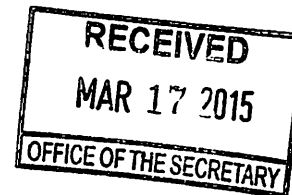


UNITED STATES OF AMERICA
Before the
SECURITIES AND EXCHANGE COMMISSION

ADMINISTRATIVE PROCEEDING
File No. 3-15974



In the Matter of

JAMES E. COHEN and
JOSEPH A. CORAZZI,

Respondents.

DIVISION OF ENFORCEMENT'S
PROPOSED FINDINGS OF FACT AND
CONCLUSIONS OF LAW

PROCEDURAL HISTORY

1. The Securities and Exchange Commission ("Commission") initiated this proceeding on July 16, 2014, pursuant to Section 8A of the Securities Act of 1933 ("Securities Act") and Section 21C of the Securities Exchange Act of 1934 ("Exchange Act") against Natural Blue Resources, Inc. ("Natural Blue"), James E. Cohen ("Cohen"), and Joseph A. Corazzi ("Corazzi"), and also pursuant to Section 15(b) of the Exchange Act against Cohen and Corazzi.
2. The Order Instituting Proceedings ("OIP") alleged that Respondents Cohen and Corazzi orchestrated a fraudulent scheme to control the operation and management decisions of the public company Natural Blue, while calling themselves outside "consultants" so as to profit from the company and to conceal their past disciplinary histories and true status as de facto officers of Natural Blue. See OIP at §II(A). The OIP further alleged that Cohen and Corazzi created and controlled Natural Blue so that they and their entities could receive money and significant shares of stock. Id.
3. The OIP further alleged that while Natural Blue was ostensibly led by former New Mexico Governor Toney Anaya ("Anaya") and, subsequently, Erik Perry ("Perry"), both Anaya and Perry deferred to Cohen and Corazzi in derogation of their responsibilities, and failed to disclose Cohen and Corazzi's past disciplinary histories and roles as de facto officers of Natural Blue. Id.
4. On July 10, 2014, the Commission instituted settled public administrative and cease-and-desist proceedings against Anaya. In its Order, the Commission found that while serving as chairman and CEO of Natural Blue from August 2009 through January 24, 2011, Anaya violated Section 17(a)(2) of the Securities Act [15 U.S.C. §§ 77q(a)(2)], which prohibits fraudulent conduct in the offer or sale of securities. The Commission accepted Anaya's offer of settlement, and issued a cease-and-desist order against future violations by Anaya of Section 17(a)(2) as well as barring Anaya for five years from participating in a penny stock offering, with additional proceedings to be conducted to determine what, if any, civil penalties pursuant to Section 8A(g)

of the Securities Act and Section 21(b)(a) of the Exchange Act against Anaya re in the public interest.

5. On July 10, 2014, the Commission instituted settled public administrative and cease-and-desist proceedings against Perry. In its Order, the Commission found that while serving as CEO of Natural Blue from January 2011 through June 2011, Perry violated Section 17(a)(1) and 17(a)(3) of the Securities Act, which prohibits fraudulent conduct in the offer or sale of securities, as well as violating Section 10(b) of the Exchange Act and Rule 10b-5 thereunder. The Commission accepted Perry's offer of settlement, and issued a cease-and-desist order against future violations by Perry of Section 17(a) of the Securities Act, Section 10(b) of the Exchange Act and Rule 10b-5 thereunder, as well as barring Perry permanently from acting as an officer or director of any issuer that has a class of securities registered pursuant to Section 12 of the Exchange Act [15 U.S.C. § 78l] or that is required to file reports pursuant to Section 15(d) of the Exchange Act [15 U.S.C. § 78o(d)], barring Perry from participating in any offer of a penny stock, and ordering Perry to pay a civil money penalty in the amount of \$150,000.

6. Natural Blue failed to file an answer or appear in these proceedings. See Initial Decision Release No. 710 (File No. 3-15974) (Nov. 26, 2014) (finding Natural Blue Resources, Inc. in default, and issuing findings of fact and law) ("Initial Decision"); see also Release No. 9696 (File No. 3-15974) (Jan. 7, 2015) (initial decision is the final decision of the Commission). Accordingly, on November 26, 2014, Judge Carol Fox Foelak entered a default judgment against Natural Blue, finding the company in violation of Section 17(a) of the Securities Act and Section 10(b) of the Exchange Act and Rule 10b-5 through certain of the conduct alleged in the OIP and further described in the Order. Initial Decision at 3. The ALJ ordered Natural Blue to cease-and-desist from future violations of Section 17(a) of the Securities Act and of Section 10(b) of the Exchange Act and Rule 10b-5 thereunder, and to pay a civil penalty of \$130,000. Id. at 4.

7. The hearing in this matter as to Respondents Cohen and Corazzi was conducted in Washington, D.C. over seven business days (February 9 through February 19, 2015). During the hearing the Division of Enforcement (the "Division") called ten witnesses in its case-in-chief (former Datameg CEO and Natural Blue director James Murphy, former Datameg and Natural Blue legal counsel Paul Vuksich, Esq., Joseph Robinson, former Natural Blue President Paul Pelosi, Jr., auditor Paul Horowitz, former Natural Blue CEO Toney Anaya, Elizabeth Flaherty, former Natural Blue CEO Joseph Montalto, Division forensic accountant Sofia Hussain, and expert witness Professor Robert Daines). Respondent Cohen called two witnesses (Jeffrey Decker and Walter Cruickshank).

FINDINGS OF FACT

8. The findings and conclusions herein are based on the record, including a review of the exhibits and the testimony of the witnesses. The standard of proof is a preponderance of the evidence. *See Steadman v. SEC*, 450 U.S. 91 (1981). Consideration has been given to all of the proposed findings of fact and arguments of the parties and those consistent with this decision are accepted.

Respondents and Other Relevant Entities

Respondent James E. Cohen

9. James E. Cohen, age ■, is a resident of Windermere, Florida, and was a purported consultant to Natural Blue through the entity “JEC Corp.” OIP ¶ 2. Cohen was a registered representative for various broker-dealers from 1979 to 1997 and subsequently was barred from association by the National Association of Securities Dealers (“NASD”). OIP ¶ 2; Div. Ex. 300 ¶¶39-40. On April 5, 2004, the Supreme Court of the State of New York sentenced Cohen to prison for a term of one to three years and ordered him to pay \$545,000 in restitution following his guilty pleas to the crimes of attempted enterprise corruption and attempted grand larceny in the first degree. OIP ¶ 2; Div. Ex. 300 ¶ 43.

Respondent Joseph A. Corazzi

10. Joseph A. Corazzi, age ■, is a resident of Albuquerque, New Mexico, and was a purported consultant to Natural Blue through the entity “JEC Corp.” OIP ¶3. From 1990 to 1999, Corazzi served as Chairman and Chief Executive Officer of Las Vegas Entertainment Network, Inc., a public company whose securities were registered with the Commission. Div. Ex. 300 ¶45. On October 8, 2002, the Commission filed a complaint against Las Vegas Entertainment Network, Inc., Respondent Corazzi, and others, in the United States District Court for the Central District of California. The complaint alleged violations of Sections 10(b), 13(a), and 14(a) of the Exchange Act and Rules 10b-5, 12b-20, 13a-13, and 14a-9 thereunder. Div. Ex. 300 ¶46. On October 25, 2002, the United States District Court for the Central District of California entered a final judgment by consent against Respondent Corazzi permanently enjoining him from violating Sections 10(b), 13(a), and 14(a) of the Exchange Act and Rules 10b-5, 12b-20, 13a-13 and 14a-9 thereunder, imposing a civil penalty of \$75,000, and barring him permanently from acting as an officer or director of any issuer that has a class of securities registered pursuant to Section 12 of the Exchange Act or that is required to file reports pursuant to Section 15(d) of the Exchange Act. Div. Ex. 300 ¶47.

Other Relevant Entities

11. Natural Blue Resources, Inc. (“Natural Blue”) was a Delaware corporation. See Initial Decision at 2. Natural Blue was created through the merger of Natural Blue Resources, Inc., a privately-held Nevada corporation, and the public company Datameg in July 2009. Div. Ex. 300 ¶ 1. Natural Blue’s purported mission was to create, acquire or otherwise invest in environmentally-friendly companies. Div. Ex. 300 ¶ 1. Beginning on July 24, 2009, Natural

Blue's common stock traded under the symbol "NTUR" on the Over-the-Counter Bulletin Board ("OTCBB"). After it was removed from the OTCBB, its stock was quoted on OTC Link (previously known as the "Pink Sheets"). See Div. Ex. 300 ¶5.

12. Blue Earth Solutions, Inc. ("Blue Earth") was a Nevada corporation organized in March 2006 and primarily engaged in the business of recycling polystyrene foam. It filed periodic reports with the Commission pursuant to Section 15(d) of the Exchange Act, and its securities were quoted on the OTC Bulletin Board. During all times relevant to the OIP, Respondent Cohen's wife, Patricia, was the CEO, a director, and the largest shareholder of Blue Earth, and Respondent Cohen's son, James, Jr., was the company's Vice President of Sales and a director. See Div. Ex. 300 ¶ 20-21.

13. JEC Corp. was a Nevada corporation organized in May 2002. JEC Corp. was owned by Respondent Cohen's wife, Patricia, and Respondent Cohen served as its President. See Div. Ex. 300 ¶ 22. In November 2009, Natural Blue entered into an Engagement and Advisory Fee Agreement ("Advisory Agreement") with JEC Corp., pursuant to which JEC Corp. would represent Natural Blue in connection with certain prospective mergers and acquisitions. In November 2009, Natural Blue also entered into a separate Advisory and Management Agreement ("Management Agreement") with JEC Corp., pursuant to which JEC Corp would organize and manage a new Natural Blue subsidiary called Natural Blue Steel, Inc. ("NBS"). Both the Advisory Agreement and the Management Agreement specified that JEC Corp. would provide services to Natural Blue through Cohen and Corazzi. See Div. Ex. 300 ¶ 24-25.

Cohen and Corazzi's Relationship and Disciplinary Histories

14. Respondents James Cohen and Joseph Corazzi have had a professional and personal relationship spanning at least the last two decades.¹ Tr. 51-52; 797-799; 805-806.

15. Both Cohen and Corazzi previously faced allegations of financial fraud, and both had been sanctioned in connection with such conduct. Among other things, Cohen had been incarcerated in New York in the mid-2000's, and Corazzi had been barred in 2002 as an officer or director of a public company. Div. Ex. 300 at ¶¶ 41-43, ¶¶ 46-47.

16. Prior to founding Natural Blue in 2009, Cohen was a registered representative for various broker-dealers from 1987 to 1997 and subsequently was barred from association by the National Association of Securities Dealers ("NASD"). Div. Ex. 300 at ¶¶ 39-40. On April 5, 2004, the Supreme Court of the State of New York sentenced Cohen to prison for a term of one to three years and ordered him to pay \$545,000 in restitution following his guilty pleas to attempted enterprise corruption and attempted grand larceny in the first degree. Div. Ex. 300 at ¶43.

17. From 1990 to 1999, Corazzi served as Chairman and Chief Executive Officer of Las Vegas Entertainment Network, Inc., a public company registered with the Commission that was sued by the Commission for fraudulently overstating its assets. Div. Ex. 300 at ¶45. On October 24, 2002, the Commission obtained a final judgment by consent against Corazzi that

¹ Citations to the transcript will be noted herein as "Tr. ___." Citations to trial exhibits will be noted as Div. Ex. ___ or Cohen Ex. ___. Respondent Corazzi did not offer any exhibits in connection with the hearing.

permanently enjoined him from violating the antifraud provisions, imposed a civil penalty of \$75,000, and barred him permanently from acting as an officer or director of a public company. Div. Ex. 300 at ¶44-45.

Natural Blue Resources Forms 10-K and 10-Q Contained Material Omissions

18. Natural Blue's Form 10-K for the year ended December 31, 2009 states that, in November 2009, Natural Blue entered into a Management Agreement and an Advisory Agreement with JEC Corp. See Div. Ex. 75 at 32. However, it states only that JEC Corp. "is owned by one of our shareholders and the shareholder is related to one of our consultants." *Id.* The 2009 Form 10-K does not specifically identify Cohen nor does it disclose the fact that he had recently served time in state prison for committing the felonies of attempted enterprise corruption and attempted grand larceny in the first degree. It also does not identify Corazzi as an officer or disclose his disciplinary history. The same materially incomplete disclosure about the Management Agreement and the Advisory Agreement with JEC Corp. was included in the company's Form 10-Q filings for the first three quarterly periods of 2010 (the "2010 10-Qs"). See Div. Exs. 84 at 17; 97 at 19-20, 134 at 12-13, and 194 at 12-13.

19. The 2009 Form 10-K for Natural Blue was filed with the Commission on April 2, 2010. See Div. Ex. 75.

20. The three 2010 10-Qs were filed on May 14, 2010, August 13, 2010, and November 22, 2010, respectively. An amended 10-Q for the third quarter of 2010 was filed on February 8, 2011. See Div. Exs. 84, 97, 134, and 194.

Cohen and Corazzi Scheme to Conceal Their Disciplinary Histories and Roles as *De Facto* Officers at Natural Blue from the Investing Public

21. Natural Blue went through three stages as a public company – first, the initial reverse merger, second, its day-to-day operations and shift in corporate mission from water purification to steel recycling, and finally, the Atlantic Dismantling transaction. During all three stages of the company's existence, Cohen and Corazzi served as *de facto* officers of Natural Blue, setting corporate strategy and policies, and making day-to-day management decisions for the company. Among other things, Cohen and Corazzi founded Natural Blue as a private company, see Tr. 393, 476, 798, orchestrated its reverse merger into the public company Datameg, see Tr. 41-45, 56, 132-133, 288-295, 810, helped to run the company both before and after entering into "consulting" contracts with Natural Blue beginning in November 2009, see Div. Exs. 43, 44, and then independently negotiated a major transaction with Atlantic in January 2011 when Natural Blue's financial prospects were foundering, see Tr. 671-702, 1329-1341.

22. Cohen and Corazzi fulfilled the core economic functions of officers of a public company, as defined by Division expert witness Professor Robert Daines. See Div. Ex. 301 (Daines direct testimony). Cohen and Corazzi managed senior executives, controlled and managed day-to-day operations, and controlled strategic decisions. See, *inter alia*, Tr. 41-45, 56, 132-133, 218, 222-223, 290, 294, 334, 403, 447, 801-803, 807, 823, 832-833, 842-843, 852-853, 856, 1598-1607, 1615-16; Div. Exs. 43-44, 69, 264. In addition, Cohen had substantial responsibility for Natural

Blue's financial operations, including custody of the books and records, approving the payment of invoices and making key financial decisions – and both Cohen and Corazzi had significant roles in drafting SEC filings for Natural Blue. See, inter alia, Tr. 346, 349, 352-353, 465, 576, 579-581, 828-830, 824-826, 830-831, 869; Div. Exs. 55, 80, 161, 266; Cohen Exs. 31, 413. Corazzi ran Natural Blue Steel, see Tr. 741, 891-893, 907-908, 962-963, Div. Exs. 44, 116, and managed the Natural Blue website, see Tr. 885, 959; Cohen Ex. 227; Corazzi Answer to OIP (“Corazzi Answer”) at §3(c). Corazzi orchestrated a complete change in management for Natural Blue in January 2011, when it combined with Atlantic – just as Cohen had done in negotiating the reverse merger that took Natural Blue public. See Tr. 667-676, 732, 1337-1341; Div. Exs. 149, 150.

23. In November 2009, Cohen and Corazzi secured “consulting” agreements with Natural Blue in furtherance of the scheme to mask their roles as *de facto* officers from the investing public. See Div. Exs. 43, 44.

**Stage One: Natural Blue Becomes a Public Company
Through a Reverse Merger Structured and Negotiated by James Cohen**

24. In early 2009, the CEO of the public company Datameg, James Murphy, received a telephone call from Leonard Tocci. See Tr. 39-40. Tocci, who was the President of American Marketing and Sales, a plastics business based in Massachusetts and a subsidiary of Datameg, reported that he had received a telephone call from James Cohen, expressing interest in a business transaction with Tocci's company. See Tr. 39-40; 283-285. Murphy immediately called Cohen, and although Murphy expressed his negative reaction to Cohen having solicited Tocci in the first place, the two men began a dialogue about a possible business transaction involving Datameg. See Tr. 40-42.

25. After Cohen and Murphy first spoke by phone, the two men met face to face at the Florida offices of the public company Blue Earth Solutions (“Blue Earth”). See Tr. 40-42. During the initial meeting at Blue Earth, Cohen got Joseph Corazzi on the line so that Corazzi could “explain” to Murphy the details of a project relating to extraction of water in New Mexico by the private company Natural Blue Nevada. See Tr. 42-43. At that time, Cohen and Corazzi “proposed a type of merger” between Datameg and Natural Blue Nevada, which would result in Natural Blue becoming a public company. See Tr. 43-44.

26. While Murphy did not know at that time the nature of Cohen's role with Blue Earth or Natural Blue, he and Datameg's counsel² subsequently negotiated a deal through which Blue Earth would acquire American Marketing and Sales, and Natural Blue Nevada would simultaneously reverse merge into Datameg, becoming a public company. See Tr. 53-54.

27. Cohen proposed the Blue Earth and Natural Blue transactions with Datameg and then led

² In April 2009, Vuksich began representing both Natural Blue and Datameg in these corporate negotiations, at Cohen's request. Tr. 289-290; Div. Ex. 20 (April 28, 2009 letter from Vuksich to Datameg and Natural Blue Boards of Directors stating, *inter alia*: “As I have discussed with James Cohen, Sr., I have been asked to immediately begin providing corporate counsel legal services to Natural Blue Resources, Inc.”[.]) (*Emphasis added*.)

negotiations with Datameg on behalf of both companies. See Tr. 22-24, 53-56. According to the parties involved in this deal, Cohen ultimately planned to “sell Blue Earth back to what would then be Natural Blue [the public company].” See Tr. 133-134; Div. Ex. 69 at 24.

28. While Cohen’s wife, Patricia, was nominally “the CEO, a director, and the largest shareholder of Blue Earth,” see Div. Ex. 300 ¶21, Mrs. Cohen had no office at Blue Earth – only Cohen and his son worked there, and Cohen served as a liaison between Blue Earth’s CFO and Patricia Cohen for the purpose of obtaining signatures on documents. See Tr. 1604.

29. Cohen controlled both Natural Blue and Blue Earth, despite having no formal role at either, and functioned at all times in these negotiations as a *de facto* officer of Natural Blue. See Tr. 22-24, 53-56, 465-466.

Corazzi and Cohen Recruit Paul Pelosi and Toney Anaya to Serve as Officers of Natural Blue, in Furtherance of Their Scheme to Defraud Investors

30. While Cohen negotiated the reverse merger to take Natural Blue public, Joseph Corazzi recruited Toney Anaya to serve as the CEO of the prospective public company. At that time, in early 2009, Anaya -- a former governor and attorney general of New Mexico -- was overseeing the implementation of stimulus funding for New Mexico at the request of then-Governor Bill Richardson, as well as practicing law through his own private firm. See Tr. 783-784.

31. In 2008, Anaya had (unsuccessfully) invested about \$60,000 in a “high-yield” investment program with Corazzi and gave him another \$60,000 for a real estate investment, which he ultimately lost. Tr. 787, 791-795. Prior to soliciting Anaya’s investments, Corazzi had convinced Anaya that they knew each other for “many years” – and although Anaya did not specifically recall having met Corazzi previously, he recalled that one of Corazzi’s relatives was an official in Anaya’s administration in the 1970’s. Tr. 795-796. Anaya learned upon investing in 2008 that Corazzi was barred from serving as an officer or director of a public company because of a settlement with the Commission. See Tr. 786, 790-792; Div. Exs. 8, 286, 295.

32. In or about February/March 2009, Anaya received a phone call from Corazzi about Natural Blue. See Tr. 797. At the outset of the call, Corazzi praised his long-time business associate Cohen, with whom he claimed to have reestablished contact after a long period of absence, and described in detail the company that would become Natural Blue. See Tr. 798. Among other things, Corazzi told Anaya that the company would be “investing in green companies and bringing them under the umbrella of Natural Blue” and that Cohen was “one of the best he had met in terms of being able to develop businesses.” Tr. 798-799.

33. During this initial call with Anaya, Corazzi got Cohen on the line with Anaya, and the two men explained that Paul Pelosi, Jr., who had already been recruited to serve as a director for Blue Earth, would be serving as the President of Natural Blue. See Tr. 474-476; 800-802. Anaya was acquainted with Pelosi’s “well-known mother [former speaker of the U.S. House of Representatives Nancy Pelosi] both personally and by reputation” (Tr. 484, 800) and Cohen and Corazzi further explained that Pelosi was known “nationally [and] internationally as an environmentalist.” Tr. 803-04.

34. Later in this initial call with Anaya, Cohen and Corazzi invited Anaya to serve as CEO of Natural Blue (see Tr. 800), and offered him a monthly salary of \$10,000 (see Tr. 803), along with a percentage of shares in the company (see Tr. 854).³ Anaya, who was already working on the stimulus funding project and running a law firm, was informed that Pelosi “would be responsible for the day-to-day operations” and that Anaya would work part-time as the CEO. Tr. 802-803.

35. Anaya eventually accepted the position of CEO, which Corazzi explained would be a good opportunity for two primary reasons. See Tr. 803. First, Corazzi acknowledged that Anaya had lost money investing with Corazzi, and he indicated that “this would be a way that he [Corazzi] would be able to help repay the funds that [Anaya] had lost.” Tr. 804. Second, Corazzi complimented Anaya, describing him as “particularly well suited” to serve as CEO in light of his “reputation and ... experience, particularly as governor, as an executive.” Id.

36. In fact, Anaya and Pelosi’s reputations were critical to Cohen and Corazzi’s scheme, as the testimony of both investors and potential business associates of Natural Blue made plain. For example, James Cohen sent an e-mail to James Murphy shortly after negotiations began that was entitled “water”; the e-mail was devoid of content, simply attaching Anaya and Pelosi’s resumes. See Div. Ex. 269. Cohen and Corazzi also began soliciting investors, relying heavily on the involvement of Anaya and Pelosi as a selling point, and investors reacted favorably and enthusiastically. See, e.g., Tr. 233-234; 754.

37. While Natural Blue was still a private company at the time Anaya and Pelosi were recruited, both men were explicitly told by Cohen and Corazzi from the outset that the company would become public. See Tr. 481, 807.

38. On March 6, 2009, the Natural Blue board ostensibly “authorized” Cohen to “investigate and report alternatives to the board ... concerning funding and becoming a reporting public company.” Div. Ex. 9. However, the board’s “authorization” was essentially a fiction, since in reality, Cohen *was already in the final stages* of negotiating the transaction with Datameg and American Marketing and Sales, on behalf of *both* Natural Blue and Blue Earth. See Div. Ex. 69 at 24-25; Tr. 286.

39. Neither Anaya nor Pelosi played a meaningful role in conceiving or negotiating Natural Blue’s reverse merger with Datameg. While the Natural Blue board minutes⁴ on March 17, 2009

³ Cohen and Corazzi informed Anaya that he would receive 24% of the shares as part of his compensation as CEO, which was later reduced to “18 or 19 percent” and it was Anaya’s understanding that it was Cohen who determined the initial allocation of shares, with some input from Paul Pelosi. Tr. 853-855.

⁴ From March 2009 to June 2011, Cohen -- despite his lack of formal role with Natural Blue -- attended virtually every board meeting and is routinely listed in the formal minutes in the category “others present”. See, e.g., Div. Ex. 9 (March 6, 2009 board meeting); Div. Ex. 10 (March 17, 2009 board meeting), Div. Ex. 13 (April 4, 2009 board meeting); Div. Ex. 19 (April 14, 2009 board meeting); Div. Ex. 24 (August 1, 2009 board meeting, Corazzi also in attendance). In certain instances, Cohen’s attendance was undocumented, as with the June 3, 2011 meeting where Cohen orchestrated the ouster of CEO Erik Perry. See Div. Ex. 219 (June 3, 2011 board meeting minutes); see also Div. Ex. 218 (audio recording of June 3, 2011, documenting Cohen’s silent attendance at the meeting).

reflect that there was a vote approving the Datameg transaction, the reverse merger -- like so many of Natural Blue's later financial transactions -- was a *fait accompli* long before the board voted. Compare Div. Ex. 10 (March 17, 2009 board minutes) to Tr. 814 (Anaya testimony that the Datameg transaction was "an accomplished fact, and I accepted it as such."); see also Tr. 1477 (expert testimony).

40. As reflected in the legal bills prepared by Paul Vuksich, Esq., Datameg's board of directors approved the "Blue Earth and Natural Blue sales" on the very same date of March 17, 2009. See Div. Ex. 69 at 27. Cohen had full authority at Natural Blue to negotiate the transaction, notwithstanding the fact that he lacked a formal title. The Natural Blue CEO, Anaya, understood this well from his very first call with Cohen and Corazzi, explaining "that they had formed the company, that they were selecting the Board of Directors, [and] that they were designating Paul Pelosi as president and me as CEO[.]" Tr. 805-806.

Cohen and Corazzi Position Natural Blue to Become a Public Company

41. Not only did Cohen and Corazzi select Anaya and Pelosi as the company's nominal officers and directors, but they hand-picked additional board of directors, identified the companies (virtually all of which were tied to Cohen) in which Natural Blue would invest, and performed other critical management tasks to enable Natural Blue to go public, with Cohen and Corazzi in control.⁵ As to the board, Cohen specifically proposed Samir Burshan and Daryl Kim as board members for Natural Blue. See Tr. 822-823; see also Tr. 490. Burshan was already a board member at Blue Earth before he joined the board of Natural Blue. See Tr. 490.

42. As to the companies that Natural Blue decided to invest in and/or to acquire, Cohen was "the one that was out front trying to identify the companies ... to bring in to Natural Blue Resources to invest in and grow the company." Tr. 1027.

43. Many of the companies in which Natural Blue invested were directly tied to Cohen. For example, one target company in which Natural Blue invested heavily was Prism One Group, controlled by board member Samir Burshan, an associate of Cohen's. See Div. Ex. 268 (2/26/09 email from Cohen to Murphy, attaching Prism One business plan and private placement memorandum). Between May 2009 and June 2010, Natural Blue directed \$408,405 to Prism One. See Div. Ex. 253 at 4; see also Div. Ex. 75 (2009 Form 10-K for Natural Blue Resources, disclosing loan to Prism One as a related party transaction). Moreover, Prism One was a public company in which Cohen held a significant number of shares in his personal account, and after Natural Blue had first invested in Prism One, Cohen was selling his shares. As reflected in Division Exhibit 296 (Alpine Securities account statement for Cohen), on August 10, 2009 alone, Cohen sold nearly 30,000 shares of Prism One, and sold more than 40,000 shares the next day. Cohen ultimately made \$265,000 in profits from his investment in Prism One. See Div. Ex. 296.

⁵ Among other things, Cohen was working closely with Natural Blue's counsel on the private placement memorandum for investors (see Div. Ex. 69) and on the Form D (*id.*), along with a stock purchase agreement, board minutes, revisions to stock ledger, and communications with investors (*id.*). Also in April 2009, Cohen obtained an EIN for Natural Blue (Div. Ex. 11) and a bank account (Div. Ex. 16), while Corazzi reviewed organizational documents prepared by counsel (Div. Ex. 14) and drafted a press release on behalf of Datameg (Div. Exs. 12, 18).

44. In addition, Cohen arranged for Natural Blue to “loan” \$100,000 to Blue Earth -- a company that Cohen controlled -- in connection with the purported acquisition of Blue Earth by Natural Blue; however, the acquisition never occurred and the “loan” was never repaid. See Tr. 1613-1614; see also Tr. 1606 (Natural Blue paid \$4,000 in monthly rent to Blue Earth).

45. Cohen was instrumental in Natural Blue’s day-to-day financial decision-making. See, e.g., Div. Ex. 23 (July 2009 e-mail from Anaya noting that “our current procedure requires approval by both Jimmy [Cohen] and Paul Pelosi for me to pay invoices.”); see also Div. Ex. 266 (8/26/09 email from Anaya to Murphy after Natural Blue became public, advising that “the established procedure within NBR (NV) is that both Paul Pelosi and Jim Cohen Sr. have to approve invoices before I pay them.”) Relatedly, Cohen and Corazzi were the primary fundraisers and contacts with the investing public. Cohen was “responsible for soliciting investors for Natural Blue” and Corazzi “was assisting him.” Tr. 823. As a result, and as evidenced in the later ouster of Pelosi from Natural Blue, Cohen “had the ability to control the majority of shareholders.” Tr. 1027.

46. Cohen and Corazzi’s plans for Natural Blue’s structure as a public company did not include formal roles for themselves – despite the fact that Pelosi, Cohen, Corazzi and Anaya had “founded the company,” and despite the fact that neither Anaya nor Pelosi had any prior experience as officers of public companies. Tr. 473, 476, 785.

47. None of the witnesses testified about Corazzi seeking to join the board or serve as an officer at any stage of Natural Blue’s existence; Corazzi was statutorily prohibited from serving such a role, even if many of the Natural Blue principals⁶ were not aware of the formal bar.

48. Cohen, by contrast, did discreetly inquire with corporate counsel about joining the board of Natural Blue. Cohen reached out to Vuksich shortly before traveling to Orlando for the kickoff board meeting of Natural Blue. In a tersely worded email, Cohen asked Vuksich on July 30, 2009: “[A]ny word on my ability to be on the board without public disclosure.” Div. Ex. 299; Tr. 315-321. Vuksich did not recall obtaining any specific details from Cohen about exactly what would be subject to “public disclosure” but Vuksich had little difficulty locating Cohen’s disciplinary and criminal histories on the Internet. Tr. 321. Vuksich reported back to Cohen that his “crimes are known on the message boards. From those clues I could find your state criminal record and your ban from the NASD membership. The SEC never took action against you so no court ever banned you from serving on a public board.” Div. Ex. 299.

49. Having reviewed of the then-applicable regulation (17 C.F.R. 229.401) that only required disclosure of criminal convictions less than five years old, Vuksich advised that Cohen could serve on the board of Natural Blue without disclosing his criminal conviction, assuming “that [his] state criminal sentence or plea agreement didn’t include any kind of a ban from being a director of a public company.” Div. Ex. 299.

50. Notwithstanding Vuksich’s advice – which was rendered moot just a few months later,

⁶ The only witness who testified to his knowledge of Corazzi’s bar prior to any involvement with Natural Blue was Anaya, who acknowledged that he became aware of the bar in 2008 when investing with Corazzi. Tr. 788-792.

when the SEC revised the regulation to require board members to disclose to the investing public any criminal convictions less than ten years old⁷ – Cohen did not, according to witness testimony, make any further attempts to solicit a position on the board of directors. Moreover, Vuksich did not recall communicating with CEO Toney Anaya about Cohen’s conviction and/or bar, instead “treat[ing it] as a private communication.” Tr. 433.

Stage Two: After Natural Blue Became Public, Cohen and Corazzi Functioned as *De Facto* Officers of the Company, Despite Their Lack of Formal Roles with Natural Blue

51. Natural Blue formally became a public company in July 2009, and the initial meeting of the board of directors was held in early August 2009. Div. Ex. 300 ¶¶1, 5, 13. Cohen was instrumental in organizing this meeting, held at Prism One, outside of Orlando, Florida. See Tr. 334-335. Vuksich sent materials to Cohen at Blue Earth for distribution to the board in advance of the meeting. See Tr. 313-314; Div. Ex. 69 at 35.

52. Vuksich flew to Orlando for the Natural Blue board meeting, where he was “picked up at the airport by Mr. Cohen and Mr. Corazzi in Mr. Cohen’s white pickup truck.” Tr. 326. At that time, Natural Blue’s mission was to create, acquire or otherwise invest in “green” companies, with a focus on locating, purifying and selling water recovered from underground aquifers in New Mexico. Div. Ex. 300 ¶1. However, shortly after he landed in Orlando, Cohen and Corazzi took Vuksich on a tour of a local concrete recycling facility, and discussed potential steel recycling deals for Natural Blue. See Tr. 326-327. Vuksich observed that Cohen and Corazzi were “friendly ... [and] [t]hey were talking about these deals a mile a minute[.]” Tr. 328.

53. At the August 2009 meeting, Cohen addressed the board of directors on various issues, including the acquisition of EcoWave, LLC (“EcoWave”). See Tr. 65-66. Although Anaya recalled that Cohen “recommended it to the company as ... a good investment opportunity for the ... company to pursue[.]” the August 1, 2009 board minutes reflect that EcoWave *had already been acquired*. Tr. 849; Div. Ex. 24 (noting that “James Cohen, Sr. advised the board that the Corporation had acquired EcoWave, LLC for organizational shares of the Corporation.”) (*emphasis added*). EcoWave was a company tied to Burshan and Kim, who were recommended for the board by Cohen largely because “they were bringing the technology” to Natural Blue. Tr. 850. Burshan “had an ongoing relationship, business and personal, with Mr. Cohen prior to this Board meeting.” Tr. 1120. After the board meeting, Anaya accepted Cohen’s recommendation that his son, James Cohen Jr., lead the EcoWave division for Natural Blue. See Tr. 826.

54. From the moment Natural Blue became public, Cohen and Corazzi had substantial influence over virtually all management decisions, and asserted control over Natural Blue almost immediately. As a fundamental matter, the Natural Blue office was located in the same Florida offices as Blue Earth, where Cohen worked, and the corporate books and records were maintained there, while the CEO and President were located in the western United States. Anaya

⁷ On December 16, 2009, the Commission adopted an amendment to Item 401(f) of Regulation S-K that changed the time period for disclosing prior legal proceedings concerning public company officers and directors. See Proxy Disclosure Enhancements, §11.E, SEC Release No. 33-9089 (December 16, 2009). The amendment became effective on February 28, 2010, prior to the filing date of Natural Blue’s 2009 Form 10-K, and increased the disclosure period from five years to ten years. See id. C.F.R. 229.401.

tried in vain early on to move the bookkeeping to New Mexico. See Tr. 831; see also Div. Ex. 55 (12/11/09 e-mail from Anaya to Kim, Murphy and Pelosi noting that Anaya “wanted to have this bookkeeping handled here in Santa Fe from the outset: but, Jim [Cohen, Paul [Pelosi], and Joe [Corazzi] didn’t respond favorably to my proposal to hire someone here.”)

55. Further, Cohen and Corazzi performed the following core functions of officers that the Division’s expert witness Robert Daines identified in his direct testimony:

(a) Cohen and Corazzi controlled and managed day-to-day operations at Natural Blue, including (1) the selection (and/or removal) of Natural Blue’s officers and directors for the company, including the negotiation of their compensation; see Tr. 222-223, 798-803, 805, 822-824, 852-854, 1602-1609; Div. Ex. 59, 264 (2) the hiring of service providers, including those located in Cohen’s hometown of Orlando, see Tr. 289-290; 832-833; Div. Exs. 20, 55 (3) Cohen’s supervision of Natural Blue employees in Florida, where the books and records were housed; see Tr. 852-853, 1607-1608, Div. Exs. 23, 53; (4) Cohen and Corazzi’s role as the primary fundraisers, with Cohen serving as a liaison to Natural Blue investors; see Div. Exs. 34, 37, 85, 87, 89, 90, 124, 177; Tr. 230-238, 888; and (5) Cohen and Corazzi’s management of the Natural Blue steel subsidiary and related steel transactions. See Div. Exs. 73, 77, 78, 94, 113, 118, 129, and 150.

(b) Cohen and Corazzi controlled strategic decisions at Natural Blue, including (1) negotiating a reverse merger with Datameg; see Tr. 41-45, 56, 132-133, 347-348, 476, 801, 810, Div. Ex. 269; (2) changing the corporate mission from water purification to steel recycling, and creating Natural Blue Steel as a subsidiary; see Tr. 12-13, 82; Div. Exs. 43, 81, 82, 83, 118; (3) dictating that the company sign consulting agreements with Cohen and Corazzi, even threatening to cancel a company fundraising trip if the agreements were not immediately signed, see Tr. 218-220, 857-858, Cohen Ex. 89; (4) Corazzi’s negotiation of a complete change of management through a transaction with Atlantic, with no oversight by Natural Blue’s nominal officers; see Tr. 671-672, 675-676, 683, 686, 691, 702, 730-732, 971, 1329, 1336-41; Div. Exs. 149, 150, 160, 161, and 169; (5) Cohen’s ouster of CEO Erik Perry in June 2011 and installation of Montalto as CEO, see Tr. 1343-1344, 1352-1353, Div. Exs. 218, 219.

(c) Cohen and Corazzi managed senior executives (including Natural Blue’s CEO), including (1) directing CEO Toney Anaya, see Tr. 65-66, 218, 798-803, 857-858, 842-843, 852-853, 856, 888-889; Div. Ex. 117; (2) organizing a shareholder vote to oust Pelosi from the board, see Div. Exs. 59, 264, and, as noted supra, (3) Cohen hired and effectively supervised CFO Walter Cruickshank in the Blue Earth office.

(d) Cohen and Corazzi had responsibility for books, records and financial statements, including (1) involvement in drafting SEC filings for Natural Blue, Tr. 346, 352-353, 465, 869, 885, 959-960, Div. Exs. 69, 95, 98, 267 (2) communicating directly with lawyers and auditors about financial matters without

management present; see Tr. 869, 1088, 1516; Div. Ex. 95, and (3) Cohen recommended and arranged for Blue Earth employee Bill McPherson to be the bookkeeper at Natural Blue, see Tr. 825-826.

(e) Cohen oversaw the treasury functions and key financial decisions. Among other things, it was company protocol that all invoices be approved by both Pelosi and Cohen before they were paid by Anaya, see Tr. 828-830, Div. Exs. 23, 266 moreover, Cohen had formal authority over the brokerage account for Natural Blue; see Div. Exs. 25 and 27. See also Div. Ex. 80 (4/26/10 email from Pelosi to Anaya and Decker regarding, inter alia, Cohen having custody of NTUR stock certificates).

56. The initial hiring of Natural Blue's Chief Financial Officer, Walter Cruickshank demonstrated clearly Cohen's role as a *de facto* officer of Natural Blue. Cruickshank, who testified as a defense witness, was interviewed and hired by Cohen as the controller of Blue Earth in 2008. See Tr. 1602. Cruickshank's office was on the first floor, and Mr. Cohen's office was on the second floor. Shortly after Natural Blue became public, Cruickshank testified that another Blue Earth employee congratulated him "on becoming the CFO of Natural Blue ... because he saw it on the Internet somewhere." Tr. 1607. Cruickshank then went to Cohen, who assured him that Natural Blue was a "startup company" and was "not going to be that much work" and further, that he would be paid by Natural Blue. Tr. 1608-1609. Having spoken with no one at Natural Blue but Cohen,⁸ Cruickshank commenced his service as CFO of Natural Blue, until his resignation in or about August 2010. See Tr. 1598. Cruickshank was assisted by another Blue Earth employee named Bill McPherson, who provided bookkeeping services to Natural Blue at the direction of Cohen. Tr. 825-826.

57. Corazzi frequently called Cruickshank for information about the finances of Natural Blue, including "when [Natural Blue was] filing the 10-Ks or Qs." Tr. 1615. Cruickshank complained to Cohen about Corazzi asking him to "drop everything ... and work on Natural Blue" and questioned Corazzi's authority, since he "wasn't an officer ... [and] only worked ... as a consultant." Tr. 1616.

58. The billing records of Paul Vuksich further underscore the central role Cohen and Corazzi played in the management of Natural Blue. See Div. Ex. 69. Immediately after Natural Blue became public, excerpts from the bills (August 10-September 11, 2009) show frequent interaction with Cohen and Corazzi on critical management decisions:

8/10/09 – 3/4 Filing: Receipt and review of emails from and preparation and transmission of emails to **directors and James Cohen** re: additional data. [...] Telephone conference with Cohen and Murphy re budget planning.

8/11/09: 14F1: Begin preparation of preferred shares designation. Telephone conference with Coh(e)n Sr. re same.

⁸ For his part, Anaya learned that Cruickshank was the new CFO of Natural Blue from Cohen and Corazzi. See Tr. 824.

8/12/09: EcoWave USA: Draft/revise LLC and license purchase agreement. Telephone conference with **Cohen Sr. and Burshan**. Receipt and review of emails from and preparation and transmission of emails to same and Anaya re: draft agreement. EcoWave USA: Continue preparation of preferred shares designation. Telephone conference with Cohen Sr. re same.

8/13/09: EcoWave USA: Final preparation of preferred shares designation. Telephone conference with Cohen Sr. re same.

8/17/09: 10Q Filings: Telephone conference with... Cohen. Preparation of Series A1 and A2 certificates of designation.

8/18/09: Telephone conference with ... Cohen. Preparation of amendments to Series A1 certificates of designation and plan for merger.

8/19/09: EcoWave USA: **Telephone conference with ... Cohen and Corazzi re: revisions to plan for merger and certificate of designation**. Preparation of revisions to the same.

8/24/09: **Telephone conference with Anaya, Cohen, Joe [Corazzi], and Sebright brothers re: transaction documents**. ... SeBright Acquisition: Receipt and review of emails from and preparation and **transmission of emails to Anaya, Cohen and Murphy re: misc matters and activity coordination**. American Marketing: Telephone conference with Cohen Sr. re: revisions to purchase documents.

8/25/09: Preparation of revisions to merger plan. Telephone conference with Cohen re: same.

8/28/09: **Telephone conferences with James Cohen and Walter Cruickshank re: tax return filing, AMS 2007 end of year WTB, other accounting matters**. Receipt and review of emails from and preparation and transmission of emails to Walter Cruickshank and Jim C[ohen] re: accounting records and sending attachments.

8/31/09: Receipt and review of emails from and preparation and transmission of **emails to Anaya, Murphy and Cohen re: PPM shares raised to 1 for 1**.

9/3/09: General Legal: Preparation of mail merge to private placement investors re stock conversion. Preparation and transmission of emails to Bill McPherson re: certain investor inquiries and telephone number for letter. **You prepared a draft. It was reworked by Anaya, Cohen and Joe [Corazzi]**.

9/10/09: Accounting Matters: Telephone conference with Anaya and Joe re getting Kim and Heather's cooperation to file amended 10Q. **Heated exchanges**

with Joe re not knowing about debts ... Joe [Corazzi] claims correct closing date cannot be either or but that is what the auditors said.⁹

9/11/09: Telephone conference with Anaya, Cohen and Murphy re: bookkeeper settlement. Heated discussion with Cohen who claimed settlement and release was indemnification. ... Cohen attacked me saying I had to serve only the company.

Div. Ex. 69 (**emphasis added**). As these excerpts from Vuksich's bills reflect, from the moment Natural Blue became a public company, Cohen and Corazzi were key decision-makers on major policy issues at Natural Blue. Id.

59. In fact, shortly after Natural Blue became public in August 2009, Anaya was already sufficiently frustrated with Cohen's involvement that he threatened to resign. See Tr. 843. Relatedly, Pelosi – whom Anaya was told would handle day-to-day management of Natural Blue – began a full-time job in the securities business in August 2009, i.e., as soon as the company went public. See Tr. 509. As Pelosi acknowledged, his full-time employment outside of Natural Blue meant that he was not in a position to run the day-to-day operations of Natural Blue. See Tr. 510. Thus, as Anaya recalled, he advised Corazzi that he “needed to step down, that [he] simply could not operate as a figurehead and that ... Mr. Cohen was just meddling too much in the day-to-day operations.” Tr. 843. In Anaya's view, neither he nor “Mr. Pelosi ... were really being able to play the roles that [their] titles would otherwise suggest.” Tr. 842.

60. After a lengthy phone call with Cohen during a family birthday party, Anaya's concerns were sufficiently allayed that he “agreed not to resign at that point” as the CEO of Natural Blue. Tr. 844. However, Cohen continued to control day-to-day management decisions, and in Anaya's estimation “was running the company” again as of September 2009. Tr. 856.

Cohen and Corazzi Demand Lucrative Consulting Agreements with Natural Blue, While Their Roles as *De Facto* Officers Remain Unchanged and Undisclosed

61. In November 2009, Natural Blue entered into an Advisory Agreement with Cohen's family corporation JEC. Corp., pursuant to which JEC Corp. purportedly agreed to research and present potential merger and acquisition targets for Natural Blue (even though Cohen and Corazzi had already been proposing investment targets since the first board meeting in August 2009). See Div. Ex. 43.

62. Also in November 2009, Natural Blue entered into a separate Management Agreement with JEC Corp. to organize and manage a new steel subsidiary called Natural Blue Steel (“NBS”). See Div. Ex. 44. Both the Advisory and Management agreements specified that JEC Corp. would provide services through Cohen and Corazzi. See id.

⁹ Vuksich also testified that at this time, there was a significant dispute at Natural Blue about filing an amended 10-Q with a revised closing date. Tr. 347-350. Vuksich recalled that Cohen told him that “we were going to refile as of July 1.” He also recalled that the “heated exchanges” related to Corazzi and Cohen “challeng[ing] what was being represented in the Q ... for the second quarter” and that he “acquiesced” to Corazzi and Cohen. Tr. 351-353.

63. Cohen and Corazzi placed substantial pressure on the board of directors to approve these consulting agreements with JEC Corp. Among other things, Pelosi received a call from Anaya that a board meeting would need to be held about the consulting agreements, and described Anaya's related email as "saying this is the most urgent thing in the world, out of nowhere, we have to get together on the Board." Tr. 501; see also Div. Ex. 42.

64. Anaya was acutely aware of the urgent nature of Cohen and Corazzi's demand that Natural Blue approve the consulting agreements with JEC Corp., with Corazzi calling Anaya to advise that Cohen refused to attend a fundraising trip in West Virginia because "he was tired of being so active in the company and not getting any compensation for it." Tr. 857-858.

65. Anaya called an emergency board meeting to discuss the proposed contracts, and had a "two-hour discussion in which Mr. Pelosi was very strenuously objecting" to the contracts. Tr. 859; see also Div. Ex. 46. After the contracts were approved, Anaya called Corazzi, who told him that "Cohen wants to see the signed contracts before he boards the plane [for West Virginia]." Tr. 859. Anaya then faxed the contracts as Corazzi directed, so that the fundraising trip could proceed as planned. See Tr. 859.

66. As Pelosi continued to object to the consulting agreements in the following weeks, arguing that they were "excessive," Cohen and Corazzi garnered sufficient shareholder votes to force Pelosi off of the board by January 2010. See Tr. at 501-502, 505; see also Div. Exs. 59, 264. Pelosi learned about the purported dissatisfaction of the Natural Blue "shareholders" in a call with Cohen, who informed him that "the shareholders [we]ren't happy with [Pelosi's] performance." Tr. 508.

67. While the "consulting" agreements with JEC Corp. may have caused discord amongst the directors and nominal officers, what the consulting agreements did not do was to change the reality that Cohen and Corazzi controlled Natural Blue. Indeed, just days after the agreements were signed, Murphy e-mailed Cruickshank, copying Pelosi and Anaya, to express his concern that correspondence from the SEC had been ignored, and warned that Natural Blue needed to respond to a comment letter sent almost a month earlier. See Div. Ex. 54 (11/30/09 e-mail from Murphy to Cruickshank). Cohen (who had not been copied on Murphy's email, but evidently got wind of it) wrote an aggressive e-mail to the board that afternoon, complaining about the "old guard throwing stones" and claiming that forwarding of documents to the Florida mailing address "only occurred recently." Div. Ex. 53. Murphy's reaction to Cohen was angry and almost immediate. He responded:

Jim C, I'm sorry you take this so personal but it seems this is more of your camouflaging and bully tactics[.] ... I was trying to make sure [Cruickshank] knew the seriousness of responding to the SEC in a timely fashion and if no one was paying attention to the mail then someone in new management would be called on the carpet for not responding ... you sit and throw accusations and you won't even sit on the board,¹⁰ you shouldn't even be addressing these issues as you are not an officer or director of NTUR[.]

¹⁰ Murphy testified that he recalled some "talk on the board" about Cohen taking a formal position with Natural Blue, and that Anaya asked Cohen to serve as a director. Tr. 99-100. Cohen advised that "he would check with his attorney." Tr. 100. None of the witnesses testified about any further discussions by the board about this issue.

Div. Ex. 53.

68. By January 2010, Pelosi had been forced off the board, Murphy resigned a short time later, and Anaya's ongoing efforts to function as the CEO of the company were largely ineffectual. Principal among Anaya's concerns was the fact that he was unable to obtain the books and records for Natural Blue. See Tr. 934.

69. From the time Natural Blue became a public company, the corporate records were maintained "in Florida, under the supervision of [Cruickshank], the CFO, with the assistance of Bill McPherson ... in the same building, the same offices as Blue Earth Solutions[.]" Tr. 931. Despite repeated requests, Anaya was never able to obtain accounting records for Natural Blue. Tr. 934, 948, 1034, 1035; see also Div. Ex. 112 (9/16/10 e-mail from Anaya to Cohen requesting assistance in obtaining accounting records), Div. Ex. 125 (10/3/10 e-mail from Anaya to Cohen asking what records Cohen "can send electronically as well as what physical accounting records are available that can be provided[.]")

70. Further compounding Anaya's difficulties was Cohen and Corazzi's steadfast refusal to share information. In Anaya's view, he "never knew what [he] wasn't being told, primarily by Mr. Cohen and Mr. Corazzi" and that Cohen in particular was very "cryptic" in his e-mails. Tr. 1033, 1112. See, e.g., Div. Ex. 83 (4/29/10 e-mail from Cohen to Corazzi, forwarding term sheet from attorney, with note saying "here is the list of what else we need... lets not let Toney know we sent it already").

71. For example, Cohen and Corazzi routinely dealt directly with corporate counsel Jeffrey Decker, without consulting Anaya, and ultimately their directives to counsel generated enormous bills for the company. See Div. Ex. 78. Another example was an incident in April 2010, when -- having invited him to attend an investor meeting at which Cohen's criminal background was evidently known to those present-- Cohen belatedly disclosed to Anaya that he had been incarcerated. Cohen provided no other relevant details (nor did Anaya press him further or raise the issue with other officers and directors of Natural Blue). See Tr. 895-897; see also Tr. 888-889 (Cohen and Corazzi refused to share information about the investor meetings with Anaya).

72. This problem of Cohen and Corazzi "silo-ing" information came to a head in or about late April of 2010, when Anaya learned from Natural Blue Steel consultant Mike Cenit that Corazzi and Cohen had created a separate company to purchase the "so-called Hoover building ... and they had purchased the building themselves ... instead of bringing it to ... Natural Blue Resources." Tr. 902-903. Anaya was furious, and threatened to take action to terminate the contracts, leading to an ever-growing rift with Cohen and Corazzi. See Tr. 903-904.

73. Cohen and Corazzi's outsized influence over the company, which belied the facial scope of the "consulting" agreements, continued throughout 2010. Indeed, Natural Blue's former auditing firm resigned in April 2010 because the firm was concerned about the high level of control that Cohen exercised over the company, and had learned that Cohen had been barred by FINRA. See Tr. 590-630. Former audit partner Paul Horowitz called Cohen directly after learning from public records about the FINRA bar, and found Cohen's answers to his questions

incredible. See Tr. 590-591. In the call, Cohen denied that the public records referred to him and falsely claimed that his middle initial was not “E”. Cohen then tried to persuade Horowitz that even if “this person” were barred by FINRA from dealing with broker-dealers, “[t]his person is not barred from being involved with public companies.” Id. Horowitz also described the authority exercised by Cohen at Natural Blue, in that the employees deferred to Cohen and furthermore, that Cohen himself negotiated with the auditors as to the language for the Natural Blue 10-K regarding related party transactions involving JEC Corp. – *his own family-owned company*. See Tr. 625-627. Cohen even attempted to convince Horowitz to water down the related party transaction language so that it did not specifically identify Cohen’s company, JEC Corp. Id.

74. In September of 2010, Anaya again clashed with Cohen and Corazzi after, among other things, Cohen demanded that Anaya provide him with a budget for Natural Blue. See Tr. 944. As Anaya explained in an email to Cohen in mid-September 2010, his principal issue with Cohen was “not the 20% fee [under the JEC Corp. contracts]... it is the management of NTUR (i.e., what authority you think you should have over me and the Board as to management decisions, and, why; and, how [Natural Blue Steel] will report to and respond to NTUR.” Div. Ex. 115. Anaya reiterated his acute concerns about his inability to manage the company to Corazzi, saying

[Y]our email suggests that the three of you (Hunt, Cohen, Corazzi) run the company (i.e., he is an “equal” and not “President”). ... It is the same story: consultants get taken care of; the company doesn’t.... *[I] don’t want to give up legal authority of NTUR to someone who claims to “only” be a “consultant” when it suits him; and, to be the “founder” when convenient to him.*

Div. Ex. 116 (*emphasis added*). Just a few days later, Anaya complained to Corazzi that

It is sheer lunacy to have a consulting firm dictate, through me, to the parent company that owns 100% of the subsidiary what it can and cannot do with revenues flowing in. That is neither smart and probably not legal for me to do that in that I would be trying to usurp power that is left to the Board (and, maybe power no one in the company has, including shareholders). ... Honestly, Joe, this reminds me of the negotiations on all contracts with JEC; namely, I either bend over and take one for JEC or JEC takes a walk.

Div. Ex. 119.

75. As Anaya grew increasingly frustrated with his inability to manage Natural Blue and/or Cohen and Corazzi – and as the company was running out of money -- in the fall of 2010, Corazzi and Cohen began discussions with Massachusetts-based Atlantic Dismantling. See Tr. 1336-37. From there, Corazzi, assisted by Cohen, negotiated a business transaction between Atlantic and Natural Blue that resulted in a complete change in management. See 671-702, 1329-1341.

Corazzi Orchestrated Major Corporate Transaction for Natural Blue in January 2011, and in June 2011, Cohen Stage-Managed the Ouster of CEO Erik Perry

76. In January 2011, Natural Blue announced that it had entered into an agreement with Massachusetts-based Atlantic Acquisitions and its wholly-owned subsidiary, Atlantic Dismantling. See Div. Ex. 300 ¶31; see also Div. Ex. 168. According to press releases issued by Natural Blue in January and February 2011, the agreement resulted in a dramatic change in Natural Blue's business prospects. See Div. Ex. 300 ¶32, see also Initial Decision Release No. 710 (File No. 3-15974) (Nov. 26, 2014) at 2.

77. In late October or early November of 2010, Eric Ross, the principal of newly formed venture firm Watch Harbor Asset Management ("Watch Harbor"), agreed to meet Atlantic Dismantling principals Sal Tecce and Joseph Montalto in New York, regarding a potential business venture between Watch Harbor and Atlantic.¹¹ Tr. 648-650. Ross was particularly interested in investing in companies where there "would be high cash flow outcomes, such as ... green energy projects." Tr. 646. After discussing with Tecce and Montalto a potential business venture between Watch Harbor and Atlantic, Ross mentioned that he had an investor (later identified as Bob Christoff) who had "some interest in" the dismantling work, and as a result, Tecce directed Ross to Erik Perry, whom Ross understood "handled all the business aspects and was the president or CEO of Atlantic Acquisitions." Tr. 650, 671.

78. In late 2010, Ross and Perry spoke on several occasions. Tr. 657. During one of those calls, Perry referenced a company called Natural Blue, which Ross learned was "a small public company" and that part of the company's value was "a scrap steel business that Joe Corazzi was building." See Tr. 657, 680. Perry informed Ross that Natural Blue was interested in acquiring Atlantic. See Tr. 658. After conducting some limited research on Natural Blue, Ross advised Perry against such a transaction, based on his view that there were "so many regulations involved with being a small public company, particularly if you don't have a very consistent and stable business model that's already in place." Tr. 665.

79. However, by November of 2010, Perry had already touted to Atlantic's management the wisdom of a business transaction with Natural Blue, which he claimed "could help ... raise money to acquire [] plants and help ... with ... cash flow problems." Tr. 1336.

80. In November 2009, Montalto was introduced to Cohen and Corazzi on a conference call, and then had several conference calls with Cohen and Corazzi. See Tr. 1336-37. Montalto understood that Cohen and Corazzi "had originally formed the company. It was their baby. They got it started. Toney was the CEO, but [the Respondents] were the ones trying to bring in the projects to the company to keep it going." Tr. 1338-1339.

81. In early January 2011, Montalto, Tecce and Perry traveled to Miami to meet with Corazzi

¹¹ Atlantic Dismantling and Atlantic Acquisitions were related companies. See Tr. 655. Atlantic Dismantling dismantled buildings and structures and then did site work for the new buildings and structures at those locations. See Tr. 1326. Atlantic Acquisitions was formed to purchase power plants. See Tr. 1326. In describing the facts related to the negotiations with Natural Blue, these entities are referenced collectively herein as "Atlantic."

and Cohen, along with investor Bob Christoff, who hosted the first part of the group meeting. See Tr. 1339. The five others then left Christoff's office and continued discussing the potential transaction between Atlantic and Natural Blue, including the potential board members to be selected and the terms of the contract. See Tr. 1340. At some point during this meeting, Cohen and Corazzi expressed their desire for Perry to serve as president and CEO of the newly formed entity, and Tecce discouraged it, describing Perry as a "loose cannon" and "irrational." Tr. 1341. Cohen and Corazzi¹² replied that they thought Perry would be "a good person to use as a ... "puppet" to be [at] the forefront of the company." Tr. 1341.

82. Also in early January 2011, Perry told Ross that he was again talking with Natural Blue "and that they had some interesting things to say." Tr. 667. Shortly thereafter, Ross received a phone call from Erik Perry, who indicated that he was in a car with Bob Christoff (Ross' investor) and Joe Corazzi, and possibly Jim Cohen as well (although Ross did not recall with certainty if Cohen was present.) See Tr. 671. At some point, Perry handed the phone to Corazzi, who told Ross that he would love to have Watch Harbor on board in a transaction with Natural Blue. See Tr. 671-672. In the wake of this phone call, Ross began communicating with Corazzi via email about the potential terms of an agreement between Atlantic and Natural Blue, including a consulting agreement with Watch Harbor. See Tr. 675-676. Ross understood that Perry would be the CEO of the new entity. See Tr. 722.

83. From that point forward, virtually all of the negotiations with Natural Blue and Watch Harbor were exclusively between Eric Ross and Joseph Corazzi. Ross understood that Corazzi had the authority to negotiate on behalf of Natural Blue, because Corazzi "was the representative of the company. ... He was the one making the deal." Tr. 682-83; see also Tr. 732. Ross understood that "as the CEO, Toney Anaya would have to sign the documents, but ... [he] did not have negotiations with Toney Anaya." Tr. 730-731.

84. Shortly after the phone call with Corazzi, Christoff and Perry, Ross wrote to Corazzi to advise that he was "interested in the offer" to join Natural Blue and potentially to receive shares, but sought "modifications" to the draft agreement that had been forwarded by Erik Perry. Tr. 682; Div. Ex. 149. Corazzi wrote back to Ross via e-mail to advise that the modifications seemed "fair" but that the financing needed "to move in days not months" because "[s]teel is on the water." Div. Ex. 149; see also Div. Ex. 150.

85. By January 21, 2011, the proposed transaction between Natural Blue and Atlantic was close to completion, and the agreement with Watch Harbor was close to being finalized, along with a non-compete, non-disclosure agreement with Ross. See Tr. 686; Div. Ex. 165. At that stage in the negotiations, Ross did not recall having spoken to CEO Toney Anaya or "to anyone at Natural Blue, other than Joe Corazzi, and .. once with Jim Cohen, maybe twice." Tr. 686; see also Div. Ex. 169.

86. In his e-mails to Ross, Corazzi represented that he was in communication with Anaya about the terms of the proposed agreement with Watch Harbor, and that Anaya "was more than pleased to hear the changes ... he will be back in his office later today and will get the copy sent

¹² Montalto testified that he did not recall specifically whether the description of Perry as a potential "puppet" came from Cohen and Corazzi, but was certain that one of the two men said it during the meeting in Miami. See Tr. 1359.

to the board and executed once he quickly reviews the language. There are no further issues[.]” Div. Ex. 160. (1/21/11 e-mail from Corazzi at 5:19PM to Ross, cc to Cohen and Perry titled “all ok”). Later that day, Corazzi and Cohen, along with Ross and Perry, participated in a call with a potential source of funding identified by Ross, in which Corazzi described the “steel on the water” transaction for Natural Blue. Tr. 691; Div. Ex. 161. Anaya was not on the call.

87. In reality, Anaya was not “more than pleased” with the proposed Watch Harbor agreement at that time, as reflected in his comments to Cohen and Corazzi in an e-mail sent earlier that day. Having raised concerns via e-mail about the Watch Harbor agreement, Anaya immediately received a response from Cohen that “the window time wise is by 9:30 am est Friday on this agreement” (i.e., that day) and Cohen both cautioned that “we cannot build up the payable or this deal will go elsewhere” and complained of Anaya’s proposed changes that “much more this deal cannot stand.” Div. Ex. 159. Anaya responded at 1:54 AM:

“Guys, I want this deal to go through as I can’t take any more of what the last several months have been. ... I just raised points that seemed pretty obvious to be raised. Negotiate whatever you think is the best deal that can be negotiated and I will go along with it for the reasons you have stated in your email below; namely that we have nothing to offer anyone. ... Also, please recognize that it is typical to ask me to sign something immediately, under the gun or the world is going to cave in. A little more advance notice to me or involvement would certainly be beneficial. ... I want to close this deal or close my involvement with the company.”

Div. Ex. 159. As Anaya explained, “Joe [Corazzi...] presented the [Atlantic/Natural Blue] contract to me that had already been negotiated.” Tr. 971. Anaya harbored no illusions that he was getting full information about the transaction, as he explained to director Paul Whitford:

It would be so great – and, the normal way of doing business – to have full facts in front of us before we make any decisions regarding the future of NTUR. The reality, however, is that I/we will be at the mercy of whatever Joe chooses to tell us about this negotiations (*sic*) with Atlantic which, I suspect, will only be part of the truth and by no means the full facts. He will not disclose what he and Jim are getting from Atlantic, though I will press for this. ... The relationship – or, lack of – with Jim & Joe is [not] one I can sustain.

Div. Ex. 260.

88. Meanwhile, Cohen and Corazzi continued to orchestrate the final details of the transaction with Natural Blue and Atlantic. On January 24, 2011, Cohen sent an email – copying no one else at Natural Blue or Atlantic -- to an investor relations firm providing authorization to issue a press release “on Tuesday 1-25-2011 to the public on beha[lf] of Natural Blue Resources.” Div. Ex. 170. The same day, Cohen also e-mailed CFO Jehu Hand advising that “we need an 8-k for release this afternoon.” On January 27, 2011, Perry emailed a later iteration of a press release to Corazzi and Cohen, copying Ross, and observing that he was “not sure about the word ‘robust’” as used in the draft press release. Div. Ex. 183.

89. On January 27, 2011, Atlantic and Natural Blue consummated the transaction that

assigned all of Atlantic's contracts to Natural Blue, as well as approving the consulting agreement with Watch Harbor. See Div. Exs. 166, 169, 184. The principals of Atlantic and Watch Harbor dealt exclusively with Cohen and Corazzi throughout the negotiations. As Ross noted, his "impression was that Joe Corazzi was making decisions for the company." Tr. 702. Similarly, Montalto met and negotiated extensively with Cohen and Corazzi, but spoke with Anaya only once prior to the completion of the Atlantic/Natural Blue transaction. See Tr. 1329.

90. The Atlantic transaction fell far short of Natural Blue's expectations, and did not result in improved financial prospects for the company. See Tr. 1342-1343. Instead,¹³ Natural Blue (under Perry's direction) made misrepresentations to investors beginning in January 2011 about its financial condition, including the value and existence of contracts purportedly entered into by Atlantic/Natural Blue.

91. On February 11, 2011, Natural Blue issued a press release announcing that it had incorporated a wholly-owned subsidiary, NBS/Atlantic. The press release announced that NBS/Atlantic "has entered into two new environmental restoration/demolition contracts totaling \$2.5 million dollars... involving remediation of contaminated soil and ground water as part of a major infrastructure project taking place with the transit authority in Boston, MA." The February 11, 2011 release further quoted CEO Perry as saying: "This is a great beginning to our revenue stream and I'm thrilled that our team [has] secured these contracts so quickly given the rough weather we've all experienced." These statements were false and misleading because NBS/Atlantic had not entered into these or any other contracts with the transit authority in Boston (the Massachusetts Bay Transit Authority or MBTA), nor had Natural Blue or Atlantic.

92. None of the misrepresentations by Natural Blue during Perry's tenure resulted in improved financial prospects for the company. Rather, the company continued to founder, and in June 2011, Perry was abruptly dismissed as the CEO of Natural Blue. See Tr. 1342-1353.

93. Perry's ouster was directed by James Cohen. Cohen secretly attended the telephonic board meeting during which Perry was ousted and replaced with Joseph Montalto, the founder of Atlantic. Tr. 1343-1344; see also Div Ex. 218. As the recording of the meeting reveals, Cohen directed Perry's removal because a plan Perry proposed would have significantly decreased Cohen's and Corazzi's influence over Natural Blue and their stock ownership. See Div Ex. 218. Cohen commented that by ousting Perry "we keep this company and, you know what, [Perry] can't turn around and arbitrarily say that the guys who created [Natural Blue] . . . we're going to zero you out . . . like Erik Perry has threatened multiple times . . . []." Div. Ex. 218 at 28. Montalto confirmed Cohen's motivation: "The contract that was in question, and one of the main reasons why we got rid of Erik Perry was the contract with Eric Ross. If that had gone through, it would have been . . . Erik Perry, Eric Ross, and Christoff running the company, and everybody else would have been out." Tr. 1352-53.

94. In referring to the "the guys who created [Natural Blue]," Cohen was speaking of himself (and Corazzi), and in the recorded call, he emphatically claimed ownership over the company:

¹³ Since this Court has made findings of fact with regard to misrepresentations by Natural Blue and Perry, the non-existence of the MBTA contracts and/or the misrepresentations made to investors or on the Natural Blue website are facts deemed established as a matter of law. See Initial Decision at 2-4.

And it is to my detriment always and I say that because if you look at Pelosi and Anaya this was my company so you know. And I – and I say my company, not Joe’s, not anyone else’s, and I’m not trying to – this is not ego, it’s my – it was my company. Joe came to me . . . with a water deal I bought a division of [Datameg] Jim Murphy’s company, his operating company. He was left with a shell and I turned around and put the water company into the shell that Joe brought me And we gave Anaya and Pelosi . . . so much stock away stupidly, because I believe in giving people – I trust people on what they say they’re going to do.

Div. Ex. 218 at 25.

Cohen and Corazzi Made More Money Than Any Others at Natural Blue, When It Was Barely a Going Concern.

95. Cohen and Corazzi profited financially from Natural Blue through money and shares of stock.¹⁴ From May 2009 through March 2011, Cohen and his affiliate (JEC Corp.) received \$189,188 from Natural Blue. See Tr. 1388-91; Div. Ex. 253. During the same period, Corazzi and his affiliates (Izzaroc LLC and CA Capital Associates) received \$251,720 from Natural Blue. See Tr. 1388-91; Div. Ex. 253.

96. As calculated by the Division, between August 14, 2009 and June 11, 2011, Cohen’s family members and affiliates¹⁵ owned between 8% and 18% of the outstanding shares of Natural Blue stock, while Corazzi and his affiliates¹⁶ owned between 2% and 7%. See Div. Ex. 254 (illustrative charts). Corazzi sold many of his shares and realized profits of approximately \$77,500 from those transactions. See Div. Ex. 259; see also Corazzi Answer at 33.

97. The monies paid by Natural Blue to Cohen and Corazzi were substantial, and the profits that they stood to realize from their ownership of Natural Blue were real. Natural Blue was barely a going concern through its entire existence as a public company, and routinely defaulted on its financial obligations to both employees and outside providers. See Div. Ex. 75 (2009 Form 10-K for Natural Blue Resources, filed April 2010, noting that the company’s financial situation “raise[s] substantial doubt about [its] ability to continue as a going concern”); Tr. at 617, 1558, 1563, 1600. Yet time and time again, Cohen and Corazzi managed to get themselves

¹⁴ Ms. Hussain testified that, given the limited documentation, certain payments to Cohen and Corazzi could have been expense reimbursements, see id. at 1388; 1391, but that the bank records revealed that Natural Blue itself paid directly “a large amount of travel-related expenses.” *Id.* at 1418-19. Accordingly, the record reflects that a portion of Cohen and Corazzi’s travel expenses were paid by Natural Blue. See also Div. Ex. 119 (9/21/10 email from Anaya to Corazzi stating that a “number of ‘expenses’ (e.g., some travel) w[ere] paid for separately by NTUR[.]”).

¹⁵ Cohen did not own a single share of Natural Blue stock in his name. See Tr. 1399-1400; Div. Ex. 254 at 2.

¹⁶ While the Division did not attribute the Modaz shares to Corazzi, Corazzi had a personal relationship with Modaz’s President, Jane Bartell – indeed, the name “Modaz” is derived from their nicknames “Mo” (Bartell) and “Daz” (Corazzi). See Div. Ex. 302. If the Division attributed to Corazzi the shares owned by Modaz, Inc. as of August 2009, Corazzi’s percentage ownership as of that date substantially increases. See Div. Ex. 254 at 2. On February 10, 2010, Modaz transferred 1.7 million shares to Corazzi for \$150 (or a fraction of a penny per share). See Div. Exs. 254 at 2; 66 (stock transfer agreement); 259 and 272 (stock transfer records); and Tr. 1424-25.

paid, ultimately earning more than the CEO and President of Natural Blue combined. See Div. Ex. 253 at 1-3 (charts summarizing payments to Cohen, Corazzi, Anaya and Pelosi).

98. Cohen and Corazzi obtained hundreds of thousands in investor funds (the source of more than 90% of Natural Blue's total income) from a company that never generated any revenue. Id. at 1; see also Tr. at 1386-87 (Division accountant's testimony that 0.3%, or approximately \$10,000, of total Natural Blue inflows constituted actual revenue).

CONCLUSIONS OF LAW

I. Cohen and Corazzi Are Liable For Their Fraudulent Scheme To Conceal Their Roles As *De Facto* Officers of Natural Blue

1. Cohen and Corazzi are liable for their fraudulent scheme under Sections 17(a)(1) and 17(a)(3) of the Securities Act. These provisions make it unlawful to employ any device, scheme, or artifice to defraud, or to engage in any transaction, practice, or course of business which operates or would operate as a fraud or deceit upon any purchaser in the offer or sale of securities.¹⁷

2. Establishing scheme liability under Section 17(a)(1) of the Securities Act requires a showing of scienter, which is defined as a state of mind embracing intent to deceive, manipulate, or defraud. Ernst & Ernst v. Hochfelder, 425 U.S. 185, 193-194 n.12 (1976). Scienter “includes recklessness, defined in this context as ‘an extreme departure from the standards of ordinary care . . . to the extent that the danger was either known to the [respondent] or so obvious that the [respondent] must have been aware of it.’” Gregory O. Trautman, Exchange Act Release No. 61167A, 2009 WL 6761741, at *21 (Dec. 15, 2009) (quoting Makor Issues & Rights, Ltd. v. Tellabs Inc., 513 F.3d 702, 704 (7th Cir. 2008)). “Scienter may be inferred from circumstantial evidence.” Brian A. Schmidt, Exchange Act Release No. 45330, 2002 SEC LEXIS 3424, at *31 (Jan. 24, 2002) (relying on Herman & MacLean v. Huddleston, 459 U.S. 375, 390 n.30 (1983)).¹⁸

3. Cohen and Corazzi engaged in a scheme and fraudulent course of business to create and operate Natural Blue as a vehicle for them to control and profit from the company.¹⁹ They

¹⁷ Both Cohen and Corazzi engaged in the offer or sale of securities by, among other things, directly soliciting investors in and exercising control over Natural Blue, the ultimate purpose of which was to issue and induce or attempt to induce the purchase or sale of Natural Blue securities. See Findings of Fact ¶¶ 36, 55(a).

¹⁸ Because Cohen and Corazzi violated the provisions of the Securities Act providing for scheme liability, and their fraudulent conduct went well beyond misrepresentations and omissions, the issue of whether they are “makers” of statements under Janus Capital Group, Inc. v. First Derivative Traders, 131 S. Ct. 2296, 2302 (2011) is not relevant here. Further, with respect to scheme liability, the Commission has stated that “The three main subdivisions of [Securities Act] Section 17 and [Exchange Act] Rule 10b-5 have been considered to be mutually supporting rather than mutually exclusive.” Cady Roberts & Co., 40 S.E.C. 907, 913 (1961); Cf. U.S. v. Naftalin, 441 U.S. 768, 774 (1979) (“Each succeeding prohibition [in Section 17(a)] is meant to cover additional kinds of illegalities – not narrow the reach of the prior sections.”). These actions went beyond misrepresentations and omissions. See SEC v. Kovzan, 2013 WL 5651401 (D. Kan. Oct. 15, 2013) (on summary judgment motion, following appellate rulings that plaintiff must show evidence of deceptive acts beyond misrepresentations and finding that it had done so); SEC v. Alternative Green Tech., Inc., 11-cv-9056, slip op. at 5 (S.D.N.Y. Sept. 24, 2012) (where complaint specifically alleges “inherently deceptive” conduct in addition to misrepresentations, scheme liability may be invoked); SEC v. Brown, 878 F. Supp. 2d 109, 117 (D.D.C. 2012) (where officer alleged to have taken affirmative steps to ensure that records concealed omissions in corporate filings, such acts construed as deceptive conduct to satisfy requirement of scheme liability).

¹⁹ While the OIP alleges that the Respondents’ scheme began when Natural Blue became public, the OIP also explicates the conduct in which Cohen and Corazzi engaged in furtherance of the scheme prior to the reverse merger. This Court has already ruled that before-time evidence is admissible in this case. See Tr. 780-81; See City of Anaheim, Exchange Act Release No. 42140, 1999 SEC LEXIS 2421, at *4 (Nov. 16, 1999). Moreover, such evidence is directly relevant as to both the fraudulent scheme itself and the Respondents’ scienter. See David Montanino, Release No. 1961, 2014 SEC LEXIS 4086 at *2 (Oct. 30, 2014) (admitting evidence of conduct prior to

concealed their roles as *de facto* officers and their past criminal and regulatory violations from potential investors. From the creation of Natural Blue through its business relationship with Atlantic, Cohen and Corazzi acted as high-level officers of the company while calling themselves “consultants” to hide their past violations and mislead investors. They were able to profit through “consulting” contracts and other payments for failed efforts during a time when the company had virtually no revenue.

4. Both Cohen and Corazzi knew or were reckless in not knowing that they committed deceptive acts in furtherance of a fraudulent scheme. Had Cohen and Corazzi’s identities and roles been properly disclosed, their disciplinary histories also would have had to be disclosed and otherwise would have been readily discoverable.

II. Cohen And Corazzi Were De Facto Officers Of Natural Blue

A. De Facto Officers Perform Policy-Making Functions Of Corporate Officers

5. In order to determine whether one is serving as an officer of a public company, courts look beyond the corporate title to the individual’s functional role with the company, including the person’s duties, responsibilities, and level of influence over company policy and affairs. See SEC v. Prince, 942 F. Supp. 2d 108, 133-34 (D.C. 2013) (“functional, fact-intensive analysis of an alleged officer’s duties and responsibilities, adopted by the Second, Fourth, Sixth, and Ninth Circuits, is a fair and reasonable approach” in determining whether one is a *de facto* officer); SEC v. Solucorp Industries, Ltd., 274 F. Supp. 2d 379, 382-87 (S.D.N.Y. 2003) (individual “consultant” was an officer because he performed a policymaking function and duties analogous to those of an officer); SEC v. Enterprises Solutions, 142 F. Supp. 2d 561, 574 (S.D.N.Y. 2001) (executive officers include “not only those formally designated as such, but also any person who performs a similar role for the company”); CRA Realty Corp. v. Crotty, 878 F.2d 562, 563 (2d Cir. 1989) (employee’s functions, rather than title, determine whether he is an officer). See also Wolf v. Weinstein, 372 U.S. 633 n.19 (1963) (observing that in the context of Section 16(b), “it is clear that a determination of who is a corporate ‘officer’ within the meaning of the statute requires a flexible assessment of particular powers and responsibilities rather than a rigid rule of thumb.”).

6. Companies are not permitted to “hide a significant figure in the management of a company” behind a vague title, such as “consultant.” Enterprises Solutions, 142 F. Supp. 2d at 574. See also U.S. Diagnostic Inc., S.E.C. Release No. 7928, 2000 WL 1920604, at *4 (Dec. 20, 2000) (citing CRA. Realty Corp. v. Crotty, 878 F.2d at 563 and noting that company “cannot avoid liability by characterizing [defendant] as a ‘consultant’ while allowing him to function as an officer).

7. Regulations promulgated under the Exchange Act define the “officer” title and are, thus,

statute of limitations and ruling that if relevant such “acts... may be considered to establish [Respondent’s] motive, intent, or knowledge with respect to violations that are alleged to have occurred within the statute of limitations.”) Cf., Fed. R. Evid. 404(b) (“evidence of a crime, wrong, or other act is ... admissible [to prove] motive, opportunity, intent, preparation, plan, knowledge, identity, absence of mistake, or lack of accident.”)

instructive in identifying the various functions of corporate officers for purposes of determining *de facto* officer status. See *Prince*, 942 F. Supp. 2d at 133. Exchange Act Rule 3b-7 defines an “executive officer” as a company’s “president, any vice president . . . in charge of a principal business unit, division or function . . . , any other officer who performs a policy making function or any other person who performs similar policy making functions for the registrant.” 17 C.F.R. § 240.3b-7. Similarly, Exchange Act Rule 16a-1 defines an “officer” to include a company’s “president, principal financial officer, principal accounting officer . . . , any vice-president of the issuer in charge of a principal business unit, division or function . . . , any other officer who performs a policy-making function, or any other person who performs similar policy-making functions of the issuer.” 17 C.F.R. § 240.16a-1(f).

8. Cohen and Corazzi each functioned as a *de facto* officer of Natural Blue, as that role is defined by Exchange Act Rules 3b-7 and 16a-1 and as that role is described in the above-referenced cases. They performed policy-making functions similar to corporate presidents, chief executive officers, vice presidents in charge of principal business units or divisions, chief financial officers, chief operating officers, chief information technology officers, officers overseeing a particular business unit or division, and other personnel typically tasked with policy-making functions.²⁰

B. Cohen and Corazzi Exercised Policy-Making Functions Of Various Types Of Public Company Officers

9. In reaching the legal conclusion that Cohen and Corazzi acted as *de facto* officers of Natural Blue and exercised policy-making functions of officers with respect to Natural Blue, the testimony of Professor Robert M. Daines, an expert in corporate governance, is compelling. Professor Daines described generally the functions of various public company corporate officers. Specifically, applying principles of economics, Professor Daines identified factors that can be used in determining whether one has stepped into the shoes of a corporate officer, such as a public company chief executive officer (“CEO”), president, chief operating officer (“COO”), chief financial officer (“CFO”), chief information technology officer (“CIO”), and other officers (such as vice presidents) in charge of business units or divisions.

10. The same factors identified by Professor Daines can be used to assess whether one is fulfilling the policy-making functions of corporate officers and thus meets the legal standard for *de facto* officer status. According to Professor Daines:

²⁰ The Court in *Prince* concluded that the defendant did not have sufficient control over the subject company to be deemed to have exercised the policy-making function of a typical public company president. See *Prince*, 942 F. Supp. 2d at 134-35. However, the Court noted that it was not reaching the issue of whether the defendant had exercised the policy-making functions of other types of corporate officers, such as subordinate officers who are responsible for smaller business units, because the Division had not made that allegation. See *id.* at 135 n.13. It should be noted that *Prince* is distinguishable from this case both because (i) Cohen and Corazzi exercised significantly more authority and control over Natural Blue than did the defendant in *Prince* over his company, and (ii) the Division here has demonstrated that Cohen and Corazzi performed the policy-making functions not only of a public company president, but also that of other types of officers, including subordinate officers overseeing particular business units or divisions.

- Chief Executive Officers are “hired to run the firm’s business on shareholders’ behalf and the Board monitors and advises the CEO in that task The CEO . . . is responsible for the firm’s operations and strategy and for managing the firm’s senior executives.” Daines Direct Testimony (“Daines Dir.”) at 9;
- Chief Operating Officers are “typically responsible for the day to day internal operations of their company” Daines Dir. at 10;
- Chief Financial Officers are “typically responsible for the books and records and official financial statements of the company, interacts with the audit committee of the Board of Directors and with the company’s independent auditors. The Chief Financial Officer of a public company generally oversees the treasury functions of the corporation and the company’s key financial decisions.” Daines Dir. at 10;
- Chief Information Officers are “typically responsible for the decisions and strategy surrounding the company’s product technology or technology infrastructure.” Daines Dir. at 11; and
- other officers who are subordinate to a company’s CEO (*e.g.*, a vice president), but nevertheless have responsibility for a discrete business division or unit, serve the “same economic function within that smaller sphere” Tr. 1463. Such officers “may have some discretion over a particular area or subdivision or subsidiary [a]nd the ability . . . to supervise the ongoing operations of one division or subsidiary.” *Id.*

11. As set forth in the Findings of Fact, Cohen and Corazzi assumed responsibility for Natural Blue’s operations and engineered most, if not all, significant strategic plans and actions by the company, including the reverse merger with Datameg, capital raises and other solicitation of investors, the transaction with Atlantic resulting in a change of corporate management, and the ouster of Pelosi, Natural Blue’s then-President and director. See Findings of Fact ¶¶ 22, 55(a)-(e), 56-60, 66. They exercised control over Natural Blue’s senior executives, including the CEO (Anaya), whom Corazzi recruited, and the CFO (Cruickshank), who was hired by Cohen. See Findings of Fact ¶¶ 55(c), 56-57.

12. Throughout their association with Natural Blue, Cohen and Corazzi assumed responsibility for the company’s day to day internal operations. See Findings of Fact ¶¶ 22, 55(a)-(e), 56-60, 66. Cohen, in particular, had dominion over Natural Blue’s books and records, directed Natural Blue’s auditor, and worked extensively on the company’s financial statements and other disclosures in its annual and quarterly reports. See Findings of Fact ¶¶ 55(d)-(e). Corazzi too exerted control over Natural Blue’s financial statements. Vuksich’s testimony and billing records (Div. Ex. 69) reveal Corazzi and Cohen’s deep involvement in the preparation of the company’s Forms 10-K and 10-Q. See Findings of Fact ¶¶ 58. Natural Blue’s CFO, Walter Cruickshank, testified that Corazzi angrily pressured him to finalize the filings and to cease working on other matters. See Findings of Fact ¶¶ 58 n.9. Cohen also directed Natural Blue’s

investments in particular companies and oversaw its financial affairs, including approving invoices as part of company policy. See Findings of Fact ¶¶ 55(d)-(e). Among other conduct, Corazzi managed Natural Blue's website. See Findings of Fact ¶¶ 22. He also initiated and negotiated (with Cohen) the Atlantic deal, which resulted in the issuance of 35 million shares to Atlantic and its designees and the resignations of Natural Blue's directors and officers. See Findings of Fact ¶¶ 21, 22, 55(b). And both Cohen and Corazzi formally managed Natural Blue Steel, a Natural Blue subsidiary, as well as exercised control and authority over other discrete business areas such as acquisitions and investor relations. See Findings of Fact ¶¶ 55(b).

13. Cohen and Corazzi engaged in conduct even exceeding the typical authority of a CEO or president, often assuming the functional roles of typical directors as well. As Professor Daines testified, board members set and communicate the firm's priorities and strategic plans, evaluate management performance and compensation, approve mergers or major corporate transactions, hire and fire executive officers, and recruit directors. Cohen and Corazzi engaged in all of this conduct on behalf of Natural Blue. See Findings of Fact ¶¶ 55(a)-(e).

14. Accordingly, Cohen and Corazzi served as *de facto* officers of Natural Blue because they exercised policy-making functions similar to that of a public company CEO, president, COO, CFO, CIO, or other officer overseeing a business unit or division.

III. The Sham Consultant Agreements Orchestrated By Cohen and Corazzi Shielded Cohen's Criminal History and Corazzi's Disciplinary History From the Investing Public

15. The Securities Act of 1933 imposes a number of obligations on public companies and individuals who serve as officers and directors. Where, as here, a public company registers securities pursuant to the Securities Act, the company must file with the Commission the same reports and other information required of companies that register securities under Section 12 of the Exchange Act. See Exchange Act Section 15(d)(1), 15 U.S.C. § 78o(d)(1).²¹

16. Among the required filings are annual reports on Forms 10-K, which must contain specific types of information that are deemed relevant to the investing public. See Exchange Act Section 13(a)(2), 15 U.S.C. 78m(a)(2); Regulation S-K, Item 401(b), (e)(1), and (f); 17 C.F.R. § 229.401(b), (e)(1), and (f). For example, annual reports must include the identity of all "executive officers" and describe their business experience. Regulation S-K, Item 401(b) and (e)(1); 17 C.F.R. § 229.401(b) and (e)(1). Annual reports also must disclose certain legal proceedings involving executive officers and directors and occurring within the prior 10 years

²¹ Beginning in September 1999, Datameg's securities were registered pursuant to Section 12 of the Exchange Act, 15 U.S.C. § 78l, and the company made periodic filings with the Commission in accordance with Section 13(a), 15 U.S.C. § 78m(a). See Form 10-K filed with the Commission on September 28, 1999, sec.edgar.gov. In August 2004, Datameg withdrew its securities registration by filing a Form 15. See Form 15, filed with the Commission on August 31, 2004, sec.edgar.gov. Thereafter, Datameg, subsequently Natural Blue, was required to continue making periodic filings pursuant to Exchange Act Section 15(d) and to continue to comply with the applicable disclosure requirements, because its securities had been registered pursuant to the Securities Act. See Section 15(d) of the Exchange Act, 15 U.S.C. § 78o(d).

that are “material to an evaluation of the ability or integrity” of the directors and officers. See Regulation S-K, Item 401(f); 17 C.F.R. 229.401(f).²²

17. Natural Blue’s annual report on Form 10-K for the year ended December 31, 2009 was the first (and last) annual report filed by the company after its reverse merger. It should have disclosed Cohen’s role as a (*de facto*) officer and his criminal conviction, which occurred within the prior 10 years of its filing. See Findings of Fact ¶ 16. Corazzi’s role as a *de facto* officer also should have been disclosed, which immediately would have revealed him to be in violation of his permanent officer and director bar.

18. Although public companies are not required, as a general matter, to identify officers and disclose their backgrounds in Forms 10-Q, such disclosures were required here in order to make other statements in Natural Blue’s Forms 10-Q not misleading. Once a party makes a disclosure, even if it is one that it had no duty to make, there is a duty to disclose all information necessary to make the statement not misleading, including information that would not otherwise have been required to be disclosed. See *Caiola v. Citibank, N.A.*, 295 F.3d 312, 331(2d Cir. 2002) (when a party speaks, it has a “duty to be both accurate and complete”); *Ellenburg v. JA Solar Holdings Co.*, No. 08 Civ. 10475, 2010 U.S. Dist. LEXIS 49220 (S.D.N.Y. May 17, 2010) (once the CFO disclosed the substance of a financial transaction, a duty to fully disclose all the risks arose, even though there was no duty to disclose the transaction in the first place); *In re Bristol Myers Squibb Co. Sec. Litig.*, 586 F. Supp. 2d 148, 160 (S.D.N.Y. 2008) (“[E]ven an entirely truthful statement may provide a basis for liability if material omissions related to the content of the statement make it . . . materially misleading.”).

19. Natural Blue’s 2009 Form 10-K and Forms 10-Q for the first three quarters of 2010 disclose that, in November 2009, Natural Blue entered into the Management Agreement and the Advisory Agreement with JEC. See Findings of Fact ¶ 18.²³ However, the filings state only that JEC “is owned by one of our shareholders and the shareholder is related to one of our consultants.” See Findings of Fact ¶ 18. They do not name either Cohen or Corazzi as officers or disclose their past criminal and regulatory violations. Id. The JEC contract with Natural Blue involved both Cohen and Corazzi and thus by mentioning JEC in the filings but failing to disclose anything further about Cohen and Corazzi, the filings were materially misleading. An investor reading the filings would not have understood that the so-called “consultants” at JEC Corp. actually helped to run Natural Blue as *de facto* officers. Second, an investor reading the filings had no way of knowing that these so-called consultants, actually *de facto* officers, were respectively, a convicted felon (Cohen) and a former defendant in a Commission enforcement

²² On December 16, 2009, the Commission adopted an amendment to Item 401(f) of Regulation S-K that changed the time period for disclosing prior legal proceedings concerning public company officers and directors. See Proxy Disclosure Enhancements, §II.E., SEC Release No. 33-9089 (December 16, 2009). The amendment became effective on February 28, 2010, prior to the filing date of Natural Blue’s 2009 Form 10-K, and increased the disclosure period from 5 years to 10 years. See id.; C.F.R. 229.401.

²³ Natural Blue’s last periodic report was a Form 10-Q for the quarterly period ended September 30, 2010, filed in November 2010 and amended in February 2011. The company is now delinquent as to its Form 10-K for the year ended December 31, 2010, and all subsequent periodic reports.

action barred from serving as an officer or director of a public company (Corazzi).²⁴ Although Item 401 of Schedule S-K only applies to Forms 10-K, disclosure of the roles and backgrounds of Cohen and Corazzi was required in the 10-Q Forms, as well as the Form 10-K, in order to render the statements about JEC Corp. not misleading.

20. Affirmative disclosure obligations aside, as a practical matter Corazzi could not have been acknowledged as an officer because he was statutorily precluded from serving as an officer or director of a public company. Further, mere identification of Corazzi and Cohen as officers likely would have led to the discovery of their pasts. Both Cohen and Corazzi's backgrounds are readily discoverable through easy internet searches. Vuksich testified, for example, that he had little difficulty locating Cohen's broker-dealer bar and criminal history on the internet. See Findings of Fact ¶ 48. As for Corazzi, the SEC's case (including the officer and director bar) against him was announced by the Commission in an October 9, 2002 litigation release and, thereby made widely available to investors.²⁵

21. Under Rule 201 of the Federal Rules of Evidence and judicial precedent, this Court may take judicial notice of the fact that internet searches reveal Cohen's prior conviction and Corazzi's officer and director bar. See Fed. R. Evid. 201 (court may take judicial notice at any stage of the proceeding if the noticed fact can be accurately and readily determined from sources whose accuracy cannot reasonably be questioned); Pahls v. Thomas, 718 F.3d 1210, 1216 n. 1 (10th Cir.2013) (taking judicial notice of a map provided by Google); Citizens for Peace in Space v. City of Colorado Springs, 477 F.3d 1212, 1218 n. 2 (10th Cir.2007) (taking judicial notice of distance calculation which relied on information provided by Google); Access 4 All, Inc. v. Boardwalk Regency Corp., No. Civ. A. 08-3817 RMB, 2010 WL 4860565, at *6 n. 13 (D.N.J. Nov. 23, 2010) (taking judicial notice of information obtained from Google); Southern Grouts & Mortars, Inc. v. 3M Co., No. 07-61388-CIV, 2008 WL 4346798, at *16 (S.D. Fla. Sept. 17, 2008) (court took judicial notice of the results of an internet search showing registration of domain names).

22. As Cohen and Corazzi unquestionably knew, in light of their prior experience working with public companies, investors and potential investors would have considered it important to know that individuals with histories of criminal or regulatory violations had a critical role in managing a public company. See Enterprises Solutions, 142 F.Supp.2d at 574 ("A company cannot lawfully hide a significant figure in the management of the company behind the vague title 'consultant.' [Defendant's] activities ... were sufficiently similar to the duties of an officer or director ... that his involvement, along with his history of criminal and regulatory violations, ought to have been disclosed."); see also US Diagnostic Inc., Securities Act Release No. 7928, 2000 WL 1920604, at *4 (Dec. 20, 2000) (company "cannot avoid liability by characterizing [defendant] as a 'consultant' while allowing him to function as an officer").

²⁴ Notably, Natural Blue's filings were entirely silent about the other significant advisory contract between JEC Corp and Natural Blue.

²⁵ The 12th entry resulting from a search on www.google.com for "James E. Cohen" during the years 2000 through 2012 reveals information about Cohen's criminal conviction for financial fraud. The first two of three entries resulting from a Google search for "Joseph A. Corazzi" during the same time period pertain to the SEC lawsuit against Corazzi in which he was permanently barred from serving as an officer or director of a public company.

23. Cohen and Corazzi deliberately avoided official titles at Natural Blue in an effort to prevent public disclosure of their central roles with the company. They knew that if they became officers or directors of Natural Blue they would have to be identified as such, which would have triggered additional disclosures about Cohen's disciplinary history and would otherwise easily have led to the discovery of both of their pasts. To avoid that fate, Cohen and Corazzi hid behind "consultant" agreements while nonetheless functioning as Natural Blue's senior management.

RELIEF

I. Cease-and-Desist Order

24. Section 8A of the Securities Act authorizes the Commission to issue a cease-and-desist order against a person who "is violating, has violated, or is about to violate" any provision of those Acts or rules thereunder. In deciding whether to issue a cease-and-desist order, courts consider: (1) whether future violations are reasonably likely; (2) the seriousness of the violations at issue; (3) whether the violations are isolated or recurrent; (4) respondents' state of mind; (5) whether respondents recognizes the wrongful nature of their conduct; (6) the recency of the violations; (7) "whether the violations caused harm to investors or the marketplace"; (8) "whether [respondents] will have the opportunity to commit future violations"; and (9) the "remedial function [a] cease-and-desist order would serve in the overall context of any other sanctions sought in the same proceeding." Gordon Brent Pierce, Securities Act Release No. 9555, 2014 SEC LEXIS 4544, at *82-83 (Mar. 7, 2014); KPMG Peat Marwick LLP, Exchange Act Release No. 43862, 2001 SEC LEXIS 98, at *101 (Jan. 19, 2001), recon. denied, Exchange Act Release No. 44050, 2001 SEC LEXIS 422 (Mar. 5, 2001), pet. denied, 289 F.3d 109 (D.C. Cir. 2002).

25. "Absent evidence to the contrary," a single past violation ordinarily suffices to establish a risk of future violations. KPMG Peat Marwick LLP, 2001 SEC LEXIS 98, at *102; see id. at 102-03 ("evidence showing that a respondent violated the law once probably also shows a risk of repetition that merits our ordering him to cease and desist"). The showing necessary to demonstrate the likelihood of future violations is "significantly less than that required for an injunction." Id. at *114.

26. Here, a cease-and-desist order is necessary and appropriate. Cohen and Corazzi are repeat offenders who have shown no appreciation for the wrongfulness of their conduct. They deliberately set out to thwart investors' discovery of their disciplinary histories by concealing their central roles with Natural Blue. Cohen and Corazzi clearly understood that the investing public likely would be repelled by their pasts if it knew the truth. Many victims lost their investments in Natural Blue, which failed as a going concern, while Cohen and Corazzi reaped the vast majority of the compensation paid out by the company.

27. Accordingly, the Court will order Cohen and Corazzi to cease and desist from committing or causing violations of Securities Act Section 17(a).

II. Disgorgement

28. Section 8A(e) of the Securities Act authorizes the Commission to order disgorgement, including reasonable interest, in any cease-and-desist proceedings and proceedings in which it may impose civil penalties. *See* 15 U.S.C. §§ 77h-1(e) and 78u-3(e). Disgorgement is an equitable remedy designed to deprive wrongdoers of their unjust enrichment and to deter others from violating the securities laws by making violation unprofitable. SEC v. Huffman, 996 F.2d 800, 802 (5th Cir. 1993); SEC v. First City Fin. Corp., Ltd., 890 F.2d 1215, 1230-31 (D.C. Cir. 1989); Trautman, 2009 WL 6761741 at *21 (Dec. 15, 2009).

29. The amount of disgorgement ordered “need only be a reasonable approximation of profits causally connected to the violation.” Montford & Co., Advisors Act Release No. 3829, 2014 SEC LEXIS 1529, at *94 (May 2, 2014) (internal quotation marks omitted). The Division need only show but-for causation between a defendant’s violations and profits. *See* SEC v. Teo, 746 F.3d 90, 105-07 (3d Cir. 2014). At that point, “the burden shifts to the respondent to show that the amount of disgorgement is not a reasonable approximation.” *Id.* It is thus the case that “[t]he risk of uncertainty in calculating disgorgement . . . fall[s] on the wrongdoer whose illegal conduct created that uncertainty.” *Id.* (internal quotation marks omitted).

30. From May 22, 2009 through March 2011, Cohen and JEC Corp., which is controlled by Cohen, received \$189,188 in payments from Natural Blue. *See* Hearing Tr. Vol. VI at 1388-91; Division Ex. 253. Corazzi, CA Capital Associates, and Izzaroc LLC, companies that Corazzi controlled or in which he had a beneficial interest, received \$251,720 in payments from Natural Blue. *See* Division Ex. 253.

31. These payments, which were made pursuant to Cohen and Corazzi’s spurious consulting agreements with Natural Blue, were the direct result of Cohen and Corazzi’s fraudulent scheme to operate and control Natural Blue while concealing from the investing public the nature and extent of their involvement.

32. The Division, at a minimum, has offered a reasonable approximation of Cohen and Corazzi’s ill-gotten gains. Natural Blue’s payments to Cohen and Corazzi were calculated by Division staff accountant Sofia Hussain, who testified at trial about her work on this matter. Ms. Hussain explained that she identified two Natural Blue bank accounts in the investigative record. *See* Hearing Tr. Vol. VI at 1384; Division Ex. 258. She reviewed every transaction reflected in the bank accounts and calculated the total payments to Cohen and JEC Corp., and to Corazzi, CA Capital Associates, and Izzaroc. *See id.* at 1385-88. Ms. Hussain acknowledged that some of the payments may have been expense reimbursements, *see id.* at 1388; 1391, but also noted that Natural Blue itself paid directly to vendors “a large amount of travel-related expenses.” *Id.* at 1418-19. It is thus likely that much of Cohen and Corazzi’s travel costs and related expenses were paid by Natural Blue rather than by Cohen and Corazzi themselves. *See, e.g.*, Division Ex. 119 (September 21, 2010 email from Anaya to Corazzi stating that a “number of ‘expenses’ (e.g., some travel) was paid for separately by NTUR . . .”). Although it was their burden to rebut the Division’s evidence, Cohen and Corazzi did not do so.

II. Prejudgment Interest

33. “Prejudgment interest shall be due on any sum required to be paid pursuant to an order of disgorgement.” Rules of Practice Rule 600(a). “Prejudgment interest, like disgorgement, prevents a defendant from profiting from his securities violations.” SEC. Moran, 944 F. Supp. 286, 295 (S.D.N.Y. 1996); SEC v. Cross Fin. Servs., 908 F. Supp. 718, 734 (C.D. Cal. 1995). The amount of prejudgment interest shall be computed at the IRS underpayment rate set forth at 26 U.S.C. § 6621(a)(2). See J.W. Barclay & Co., Inc., Release No. 239, 81 SEC Docket 1156, 2003 WL 22415736, at *42 (Oct. 23, 2003) (citing same); see also SEC v. First Jersey, 101 F.3d 1450, 1476 (2d Cir. 1996) (applying same rate).

III. Civil Penalty

34. Section 8A(g) of the Securities Act authorizes the Commission to impose civil monetary penalties against any person where such penalties are in the public interest and the person has violated certain provisions of the securities laws. See 15 U.S.C § 77h-1(g).

35. Six factors may be considered in determining whether a penalty is in the public interest. These include: (1) whether the violation involved fraud, deceit, manipulation, or deliberate or reckless disregard of a regulatory requirement; (2) the resulting harm to other persons; (3) any unjust enrichment and prior restitution; (4) the respondent’s prior regulatory record; (5) the need to deter the respondent and other persons; and (6) such other matters as justice may require. See 15 U.S.C. § 77h-1(g).

36. There is a three-tiered system for determining the maximum civil penalty for each violation. See 15 U.S.C. §§ 77h-1(g). For the time period at issue, the maximum first, second, and third-tier penalty for each violation for a natural person is \$7,500, \$75,000 and \$150,000, respectively. See 15 U.S.C. §§ 77h-1(g); 17 C.F.R. § 201.1004 & Subpt. E, Table IV (adjusting the statutory amounts for inflation). A maximum third-tier penalty is appropriate where (1) the violations involved fraud, deceit, manipulation, or deliberate or reckless disregard of a regulatory requirement; and (2) such acts or omissions directly or indirectly resulted in substantial losses or created a significant risk of substantial losses to other persons or resulted in substantial pecuniary gain to the person who committed the acts or omissions. See 15 U.S.C. § 77h-1(g)(2)(C).

37. The imposition of a maximum third-tier penalty is warranted in this case. A civil penalty is needed to deter Cohen and Corazzi’s future violations of law and is in the public interest. Cohen and Corazzi are recidivists with serious disciplinary histories. Here, they acted with a high degree of scienter, concealing their roles with Natural Blue because they knew they could not openly run the company as officers. As Natural Blue’s supposed “consultants,” they received the vast majority of the company’s payments to its personnel and held large amounts of its stock, ultimately enriching themselves at the expense of investors.

IV. Permanent Officer and Director Bar

38. Securities Act 8A(f) authorizes the Commission to bar any person who violates the Act from acting as an officer or director of any issuer that has a class of securities registered pursuant

to Section 12 of the Exchange Act or that is required to file reports under Section 15(d) of that Act (hereinafter "public company"). See 15 U.S.C § 77h-1(f).

39. A permanent bar is warranted here. In addition to the other reasons set forth above justifying the relief requested by the Division, Cohen and Corazzi's recidivism militates strongly in favor of ordering a permanent bar. Corazzi was previously been barred permanently by the Commission from serving as an officer or director of a public company, a sanction that he flouted through his conduct with respect to Natural Blue. As a result of Corazzi's violation of the prior bar, as well as Cohen's criminal history, the Court deems it necessary to permanently bar both Cohen and Corazzi from serving as public company officers or directors.

Respectfully submitted,

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