Asset Management, LLC, who is the
3 company, the individual that was going to be
4 bringing in additional resources into Natural Blue
5 Resources or into the merged Atlantic/Natural Blue
6 company.

7 **Q. And we've already discussed briefly or you
8 have explained how Mr. Ross came to your attention.**

9 A. It was part of this whole transaction.

10 **Q. I'm showing you a document that's been
11 marked as Exhibit No. 15. It's a two-page document
12 that purports to be a press release dated
13 January 25th, 2011, and can you identify this
14 exhibit?**

15 (Reviewing document.)

16 A. This is a press release apparently
17 correcting a previous press release that was sent
18 with respect to the transaction with Atlantic that
19 we've been talking about here, that Natural Blue had
20 entered into this agreement with Atlantic that would
21 bring in \$35 million in contracts and this
22 particular copy, the press release, it was
23 correcting a figure that was incorrectly stated in a
24 previous press release.

25 **Q. And did you see and approve this press**

1 **release prior to its issuance?**

2 A. I'm assuming I did because it was when the
3 transaction was consummated.

4 **Q. Okay.**

5 A. I have no reason to believe I didn't
6 approve it.

7 **Q. And, again, do you know who drafted the
8 press release?**

9 A. This would have probably started from Joe
10 Corazzi and whether he consulted with Atlantic or
11 not, I'm not sure, but it would have started through
12 him, brought to me. I would have sent it to legal
13 counsel for their review and then I would have
14 authorized it to be released.

15 **Q. And what was the basis for the statement
16 in the first and sixth paragraphs that Natural Blue
17 Steel expects to see more than \$35 million in new
18 revenues over the next year from new demolition
19 sites that will operate under Natural Blue
20 Steel/Atlantic division?**

21 A. Now, that was the -- the contracts that
22 I've been testifying to, the -- that were Appendix A
23 to the agreement with Atlantic that they would be
24 assigning to Natural Blue Resources through Natural
25 Blue Steel and -- and there was some discussion at

1 the time -- to kind of amplify a little bit, that
2 there was some -- some discussions about whether a
3 new company would be set up, Natural Blue Atlantic
4 or whatever, and that's why the slash Atlantic
5 division language was put in there as I recall, but
6 it was the \$35 million in contracts that was
7 supposed to be coming to Natural Blue Resources
8 through Natural Blue Steel.

9 **Q. Did you, yourself, for example, actually
10 go through the contracts and determine what the
11 value was or do you know where that figure,
12 \$35 million, came from?**

13 A. I, personally, did not total, nor did I
14 have anybody outside of Corazzi and Cohen and
15 Atlantic who advised me that that was the -- the
16 value of the contracts to the company.

17 **Q. Okay. The press release also says that
18 Natural Blue Steel expects to be operating with
19 Atlantic at more than 30 sites in the next several
20 months. Do you know what the basis of that
21 statement is?**

22 A. There were individual -- the contracts
23 that I keep alluding to in my testimony each had a
24 specific site that would be harvested over the
25 duration of those particular contracts, and I didn't

1 recall the 36-month if that's what you read --

2 **Q. No. No. More than 30 sites in the next
3 several months.**

4 A. Okay. Okay. Yeah, no, that's -- the
5 sites were the individual contracts and they were
6 scattered all over the country.

7 **Q. Did you have any idea at this time whether
8 the contracts were all at the front end? That is,
9 all the revenues to be earned were still to be
10 earned as opposed to contracts that might be further
11 along or even completed?**

12 A. No. My understanding is these were new
13 contracts, that the total revenue was still to come
14 to -- none of it had been collected. It would all
15 be coming to Natural Blue.

16 I had throughout -- even though I wasn't
17 formally still with the company, I had been
18 following up first with Mr. Perry and then with
19 Mr. Braeuning, the CEO, and then subsequently with
20 Joe Montalto.

21 I kept following up, look, they have --
22 the contract has a clawback provision. They
23 haven't -- I haven't been advised of any -- not that
24 I formally had to be advised, but I kept trying to
25 find out if they were living up to their -- to the

1 agreement, and the last word that I got from
2 Braeuning in -- in an e-mail was, hey, they have a
3 year in which to complete this because I recommended
4 he start action to claw back some of the -- some of
5 the shares, and he said they still have a year, so
6 that would have -- I mean, the year is fast
7 approaching and I'm not sure what the options are at
8 this point. I haven't kept track of the inner
9 workings.

10 **Q. Well, the contract -- the agreement was**
11 **entered into in January 2011, so the year would**
12 **have --**

13 A. It will be coming January 2012, yeah.

14 **Q. But we're almost at the end of 2012.**

A. Exactly.

16 **Q. Okay. I'm showing you now a document**
17 **that's been marked as Exhibit No. 16. It's a**
18 **seven-page document that purports to be Unanimous**
19 **Written Consent of the directors of Natural Blue**
20 **Resources, Inc. It's dated January 27th, 2011, and**
21 **can you identify this exhibit?**

22 (Reviewing document.)

23 A. It's a document that has been signed by
24 both myself and Paul Whitford as directors. We were
the only two directors of Natural Blue Resources at

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1 the time, and it attaches Schedule A that lists the
2 stock distribution for Atlantic that was part of the
3 transaction that I referred to earlier, the contract
4 between Natural Blue Resources and Atlantic, and
5 they were -- Atlantic was to get the total number of
6 shares that's identified I'm sure somewhere in the
7 agreement, but the Appendix A lists who these shares
8 would be allocated to.

9 It also listed the 10,000 shares that were
10 to be paid over to Eric Ross for his services in
11 bringing in additional capital to the company.

12 **Q. Now, in the Unanimous Written Consent it**
13 **recites that you and Mr. Whitford would resign as**
14 **directors and that Erik Perry and Joseph Montalto**
15 **would be appointed to the board.**

16 A. I'm looking for that.

17 **Q. Okay. The top of the second page. Well,**
18 **the top of the second page recites that Perry and**
19 **Montalto would be appointed.**

20 A. Right. Yes.

21 **Q. Let's leave it at that. Was there any**
22 **vetting of Erik Perry and Joseph Montalto before**
23 **they were elected or pointed to the board of**
24 **directors? Do you know if any kind of a background**
25 **search or some process was engaged in?**

1 A. Not by the board. Not by either me or
2 Mr. Whitford. I don't recall directing Mr. Steve
3 Rountree, the attorney, to do any. We were
4 acting -- I can speak for myself. I shouldn't speak
5 for Mr. Whitford. I was acting on the basis of what
6 I've previously testified to, the agreements as they
7 were -- the reputation of Atlantic, the reputation
8 of these two individuals, the ability to inject new
9 cash into the company and to actually get it into a
10 viable company. I was relying on those
11 representations from Joe Corazzi and Jim Cohen, Sr.,
12 and I did not do any independent.

13 **Q. Okay. Speaking of Mr. Perry, did you have**
14 **any business relationship or business dealings with**
15 **him prior to the negotiation of the agreement**
16 **between Natural Blue Resources and Atlantic?**

17 A. I had never met him before, no.

18 **Q. And have you had any business relationship**
19 **or business dealings with Erik Perry since you left**
20 **Natural Blue Resources?**

21 A. No, but I did refer -- he's in the venture
22 capital business, and I did refer a couple of
23 potential clients that never materialized that were
24 looking for venture capital.

25 **Q. And what was your most recent contact with**

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1 **Erik Perry?**

2 A. Probably June of -- maybe May of 2010.

3 **Q. Well, 2010 is before the Atlantic --**

4 A. Oh, I'm sorry. I'm sorry. No. 2011.

5 **Q. 2011.**

6 A. 2011.

7 **Q. So that's the same year --**

8 A. Yeah.

9 **Q. -- as you left --**

10 A. Right.

11 **Q. -- Natural Blue.**

12 A. Yeah. It would have been prior to
13 his -- about the time of his resignation from the
14 board, whenever that was.

15 **Q. You said earlier that you had sent**
16 **him -- subsequent to your departure and after he had**
17 **taken over as CEO, that you sent him a summary of**
18 **your thoughts about where the -- where things stood**
19 **with the company and perhaps any problems that you**
20 **were aware of and so forth. Do you have a copy of**
21 **that correspondence?**

22 A. I might. I should.

23 **Q. Okay.**

24 A. I'll make a note and if you can give me a
25 way to get it to you, I'll get these various --

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, DC 20549

FORM 10-K

[X] ANNUAL REPORT PURSUANT TO SECTION 13 or 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934 For the Year Ended December 31, 2009

[] TRANSITION REPORT PURSUANT TO SECTION 13 or 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the transition period from _____ to _____

Commission File Number 000-12493

NATURAL BLUE RESOURCES, INC.

(Exact name of registrant as specified in its charter)

Delaware

(State or other jurisdiction of incorporation or organization)

(I.R.S. Employer Identification Number)

146 West Plant Street, Suite 300, Winter Garden, FL

(Address of principal executive offices)

34787

(Zip Code)

Registrant's telephone number: (321) 293-7420

Securities registered pursuant to Section 12(b) of the Act:

Title of Each Class: Name of each exchange on which registered:
None None

Securities registered pursuant to Section 12(g) of the Act:

Common Stock, \$0.001 par value
(Title of Class)

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act [] Yes [X] No

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 of section 15(d) of the Act [] Yes [X] No

Indicate by check mark whether registrant (1) has filed all reports to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. [X] Yes [] No

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). [] Yes [] No

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulations S-K (229.405 of this chapter) is not contained herein, and will not be contained, to the best of the registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K.

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See the definitions of "large accelerated filer," "accelerated filer," and "smaller reporting company" in Rule 12b-2 of the Exchange Act (Check one):

1/26/2015

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Large accelerated filer

Accelerated filer

Non-accelerated filer (Do not check if smaller reporting company)

Smaller reporting company

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes No

The aggregate market value of the shares of common stock held by non-affiliates of Natural Blue Resources, Inc. as of June 30, 2009, the last business day of its most recently completed second fiscal quarter, based on the last trade price on that date, as reported by the OTC Bulletin Board, was approximately \$221,785,799.

There were 49,601,909 shares of common stock outstanding as of March 26, 2010.

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Currently, EcoWave has no employees and is dependent on the Company and outside consultants, agents and distributors for its operations.

NetSymphony and QoVox

NetSymphony's and QoVox are both currently inactive. We have taken the necessary steps to cease all of NetSymphony's and QoVox's operations and are evaluating the future prospects for such entities. Neither entity has any employees.

Natural Blue Steel

The Company formed NBS in November 2009 to capitalize on the recycled steel market. The Company, through NBS intends to make strategic and opportunistic arrangements for the purchase and subsequent resale of recycled steel, predominantly through the acquisition of abandoned buildings, which the Company will demolish in order to recover and sell the scrap steel. NBS is a development stage company and there have been no revenues recorded to date. The Company cannot provide reasonable assurance that NBS will meet these objectives.

NBS' principal product and service will be the identification and procurement of recycled steel predominantly from old warehouses throughout North America and then the dismantling, cutting and transporting of scrap steel to its end customer. Currently there is no supplier of recycled steel to the Company, the Company must source each of these contracts on an opportunistic basis.

As NBS was recently formed, it has no suppliers or customers and is not reliant on any supplier, customer or market. Currently, the Company is still developing its business plan for NBS which would include the sales and marketing strategy, potential financing options and an evaluation of the impact of environmental regulations pertaining to recycled steel as well as the impact of any local, state or federal regulations.

Currently, NBS has no employees and the Company is using outside consultants to help NBS devise and implement its business plan and strategy. The Company has entered into an agreement on October 26, 2009 with two separate entities to identify and procure recycled steel on behalf of and to manage the business of NBS ("Steel Management Contract"). Pursuant to the Steel Management Contract, the Company shall pay to the principals of the counterparties on a monthly basis, the amount of \$15,000 or 10% of the net operating profit of NBS, whichever is greater. In addition, should NBS achieve certain production and profit levels derived from the Steel Management Contract, the Company shall pay a bonus of 100,000 shares of the Company's common stock for each month over a 16 month period that the target production and profit levels are achieved. The Company also agreed to reimburse the principals of the Steel Management Contract for travel and other organizational expenses as incurred.

Subsequent to end of fiscal year 2009, NBS formed a wholly-owned subsidiary, Natural Blue International, LLC, a Florida limited liability company, for the purpose of engaging in business with third-party vendors for both the supply and distribution of scrap steel.

CasCommunications

CasCommunications is an inactive Florida corporation. We own 40% of the outstanding common stock of CasCommunications. CasCommunications did not generate any revenue for the fiscal year ended December 31, 2009. The Company is exploring options related to CasCommunications, but has ceased any further investment in this company.

Consulting, Advisory and Management Agreements

In November 2009, the Company executed an Engagement and Advisory Fee Agreement with JEC Corp. ("JEC"), which is owned by one of our shareholders and the shareholder is related to our consultants. Pursuant to the agreement, JEC will provide to the Company professional services in identifying and representing the Company with respect to potential future merger and acquisition opportunities to assist the Company in expanding its business. Upon execution of the agreement, JEC was entitled to receive 500,000 shares of the Company's common stock, however, were not issued and after December 31, 2009 JEC waived the right to receive them. The Company will also pay to JEC a fee of \$20,000 for each letter of intent that the Company executes with a party in connection with a potential merger or acquisition with certain companies identified in the agreement. In the event that the Company closes a merger or acquisition with any such company, the Company will pay to JEC a fee of \$150,000. This agreement also provides for the reimbursement of reasonable operating expenses, including costs for travel, cost of preparation of documents, reasonable fees and expenses of retained professionals and legal expenses, not to exceed \$10,000 without prior consent of the Company. Since inception of this agreement through December 31, 2009, the Company has paid JEC \$60,000.

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In November 2009, the Company executed a second Advisory and Management Fee Agreement with JEC pursuant to which JEC would assist the Company in creating and managing NBS. Upon execution of the agreement, JEC was entitled to receive -\$100,000, payable 20% upon execution and the balance when NBS is fully operational and (i) achieves a minimum gross revenue of \$1,000,000 or (ii) receives funding from outside sources of more than \$1,000,000. JEC was also entitled to receive 100,000 shares of the Company's common stock or, at JEC's election, an option exercisable for 100,000 shares of common stock at a nominal exercise price however the shares and options were not issued and after December 31, 2009 JEC waived the right to receive them. JEC is further entitled to receive 20% of the net profit derived from transactions for the sale of steel by NBS. Net profit means the gross proceeds from such transactions less direct transaction expenses incurred in connection therewith. Such payments shall be made monthly during NBS' full operational life. The agreement also provides for the reimbursement of reasonable operating expenses, including costs for travel, cost of preparation of documents, reasonable fees and expenses of retained professionals and legal expenses, not to exceed \$10,000 without prior consent of the Company. Since the inception of this agreement through December 31, 2009, the Company paid JEC \$20,000.

ITEM 2. PROPERTIES

The Company does not own any real property. The Company maintains an office at 146 West Plant Street, Suite 300, Winter Garden, Florida, but does not currently have a lease or pay rent for such space. The Company also utilizes certain office and warehouse space at 13511 Granville Avenue, Clennont, Florida, in a facility leased by Blue Earth Solutions, Inc. ("Blue Earth"), a company in which certain of the Company's consultants and their affiliates are shareholders. There is a verbal agreement between the two parties that the rent and related expenses are offset by professional services rendered by the Company's employees. There is no lease for such office and warehouse space and the Company provides Blue Earth Solutions certain services and use of certain personnel in consideration of the Company's use of the space. Because the Company does not pay rent for any of the space it currently occupies or uses, it may be removed from such premises at any time. Currently, Blue Earth pays approximately \$6,100 per month for rent for the entire building. Should the Company be removed from its current space, have rent imposed upon it or otherwise have to lease space for both its warehouse and office needs, there is no assurance that the Company could rent space under terms and rates that will be acceptable or affordable for the Company.

ITEM 3. LEGAL PROCEEDINGS

On October 13, 2009 in the General Court of Justice, Superior Court Division, Wake County, North Carolina, Dan Ference, the former Chief Operating Officer of QoVox, brought suit against the Company, QoVox, NetSymphony, Datameg Corporation, and Bank of America. Mr. Ference contends he is owed unpaid salary in the amount of \$302,013. The Company believes that this claim has been previously settled. Mr. Ference denies that he settled this claim but acknowledges receipt of consideration the Company believes was paid to him in order to settle such claim. The Company and its subsidiaries have retained counsel, and a mediation hearing is scheduled for April, 2010. The Company and its subsidiaries intend to vigorously defend the claim against them and have filed counterclaims against Mr. Ference.

ITEM 5. MARKET FOR REGISTRANT'S COMMON EQUITY, RELATED STOCKHOLDER MATTERS AND ISSUER PURCHASES OF EQUITY SECURITIES**Market Information**

The Company's common stock is not listed but is quoted and thinly traded on the Over-the-Counter (OTC) Bulletin Board sponsored by the National Association of Securities Dealers, Inc. Until July 24, 2009, the Company's common stock traded under the symbol DTMG. Since July 24, 2009, the Company's common stock has traded under the symbol NTUR.

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I. STOCK OPTIONS

At December 31, 2009, the Company had options outstanding to three former employees for prior services rendered in the total amount of 45,000 common shares. These options are fully vested and exercisable at December 31, 2009.

Options Outstanding	Date Issued	Date Options Expire	Exercise Price
25,000	November 23, 2004	January 1, 2013	\$ 5.38
10,000	June 1, 2005	June 1, 2011	\$ 3.32
10,000	August 25, 2005	January 1, 2011	\$ 28.25
45,000			

J. RELATED PARTY TRANSACTIONS

At December 31, 2009, the Company was not indebted to any related parties.

In November 2009, the Company executed an Engagement and Advisory Fee Agreement with JEC Corp. ("JEC"), which is owned by one of our shareholders and the shareholder is related to our consultants. Pursuant to the agreement, JEC will provide to the Company professional services in identifying and representing the Company with respect to potential future merger and acquisition opportunities to assist the Company in expanding its business. Upon execution of the agreement, JEC was entitled to receive 500,000 shares of the Company's common stock, however, were not issued and after December 31, 2009 JEC waived the right to receive them. The Company will also pay to JEC a fee of \$20,000 for each letter of intent that the Company executes with a party in connection with a potential merger or acquisition with certain companies identified in the agreement. In the event that the Company closes a merger or acquisition with any such company, the Company will pay to JEC a fee of \$150,000. This agreement also provides for the reimbursement of reasonable operating expenses, including costs for travel, cost of preparation of documents, reasonable fees and expenses of retained professionals and legal expenses, not to exceed \$10,000 without prior consent of the Company. Since inception of this agreement through December 31, 2009, the Company has paid JEC \$60,000.

In November 2009, the Company executed a second Advisory and Management Fee Agreement with JEC pursuant to which JEC would assist the Company in creating and managing NBS. Upon execution of the agreement, JEC was entitled to receive (a) \$100,000, payable 20% upon execution and the balance when NBS is fully operational and (i) achieves a minimum gross revenue of \$1,000,000 or (ii) receives funding from outside sources of more than \$1,000,000. JEC was also entitled to receive 100,000 shares of the Company's common stock or, at JEC's election, an option exercisable for 100,000 shares of common stock at a nominal exercise price however the shares and options were not issued and after December 31, 2009 JEC waived the right to receive them. JEC is further entitled to receive 20% of the net profit derived from transactions for the sale of steel by NBS. Net profit means the gross proceeds from such transactions less direct transaction expenses incurred in connection therewith. Such payments shall be made monthly during NBS' full operational life. The agreement also provides for the reimbursement of reasonable operating expenses, including costs for travel, cost of preparation of documents, reasonable fees and expenses of retained professionals and legal expenses, not to exceed \$10,000 without prior consent of the Company. Since the inception of this agreement through December 31, 2009, the Company paid JEC \$20,000.

On May 22, 2009, NBRN made a loan in the amount of \$200,000 to Samir Burshan ("Burshan") who was a Director of NBRN at that time. Mr. Burshan was appointed to the Board of the Company on August 24, 2009, and later resigned as a Director of the Company on October 31, 2009. Such loan is evidenced by a promissory note dated January 29, 2010 and effective as of May 22, 2009, bears interest at the rate of 8% per annum and is due and payable in full on May 22, 2012. The note is non-recourse to Burshan, but is to be secured by the assignment of a promissory note in the principal amount of \$200,000 made by Prism One, Inc. ("Prism One") to Burshan. The Prism One note bears interest at the rate of 8% per annum and is payable in full on or about May 22, 2012. It is the Company's belief that there exists substantial doubt that Prism One will be able to meet its obligations and therefore, as of December 31, 2009, NBRN has fully reserved for this loan.

PART III**ITEM 10. DIRECTORS, EXECUTIVE OFFICERS AND CORPORATE GOVERNANCE*****Directors and Officers***

The following sets forth the names and ages of all of our directors and executive officers as of the date of this annual report. Also provided herein is a brief description of the business experience of each director and executive officer during the past five years and an indication of directorships held by each director in other companies subject to the reporting requirements under the Federal securities laws. All of the directors will serve until the next annual meeting of shareholders and until their successors are elected and qualified, or until their earlier death, retirement, resignation or removal. There are no arrangements or understandings between any director or executive officer and any other person pursuant to which the director or executive officer was selected.

Toney Anaya, 66, *Chief Executive Officer and Chairman of the Board*

Toney Anaya has served as the Company's Chief Executive Officer and Chairman of the Board of Directors since July 24, 2009. He is a former Governor (1983-1986) and Attorney General of New Mexico (1975-1978). As Attorney General, he is recognized for turning a previously obscure office into a major force as a protector of consumer rights. As Governor, he focused on energy alternatives, water development and conservation, the environment, education, economic development, and provided leadership in investing of the state's multi-billion dollar trust funds. Known as a visionary, he successfully steered the state through a national recession, transforming New Mexico into a more technology-based economy and laid the groundwork for future deployment of rapid rail transit, education and social reform.

Intermittently throughout his professional career, Governor Anaya has been the principal of Anaya Law Offices in Santa Fe, New Mexico, from which he represents major corporate clients; pursues his own business development initiatives, including real estate and energy projects; was a founding member of Valor Telecommunications which provides telephone service in New Mexico, Texas, and Oklahoma; for five years was a principal advisor to the country of Mexico during negotiations and passage in the U.S. of the North American Free Trade Agreement. He has served on many public and private boards and commissions, and currently only is on the board of the Company. In the 1960's and 1970's, he also served seven years at the U.S. Department of Labor and U.S. Department of State and five years as legal counsel to a U.S. Senator. In 2009, New Mexico Governor Bill Richardson tapped Anaya to oversee the state's implementation of billions of dollars of funding and other economic benefits coming to the state from the federal "stimulus" law, the American Recovery & Reinvestment Act helping establish a nationally-recognized office.

He has a Juris Doctorate from American University School of Law and a B.A. from Georgetown University.

Walter R. Cruikshank, 63, *Chief Financial Officer*

Walter R. Cruikshank has served as the Company's Chief Financial Officer since August 2009. In addition, Mr. Cruikshank is also Controller of Blue Earth Solutions, Inc. Prior to joining the Company, Mr. Cruikshank was the District Controller for Waste Service of Florida from August 2007 to May 2008 and the Controller of Eye Centers of Florida from August 2005 to August 2007. Mr. Cruikshank has held various general accounting positions in numerous companies throughout his career.

He has a Bachelors of Science degree from Rutgers University and holds an inactive Certified Public Accounting license from the State of New Jersey.

Daryl Kim, *Director*

Mr. Kim has served as a Director of the Company since August 24, 2009. He has served as the Director of Operations of Cornerstone Apparel, Inc. and has actively managed the Papaya specialty clothing stores in the Florida region since 2000. Mr. Kim has also served as President of Vision Caanan Apparel, Inc. a retail clothing store, since June, 2007 and is a partner in Kaleida Eco Ventures, Inc., an eco-focused venture capital concern and is primarily responsible for identifying and seeking out forward looking technologies and processes. In addition, Mr. Kim was a former director of Kaleida and upon the Company's acquisition of Eco Wave became a director of Eco Wave.

Table of Contents**Code of Ethics**

The Company has not adopted a formal code of ethics that applies to our officers, directors and employees in accordance with applicable federal securities laws. Current management does not know why a code of ethics was not adopted by previous Boards of Directors and management of the Company. Since the share exchange with NBRN's stockholders, the Company has pursued a number of corporate governance and business initiatives, but has not had the resources to complete all of them. The Company intends to adopt a code of ethics prior to June 30, 2010, and will disclose such code of ethics in a current report on Form 8-K.

Compliance with Section 16(a) of the Exchange Act

Section 16(a) of the Securities Exchange Act of 1934, as amended, requires each of the Company's directors and executive officers, and any beneficial owner of more than 10 percent of the Company's common stock, to file reports with the SEC. These include initial reports and reports of changes in the individual's beneficial ownership of the Company's common stock. Such persons are also required by SEC regulations to furnish the Company with copies of such reports. To our knowledge, based solely on the review of such reports furnished to the Company, the Company believes that during the year ended December 31, 2009, (a) all directors and executive officers filed on a timely basis the reports required by Section 16(a), and (b) all beneficial owners of more than 10 percent of the Company's common stock filed on a timely basis, except that Mrs. Patricia Cohen failed to report three transactions and to file a Form 3 and a Form 5 with respect to her beneficial ownership of Company common stock. Mrs. Cohen is the beneficial owner of 5,844,465 shares of common stock comprised of 1,882,457 shares owned by Mrs. Cohen, 1,991,060 shares owned by Mrs. Cohen's daughter, and 1,970,948 other shares for which Mrs. Cohen holds the voting power and investment control through JEC Corp., a Nevada corporation of which she is the sole owner.

Audit Committee and Audit Committee Financial Expert

The Company does not have a separately-designated standing audit committee established in accordance with Section 3(a)(58)(A) of the Exchange Act, or a committee performing similar functions. The board of directors has determined that the Company does not have an audit committee financial expert serving on the board. The Company does not have an audit committee financial expert because it has been unable to attract and compensate an individual with the necessary skills to serve in such role. The Company intends to identify and appoint a financial expert when possible.

ITEM 11. EXECUTIVE COMPENSATION

The following executive compensation disclosure reflects all compensation awarded to, earned by or paid to the executive officers below for the year ended December 31, 2009. The following table summarizes all compensation for fiscal years 2009 received by our Chief Executive Officer, and most highly compensated executive officers in fiscal year 2009.

SUMMARY COMPENSATION TABLE**Summary Compensation Table**

Name and principal position	Year	Salary (\$)	Total (\$)
Toney Anaya Chief Executive Officer, President, and Chairman of the Board of Directors	2009	\$ 79,839	\$ 79,839
	2008	\$ 0	\$ 0
Walter R. Cruikshank Chief Financial Officer	2009	\$ 29,731	\$ 29,731
	2008	\$ 0	\$ 0
Jim Murphy Prior Chief Executive Officer, President, and Chairman of the Board of Directors(1)	2009	\$ 4,500	\$ 4,500
	2008	\$ 150,000	\$ 150,000
Daniel Ference Chief Operating Officer QoVox Corporation	2009	\$ 0	\$ 0
	2008	\$ 144,000	\$ 144,000
Paul Pelosi, Jr. President, Natural Blue Resources, Inc. (2)	2009	\$ 43,548	\$ 43,548
	2008	\$ 0	\$ 0

(1) Jim Murphy was the Company's Chief Executive Officer, President and Chairman of the Board of Directors until August 24, 2009.

(2) Paul Pelosi Jr. was the President of the Company and NBRN until January 10, 2010.

Table of Contents***Narrative Disclosure to Summary Compensation Table***

Salary described in the Summary Compensation Table consists of cash payments and accrued amounts owed to such named executive officers as of December 31, 2009. The Company does not have any other forms of compensation arrangements nor has the Company paid such named executive officers any additional compensation. There are no bonus plans, stock awards, option awards, non-equity incentive plans, non-qualified deferred compensation plans or other compensation programs, and there are no outstanding unexercised options, unvested stocks or equity incentive plan awards as of December 31, 2009.

Employment Agreements

The Company does not have any employment agreements with its executive officers. Our executive officers are employees-at-will and, therefore, may be terminated at any time, with or without cause, and with no severance award owed to them.

Director Compensation

The Company's directors do not receive cash compensation for their services on the board of directors. Non-employee directors are reimbursed for out-of-pocket expenses associated with attending Company meetings and otherwise fulfilling their duties as directors.

ITEM 12. SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT AND RELATED STOCKHOLDER MATTERS***Security Ownership of Certain Beneficial Owners***

The following table sets forth, as of March 26, 2010, the number and percentage of outstanding shares of our common stock owned by: (i) each director at such date, (ii) each of the officers named in the Summary Compensation Table above, (iii) our directors and executive officers as a group at such date, and (iv) each person known by the Company to be the beneficial owner of more than 5% of our outstanding common stock at such date.

The number of shares beneficially owned by each director or executive officer is determined under SEC rules, and the information is not necessarily indicative of the beneficial ownership for any other purpose. Under such rules, beneficial ownership includes any shares to which the individual has the sole or shared voting power or investment power and also any shares which the individual has the right to acquire within 60 days of March 26, 2010, through the exercise of any stock option or other right to purchase, such as a warrant. Unless otherwise indicated, each person has sole investment and voting power (or shares such power with his or her spouse) with respect to the shares set forth in the following table. In certain instances, the number of shares listed may include, in addition to shares owned directly, shares held by the spouse or children of the person, or by a trust or estate of which the person is a trustee or an executor or in which the person may have a beneficial interest. The table that follows is based upon information supplied by the executive officers, directors and named stockholders and Forms 3 filed with the SEC.

Unless otherwise indicated below, the address for each of the persons named below is c/o Natural Blue Resources, Inc., 146 West Plant Street, Suite 300, Winter Garden, Florida 34787.

<i>Name and Address of Beneficial Owner</i>	<i>Title</i>	<i>Amount and Nature of Beneficial Ownership</i>	<i>Percent of Class</i>
<i>Directors and Executive Officers</i>			
Toney Anaya	Chief Executive Officer and Chairman of the Board	9,010,049	18.28%
Daryl Kim	Director	1,324,227	2.69%
Walter R. Cruickshank	Chief Financial Officer	-0-	0.0%
Officers and Directors as a Group (total of 3 persons)		10,334,276	20.968%
Paul Pelosi, Jr. 2269 Chestnut San Francisco, CA 94123	Greater than 5% Stockholder	8,125,133	16.49%
Patricia Cohen 5036 Dr. Phillips Blvd. Suite 321 Orlando, FL 32819	Greater than 5% Stockholder	5,844,465(1)	11.9%

(1) Includes 1,882,457 shares owned by Mrs. Cohen and 1,991,060 shares owned by Ms. Cohen's daughter. Also includes 1,970,948 shares owned by the JEC Family Limited Partnership over which Mrs. Cohen holds the voting power and investment control through JEC Corp., a Nevada corporation wholly owned by Mrs. Cohen, which is the general partner and holder of a 1% interest in the partnership.

ITEM 13. CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS, AND DIRECTOR INDEPENDENCE

Certain Relationships and Related Transactions

When the Company is contemplating entering into any transaction in which any executive officer, director, nominee or any family member of the foregoing would have any direct or indirect interest, regardless of the amount involved, the terms of such transaction have to be presented to the full board of directors (other than any interested director) for approval. The board has not adopted a written policy for related party transaction review but when presented with such transaction, they are discussed by the full board of directors and documented in the board minutes.

During the fiscal year ended December 31, 2009, the Company engaged in the following transactions with a related person:

In November 2009, the Company executed an Engagement and Advisory Fee Agreement with JEC Corp. ("JEC"), which is owned by one of our shareholders and the shareholder is related to our consultants. Pursuant to the agreement, JEC will provide to the Company professional services in identifying and representing the Company with respect to potential future merger and acquisition opportunities to assist the Company in expanding its business. Upon execution of the agreement, JEC was entitled to receive 500,000 shares of the Company's common stock, however, were not issued and after December 31, 2009 JEC waived the right to receive them. The Company will also pay to JEC a fee of \$20,000 for each letter of intent that the Company executes with a party in connection with a potential merger or acquisition with certain companies identified in the agreement. In the event that the Company closes a merger or acquisition with any such company, the Company will pay to JEC a fee of \$150,000. This agreement also provides for the reimbursement of reasonable operating expenses, including costs for travel, cost of preparation of documents, reasonable fees and expenses of retained professionals and legal expenses, not to exceed \$10,000 without prior consent of the Company. Since inception of this agreement through December 31, 2009, the Company has paid JEC \$60,000.

In November 2009, the Company executed a second Advisory and Management Fee Agreement with JEC pursuant to which JEC would assist the Company in creating and managing NBS. Upon execution of the agreement, JEC was entitled to receive (a) \$100,000, payable 20% upon execution and the balance when NBS is fully operational and (i) achieves a minimum gross revenue of \$1,000,000 or (ii) receives funding from outside sources of more than \$1,000,000. JEC was also entitled to receive 100,000 shares of the Company's common stock or, at JEC's election, an option exercisable for 100,000 shares of common stock at a nominal exercise price however the shares and options were not issued and after December 31, 2009 JEC waived the right to receive them. JEC is further entitled to receive 20% of the net profit derived from transactions for the sale of steel by NBS. Net profit means the gross proceeds from such transactions less direct transaction expenses incurred in connection therewith. Such payments shall be made monthly during NBS' full operational life. The agreement also provides for the reimbursement of reasonable operating expenses, including costs for travel, cost of preparation of documents, reasonable fees and expenses of retained professionals and legal expenses, not to exceed \$10,000 without prior consent of the Company. Since the inception of this agreement through December 31, 2009, the Company paid JEC \$20,000.

On May 22, 2009, NBRN made a loan in the amount of \$200,000 to Samir Burshan ("Burshan") who was a Director of NBRN at that time. Mr. Burshan was appointed to the Board of the Company on August 24, 2009, and later resigned as a Director of the Company on October 31, 2009. Such loan is evidenced by a promissory note dated January 29, 2010 and effective as of May 22, 2009, bears interest at the rate of 8% per annum and is due and payable in full on May 22, 2012. The note is non-recourse to Burshan, but is to be secured by the assignment of a promissory note in the principal amount of \$200,000 made by Prism One, Inc. ("Prism One") to Burshan. The Prism One note bears interest at the rate of 8% per annum and is payable in full on or about May 22, 2012. It is the Company's belief that there exists substantial doubt that Prism One will be able to meet its obligations and therefore, as of December 31, 2009, NBRN has fully reserved for this loan.

Director Independence

Our board of directors affirmatively determines the independence of each director and nominee for election as a director in accordance with guidelines it has adopted, which include all elements of independence set forth in NASDAQ Rule 4200(a)(15). Based on this standard, the board of directors has determined that it currently has no members who qualify as "independent."

ITEM 14. PRINCIPAL ACCOUNTING FEES AND SERVICES

Audit Fees

The aggregate audit fees billed for the year ended December 31, 2009 was \$69,106. Audit services include the audits of the financial statements included in the Company's annual reports on Form 10-K and reviews of interim financial statements included in the Company's quarterly reports on Form 10-Q.

Audit-Related Fees

None.

Tax Fees

None.

SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized on this 2nd day of April, 2010.

Natural Blue Resources, Inc.

BY: /s/ Toney Anaya
Toney Anaya,
Chairman, Chief Executive Officer (Principal Executive Officer)

Pursuant to the requirements of the Securities Exchange Act of 1934, this Annual Report has been signed below by the following persons on behalf of the Registrant and in the capacities and on the dates indicated.

Signature	Title	Date
<u>/s/ Toney Anaya</u> Toney Anaya	Chairman, Chief Executive Officer and Director (Principal Executive Officer)	April 2, 2010
<u>/s/ Walter Cruickshank</u> Walter Cruickshank	Chief Financial Officer (Principal Financial and Accounting Officer)	April 2, 2010
<u>/s/ Daryl Kim</u> Daryl Kim	Director	April 2, 2010

UNITED STATES SECURITIES AND EXCHANGE COMMISSION

In the Matter of:)
) File No. B-02723-A
NATURAL BLUE RESOURCES, INC.)

WITNESS: Paul Francis Pelosi, Jr.

PAGES: 1 through 245

PLACE: Securities and Exchange Commission
44 Montgomery Street, Suite 2800
San Francisco, CA

DATE: Tuesday, June 25, 2013

The above-entitled matter came on for hearing,
pursuant to notice, at 9:15 a.m.

Diversified Reporting Services, Inc.

(202) 467-9200

RECEIVED

JUL 10 2013

SECURITIES AND EXCHANGE COMMISSION
OFFICE

Page 2

1 APPEARANCES:

2

3 On behalf of the Securities and Exchange Commission:

4 AMY GWIAZDA, ESQ.

5 THOMAS RAPPAPORT, ESQ.

6 RUA KELLY, ESQ.

7 Division of Enforcement

8 Securities and Exchange Commission

9 33 Arch Street, 23rd Floor

10 Boston, MA 02110

11

12 On behalf of the Witness:

13 PAUL FRANCIS PELOSI, JR., pro se

14

15 Also Present:

16 TONY STEARNS, SEC Paralegal

17 SAMUEL KRAWIECZ, SEC Intern

18 DANIEL JOHNSON, SEC Intern

19 44 Montgomery Street, Suite 2800

20 San Francisco, CA

21

22

23

24

25

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1 PROCEEDINGS

2 MS. GWIAZDA: We are on the record at approximately

3 12:15 p.m., Eastern Standard Time, and 9:15 a.m., Pacific

4 Standard Time, on June 25th, 2013.

5 And I will just note, the witness is in San

6 Francisco and we are here in the Boston Regional Office,

7 asking the questions.

8 Mr. Pelosi, please, raise your right hand.

9 Whereupon,

10 PAUL FRANCIS PELOSI, JR.

11 was called as a witness herein and, after having been

12 first duly sworn, was examined and testified as follows:

13 MS. GWIAZDA: You may lower your hand.

14 Can you, please, state and spell your full name,

15 for the record?

16 THE WITNESS: Paul Francis Pelosi, Jr. Paul is

17 P-a-u-l, Francis, F-r-a-n-c-i-s, Pelosi, P-e-l-o-s-i,

18 Junior, J-u-n-i-o-r.

19 MS. GWIAZDA: My name is Amy Gwiazda and with me

20 are Tom Rappaport and Rua Kelly. We are all officers of

21 the United States Securities and Exchange Commission for

22 the purposes of this proceeding.

23 I should also note, here in the Boston office, we

24 have two summer interns, Samuel Krawiec and Daniel

25 Johnson. And in the San Francisco Regional Office is

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2 WITNESS:	EXAMINATION
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1 John Stearns, who is a paralegal.

2 This is an investigation by the United States

3 Securities and Exchange Commission in the matter of

4 Natural Blue Resources, File Number B-02723. It is to

5 determine whether there have been violations of certain

6 provisions of Federal Securities Laws. However, facts

7 developed in this investigation might constitute

8 violations of other federal or state civil or criminal

9 laws.

10 Prior to the opening of the record, you were

11 provided with a copy of the Formal Order in this

12 investigation. The Formal Order will be available for

13 your examination during the course of this proceeding.

14 EXAMINATION

15 BY MS. GWIAZDA:

16 Q Have you had an opportunity to review this Formal

17 Order, Mr. Pelosi?

18 A Yes.

19 Q And prior to the opening of the record, you were

20 also provided with a copy of the Commission's

21 Supplemental Information Form, which has been marked

22 Exhibit No. 1 in these proceedings. It, too, will be

23 available for your review during today's proceedings.

24 Q Have you had an opportunity to read Exhibit No.

25 1?

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1 and then Toney and Joe had substantial shareholdings,
 2 close to what I had, but a little bit less. And then Jim
 3 and his family, and other people, had somewhere in
 4 between -- a little bit more than the other guys, but not
 5 as much as me. So, I was the top --

6 **Q** Just -- just to go back to -- for a second, where
 7 you said -- you were explaining your, kind of, expertise
 8 or knowledge and what you were bringing to the project,
 9 and Mr. Anaya and his family having the land -- was there
 10 anything of that same nature that Mr. Cohen or Mr.
 11 Corazzi had, you know, were their roles discussed, of
 12 what they were going to do?

13 **A** Starting with Joe Corazzi, he was the
 14 relationship guy. He knew the Governor. He seemed to
 15 know a lot of people. So, his thing was that he knew a
 16 lot of people, he had relationships with a lot of people,
 17 he knew the New Mexico area, so that was his involvement.

18 Jim was -- he's a very smart guy, in terms of how
 19 to put deals together. He's very good on finance and
 20 structure. He has -- he has more of a day to day type
 21 thing. In other words, he would be more -- he would know
 22 how to -- he had done so many deals in his life, that he
 23 would know how to put things together. He would know how
 24 to -- what might work, what might not work, evaluate
 25 people's skill sets, evaluate talent. So, I would say he

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1 had some imagination in that area and experience. So, he
 2 has experience in kind of running things, how things
 3 work, things of that nature.

4 Joe has less to do with the daily operations.
 5 He's more of a relationship guy. And then -- that would
 6 be how I would describe it.

7 **Q** And when you were just describing Mr. Cohen's
 8 experience and how he's a smart guy, and putting the
 9 deals together, what is your knowledge of that based on?

10 **A** Well, it's based on when I -- at that point, I
 11 had spoken to him for about six months. I had known him
 12 for about six months, six or eight months, at that point
 13 -- probably about six or seven months. Any topic that
 14 came up, he seemed to have known a deal or referred to
 15 somewhere where he did it, or somebody else did it, where
 16 he said -- oh, well this was done 20 years ago, they
 17 tried to do this.

18 See, in recycling, and in this area, many of the
 19 things that we do today have been done for a long time.
 20 And so -- but because commodity prices used to be very
 21 low, people didn't recycle. But as commodity prices went
 22 high, recycling and this type of thing became like water.
 23 When water is nothing, you don't want to get involved.
 24 But when water is high, like it is in New Mexico, you
 25 want to get involved.

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1 So, Jim would have done a deal 20 years earlier,
 2 that may not have worked, because the prices were so low.
 3 But he went through the blocking and tackling, and he's
 4 just way too early. But he kind of knew some of the
 5 variables and things that had to happen, in order for a
 6 project to work. But it didn't work then -- or maybe it
 7 worked for a little while then, I don't know -- but he
 8 seemed to have knowledge of that.

9 Then, today, the economics were in a better
 10 situation and it looked like a favorable, you know, so he
 11 would want to try again. So, he would mention stories of
 12 the past, of things that he had tried, and that's why I
 13 felt -- it was like I felt like he had a lot of
 14 knowledge.

15 I also felt that he has experience, he's clever,
 16 he's a smart guy. So, as we assessed things, I would
 17 soundboard off him. I would say -- is this going to
 18 work, is that going to work, is this guy going to work,
 19 is that guy going to work -- and he seemed -- I seemed to
 20 think that he was, you know, that he had experience.

21 **Q** Did you ever -- did you do any sort of -- I don't
 22 want to say "checking up," but any kind of research on
 23 the other three principals, before joining them with
 24 Natural Blue Resources?

25 **A** I had done work on Toney Anaya. He went to

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1 Georgetown, he's a lawyer, he was the Attorney General,
 2 he was the Governor. I checked him with his reputation,
 3 with the existing Governor and the existing status, and
 4 everything checked out. And he was going to be the
 5 primary guy running the company and that was important.

6 In hindsight, I didn't do -- I still haven't done
 7 any work on Joe Corazzi, so I still don't know what his
 8 background is, other than I say he has relationships.
 9 And with Jim, again, I've heard things about him,
 10 subsequently, but I never took any -- I never did any
 11 background check or anything like that.

12 Subsequently, I've learned things or heard
 13 rumors, but I haven't seen anything substantiated. I
 14 haven't done an inquiry. But you know, I hear some
 15 things from Jim Murphy. Jim Murphy was the CEO of
 16 Datameg, and he went through and he put the transaction
 17 together. And I'm still friends with Jim, today, Jim
 18 Murphy. I ask him -- so he mentions things about Jim's
 19 past, but I just don't -- I haven't seen it, I don't know
 20 what it is. I've asked Jim about it a couple of times,
 21 but I haven't got any -- I never got a -- I don't like to
 22 embarrass people, but I never put him on the spot. When
 23 I've touched on areas, asking him about rumors or
 24 anything of that nature, I haven't gotten any real
 25 answer, other than he -- now I've learned more

1 information, but at the time I didn't have any
2 information.

3 **Q** What are the rumors you're referring to, or the
4 information you've since learned?

5 A Well, in the last -- I learned, later, that he
6 had served some time in jail. I don't know if he did or
7 not, but I heard he had served some time in jail. I
8 heard, later, that he was -- there was some restrictions
9 on what he could do with publicly traded companies, but
10 I've heard that it's just that he's not allowed to be in
11 the broker/dealer environment, he's not allowed to raise
12 money, things of that nature. But I haven't -- beyond
13 that, I don't know. I haven't seen a written order, I
14 haven't seen anything. But my understanding was that he
15 served time in jail. My understanding is that he's not
16 allowed to do broker/dealer, raise money, stuff of that
17 nature. And that's my understanding.

18 **Q** Did it concern you, at all, when you learned that
19 -- that you were in a company with someone who may have
20 served time in jail?

21 A Well, there's a couple things. There's that part
22 doesn't -- I mean look, I'm friends with Michael Milken,
23 I present in his conference on a regular basis. He paid
24 a half billion dollars -- to be nice -- he paid a half
25 billion dollars, and he served time in jail. So, that,

1 in itself, for broker/dealer activities, people make
2 mistakes.

3 What bothered me was that people at the company
4 didn't tell me about it. So, I mean it's -- it was the
5 people like Jim Murphy, and the other people around, who
6 I relied on, and Omar never told me. And the people that
7 put me in touch with him never told me.

8 So, as I started to hear things, later --

9 **Q** Just to stop you for a second. When you say
10 "later," when did you first start to hear these -- these
11 rumors?

12 A Well, you don't hear anything until the stock
13 starts going down. When the stock starts going down,
14 everybody knew, all of a sudden. So, then I would kind
15 of check in like -- hey, Jim, why are they saying bad
16 things about you. So, the timing would be --

17 **Q** Right. When you first heard what you referenced
18 about Mr. Cohen --

19 A It would be -- it would be --

20 **Q** -- certain time frame --

21 A -- it wasn't until -- it wasn't until '09. It
22 wasn't until I got into '09, and then it was in
23 September, October, of '09. So, we're out there -- I'm
24 starting to run into a little trouble. And then I start
25 digging and start to figure out who, you know, what

1 exactly has happened.

2 So, it wasn't until '09, you know -- third
3 quarter '09.

4 **Q** Okay. If we could kind of step back for a
5 minute, and we may go back -- we're going to get to that
6 time period in '09 -- but to when you, Mr. Corazzi, Mr.
7 Cohen, Mr. Anaya came together to form Natural Blue
8 Resources, what kind of company was Natural Blue
9 Resources, at that time, can you kind of describe the
10 incorporation process, where you incorporated, what kind
11 of form the company was in?

12 A The company was supposed to be Toney Anaya,
13 Chairman, President. And then I was supposed to be in
14 charge of the water in the areas. The other guys were
15 investors who would bring relationships or suggestions.
16 But it was supposed to be the two of us running it, the
17 two of us calling the shots. And then --

18 **Q** Was it a --

19 A It was a private company. So, it was a Nevada --
20 it was a Nevada company, I think it was an LLC, private
21 company. And I think it was incorporated there. I'm not
22 too familiar with all the filings. My understanding is
23 we had a Nevada corporation and it was -- and the two of
24 us were going to execute and hire the people and moving
25 forward, to run the operation. And so we were the only -

1 -

2 **Q** Did you know -- I'm sorry -- go ahead.

3 A No, that's it. So, that was -- the formation was
4 we got together in, I think it was, late March, early
5 April, it was like right around the end of March, April.
6 We got together in New Mexico. So, I got on the plane, I
7 brought two of my engineer experts, who knew about water,
8 consultants. So, I brought them from San Francisco to
9 New Mexico, to evaluate the situation. At that point,
10 that was the first time I met Governor Anaya, the first
11 time I met Joe Corazzi. And then I had met Cohen once
12 previously, in October, when I went to Florida.

13 So, at that point, we got together and -- so it
14 must have been in March, like February, March, a little
15 sooner, that we formed everything, before we got
16 together. Because at that point, I was paying -- you
17 know, we were paying the consultants, we had paid some
18 lawyers. Because see, what happened -- now that I think
19 about it -- Toney had started this before.

20 **Q** Toney started Natural Blue Resources before?

21 A Toney had started it before. See, now that I'm
22 thinking on the time-line, when we went there in March
23 and I had the consultants, when I got there -- when I got
24 to New Mexico, the first thing I got hit with was a
25 \$50,000 bill. Bam! And that was --

1 A I'm not sure why. They had -- they had the
2 machine, they had good testing, they had good sales
3 people. My understanding is they got -- they were, you
4 know, that things were going well. And I don't know why
5 they didn't sell.

6 But I've been to South Korea and they vouch for
7 the thing. It's being used in Seoul. Seoul uses it
8 right now. It's been used for the last 10 years, in
9 Seoul, to recycle their waste. I've been to Austin,
10 Texas, where they recycle their waste and turn it into
11 fertilizer. So, this works around the world. This
12 technology and others similar work. It's just, in this
13 case, they weren't able to make a sale.

14 Q And I think you mentioned this, but your official
15 title for Natural Blue Nevada, what was it?

16 A I think I was the CEO or, maybe, I was the
17 President, one of the two. In other words, I think I was
18 -- I was like -- I think Toney was the CEO, I was the
19 President, something like that. He was the Chairman and
20 CEO, and I was the President.

21 Q And did Mister -- was there anyone else who
22 served as an officer?

23 A We had Stella Thompson, who was the business
24 development strategist. And -- of Nevada -- as I told
25 you, we had the geologist, but I don't know if -- they

1 didn't work for the company. There was the lawyer, but
2 she was hired.

3 Q Right. I'm just curious, anyone else who had an
4 officer role or title. So, does that mean Mr. Corazzl
5 and Mr. Cohen did not have officer -- they were not
6 official officers?

7 A Correct.

8 Q Did Natural Blue Nevada hold regular board
9 meetings?

10 A I don't recall if there were board members.

11 Q I thought you said -- and maybe I'm getting this
12 confused with another company -- that Mr. Burshan was a
13 board member?

14 A But see, they came on to the publicly traded
15 company, and I think that was after we did the EcoWave
16 acquisition. So, he wouldn't have been --

17 Q So, your --

18 A -- I think that him and Daryl came in -- they
19 were board members of the publicly traded company, but I
20 think they came in after. I don't know that there were
21 board -- I would have to think about it, of whether they
22 were board members of Natural Blue Nevada. I would have
23 to think about that. I know that they were board members
24 when it was publicly traded, and they come on at some
25 point, but I can't recall when.

1 Q Okay. So, did Natural Blue Nevada have regular
2 meetings of any sort?

3 A Well, I always talked with Toney and coordinated
4 the different programs, with regard to the legal aspects
5 of securing the land, with regard to the technology and
6 things that I had been working on. So, we went to New
7 Mexico to meet. It wasn't that much time. So, I mean,
8 in other words, you're saying "regular," you're talking
9 about a company that existed for about four or five
10 months, maybe four months, more or less.

11 Q Yeah. I'm just asking if, during those four
12 months, if you recall that you and Mr. Anaya, or others -
13 - if there was any sort of scheduled meeting of those
14 involved with Natural Blue --

15 A We didn't have a regular -- we didn't have like a
16 regular Monday call. But as I say, we got together in
17 New Mexico and we would have -- I mean we would have
18 informal conversations, but we didn't have like a call-in
19 number, a regular call-in number. We didn't have a set
20 schedule. We were just continually on the phone. And I
21 was working on my projects and I would report, to him,
22 the progress we made. And I would ask him about contracts
23 that he was trying to secure, because he would be going
24 around trying to secure them in different municipalities.
25 And then I was working with the lawyers, to figure out

1 what the land situation was. So, those were our three
2 areas of concern, or opportunity, and then the Eco --
3 until the EcoWave came along.

4 MS. GWIAZDA: Why don't we show the next exhibit,
5 if we can mark that. And if you could remind me -- if
6 the Court Reporter could remind me what number we're on?

7 COURT REPORTER: This will be 111.

8 (SEC Exhibit No. 111 was
9 marked for identification.)

10 MS. GWIAZDA: Thank you.

11 Mr. Pelosi, we're showing you what has been
12 marked as Exhibit No. 111, and the Bates number -- or the
13 number down at the bottom right-hand corner is 14688 and
14 it goes to the last page is stamped 14692. And if you
15 want to take as long as you need to, to review this?

16 THE WITNESS: Okay.

17 MS. GWIAZDA: You should take as long as you need
18 to review it, but I will say I'm not going to ask you
19 about all of it. The focus, to some extent, will just be
20 on page 2, where it says, "Intent to become a public
21 company," just a couple of sentences there.

22 THE WITNESS: Okay.

23 Okay. So, there were board members. There was
24 two of us. Okay.

25 BY MS. GWIAZDA:

1 the thing to succeed. We're trying to run the water
2 business and the EcoWave business, and now we're paying
3 out hundreds of thousands of dollars in consulting fees,
4 which just seemed ridiculous. It felt like, we have
5 money in the bank, and now they want to get paid. It's
6 like the money was the company's money and now they're
7 sending invoices to chop at the cash. And with every
8 check that goes out, the odds of us succeeding go down.
9 And they didn't give me any signature, they didn't give
10 me any power to stop the bleeding.

11 So -- and Toney -- I kept telling Toney -- "What
12 are you doing? Do you represent the shareholders or do
13 you represent Jim and Joe? Who do you represent?" And
14 he was so indebted to Jim and Joe, for bringing him the
15 \$9 million worth of potential money, he would sign
16 anything they did. And then he had Daryl, same thing,
17 Daryl's up there in Orlando -- not to make a comment
18 about the Koreans -- but he wanted everyone to get along
19 -- well, come on, let's just give this thing a chance.
20 They like to save face. They don't like fights. Can't
21 we just get along? Can't we just get along? You and
22 Toney are rubber-stamping everything that comes through
23 this thing.

24 Jim and Joe had plenty of shares, they had plenty
25 incentive to help the company. Jim was looking out for

1 on. We're not TYCO. But that's what -- this was
2 starting to look piggy. It was starting to look like --
3 just the center of gravity was moving away. It was Toney
4 and Paul -- at least I had control -- it was only Toney -
5 - there was two of us, he couldn't vote on stuff, the
6 resolutions, everything kind of went smoothly. Now,
7 there's these other votes and the center of gravity is
8 pulled away from me, at that point.

9 And it was more Corazzi, because he needed the
10 money and he was really -- whereas Jim is more interested
11 in the businesses and what's going on, and he's more the
12 creative side -- Corazzi wanted the money.

13 Q I guess I'm confused. What makes you say it was
14 more Corazzi? Were there things that you saw, actions
15 that Mr. Corazzi took?

16 A Well, Corazzi -- I didn't talk to him much, but
17 occasionally, he could call me and say, "Now look, we've
18 got this important thing, let's just get this thing
19 through." And I'm like -- well -- what do you do? The
20 guy calls you up, privately, "Look, you got to -- you got
21 to work with this here, we've got a good opportunity."
22 So, he calls me and tries to guilt-trip me into the
23 thing. And so that was his style. It was like more
24 gangster style,

25 BY MS. KELLY:

1 the best interest of the company. Jim would have done
2 this for free. Joe's the one that had no money. Jim
3 always has his retirement, because his family has some
4 money. He makes a couple bucks. He doesn't have a lot
5 of money, but he has a couple bucks every month from his
6 retirement or whatever. Jose is the one without any
7 cash. So, Joe is pushing everything to the limit,
8 because Joe needs the money. Jim wants money, but he
9 doesn't need the money. Joe needed the money.

10 Q So, when you're -- sorry -- you're saying Joe is
11 pushing everything to the limit, what were some examples
12 --

13 A Like these deals. Like they're pushing --
14 they're pushing for the consulting -- like his invoice
15 has to get paid, like these deals have to get done. And
16 he's going to push the deal through and he's going to get
17 paid cash. We don't have this kind of cash. We just
18 paid half million dollars for this pizza oven thing, so
19 now we go from 2.3, now we're, suddenly, down to 1.5 --
20 we've given Print Responsibly -- now we're down to 1.5,
21 1.1, so half the money is gone. So, we're into the thing
22 four months, half the money is gone.

23 Now, they want to close a deal and Joe wants
24 \$150,000.00, which is 10 percent of the company's money.
25 He wants 10 percent of the company's money? I mean come

1 Q I'm sorry to interrupt you, Mr. Pelosi, but did
2 you know that Joe didn't have money, because you were,
3 personally, pretty friendly with Cohen and he told you
4 what Corazzi's situation was?

5 A Yeah. Jim would suggest, from time to time, that
6 Corazzi was short on cash. Correct.

7 MS. GWIAZDA: I'm just going to pause for one
8 second, to discuss one thing here.

9 THE WITNESS: Okay.

10 MS. GWIAZDA: Sorry about that, Mr. Pelosi.

11 BY MS. GWIAZDA:

12 Q Changing topics, a little bit, can you describe
13 Natural Blue Resources' procedures for preparing and
14 issuing press releases, when you served as President?

15 A The process of -- my understanding is that -- I
16 approved, I think, one, maybe two press releases. I
17 received a draft, was given the opportunity to comment or
18 edit it, and then it went from there.

19 Q Who did you receive that draft from?

20 A From Toney and, perhaps, from Jim.

21 Q Was it --

22 A Like there was a consultant -- there was somebody
23 that was working with them on the draft, so it would be -
24 - I think Jim had hired a PR firm and then they kind of
25 worked on it with Toney, and then they sent it to me, and

THE UNITED STATES SECURITIES AND EXCHANGE COMMISSION

In the Matter of:)
) File No. B-02723-A
NATURAL BLUE RESOURCES, INC.)

WITNESS: Paul Vuksich
PAGES: 1 through 63
PLACE: Securities and Exchange Commission
44 Montgomery, Suite 2800
San Francisco, California 94104
DATE: Monday, June 23, 2014

The above-entitled matter came on for hearing,
pursuant to notice, at 8:45 a.m.

Diversified Reporting Services, Inc.

(202) 467-9200

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REGIONAL OFFICE

Page 2

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1 PROCEEDINGS
 2 MS. KELLY: So, we are on the record. Today is
 3 8:45 West Coast time and 11:45 East Coast time, June
 4 23rd, 2014.
 5 So, Mr. Vuksich, if you could just raise your
 6 right?
 7 Whereupon,
 8 PAUL VUKSICH
 9 was called as a witness and, having been first duly
 10 sworn, was examined and testified as follows:
 11 EXAMINATION
 12 BY MS. KELLY:
 13 Q If you could just state and spell your full
 14 name for the record?
 15 A My name is Paul Michael Vuksich. The spelling
 16 on the last name is V, like in Victor, -u-k-s-i-c-h.
 17 Q And could you just briefly state where your law
 18 firm is located?
 19 A My law firm is located at 582 Market Street,
 20 San Francisco, California, in Suite 2001.
 21 Q So, I'm Rua Kelly and with me is Thomas
 22 Rappaport, who you can see somewhat on the screen. He's
 23 going to peer into the video camera now. And also in the
 24 room with me is Sarah Fearon-Maradey and, Ms. Jackson,
 25 I'll give you the correct spelling of everyone's names

Page 5

1 when we're done with the proceedings. But, Ms.
 2 Fearon-Maradey is an intern in our office and also on the
 3 line, participating by phone is an attorney whose name is
 4 Mayeti Gametchu. And we're all assigned to this matter,
 5 but I'm going to be the person asking the questions. And
 6 Tom Rappaport and I are members of the staff, as is
 7 Mayeti, and we're officers of the Commission for purposes
 8 of this proceeding.
 9 Just to put a few formalities on the record:
 10 This is an investigation by the SEC in the matter of
 11 Natural Blue Resources, B-02723, to determine whether
 12 there have been violations of certain provisions of the
 13 securities laws. And the facts developed in the
 14 investigation may constitute violations of other laws,
 15 including federal or state, criminal or civil laws.
 16 Prior to the opening of the record, you were
 17 provided with a copy of the Formal Order of Investigation
 18 in this matter and it's available for your examination,
 19 as we discussed during the proceeding.
 20 Have you had an opportunity to review the
 21 Formal Order?
 22 A I have.
 23 Q And do you have any questions?
 24 A I don't have any questions at this time.
 25 Q Okay. And, Mr. Vuksich, you are a licensed

1 a former attorney sue on a promissory note and he won in
2 a District Court in Florida. And, as a result of that,
3 our -- the judgment size, it became very precarious.

4 So, at some point the conversation shifted,
5 because Datameg was -- it was uncertain whether Datameg
6 could even continue to exist. It had always been
7 tenuous, but now it was getting really tenuous.

8 So, the conversation shifted to -- and I don't
9 know how it came up, but it came that a buy-out or some
10 kind of different synergy to keep Datameg going and also
11 trying to salvage something for the existing Datameg
12 shareholders.

13 So, at some point -- go ahead.

14 Q No, no, no. Continue.

15 A So, at some point a deal came up involving
16 water in the state of New Mexico -- a water source in the
17 state of New Mexico. And that deal germinated in the
18 beginning of March 2009. And that was looked at as a way
19 -- as a viable business deal. It was being presented as
20 that and as something that where, given the precarious
21 financial situation now of Datameg, that there would be
22 some basis for being able to have a change of control,
23 change of business, and salvage something for the
24 existing Datameg shareholders.

25 Q And I just want to go back for one more minute.

1 be shepherding forward a business opportunity in ground
2 water in the state of New Mexico.

3 Q Do you have an understanding as to whether
4 Natural Blue Nevada was created specifically for the
5 purpose of this transaction with Datameg or whether it
6 was created for, you know, another, unrelated purpose?

7 A It was created for this deal with Datameg, to
8 transition to -- to take this deal, create a corporation
9 subsidiary and have a change of business into this water
10 opportunity.

11 Q And how do you -- again, without touching on
12 any -- is there any non-privileged basis that you have
13 for believing that Natural Blue was created for the
14 purpose of effecting this transaction?

15 A There is a Private Placement Memorandum.

16 Q And the Private Placement Memorandum reflects
17 that that's the purpose -- that this entity is being
18 created as a vehicle for consummating a transaction with
19 Datameg?

20 A It doesn't say that. I don't think it says
21 that. It says that this is a water opportunity. I don't
22 know that it makes reference to that or not. It's been
23 so long, I don't remember.

24 Q Okay. So at that point, you had -- you had
25 interacted with Mr. Cohen on behalf of the entity,

1 You had described Mrs. Cohen -- or Jim Cohen's wife as
2 being "on the mast as CEO." Can you just describe what
3 you mean by that?

4 A Just that according to the corporate documents,
5 she was the CEO, but I had never had any dealings with
6 her and I don't recall Jim Murphy having dealings with
7 her.

8 Q Do you recall dealing with anybody on behalf of
9 Blue Earth Solutions other than Jim Cohen?

10 A His son, Jim Cohen, Junior. But that was
11 subsequent to the time frame when we were -- when the
12 reorganization went on. And later, Walter Cruickshank,
13 who was the CFO of Blue Earth Solutions, I dealt with
14 him. And I don't remember dealing with anybody else.

15 Q What about -- the same question for Natural
16 Blue Resources? Again, in that March -- so focus on that
17 March time frame. Was there anyone at Natural Blue other
18 than Jim Cohen with whom you were interacting?

19 A Natural Blue didn't exist. Natural Blue came
20 into being in March of 2009. And I don't know if -- I
21 don't know who incorporated Natural Blue Nevada.

22 It's -- I probably have a document or it's in
23 the Secretary of State's office there in Nevada that says
24 who incorporated it. But that was -- what was being
25 created was a new entity and there -- which was going to

1 Natural Blue Resources. Were there any other people --
2 again in that March 2009 time frame -- who were involved
3 with this water deal that gave rise to Natural Blue?

4 A Yes. I came to learn that Toney Anaya --
5 Governor Toney Anaya was a main actor in this and Paul
6 Pelosi, Junior, was somehow attached to this opportunity.
7 And I subsequently heard the name -- after some
8 additional period of time -- a man by the name of Joe
9 Corazzi.

10 Q Who were you -- during that time period, did
11 you have communications with anyone other than the
12 Cohens, to the best of your recollection?

13 A My best recollection is that it was mainly with
14 either Jim Cohen or Jim Murphy and at some point I think
15 I was introduced to Governor Anaya over the phone. And
16 at some point, Paul Pelosi, Junior, came to my office,
17 just to see who I was.

18 Q And did you have an understanding with regard
19 to Cohen or any of the others what their role would be at
20 Natural Blue Resources when it became a public company?

21 A I assumed, I guess, that -- well, I knew that
22 -- well, let me check that. I think that I knew that
23 Paul Pelosi was going to be the President of Natural Blue
24 Nevada and that Governor Anaya was going to be the CEO of
25 Natural Blue Nevada. And that when the transition

1 happened, that they would assume those same hats for the
2 changed direction of Datameg, which would become Natural
3 Blue Delaware and they would be President and CEO.

4 Q Did you have an understanding as to what
5 Cohen's role would be in the new company?

6 A I don't think that I had -- ever was told that
7 he was going to be any kind of officer. But I think he
8 took -- he was -- he seemed to be the person with the
9 most experience. And that he was going to be bringing --
10 that this opportunity had been shepherded by him and that
11 until later did I learn that there were other
12 opportunities he was going to be involved in. But at the
13 time, I was focused on that this was going to be a change
14 of direction and it was going to be a water company and
15 what his role was going to be in that regard -- other
16 than having expertise in companies -- and being sort of
17 an advisor to Governor Anaya, that's what his role would
18 be, as far as I could tell.

19 Q Did you have an understanding at that time as
20 to what Mr. Cohen's prior professional experience was?

21 A Not at that time.

22 Q But you mentioned his experience. I take it
23 you had understood that he had some substantive business
24 experience in the years prior to this deal?

25 A Well, he was involved with a public company.

1 He was involved with operating a business. And he was
2 involved with some name players. So I thought that it
3 sounded okay to me, that he had some experience and I
4 didn't -- at that time, I hadn't had any really
5 substantive discussions with Governor Anaya. You know,
6 they were on an independent tract. I'm the attorney for
7 Datameg and they are doing what they're doing to put
8 together this opportunity on their own in Nevada.

9 Q Do you recall having any sort of working
10 knowledge or understanding around that same time as to
11 what Mr. Corazzi's prior experience was before his
12 involvement with Natural Blue or what was his specialty?

13 A I had no idea how he fit in. It was sort of a
14 mystery to me. It took me a while to even find his name,
15 who he was.

16 Q Okay. And, to your knowledge, did Natural Blue
17 Resources have either in-house or outside counsel at any
18 time before the completion of the reverse merger with
19 Datameg?

20 A Yes. There was a water -- a female water
21 attorney -- I can't remember her name -- in New Mexico
22 who was supposed to be getting -- as I understood -- as
23 I'm recollecting, permits and the government side of
24 trying to tap these water resources. So, yes.

25 Q And did you continue to act as counsel for

1 Datameg and all the way up through the contemplation of
2 the reverse merger?

3 A Yes.

4 Q And, again, without disclosing any privileged
5 information, was anyone at Datameg responsible for doing
6 due diligence into Natural Blue Resources Nevada?

7 A Well, there wasn't much due diligence that you
8 really could do. It's a brand new corporation. We are
9 learning who the players are. The players who were the
10 officers were people who you could easily identify. And
11 they're the ones who were acting in control of this
12 opportunity and it's got no -- it's got no legacy
13 problems, so.

14 Q Well, you say that they were in control of this
15 entity, but is it fair to say, though, that you had --
16 you know, your primary point of contact with Natural Blue
17 -- at least around March of '09, was with Cohen?

18 A That's true. They were going to be -- you
19 know, when you said, "Who's going to be President?" You
20 know, raise your hand. Who's going to be CEO," these
21 were the people who were in their organizing documents
22 going to be the officers.

23 Q And would it be fair to say that you -- you had
24 the expectation that both Pelosi and Anaya would have
25 substantial involvement with the company because of the

1 titles that they hold?

2 A Yes.

3 Q Without, again, disclosing any privileged
4 information, did you become aware at any time before the
5 reverse merger was effected in August of 2009 that James
6 Cohen had been previously convicted of a crime?

7 A I don't think that the reverse merger took
8 place in August 2009. It took place in June -- June
9 30th, I think, 2009. We had an organizational meeting in
10 Orlando in August of 2009.

11 But did I know at the time -- before then that
12 Jim Cohen had -- before accepting my date of June 30 --
13 did I know that he had been convicted of a felony? The
14 answer is no.

15 Q And without disclosing any privileged
16 information, did you become aware at any time before the
17 reverse merger -- and we'll just take your date of June
18 30th -- that Joseph Corazzi had been barred from being an
19 officer or a director of a public company by the SEC?

20 A I did not know that, no.

21 Q And when you're using June 30th as the date, is
22 there a particular even that you're tethering that date
23 to? In other words, you know, a particular filing or a
24 vote that you would fix as the date that the reverse
25 merger happened?

1 entry there at the very top that says, you know,
2 "Transmission." The entry is May 7th of 2009. And it
3 says here that there are e-mails to Murphy, Cohen, and
4 Anaya. And then a telephone conference with Murphy and
5 Cohen. But there's no reference to Anaya being on the
6 call.

7 Do you recall whether by May of 2009 you were,
8 you know, still communicating sort of more primarily with
9 Cohen at that point? I mean, does it make sense to you
10 why you would be sort of e-mailing stuff to Anaya, but
11 that he wouldn't be on the call at that point, it would
12 just be Murphy and Cohen. I'm just trying to get the
13 context there. If you can, you know, with privilege,
14 answer the question, obviously.

15 A I don't remember the conversation, but Jim
16 Cohen was actively involved with guiding these
17 transactions -- or this transaction.

18 Q I wanted to then direct your attention to an
19 entry that's on page 35 and this has to do with
20 preparation of Directors' packets for the Orlando
21 meeting. If you look down at the entry for July 29, it
22 says, "Preparation of Director packets for Orlando
23 meeting." And you refer here to transmitting e-mails on
24 that subject, it looks like, to James Cohen, Senior, and
25 Bill McPhearson. And I just wanted to ask you, do you

1 recall whether Cohen, Senior, and McPhearson were
2 organizing and running the Board of Directors meeting?
3 Do you have any recollection as to why they were the
4 point of contact for the Board of Directors meeting?

5 A Blue Earth Solutions was hosting this meeting
6 and Orlando is where Blue Earth Solutions is located. I
7 think that Bill McPhearson was maybe a QuickBooks guy --
8 I'm not sure. I remember the name, but I can't remember
9 exactly what was his role. But Jim Cohen was hosting
10 this thing.

11 This is where the dinner took place that I
12 talked about, where I met Mrs. Cohen.

13 Q Okay. So I want to ask you to turn at this
14 point to page 40, which is -- there are a couple of
15 entries that refer to Anaya. So I just want to direct
16 your attention to the entry on August 27th, 2009.

17 There's a reference here to transmitting e-mails to Toney
18 Anaya regarding balance sheet liabilities and there's
19 also a reference just above that to an e-mail request for
20 information on the balance sheet with regards to Anaya.

21 To the best of your recollection, was
22 MyFilesAnywhere system still up and running at that
23 point?

24 A Yes, I believe it was. I've given you a
25 document that is a record of what the access codes were.

1 And if that date is the same as this date, then it was up
2 and running.

3 Q I'm just wondering, you know, you were counsel
4 to Datameg and obviously very knowledgeable about their
5 -- you know, all of their inner workings, but why would
6 Anaya be going to you to get information about the
7 balance sheet, rather than going directly to the auditors
8 or to Kim McIntosh? Do you have any idea why that would
9 be?

10 A Yeah, I was intimately involved with the
11 accounting. Kim and I were a team that worked together
12 to do this.

13 Q Okay. Did you get a sense -- what was your
14 sense of Mr. Anaya's business acumen?

15 A I think that he relied -- my impression was
16 that he relied heavily on input from Jim Cohen and from
17 Joe Corazzi to guide him in the performance of his role
18 as the CEO.

19 Q What's your basis for saying that?

20 A Well, the -- I think that Mr. Anaya, in terms
21 of my interactions with him were that he was, you know,
22 quite competent and quite thorough in performance of
23 matters such as, you know, watching the bank accounts,
24 diligence as another attorney as to documents and things
25 like that. But in terms of the deals and operating and

1 moving forward, I think he relied heavily on particularly
2 Mr. Cohen.

3 Q Was it your sense that Mr. Anaya had had any
4 real experience working with either public companies or
5 just sort of -- you know, in corporate transactions?

6 A Well, that's hard to say, because Mr. Anaya's
7 building -- name is on the building of the New Mexico's
8 Securities and Exchange Commission equivalent. So, I
9 don't know what that means, but in terms of business
10 acumen, he probably has that. But in terms of synergy,
11 getting deals, putting deals into this newly-directed
12 company, that didn't -- those deals were coming from Jim
13 Cohen. And, potentially, from Joe Corazzi. I think that
14 Joe Corazzi and the Governor had some longer relationship
15 than does Jim Cohen with the Governor, but I don't know
16 that.

17 Q So, if you turn to the next page, page 41,
18 there's -- there's a reference here to a heated
19 discussion with Cohen. There's also a heated exchange,
20 reflects with Joe with M -- I'm assuming and you'll
21 correct me if I'm wrong -- is Joe Corazzi. Those are
22 both in September of '09.

23 To your recollection, was there any particular
24 subject that was causing strain with Cohen and Corazzi at
25 Natural Blue? Again, without going into any discussions

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1 A No, I think that your questions have elicited
 2 the -- you know, the relationship amongst the parties.
 3 So I think that I don't have anything specifically that I
 4 can think of right now to clarify.

5 Q Is there anything that we didn't ask you about
 6 that you feel like it would be important for us to know?
 7 Again, with the caveat that we don't want any, you know,
 8 privileged communications?

9 A Well, I would guess you should understand, I
 10 mean there were roles and I think that, as I said,
 11 Governor Anaya carried out his role to the extent that he
 12 was acting as a CEO. I think that his relationship with
 13 Cohen and Corazzi and how much they knew about each
 14 other's backgrounds, they were sort of a unit. And Paul
 15 Pelosi, I think, came to the thing later.

16 And, in fact, you'll find in the billing there
 17 that he, actually, after I was in an attorney/client
 18 relationship with him, he showed up with an SEC
 19 investigator to go through all of the documents
 20 concerning this transaction. They were in my office for
 21 five hours going through all of the liabilities, all
 22 this, all that. And at some point, he went back to Toney
 23 Anaya and said, "Don't do this deal." And they had an
 24 opportunity not to do it. And they went right ahead and
 25 did it, so.

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1 And then as far as --

2 Q You refer to "the deal." You mean the deal --
 3 you're referring to the deal with Datameg?

4 A Yeah, they closed the transaction. Okay? They
 5 had an opportunity to walk away because the time limit
 6 had expired on it. And they're supposed to be closed by
 7 a certain date. It didn't happen. Everybody could have
 8 walked away, if they felt like it. They had a discussion
 9 and they said, "No, we want to go ahead and do this
 10 deal." Okay.

11 Later on there were some questions about
 12 whether all of the liabilities were disclosed. But they
 13 were disclosed. There was five hours of an SEC
 14 investigator in my office.

15 So they knew all about everything, as far as I
 16 could tell. And the other dynamic here were these other
 17 companies -- Samir and Daryl, who were acquaintances down
 18 in Orlando of Cohen. And on the one hand, one was in
 19 technology.

20 One was in retail. And then they had this
 21 waste management. It seemed to be the guiding light here
 22 would be -- it was, you know, waste recycling -- human
 23 waste recycling, water recycling, plastic recycling,
 24 steel recycling. And these things all sort of bubbled up
 25 in that meeting in Orlando, which is also in the document

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1 that you've given me, which isn't -- there's color coding
 2 there that means something. Who's bringing what to this
 3 party.

4 Q Okay. So, Mr. Vuksich, have you spoken with
 5 anyone other than legal counsel regarding this matter
 6 since your testimony was requested?

7 A No.

8 Q And has anyone made any suggestions to you with
 9 regards to the substance of your responses here today?

10 A I want to say no to that question and back up.

11 I did call Jim Murphy and told him that you
 12 folks were interested in talking with me. There was
 13 nothing else in the conversation other than that. I
 14 didn't --

15 Q Okay.

16 A That's it.

17 Q Got you. Okay.

18 So, Mr. Vuksich, we have no further questions
 19 at this time. We may call you again and, you know, we'll
 20 reach out if we have any further questions for you. But
 21 we really appreciate your cooperation and your assistance
 22 and particularly turning these documents around so
 23 quickly and in such an organized fashion. I really was --
 24 it was much appreciated by the staff of the SEC. So
 25 thank you very much for that.

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1 So I think at this point, we're off the record
 2 at 1:35 p.m., our time, 10:35 a.m. your time.
 3 (Whereupon, at 10:35 a.m., the examination was
 4 concluded.)
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THE UNITED STATES SECURITIES AND EXCHANGE COMMISSION

In the Matter of:)
) File No. B-02723-A
NATURAL BLUE RESOURCES, INC.)

WITNESS: Jeffrey Evan Decker

PAGES: 1 through 63

PLACE: BakerHostetler

SunTrust Center - Suite 2300

200 South Orange Avenue

Orlando, Florida 32801-3432

DATE: Wednesday, May 28, 2014

The above-entitled matter came on for hearing,
pursuant to notice, at 2:20 p.m.

RECEIVED

JUN 11 2014

SECURITIES AND EXCHANGE COMMISSION
BOSTON REGIONAL OFFICE

Diversified Reporting Services, Inc.

(202) 467-9200

1 APPEARANCES:

2
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19
20
21
22
23
24
25

1 PROCEEDINGS

2 MS. KELLY: Okay. We're on the record at 2:20
3 on May 28, 2014. So the witness will be sworn by the
4 court reporter.

5 Whereupon,

6 JEFFREY EVAN DECKER

7 was called as a witness and, having been first duly
8 sworn, was examined and testified as follows:

9 EXAMINATION

10 BY MS. KELLY:

11 Q So, Mr. Decker, if you could just state and
12 spell your full name for the record.

13 A Jeffrey, J-E-F-F-R-E-Y, Evan, E-V-A-N, Decker,
14 D-E-C-K-E-R.

15 Q And just for the record, I'm Rua Kelly. My
16 first name's spelled R-U-A. And this is Thomas
17 Rappaport.

18 And we're members of the staff of the Boston
19 Regional Office of the United States Securities and
20 Exchange Commission. We're officers of the Commission
21 for the purposes of this proceeding.

22 So this is an investigation by the Securities
23 and Exchange Commission in a matter captioned: In the
24 Matter of Natural Blue Resources, Inc. -- and that's
25 B-2723 -- to determine whether there have been violations

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10		Jeffrey Decker to the SEC	
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1 of certain provisions of the Federal Securities Laws.

2 The facts developed in this investigation may
3 constitute violations of other federal, state or civil or
4 criminal laws.

5 Prior to the opening of the record, I provided
6 Mr. Decker with a copy of the formal order of
7 investigation. It will be available for your examination.

8 Mr. Decker, have you had a chance to review the
9 Formal Order?

10 A I have.

11 Q And prior to the opening of the record, you
12 were also given a copy of the Commission's Form 1662,
13 called the Supplemental Information Form. Have you had
14 an opportunity to read that document that's marked as
15 Exhibit 1?

16 A Yes.

17 Q Okay. And do you have any questions about it?

18 A No.

19 Q And, Mr. Decker, I know you're a licensed
20 attorney. Are you also represented by counsel here
21 today?

22 A I am.

23 MS. KELLY: And so if I could get your full
24 name, firm, address and phone number.

25 MR. DURKIN: Yeah. I'm Denis L. Durkin, I'm a

1 was that put on hold during the time that you were
2 engaged to work --

3 A Yeah. I don't know that I'd describe it as
4 problematic --

5 Q Okay.

6 A -- or difficulties in closing the transaction.
7 I think that there were other priorities that took
8 precedence. Natural Blue was looking at a number of
9 acquisitions at the time -- I think the -- my
10 recollection is the transaction evolved in a way that,
11 you know, we were -- we ended up, I believe, closing or
12 at least nearly closing part of a share exchange
13 transaction.

14 But I don't believe we fulfilled a Natural Blue
15 -- or a Blue Earth Solutions true acquisition.

16 Q Okay. Thanks. So was Mr. Anaya, Governor
17 Anaya, the chairman throughout -- or the CEO throughout
18 your tenure -- I shouldn't call it tenure -- throughout
19 your engagement with Natural Blue Resources?

20 A He was.

21 Q Who else did -- let me start over again.

22 Did you talk with Mr. Anaya on a, like, daily,
23 weekly, monthly basis? How often did you have contact
24 with him?

25 A I don't recall for certain. Later on,

1 a different time.

2 Q Okay. And in terms of issues relating to
3 acquisitions, was there anyone other than Cruickshank,
4 Anaya, Cohen, and Corazzi who you were in regular contact
5 of some kind with about acquisitions?

6 A Not that I recall.

7 Q And do you have an understanding as to where
8 the financial records for Natural Blue were maintained?

9 A I made some assumptions. I did not know for
10 certain where all of the records would have been
11 maintained at the time.

12 Q Okay. But you and your associate worked with
13 Mr. Cruickshank on the financials. Did you have any
14 difficulty getting information from Mr. Cruickshank or
15 did he seem to have access to the relevant records that
16 were necessary to complete the filings?

17 A No. He seemed to have access to the relevant
18 records.

19 Q Okay. Did you -- did you get a sense with
20 regard to Mr. Anaya as to what his level -- of
21 financial acumen was in terms of, you know, he had any
22 experience doing these -- you know, dealing with the --
23 these filings or dealing with, you know, companies'
24 financials?

25 A No.

1 especially as we had more and more activity with our
2 engagement, more acquisitions to consider, I was dealing
3 with him fairly frequently.

4 Q Okay. Who else did you talk to about
5 acquisitions -- that were potential acquisitions for
6 Natural Blue -- at the company?

7 A At the company, we were dealing with Walter
8 Cruickshank, who was involved in due diligence and some
9 other things on acquisitions. Primarily with regard to
10 these, it was Governor Anaya, and then we were also
11 dealing with Jim Cohen and Joe Corazzi.

12 Q Okay. Did you have an understanding as to --
13 no. You were aware that both Cohen and Corazzi were
14 consultants to the company as opposed to being officers
15 or directors. Is that right?

16 A Yes.

17 Q Did you have an understanding as to how Cohen
18 and Corazzi broke down their responsibilities? I mean,
19 did they -- did you deal with one on a particular set of
20 issues and another on -- on different issues?

21 A I don't recall.

22 Q Okay. Okay. Was there one that you dealt with
23 more than the other on Natural Blue issues?

24 A I don't believe so. We might have been dealing
25 with one more at one time and then the other one more at

1 Q You didn't have a sense as to what his level
2 of, sort of, sophistication was?

3 A Well from -- he certainly understood the issues
4 we were raising with him, the questions we were bringing
5 to him. I would not say he was an accountant. Neither
6 am I. But -- but he certainly seemed cognizant enough of
7 the -- of the issues to be able to address things that we
8 were bringing to him.

9 Q Okay. Did you -- and here I mean both you and
10 your firm -- did you see and review the company's press
11 releases before they were issued?

12 A Some of them, not all of them.

13 Q Okay. Did you have an understanding as to what
14 the company's protocol was for preparing and issuing
15 press releases?

16 A We did not.

17 Q Okay. Did you have any understanding as to who
18 or which people's responsibility it was --

19 A No.

20 Q -- to prepare them? Okay. So I want to show
21 you a document that's an invoice. And this --

22 MS. KELLY: If we could have this marked as
23 Exhibit 162.

24 (SEC Exhibit No. 162 was marked
25 for identification.)

1 Q Okay. And did -- did the firm of the
2 accounting firm of Cross, Fernandez & Riley, did they
3 stay as the accountants to the company the whole time you
4 were retained by Natural Blue?

5 A I believe they withdrew before I withdrew.

6 Q Okay. Did you have an understanding as to why
7 that was?

8 A No.

9 Q Okay. So just one last e-mail to show you
10 about -- it's a -- also a short e-mail that's -- I'd ask
11 it to be marked as 169.

12 (SEC Exhibit No. 169 was marked
13 for identification.).

14 BY MS. KELLY:

15 Q So, again, just -- once the court reporter's
16 marked it, if you want to just take a look and tell me if
17 it's -- that's an e-mail that is familiar to you.

18 Okay. Is that an e-mail is familiar to you?

19 A It is not.

20 Q Okay. And it's an e-mail, again, from Mr.
21 Pelosi to -- it appears to be to you and Mr. Ayana.

22 If you look at the third sentence in the body
23 of the e-mail, there's reference to a conversation with
24 Jeff Decker today, and it says, "He mentioned he needed
25 to talk to you" -- appearing to refer to Toney -- "before

1 Q Do you -- is there anything that stands out in
2 your memory about the call with Mr. Pelosi? Among other
3 things, was he particularly worked up about this issue
4 and, you know, fairly angry or was he calm when you
5 talked to him?

6 A I don't recall this particular conversation.

7 Q Do you have any memory as to what his sort of
8 demeanor was like, in general, when you spoke with him on
9 the telephone about topics related to Natural Blue?

10 A It was always aggressive.

11 Q Okay. And was the aggression at anyone in
12 particular?

13 A I think just that's the way he is in general.

14 Q Okay. So over the sort of -- is it fair to say
15 approximately somewhere between a six- and seven-month
16 period that Baker Hostetler represented Natural Blue
17 Resources, did -- did it change during that time who you
18 communicated with about matters of substance at Natural
19 Blue?

20 A I'm sure there were ebbs and flows, but nothing
21 I can, you know, point to specifically. I was having a
22 lot of communication with Governor Ayana as we were
23 nearing the end of our engagement that -- my recollection
24 is that that increased even more.

25 Q Okay.

1 getting involved and getting the certificates from Jim
2 Cohen.

3 "Jeff mentioned you spoke earlier today and I
4 am eager to get this issue moved along."

5 Do you have any recollection, you know, after
6 reading this e-mail about a conversation with Mr. Pelosi
7 on this topic?

8 A Actually this does refresh my recollection.

9 Q Okay. Can you just describe what you remember
10 about the conversation with Mr. Pelosi.

11 A Actually not very much. He did want me to
12 intervene and try to deal with the stock certificate
13 situation.

14 We had already made the decision that we were
15 going to withdraw from the engagement and so I had no
16 intentions of getting involved in this especially at this
17 stage of the engagement. I did tell them that I would
18 need to talk to Governor Ayana.

19 Q What was the problem from Mr. Pelosi's
20 perspective?

21 A Actually I don't even know. We didn't -- it
22 wasn't that long of a conversations and I was not
23 inclined to spend any time that I didn't have to --

24 Q Right.

25 Q -- deal with him or it.

1 And would it be fair to say that when you were
2 working on particular acquisitions, you may have had, you
3 know, more contact with, you know, Ayana, Cricksbank,
4 Corazzal or Cohen, depending on who was leading a
5 particular project?

6 A Yes.

7 Q Is that fair to say?

8 A Yes.

9 Q Okay. So the -- you know, the volume of your
10 discussions with one person or the other could have
11 changed over the course of the engagement.

12 A Yes.

13 Q But it's fair to say that you talked to Mr.
14 Ayana fairly regularly about company matters generally.

15 A Yes.

16 Q And in talking with Mr. Cohen, did you -- did
17 you have the sense that he was in the loop on the
18 day-to-day issues of the company?

19 A Certainly with the things that I was involved
20 in, he seemed to be in the loop.

21 Q Okay. The same question for Mr. Corazzi; did
22 you have a sense of whether he was in the loop as to the
23 day-to-day company management issues?

24 A I didn't have that sense.

25 Q Did you have the sense that Mr. Corazzi was