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UNITED STATES OF AMERICA
Before the
SECURITIES AND EXCHANGE COMMISSION

ADMINISTRATIVE PROCEEDING
File No. 3-18219

In the Matter of

Sable Natural Resources Corporation,

Respondent.

DIVISION OF ENFORCEMENT'S
MOTION FOR RULING ON THE
PLEADINGS OR, IN THE
ALTERNATIVE, FOR SUMMARY
DISPOSITION, AND BRIEF IN
SUPPORT

MOTION FOR RULING ON THE PLEADINGS
OR, IN THE ALTERNATIVE, FOR SUMMARY DISPOSITION

The Division of Enforcement (“Division”), by counsel, pursuant to Commission Rule of Practice (“Rule of Practice”) 250(a), respectfully moves for a ruling on the pleadings against Sable Natural Resources Corporation (“SNREQ”) because even assuming the truth of SNREQ’s allegations, and drawing all reasonable inferences in SNREQ’S favor, the Division is entitled to an order revoking the registration of each class of SNREQ’s securities registered under Securities Exchange Act of 1934 (“Exchange Act”) Section 12 pursuant to Exchange Act Section 12(j) (“12(j)”) as a matter of law. In the alternative, pursuant to Rules of Practice 154 and 250, the Division moves for summary disposition because there is no genuine issue of material fact, and based on the record herein, the Division is entitled to summary disposition as a matter of law granting the relief described above.

BRIEF IN SUPPORT

I. Facts

SNREQ is a void Delaware corporation located in Dallas, Texas, with a class of securities registered with the Commission pursuant to Exchange Act Section 12(g).

SNREQ has failed to file its periodic reports since it filed a Form 10-Q for the period ended September 30, 2015. As of September 20, 2017, SNREQ's¹ common stock was quoted on OTC Link, had six market makers, and was eligible for the "piggyback" exception of Exchange Act Rule 15c2-11(f)(3). (OIP, ¶ II.A.3).²

II. Argument

This administrative proceeding was instituted under 12(j), which empowers the Commission to either suspend (for a period not exceeding twelve months) or permanently revoke the registration of a class of securities registered under Exchange Act Section 12 if the respondent has failed to comply with any provision of the Exchange Act or the rules and regulations thereunder where it finds that sanction is necessary and appropriate for protection of investors.

A. The Division is Entitled to a Ruling on the Pleadings Against SNREQ for Violations of Exchange Act Section 13(a) and Rules 13a-1 and 13a-13 Thereunder.

Exchange Act Section 13(a) and the rules thereunder require issuers of securities registered under Exchange Act Section 12 to file timely and accurate periodic and other reports with the Commission. Exchange Act Section 13(a) is the cornerstone of the

¹The short form of SNREQ's name is also its stock symbol.

² The Division requests that the Court take official notice of SNREQ's filing history on EDGAR, which is permissible on a motion for a ruling on the pleadings. *Adrian D. Beamish, CPA*, Exchange Act Rel. No. 4504, 2017 SEC LEXIS 47, at *1-*2 (January 6, 2017).

Exchange Act, establishing a system of periodically reporting core information about issuers of securities. The Commission has stated:

Failure to file periodic reports violates a central provision of the Exchange Act. The purpose of the periodic filing requirements is to supply investors with current and accurate financial information about an issuer so that they may make sound decisions. Those requirements are “the primary tool[s] which Congress has fashioned for the protection of investors from negligent, careless, and deliberate misrepresentations in the sale of stock and securities.” Proceedings initiated under [12(j)] are an important remedy to address the problem of publicly traded companies that are delinquent in the filing of their Exchange Act reports, and thereby deprive investors of accurate, complete, and timely information upon which to make informed investment decisions.

Gateway International Holdings, Inc., Securities Exchange Act Rel. No. 53907, 2006 SEC LEXIS 1288 at *26 (May 31, 2006) (quoting *SEC v. Beisinger Indus. Corp.*, 552 F.2d 15, 18 (1st Cir. 1977)).

As explained in the initial decision in the *St. George Metals, Inc.* administrative proceeding:

Section 13(a) of the Exchange Act and the rules promulgated thereunder require issuers of securities registered pursuant to Section 12 of the Exchange Act to file periodic and other reports with the Commission. Exchange Act Rule 13a-1 requires issuers to submit annual reports, and Exchange Act Rule 13a-13 requires issuers to submit quarterly reports. No showing of scienter is necessary to establish a violation of Section 13(a) or the rules thereunder.

St. George Metals, Inc., Initial Decision Rel. No. 298, 2005 SEC LEXIS 2465, at *26 (Sept. 29, 2005); accord *Gateway*, 2006 SEC LEXIS 1288 at *18, *22 n.28; *Stansbury Holdings Corp.*, Initial Decision Rel. No. 232, 2003 SEC LEXIS 1639, at *15 (July 14,

2003); and *WSF Corp.*, Initial Decision Rel. No. 204, 2002 SEC LEXIS 1242 at *14 (May 8, 2002).

The pleadings and EDGAR establish that SNREQ has failed to file its periodic reports since it filed a Form 10-Q for the period ended September 30, 2015. SNREQ concedes this in its Response to the Show Cause Order, filed on November 20, 2017 (“Response³”).

B. Revocation is the Appropriate Sanction for SNREQ’s Serial Violations of Exchange Act Section 13(a) and Rules 13a-1 and 13a-13 Thereunder.

12(j) provides that, where an issuer with a class of securities registered under Exchange Act Section 12 has failed to comply with a provision of the Exchange Act has failed to, the Commission may revoke or suspend the registration of a class of an issuer’s securities where it is “necessary or appropriate for the protection of investors.” The Commission’s determination of which sanction is appropriate “turns on the effect on the investing public, including both current and prospective investors, of the issuer’s violations, on the one hand, and the [12(j)] sanctions on the other hand.” *Gateway*, 2006 SEC LEXIS 1288, at *19-*20. In making this determination, the Commission has said it will consider, among other things: (1) the seriousness of the issuer’s violations; (2) the isolated or recurrent nature of the violations; (3) the degree of culpability involved; (4) the extent of the issuer’s efforts to remedy its past violations and ensure future compliance; and (5) the credibility of the issuer’s assurances against future violations. *Id.*; see also *Steadman v. SEC*, 603 F.2d 1126, 1140 (5th Cir. 1979) (setting forth the public interest factors that informed the Commission’s *Gateway* decision). Although no one factor is controlling, *Stansbury*, 2003 SEC LEXIS 1639, at *14-*15; and *WSF Corp.*,

³ Note that no page references for the Response are included because it is only one page long.

2002 SEC LEXIS 1242 at *5, *18, the Commission has stated that it views the “recurrent failure to file periodic reports as so serious that only a strongly compelling showing with respect to the other factors we consider would justify a lesser sanction than revocation.” *Impax Laboratories, Inc.*, Exchange Act Rel. No. 57864, 2008 SEC LEXIS 1197 at *27 (May 23, 2008). An analysis of the factors above confirms that revocation of SNREQ’s securities is appropriate.

1. SNREQ’S violations are serious and egregious.

As established by the pleadings in this proceeding, SNREQ’S conduct is serious and egregious. SNREQ has not filed any periodic reports since it filed a Form 10-Q for the period ended September 30, 2015. Given the central importance of the reporting requirements imposed by Section 13(a) and the rules thereunder, Administrative Law Judges have found violations of these provisions of the same and of less duration to be egregious, and SNREQ’S violations support an order of revocation for each class of its securities. *See Freedom Golf Corp.*, Initial Decision Release No. 227, 2003 SEC LEXIS 1178, at *5 (May 15, 2003) (respondent’s failure to file periodic reports for less than one year was egregious violation).

2. SNREQ’s violations of Section 13(a) have been not just recurrent, but continuous.

SNREQ has committed multiple, consecutive violations over a period of two years. SNREQ has failed to file any of its periodic reports since the period ended September 30, 2015. According to EDGAR, SNREQ also failed to file any Forms 12b-25 seeking extensions of time to file for any periodic report starting with the one due for the period ended December 31, 2015 through the present. *See Investco, Inc.*, 2003 SEC LEXIS 2792, at *6 (delinquent issuer’s actions were found to be egregious and recurrent

where there was no evidence that any extension to make the filings was sought). SNREQ also failed to file a Form 8-K disclosing its November 11, 2016 bankruptcy filing, as required by Item 1.03(a) of that form. The undisputed serial and continuous nature of SNREQ's violations of Exchange Act Section 13(a) further supports the sanction of revocation here.

3. SNREQ's violations evince a high degree of culpability, further supporting revocation.

For many of the same reasons that SNREQ's violations were long-standing and serious, they suggest a high degree of culpability. In *Gateway*, the Commission stated that, in determining the appropriate sanction in connection with a 12(j) proceeding, one of the factors it will consider is "the degree of culpability involved." The Commission found that the delinquent issuer in *Gateway* "evidenced a high degree of culpability," because it "knew of its reporting obligations, yet failed to file" twenty periodic reports and only filed two Forms 12b-25. *Gateway*, at 10, 2006 SEC LEXIS 1288, at *21. Similar to the respondent in *Gateway*, according to EDGAR, SNREQ has not filed any of its seven required Forms 12b-25 seeking extensions of time to make its periodic filings for any of its delinquent reports for two years. Because SNREQ knew of its reporting obligations and nevertheless failed to file its periodic reports, its required Forms 12b-25 explaining its delinquencies and plans to cure them, and a Form 8-K disclosing its bankruptcy filing, it has shown more than sufficient culpability to support revocation.⁴

⁴ Although the failures to file Forms 12b-25 and the Form 8-K were not alleged in the OIP, the Commission has allowed consideration of uncharged conduct in assessing sanctions in other contexts. *Robert Bruce Lohman*, Exchange Act Rel. No. 48092, 2003 SEC LEXIS 1521 at *17 n.20 (June 26, 2003) (ALJ may properly consider lies told to staff during investigation in assessing sanctions, though they were not charged in the OIP); *Stephen Stout*, Exchange Act Rel. No. 43410, 2000 SEC LEXIS 2119 at *57 & n.64. (Oct. 4, 2000) (respondent's subsequent conduct in creation of arbitration scheme, which was not charged in OIP, found to be relevant in determining whether bar was appropriate); and *Joseph P. Barbato*, Exchange Act Rel. No. 41034, 1999 SEC LEXIS 276 at *49-*50 (Feb. 10, 1999) (respondent's conduct in

4. SNREQ has made no efforts to remedy its continuing violations

SNREQ has failed to remedy its continuing violations by, for example, filing any of its delinquent periodic reports. Its proposal for future compliance amounts to little more than a request for an extension of time in which to remedy its violations and is speculative in that it is dependent on approval of a reorganization plan by a bankruptcy court for implementation. Response. As Chief Judge Murray has noted, a 12(j) proceeding “is not an extension of time to file delinquent reports or correct filing deficiencies as sometimes occurs during the normal filing process.” *Calais Resources Inc.*, Initial Decision Release No. 424, 2011 SEC LEXIS 2546, at *9-*10 (July 25, 2011).

Moreover, SNREQ’s proposal to file a Form 15 for the express purpose of maintaining its publicly traded status and delaying its compliance with the reporting requirements (*See* Response) would only prolong the harm caused by its delinquency because its common stock would continue to trade in the over-the-counter market. As recently found by Chief Judge Murray in a nearly-identical case:

If Blink is allowed to withdraw its registration [via a Form 15], there will be no recognition of the risk it caused to investors by failing to file periodic reports and nothing to cabin the potential for future harm. As noted above, only revocation under [12(j)] prohibits broker-dealers from effecting transactions in a security. If a company withdraws its registration, however, broker-dealers may solicit trades in the stock if they can obtain updated financial information for the company, or if the “piggyback” exception still applies. *See* 17 C.F.R. §§ 240.15c2-11(e)(5), (f)(3). Thus, after its withdrawal, Blink would in theory be able to continue to trade on the over-the-counter markets, but significantly, it would not have to file periodic reports anymore. Given Blink’s recurrent violations, such an outcome would be undesirable.

contacting former customers identified as Division witnesses found to be indicative of respondent’s potential for committing future violations). *See also SEC v. Falstaff Brewing Corp.*, 629 F.2d 62, 78 (D.C. Cir. 1980) (district court’s injunction against future securities violations upheld; court found noncompliance with Exchange Act Section 16(a) “does evince a disregard of the securities laws that may manifest itself in noncompliance elsewhere.”).

Blink Technologies, Inc. (f/k/a ePunk, Inc.), Initial Decision Rel. No. 1134, 2017 SEC LEXIS 1405 at *22-*23 (May 11, 2017). Here, as with Blink, permitting SNREQ to withdraw its registration would merely extend the period during which its shares can trade in the over-the-counter market without timely and accurate information thereby placing investors at risk.

5. Revocation is the Appropriate Remedy for SNREQ's Violations.

As discussed above, a full analysis of the *Gateway* factors establishes that revocation is the appropriate remedy for SNREQ's long-standing, unmitigated violations of the periodic filing requirements. SNREQ's recurrent failures to file its periodic reports have not been outweighed by "a strongly compelling showing with respect to the other factors" which "would justify a lesser sanction than revocation." *Impax Laboratories, Inc.*, 2008 SEC LEXIS 1197 at *27.

Moreover, unlike a Form 15 deregistration, revocation will ensure that until SNREQ becomes current and compliant on its past and current filings, its shares cannot trade publicly on the open market (but may be traded privately). *See Eagletech Communications, Inc.*, Exchange Act Rel. No. 54095, 2006 SEC LEXIS 1534, at *9 (July 5, 2006) (revocation would lessen, but not eliminate, shareholders' ability to transfer their securities). Revocation will not only protect current and future investors in SNREQ, who presently lack the necessary information about SNREQ because of the issuer's failure to make Exchange Act filings; it will also deter other similar companies from becoming lax in their reporting obligations.

III. Conclusion

For the reasons set forth above, and the entire record in this proceeding, the Division respectfully requests that the Court grant the Division's motion for judgment on the pleadings, or alternatively for summary disposition, and revoke the registration of each class of SNREQ's securities registered under Exchange Act Section 12.

Dated: November 28, 2017

Respectfully submitted,



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CERTIFICATE OF SERVICE

I hereby certify that I caused true copies of the Division of Enforcement's Motion for Ruling on the Pleadings or, in the Alternative, for Summary Disposition, and Brief in Support to be served on the following on this 28th day of November, 2017, in the manner indicated below:

By Hand and Email:

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