



UNITED STATES
SECURITIES AND EXCHANGE COMMISSION

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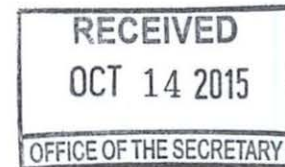
DIVISION OF ENFORCEMENT

Rua M. Kelly
Senior Trial Counsel
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October 13, 2015

By Fax and Overnight Delivery

Mr. Brent Fields
Office of the Secretary
Securities & Exchange Commission
100 F Street, N.E.
Washington DC 20549



Re: *In the Matter of Natural Blue Resources, Inc., James E. Cohen, and
Joseph Corazzi, Respondents*
Administrative Proceeding File No. 3-15974

Dear Secretary Fields:

Enclosed for filing, please find an original and three copies of the Division's Cross
Petition for Review.

Very truly yours,

Rua M. Kelly
Senior Trial Counsel

cc: Honorable Carol Fox Foelak (by electronic mail)
Maranda Fritz (counsel for Respondent Cohen) (by electronic and overnight mail)
Joseph Corazzi, *Pro Se* (by electronic mail)

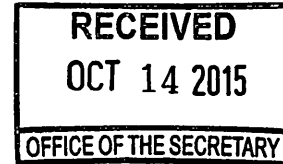
UNITED STATES OF AMERICA
Before the
SECURITIES AND EXCHANGE COMMISSION

ADMINISTRATIVE PROCEEDING
File No. 3-15974

In the Matter of

JAMES E. COHEN and
JOSEPH A. CORAZZI,

Respondents.



DIVISION OF ENFORCEMENT'S CROSS-PETITION FOR REVIEW

Rua M. Kelly
Senior Trial Counsel

Mayeti Gametchu
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Pursuant to the Commission's Rule of Practice 410(b), the Division of Enforcement ("Division") hereby cross-petitions the Commission for review of the Initial Decision rendered by Administrative Law Judge Carol Fox Foelak in the above-captioned proceeding ("Initial Decision") on August 18, 2015.

The Division seeks review under Rule of Practice 411(b)(2)(ii) of the civil penalties that were ordered against Respondents James E. Cohen ("Cohen") and Joseph A. Corazzi ("Corazzi").¹ The Division seeks review of the law judge's imposition of a second-tier penalty against each Respondent and urges the Commission to increase the penalty to the maximum third-tier amount for each Respondent. Third-tier penalties are appropriate in this case, given both the egregious nature of Respondents' fraud, and the risk of substantial losses to investors posed by the years-long scheme that they perpetrated at Natural Blue Resources ("Natural Blue"). The investors in Natural Blue – as established by the testimony and exhibits at the seven-day administrative hearing – would never have put their money into Natural Blue had they known the truth about Cohen and Corazzi's backgrounds and their undisclosed control over the company. Virtually all of the investors lost money – in some cases thousands, in other cases hundreds of thousands of dollars. The imposition of a second-tier penalty fails to recognize that not only was there a substantial risk of investor losses, there were real investor losses, since the Natural Blue investors would not have invested in the company if they knew the truth about Cohen and Corazzi's backgrounds and their status as *de facto* officers.

Moreover, the \$75,000 second-tier penalty amount for each Respondent is inconsistent with the law judge's findings in support of the equitable remedies imposed against Cohen and Corazzi. In her Initial Decision, Judge Foelak imposed a cease-and-desist order against the Respondents as well as permanent officer/director bars. In awarding these sanctions, the Court

¹ Respondent Cohen filed a Petition for Review on October 2, 2015; Respondent Corazzi (proceeding *pro se*) notified the Secretary's Office of his intention to join Cohen's Petition for Review via e-mail correspondence.

found that the “Respondents’ conduct was egregious and recurrent” and that the fraudulent scheme continued “for approximately two years.” Initial Decision at 32. Furthermore, the Court found the Respondents acted “with scienter and awareness of the deceptive and manipulative nature of their conduct” and set forth each Respondent’s “history of misconduct and recidivism in the securities industry” – describing each of the Respondents as a “danger to investors.” Initial Decision at 34.

In determining whether a penalty is in the public interest, the Court must consider six factors: (1) fraud; (2) harm to others; (3) unjust enrichment; (4) prior violations; (5) need for deterrence; and (6) such other matters as justice may require. *See* Exchange Act, §21B(c). In this case, all six factors militate in favor of a substantial civil penalty. Accordingly, the Division contends that a second-tier penalty is insufficient and that a maximum third-tier penalty is in the public interest, as reflected by the factual and legal findings of the Court.

In addition, the Division seeks review under Rule of Practice 411(b)(2)(ii) of the law judge’s decision not to award disgorgement against either Respondent. The Division submits that the testimony and the exhibits introduced at the administrative hearing provided a reasonable approximation for the Court of the amounts constituting unjust enrichment, which, at the very least, shifted the burden to the Respondents to show that the disgorgement figure was unreasonable.

As an initial matter, the Division’s evidence clearly showed that Respondent Corazzi made \$77,000 in proceeds from the sale of Natural Blue stock – stock that he obtained through his “consulting” agreement with Natural Blue. The Division submits that it is an odd and anomalous result to permit Corazzi to keep the profits from selling stock that he never would have obtained but for his scheme to control Natural Blue— a scheme conceived of in part to evade his statutory bar from serving as an officer or director of a public company. Second, the

Division's evidence – including bank records, transfer agent records, and the testimony of accountant Sofia Hussain – established that Corazzi (through entities that he controlled) was paid \$251,720 by Natural Blue and that Cohen was paid \$189,188 by Natural Blue, even excluding monies paid to another company that Cohen controlled (Blue Earth Solutions) (“Blue Earth”). Ms. Hussain testified that the bank records reflected that \$146,600 was paid to Cohen through his entity JEC Corporation, and another \$42,588 to Cohen personally.

In light of the reasonable approximation of ill-gotten gains provided by the Division, the law judge erred in failing to award disgorgement or, at the very least requiring the Respondents to rebut the Division's evidence. The law does not require precision in determining the proper amount of disgorgement. As the D.C. Circuit Court of Appeals has explained:

If exact information were obtainable at negligible cost, we would not hesitate to impose upon the government a strict burden to produce that data to measure the precise amount of the ill-gotten gains. Unfortunately, we encounter imprecision and imperfect information ... Rules for calculating disgorgement must recognize that separating legal from illegal profits exactly may at times be a near-impossible task.

SEC v. First City Fin. Corp., Ltd., 890 F.2d 1215, 1231 (D.C. Cir. 1989).

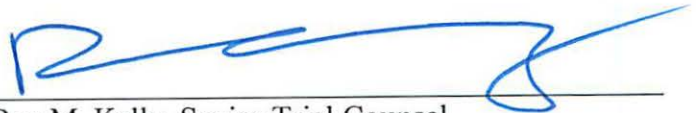
The absence of disgorgement in this case not only holds the Division to an unrealistically high burden of proof, but reduces the deterrent effect, by permitting Respondents to keep illicit profits from their fraudulent scheme. At a minimum, the Court should have found that the Division provided a reasonable approximation, and permitted the Respondents to rebut that evidence.

Accordingly, the Division petitions the Commission to recalculate the penalties against the Respondents, and impose maximum third-tier penalties against Respondents Cohen and Corazzi, and to order disgorgement of ill-gotten gains by both Respondents Cohen and Corazzi.

Respectfully submitted,

DIVISION OF ENFORCEMENT

By its attorneys,



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Dated: October 13, 2015

Certificate of Service

I certify that on October 13, 2015, in addition to filing the same with the Secretary of the Commission, I caused true and correct copies of the foregoing **Division of Enforcement's Cross-Petition for Review** to be served on the following parties and other persons entitled to notice by electronic delivery to the following addresses:

The Honorable Carol Fox Foelak
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