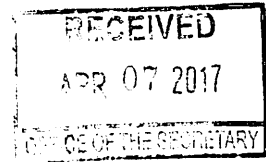


**UNITED STATES OF AMERICA**  
**Before the**  
**SECURITIES AND EXCHANGE COMMISSION**



**ADMINISTRATIVE PROCEEDING**  
**File Nos. 3-17861 through 3-17863**

**In the Matter of the Registration Statements of**

**GO EZ CORPORATION,**  
**ARC LIFESTYLE GROUP INC., and**  
**NOVA SMART SOLUTIONS INC.**

**Respondents.**

**DIVISION OF ENFORCEMENT'S POST-HEARING BRIEF**

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Pursuant to Rules 155(a) and 220(f) of the Commission's Rules of Practice, 17 C.F.R. §§ 201.155(a) & 201.220(f), the Division of Enforcement ("Division") seeks a stop order suspending the effectiveness of the registration statements filed by Respondents Go EZ Corporation ("Go EZ"), Arc LifeStyle Group Inc. ("Arc") and Nova Smart Solutions Inc. ("Nova Smart" or "Nova") (collectively, "Respondents"). A stop order may be issued solely on the basis of Respondents' failure to respond to the Commission's Orders Fixing Time and Place of Public Hearing and Instituting Proceedings Pursuant to Section 8(d) of the Securities Act of 1933 ("OIPs") or appear at the March 16, 2017 hearing. This default permits the allegations of the OIPs to be deemed true.

In addition, ample evidence supports issuance of a stop order based on numerous material misstatements and omissions in Respondents' registration statements. As further explained below, Respondents' registration statements fail to disclose Respondents' true control persons and promoters, omit material facts regarding the related-party nature of transactions, and/or fundamentally and materially mischaracterize the scope and nature of their operations and control structure.

Finally, Respondents' failure to cooperate with the examinations conducted by the staff of the Division ("Staff") provides a third independent basis for issuance of a stop order. Respondents provided incomplete and inadequate responses to the Staff's requests for documents, and refused to make any officers, directors, consultants, or employees available for testimony.

## I. PROCEDURAL HISTORY

### A. GO EZ'S REGISTRATION STATEMENT AND THE STAFF'S INVESTIGATION

On February 12, 2015, Go EZ filed a Form S-1 registration statement seeking to register the offer and sale of 1,387,500 shares of common stock. Ex. E-1. Go EZ amended the registration statement five times, with each amendment incorporating by reference prior versions. Go EZ filed the final amendment on October 22, 2015 (all versions collectively referred to herein as the "Go EZ Registration Statement" and attached as Exs. E-1 to E-6). It was declared effective on November 6, 2015. Ex. E-7. The offering had not been completed on April 1, 2016, when the Commission authorized the Division to conduct an examination pursuant to Section 8(e) of the Securities Act of 1933 ("Securities Act"), 15 U.S.C. § 77h(e), and suspended trading in Go EZ, effective April 4, 2016. Amended Order Directing Private Investigation and Examination and Designating Officers to Take Testimony, Ex. 1-A; Order of Suspension of Trading, Ex. 1-B.

On April 4, 2016, the Staff provided Go EZ with notice of its examination and requests for documents and testimony from Go EZ's officers, directors, and others. Exs. 1-C to 1-E. On April 8, 2016, Go EZ's then-sole officer and one of two directors, Abraham Cinta ("Cinta"), participated in a telephone call with the Staff as a representative of Go EZ. March 15, 2017 Declaration of S. Torrico, Ex. 1 at ¶ 43. Cinta refused to make himself or any other representatives of Go EZ available for testimony in the United States.<sup>1</sup> *Id.* at ¶ 43(e); *see also* July 15, 2016 Email from A. Cinta, Ex. 1-G. On May 4, 2016, Cinta made a document production to the Staff on behalf of Go EZ. Ex. 1 at ¶ 8. On June 15, 2016, the Staff identified to Cinta several critical shortcomings in Go EZ's production of documents and requested that he cure these deficiencies. Email from V.

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<sup>1</sup> The Staff was able to obtain testimony and documents from certain third parties residing in the United States who had some knowledge of Go EZ, including Roger Ng, Eduardo Paz, and Ernesto Guerra. Go EZ was not involved in arranging for this testimony.

Rosado Desilets, Ex. 1-F. For example, the Staff received documents related to GEZC from several third parties, including communications with GEZC affiliates that should also have been in the possession of Go EZ. Ex. 1 at ¶ 8. On July 15, 2016, Cinta informed the Staff that he had resigned his positions as officer and director of Go EZ, and that we should direct any future inquiries to Go EZ's sole remaining director, Fang Ren, or to Evotech Capital, S.A. ("Evotech").<sup>2</sup> Ex. 1-G. Evotech is a company incorporated in the British Virgin Islands that is controlled by Basilio Chen ("Basilio") and operates out of Shanghai. Exs. 1-J to 1-N; 1-O at 239-240. Cinta did not respond to requests for contact information for Ren or Basilio. Ex. 1 at ¶ 12; Ex. 1-H.

**B. ARC'S REGISTRATION STATEMENT AND THE STAFF'S INVESTIGATION**

On September 8, 2015, Arc filed a Form S-1 registration statement seeking to register the offer and sale of 5,000,000 shares of common stock. Ex. EE-1. The registration statement was amended twice, with each amendment incorporating by reference prior versions. Exs. EE-2; EE-3. The final amendment was filed on February 12, 2016; it sought to register the offer and sale of 6,488,400 shares of common stock (all versions collectively referred to herein as the "Arc Registration Statement" and attached as Exs. EE-1 to EE-3). Arc's Registration Statement had not yet been declared effective on April 1, 2016, when the Commission authorized the Division to conduct an examination of its Registration Statement pursuant to Section 8(e) of the Securities Act. Ex. 1-A.

On April 4, 2016, the Staff provided Arc with notice of its examination and requests for documents and testimony from Arc's officers, directors, and others. Exs. 3-B to 3-E. On April 11, 2016, Carlos Lopez ("Lopez"), Arc's sole officer and director, produced documents to the Staff on behalf of Arc. March 15, 2017 Dec. of V. Rosado Desilets, Ex. 3 at ¶ 12. On April 18, 2015,

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<sup>2</sup> Go EZ's filings have not been updated to reflect this change.

Lopez participated in a telephone call with the Staff as a representative of Arc. Ex. 3 at ¶ 28. On May 12, 2016, and June 15, 2016, the Staff identified to Lopez several critical deficiencies in Arc's production of documents and requested that he produce additional documents to comply with the subpoenas. Ex. 3 at ¶¶ 13, 15; Ex. 3-J. For example, the subpoena issued to Lopez and Arc sought emails or other correspondence on behalf of or concerning Arc, but Lopez's production did not include *any* correspondence. Ex. 3 at ¶ 12; Ex. 3-B. Yet the Staff received at least 200 relevant emails, WhatsApp messages, instant messages, and Skype chats from third parties that involved Arc, but were not in Arc's document production. *Id.* Arc did not produce any additional documents. Ex. 3 at ¶¶ 14-16. Lopez also failed to provide the Staff with his availability for testimony, despite initially agreeing to do so, and he did not make himself or any other representatives of Arc available for testimony in the United States.<sup>3</sup> Ex. 3 at ¶¶ 14, 16, 29, 29(a)-(b).

**C. NOVA SMART'S REGISTRATION STATEMENT AND THE STAFF'S INVESTIGATION**

On January 5, 2016, Nova Smart filed a Form S-1 registration statement seeking to register the offer and sale of 28,057,000 shares of common stock and the first, and only, amendment was filed February 25, 2016 (collectively referred to herein as the "Nova Smart Registration Statement" and attached as Exs. EEE-1 to EEE-2).

Nova Smart's Registration Statement had not yet been declared effective on April 1, 2016, when the Commission authorized the Division to conduct an examination of Nova Smart's Registration Statements pursuant to Section 8(e) of the Securities Act. Ex. 1-A.

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<sup>3</sup> In addition, on May 12, 2016, Lopez informed that Staff that two of the seven key consultants Arc listed in its registration statement did not plan on responding to the subpoenas issued to them. Ex. 3 at ¶ 29(a). Lopez also informed the Staff that two other key consultants intended to respond to their subpoenas, but neither produced documents to the Staff. Ex. 3 at ¶¶ 14, 29(b).

On April 4, 2016, the Staff provided Nova Smart with notice of its examination and requests for documents and testimony from Nova Smart's officers, directors, and others. Exs. 4-B to 4-D.

In April and May 2016, Sergio Camarero Blanco ("Camarero"), Nova Smart's President and CEO, and Jesus Hoyos Quintero ("Quintero"), Nova Smart's CFO, provided documents to the Staff on behalf of Nova Smart. March 15, 2017 Declaration of S. Torrico, Ex. 4 at ¶ 7. Both Camarero and Quintero participated in separate telephone calls with the Staff as representatives of Nova Smart. Ex. 4 at ¶¶ 21-22. From May through July, the Staff identified to both Camarero and Quintero several critical shortcomings in Nova Smart's production of documents and requested that they produce additional documents, but they never did. Ex. 4-E. For example, many of the communications provided to the Staff by Nova Smart's outside auditors that copied Nova Smart officers and/or consultants were not produced to the Division by Nova Smart. Ex. 4 at ¶ 7; Ex. 4-E. In addition, both Camarero and Quintero refused to make themselves or any other representatives of Nova Smart available for testimony in the United States. Ex. 4-E.

**D. WELLS NOTICES AND THE INSTANT PROCEEDINGS**

On December 1, 2016, the Staff issued Wells Notices to each of the Respondents. Exs. 1-I; 3-K; 4-G. None of the Respondents replied. *Id.* On February 27, 2017, the Commission issued three OIPs, one against each Respondent. Each OIP included the date and location of the March 16, 2017 hearing. On February 28, 2017, the Court issued an order consolidating the proceedings and reiterating the hearing date and location. On March 2, 2017, pursuant to Rule 141(a)(2)(v), 17 C.F.R. § 201.141(a)(2)(v), each Respondent was personally served with its respective OIP by process server through its registered agent. March 2, 2017 Affidavit of Service, attached to the Division's Notice of Filing Affidavit of Service, filed March 3, 2017.



All three Respondents failed to file an answer or otherwise respond to their OIP within 10 days of service as required by Rule 220(b), 17 C.F.R. § 201.220(b). On March 14, 2017, the Court issued an order finding that Respondents had not submitted a timely answer or otherwise defended the proceeding, and ordering all parties to appear at the March 16, 2017 hearing. Respondents did not appear at the March 16 hearing. Staff representing the Division appeared, and submitted evidence supporting the allegations of the OIP, which was admitted by the Court. On March 16, the Court issued a post-hearing order ordering respondents to show cause by March 31, 2017, why the proceeding should not be determined on default; ordering the Division to file its exhibits and exhibit list with the Office of the Secretary by March 24, and ordering the Division to file a post-hearing brief by April 14. The Division filed its exhibits and exhibit list on March 22. Arc and Nova Smart have not responded to the Order to Show Cause. Cinta submitted an email to the Court on March 31, requesting a new hearing, which the Division opposed on the same day. On April 3, the Court issued an order requiring Cinta to submit, by April 14, proof that he is authorized to speak for Go EZ and that Go EZ did not receive the pleadings served on its registered agent.<sup>4</sup>

## **II. RESPONDENTS' REGISTRATION STATEMENTS**

### **A. GO EZ CORPORATION**

Go EZ is a Delaware corporation purportedly headquartered in Miami Beach, Florida, and purports to be an e-commerce and mobile technology business that sells smartphone accessories. Ex. E-6 at 9. GEZC's former sole officer and employee, Cinta, resides outside of the United States, as does its director, Ren. *Id.* at 15; 8-K, Ex. E-8.

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<sup>4</sup> The Court's April 3 order did not alter the Court's March 16 order requiring the Division to submit its post-hearing brief by April 14. The Division is submitting this brief one week early because undersigned counsel will be traveling the week of April 10-14.

1) Go EZ Fails to Disclose its Control Person and Promoter, Related Parties, and Other Material Relationships.

Go EZ's Registration Statement discloses that Evotech acquired majority ownership of it pursuant to the stock purchase agreement between Evotech and Go EZ's predecessor, a then-dormant shell company called ERC Energy Recovery Corp. 8-K, Ex. E-9 at 2. Evotech appointed Cinta as sole officer and director of Go EZ. *Id.* The company's name was later changed to Go EZ. Ex. E-6 at 7.

The Go EZ Registration Statement fails to disclose, however, that Evotech is owned and controlled by Basilio, its Executive Chairman and Managing Partner, and that Basilio was a founder and control person for Go EZ. Exs. 1-J to 1-N; Ex. 1-O at 239-40. Three witnesses confirmed this fact during the Staff's investigation. In a telephone call with the Staff, Cinta acknowledged that he had worked for Basilio at Evotech, that Go EZ had been Basilio's idea, and that Basilio had appointed Cinta as Go EZ's sole officer and director.<sup>5</sup> Ex. 1 at ¶¶ 43. Similarly, Roger Ng ("Ng"), Basilio's frequent business partner and counter-party to all of Go EZ's business deals, testified that Evotech was Basilio's alter-ego, and that all of the transactions that Ng entered into with Go EZ were at Basilio's, not Cinta's, instruction. Exs. 1-P at 20, 220, 224; 1-Q. Finally, Eduardo Paz ("Paz"), a middleman for Go EZ who arranged its transactions, testified that he was involved with Go EZ at Basilio's request, and that Basilio alone approved or rejected each transaction that Paz presented. Ex. 1-O at 47-5; *see also* Exs. 1-R, 1-S.

The Go EZ Registration Statement also fails to disclose that Basilio engineered all of Go EZ's business transactions, and that the counter-party to all of these transactions was Basilio's

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<sup>5</sup> A second director, Fang Ren, was named shortly after the Registration Statement became effective. Form 8-K, Ex. E-8.

frequent business partner, Ng.<sup>6</sup> In late 2014, Basilio asked Ng to acquire a 70-percent interest in Federal Technology Agency (“FTA”) and to sell that interest to Go EZ. Exs. 1-Q; 1-P at 224, 243-44. At the time, FTA was wholly owned by Basilio’s son, Benedict Chen (“Benedict”). Exs. 1-T; 1-P at 238-40. Ng agreed. He paid Benedict \$35,000 for 70 percent of FTA, and then traded that interest to Go EZ in exchange for restricted and unregistered shares in Go EZ. Exs. 1-Q; E-6 at 25. Neither Basilio’s involvement in the transaction, nor his relationship with Ng and with Benedict, was disclosed in the Go EZ Registration Statement.<sup>7</sup>

In early 2015, Basilio contracted Paz as a business broker in Florida to identify potential acquisitions for Go EZ, and Paz found Cellular of Miami Beach, Inc. (“CMBI”), which operated a retail cellular phone and accessories store. Exs. 1-Y; 1- Z; 1-O at 46-47, 91-93. As with FTA, Basilio asked Ng to acquire CMBI and sell it to Go EZ. At Basilio’s instruction, Ng purchased CMBI for \$40,000, and inserted the assets and operations into Glophone, Inc. (“Glophone”), a wholly owned subsidiary of Go EZ, in exchange for more restricted and unregistered shares of Go EZ. Ex. 1-Q; 1-P at 220; Ex. E-6 at 7. Neither Basilio’s involvement in this transaction nor Basilio’s relationship with Ng was disclosed in the Registration Statement.

Finally, the Registration Statement states that Lopez, whom FTA retained as a consultant, had no prior relationship to Cinta. Ex. E-6 at F-15. In fact, both Cinta and Lopez worked together at Evotech, Basilio’s firm, between September 2014 and March 2015. Ex. 1 at ¶¶ 43, 44.

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<sup>6</sup> Ng testified at length about his longstanding relationship and frequent business dealings with Basilio, and also testified that he had known Basilio’s son for a long time. Ex. 1-P at 20, 238-239, 315, 318-322; *see also* Exs. 1-Q and 1-GG, describing various transactions.

<sup>7</sup> In fact, the Staff’s investigation revealed that Basilio actively sought to deceive the Commission with respect to his ongoing business relationship with Ng. *Compare* Ex. 1-GG (email regarding questions from the Commission’s Division of Corporation Finance in which Basilio proposes an inaccurate response that disclaimed any business relationship between Evotech and Ng), *with* Ex. 1-R at 320 (Ng testifies that Basilio’s proposed response reflected in Ex. 1-GG is “not accurate”).

2) Go EZ Misstates the Scope and Nature of its Operations.

Go EZ's Registration Statement describes two subsidiaries through which it claims to operate: FTA and Glophone. Ex. E-6 at 32-34. Cinta reiterated to the Staff during its examination that Go EZ's only operations were through FTA and Glophone, and that FTA had not had any operations since its acquisition by Go EZ. Ex. 1 at ¶ 43.

a) FTA

The Go EZ Registration Statement states that, on December 22, 2014, Go EZ acquired 70 percent of FTA as part of its business plan to "focus[] on the development of technology and internet-based businesses." Ex. E-6 at 7. Prior to the transaction, Benedict had used FTA as a corporate alter-ego in his contract work with CyberCoders, Inc. ("CyberCoders"), a technology staffing firm. Exs. 1-P at 238-40; 1-T to 1-X (FTA agreements and bank statements).

The Registration Statement states that FTA is "a provider of computer software programming, testing and development services to tech companies such as Apple," Ex. E-6 at 7, and that "[i]t is uncertain whether FTA can maintain its current customer base," Ex. E-6 at 16. But FTA had no "current customer base" at the time of the Registration Statement. Ex. 1 at ¶¶ 43(i), 43(k). Its contract with Apple concluded before Go EZ acquired FTA, and FTA has *only* provided services to Apple, not to other "tech companies such as Apple." *Id.* at ¶ 43(j); Ex. E-6 at 33 (stating that "one such contract has been entered into");<sup>8</sup> Exs. 1-U to 1-X (FTA's agreements and bank statements reflecting payments only from CyberCoders and its parent, On Assignment).

The Registration Statement further suggests that FTA used multiple independent contractors to assist with operations. Ex. E-6 at 34, 50 ("FTA completes assignments by

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<sup>8</sup> The inclusion of this information, on page 33 of the Go EZ Registration Statement, does not render the false statement on page 6 true, or less misleading; if a reader reached page 33, this would simply create doubt as to which of the two statements is true.

contracting with independent contractors” and Benedict is “one of the independent contractors who FTA has contracted with”). In fact, to the extent FTA conducted operations (*i.e.*, before Go EZ’s acquisition), they were conducted solely by Benedict. Ex. E-6 at 39 (stating that FTA’s full payroll expenses for 2014 totaled \$39,379), 50 (stating that in 2014 FTA paid Benedict \$39,379 in compensation).<sup>9</sup>

Finally, the Registration Statement states that it sells a “GO EZ’ brand ‘smartwatch’” and that “additional development of the product is underway to improve the user experience.” Ex. E-6 at 34. But Cinta informed that Staff that the smartwatches Go EZ sold were purchased as-is from a manufacturer in China, and that Go EZ neither contributed any programming or development to the watches nor planned to do so in the future. Ex. 1 at ¶¶ 43(r)-(u). Cinta further explained that Go EZ had not done any programming of the smartwatch because it would have required too many resources, and because Benedict had been unavailable since FTA’s acquisition. *Id.* at ¶ 43(u).

b) Glophone

Go EZ’s Registration Statement states that Glophone “has one retail store, of approximately 700 square feet, located at 6782 Collins Avenue, Miami Beach, Florida 33141, which also serves as [Go EZ’s] physical mailing address.” Ex. E-6 at 34. Around the time that Glophone acquired CMBI’s assets and operations, the store moved from 6782 Collins Avenue to 6790 Collins Avenue, yet the Registration Statement never updated the address, and Cinta told the Staff in April 2016 that he did not know where the new store was and had never visited it.<sup>10</sup> Ex. 1 at ¶ 43(n); Ex. 1-BB at 38.

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<sup>9</sup> 2014 was the only year FTA had any operations or revenue. *See* Ex. E-6 at 41 (stating that FTA had no revenues prior to 2014); Ex. 1 at ¶ 43(k) (Cinta stated that FTA had no operations since its December 2014 acquisition by GEZC).

<sup>10</sup> An unrelated motorsport store currently operates at 6782 Collins Ave. Declaration of S. Romajas, Ex. 2 at ¶ 6; Photographs, Exs. 2-A to 2-C.

In addition, Glophone was not operating the retail store at the time of the Registration Statement. The storefront has never displayed any signage relating to Go EZ or Glophone, maintaining the “Cellular” sign that preceded its acquisition by Go EZ. Ex. 1-BB at 40; *see also* Ex. 2 at ¶ 6. The store’s operator, Ernesto Guerra (“Guerra”), testified that he initially operated the store for Glophone, but quickly realized that the individuals in China to whom he was reporting his revenues were unwilling to provide any funds, inventory, or other assistance to the store. Ex. 1-BB at 53, 68. Guerra made several requests that Go EZ pay for inventory replenishment, but Cinta ignored them and encouraged Guerra to replenish the inventory himself. Exs. 1 at ¶¶ 43(w); 1-BB at 55-56. Guerra also assumed responsibility for the store’s rent and taxes when Go EZ defaulted. Ex. 1-BB at 33-34, 39. By at least November 2015, Guerra began using his personal bank accounts to fund the store’s expenses and to keep the store’s revenues. Exs. 1-BB at 83-85; 1-CC; 1-DD. That fall, he had reached an agreement with Cinta (to which Basilio later assented), pursuant to which he would bear all of the store’s expenses and he would keep all of the stores profits. Ex. 1-BB at 47, 53-56. Go EZ abandoned any claim to the store’s revenues or profits. Exs. 1 at ¶¶ 43(p); 1-BB at 53-56. Guerra eventually cut off all ties to Go EZ and Glophone. Ex. 1-BB at 104. He formed his own Florida corporation, called Cellular of Miami Corp., and in early 2016 took out a Florida business license in that name to run the retail store. *Id.* at 35; Exs. 1-EE; 1-FF. Go EZ also allowed its 2015 license to lapse, abandoning the storefront. Ex. 1-BB at 100-01.

Finally, the Registration Statements lists the 6782 Collins Avenue address as Go EZ’s “principal executive offices,” Ex. E-6 at 2, but all of Go EZ’s officers, directors, and control persons operated out of Shanghai. Ex. 1 at ¶¶ 43(c).

c) Other Locations

Go EZ’s Registration Statement also claims offices at other locations. It claims that an address in Los Altos, California was Go EZ’s “previous principal executive offices.” Ex. E-6 at 1.

But that address is a mailbox facility, not an office building. Ex. 1-HH. Further, the mailbox listed on the Registration Statement has been rented for several years by Martin Nielson, CEO of E-Waste Systems, Inc., who is not affiliated with Go EZ. Exs. E-10 to E-12; 1-KK.

Go EZ's Registration Statement further claims that "FTA has its own leased office space, at 1047 Amarillo Avenue, Palo, Alto, California" and that an "officer/shareholder of the Company is allowing the Company to use his office as a mailing address." Ex. E-6 at F-12. That address, however, is Benedict's home address, not a "leased office space." Exs. 1-II; 1-LL. Benedict is not an officer or a shareholder of Go EZ, but is described by the Registration Statement only as an "independent contractor" for FTA. Ex. E-6 at 50.

d) Shell Company Status

The Registration Statement discloses that Go EZ is in the early stages of development and is "no longer a shell company." Ex. E-6 at 9, 13. A 'shell company' is defined as a company with no or nominal operations, and with no or nominal assets or assets consisting solely of cash and cash equivalents. 17 C.F.R. § 240.12b-2. The Registration Statement claims that Go EZ ceased to be a shell company when it acquired FTA (Ex. E-6 at 16); as explained above, however, FTA had no operations at that time, and has not had operations since that time. See Section II(B)(1). Indeed, Cinta's own statements show that Go EZ had no operations and no genuine intent to develop operations at the time the Registration Statement was filed. Ex. 1 at ¶¶ 43(j)-(k), 43(o)-(p), 43(u)-(y). It was and remains a shell company.

**B. ARC'S REGISTRATION STATEMENT**

Arc is a Florida corporation purportedly headquartered in Miami, Florida that claims to specialize "in the selling of multinational lifestyle products" such as designer apparel and Spanish wine and olive oil. Ex. EE-3 at 2. Lopez serves as Arc's sole officer and director and started Arc while he was still working at Evotech. Ex. 3-Q. In addition to Lopez and Cinta,

Basilio's Evotech firm employed a number of other individuals connected to Go EZ, Arc, and Nova Smart. Xiaoyue Zhang ("Xiaoyue"), and Rory San ("San"), whose names appear on the Arc and Nova Smart Registration Statements, were all employees of Evotech for some time before leaving Evotech to help Lopez create Arc and Nova Smart. *Id.* Just as Basilio used Evotech to create Go EZ and take it public, Cinta, Lopez, Xiaoyue, and San used what they had learned at Evotech (including specific templates they removed from Evotech when they left) to create Arc and Nova Smart and take them public. *Id.*

1) Arc Makes Misstatements Concerning its Apparel Business.

Arc's Registration Statement states that its revenue stream stems "from the sale of fashion based products and affordable and high quality nutritional food & beverage products such as red wine and olive oil." Ex. EE-3 at 2. Arc claims to have entered the apparel business "with the online sales of Korean designer women's wear through our agreement with Shanghai Fan Xi Commerce Co., Ltd. ("Fanxi"), a private company based in Shanghai." *Id.* Pursuant to that agreement, Arc manages Fanxi's "operations, marketing and sales, contracting, and billing and collections, in exchange for a management service fee each quarter equal to all of its net income for such quarter based on the quarterly financial statements provided." *Id.* at 2, F-14, F-22 to F-23; *see also* Ex. EE-3 at Ex. 10.1 (Management Agreement between Arc and Fanxi). The Arc Registration Statement further states that Fanxi "operates '82 Room', the online in-house fashion platform that markets and sells outstanding Korean designer brands into the Chinese market" using Taobao, an online marketplace, *id.* at 32, and names Xiaoyue as an Arc "consultant" who is the "legal representative of Fanxi" and Yawei Zhang ("Yawei") as being "responsible for the operation and development of . . . 82 Room under Fanxi." *Id.* at 41. As part of the management services Arc provides to Fanxi, Arc purportedly retained Xiaoyue, Fanxi's CEO, President, and Legal Representative, as a consultant to manage Fanxi's operations. Ex. EE-



3, Exs. 10.1 and 10.6 at 34. The Arc Registration Statement also claims that Arc “has generated revenues . . . from, among other things, operations of [82 Room] managed under Fanxi, which is reported to have been \$10,426 from July 1, 2015 to September 30, 2015.” *Id.* at 11, 31

In fact, neither Fanxi nor Arc own or operate 82 Room, and Arc has never received revenue from 82 Room’s operations. When interviewed by the Staff, Lopez admitted that Yawei does not work for Arc or Fanxi, but she owns and operates 82 Room independent of Arc and Fanxi, and that Arc has never received any revenues relating to 82 Room. Ex. 3 at ¶ 28(h)-(j).

2) Arc Fails to Disclose Related-Party Transactions.

The Arc Registration Statement states that Arc also sells and distributes red wine through two Master License Agreements with Camarero and Alvaro Gallego Grajal. Ex. EE-3 at 32. Through these agreements, Arc states that it is able to source Lynus Viñedos y Bodegas (“Lynus”) branded wine and Sirei888 S.L. branded wine and olive oil to resell in China. *Id.* at 2, 32. The Arc Registration Statement, however, fails to disclose the related-party nature of Arc’s agreement to distribute Lynus wines. Lopez informed the Staff that, not only is Camarero a childhood friend, but the Lynus wine business belongs to Lopez’s father. Ex. 3 at ¶ 28(k)-(l).

3) Arc Makes Misrepresentations and Omissions Concerning its Consultants.

The Arc Registration Statement lists consulting agreements entered into by Arc with various consultants, including: (1) Cinta, Advisor to the CEO; (2) San, Finance Advisor; and (3) Xiaoyue, Arc’s head of Operations and Administration. Ex. EE-3 at 24, 41. These individuals held key positions within Arc and were issued shares of common stock. Ex. EE-3 at 24, 41. The Arc Registration Statement states that, aside from the consulting relationship, “[t]here is no known other relationships that exist between the registrant and the selling security holders.” *Id.* at 24.

This statement is false. Lopez has known Cinta, San, and Xiaoyue since at least September 2014, and had previously worked with all three at Evotech and with Cinta and San at Go EZ.<sup>11</sup> Exs. 3 at ¶¶ 23-25, 27(a)-(b), 27(d)-(e), 28(a)-(c); 3-Q to 3-S. Lopez also told the Staff he was working with them at Nova Smart at the time. Exs. 3 at ¶ 28(m); EE-6 at 60.

Furthermore, Arc's Registration Statement states that Arc "is dependent on the services of its Chief Executive Officer and the consultants hired. The loss of services of any of these individuals could impair the Company's ability to execute its planned transactions, and manage the operations of the business, and could have a material adverse effect on the Company's business, financial condition and results of operations." Ex. EE-3 at 17; *see also id.* at 8-9. Yet the Arc Registration Statement fails to disclose that Cinta, San, and Xiaoyue, all key consultants, simultaneously held key positions with other companies at the time the Arc Registration Statement was filed: (1) Cinta was a director and sole officer for Go EZ and advisor on public company matters to Nova Smart; (2) San, who Lopez told the Staff was irreplaceable to Arc, was a consultant for Nova Smart on accounting matters; and (3) Xiaoyue was a business development consultant for Nova Smart. Exs. EE-4 at 3; EE-5 at 46; EE-6 at 60; 3 at ¶¶ 28(m). Moreover, the Registration Statement states that Beatriz Lopez ("Beatriz") and Yuchen Jia ("Jia") remain key personnel for Arc. Ex. EE-3 at 41. Lopez told the Staff, however, that Beatriz and Jia had not been involved with the company since at least December 2015 and did not intend to be involved going forward. Ex. 3 at ¶ 28(p)-(q).

#### 4) Arc Misstates the Scope and Nature of its Operations.

Arc's Registration Statement makes several misstatements that create the false appearance of operations around the world and within the United States. First, the Arc

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<sup>11</sup> Lopez further informed the Staff that he had previously been a consultant to Go EZ and CEO to FTA, a majority-owned subsidiary of Go EZ. Exs. EE-4 at F-15; 3 at ¶ 28(a).

Registration Statement states that Arc's revenue streams stem "from the sale of fashion based products and affordable and high quality nutritional food & beverage products such as red wine and olive oil." Ex. EE-3 at 2. The Arc Registration Statement, however, fails to disclose that Arc had no current inventory of olive oil to sell. Ex. 3 at ¶ 28(r).

Second, according to Arc's Registration Statement, the "business and registered office is located at 10360 SW 186th Street, Miami, FL 33197." Ex. EE-3 at 2. However, Arc does not have any operations or an office in the United States. The listed address is a United States Postal Service mailbox facility unrelated to Arc's business or operations, and mail addressed by the Staff to that address was returned as undeliverable. Exs. 3 at ¶¶ 7-10; 3-E to 3-H.

Third, the Arc Registration Statement states that Arc "operates in a number of countries and derives revenue from both inside and outside the United States," and that (1) Lopez resides in Spain; (2) Cinta resides in Mexico; and (3) San resides in Edinburgh, Scotland. Ex. EE-3 at 8, 41, 43. But Lopez admitted to the Staff that all three reside in China now, and did at the time the Arc Registration Statement was filed. Exs. 3 at ¶¶ 18-20, 27(c), 28(b)-(g); 3-L to 3-N.

Fourth, the Arc Registration Statement lists Capital Flows Ltd. ("Capital Flows") as Arc's incorporator and promoter. Ex. EE-3 at 3, 19, 24, 43 n.1. In fact, Arc was incorporated by another individual, and Lopez stated that Capital Flows was only an investor in Arc. Exs. 3 at ¶¶ 26, 28(n)-(o); 3-P.

Finally, the Arc Registration Statement states that Arc is "not a shell company as defined under section 12b-2 of the Exchange Act." Ex. EE-3 at 30. Yet Lopez's own statements show that Arc has nominal operations stemming from its resale of wine and olive oil and none from its sale Korean women's wear, and had no genuine intent to develop its planned principal operations at the time the Arc Registration Statement was filed. Ex. 3 at ¶¶ 28(h)-(j), 28(r). Arc is a shell company.

C. **NOVA SMART'S REGISTRATION STATEMENT**

Nova Smart is a Florida corporation purportedly headquartered in Granville, Michigan and claims to have business lines related to drone development and corporate staffing services. Ex. EEE-2 at 6. The company asserts that it has two directors, one serving as the Chief Executive Officer and the other as the Chief Financial Officer, and a number of consultants. Ex. EEE-2 at 59-60.

1) Nova Smart Fails to Disclose its Promoters and Control Persons.

The Nova Smart Registration Statement discloses two consultants, Lopez and Cinta, as responsible “for the provision of consulting services relating to the public markets” and giving “advice and guidance regarding . . . the setting up and management of a public company.” Ex. EEE-2 at II-3. Separately, the Nova Smart Registration Statement discloses that its largest shareholder is Arc Capital Ltd (“Arc Capital”), which it describes as a “founder” but “is not considered to be a promoter of Nova as it was responsible for the incorporation of the Company but is not responsible for organizing the business and does not exert any control over the business of the Company or management.” Ex. EEE-2 at 63 n.1. The Nova Smart Registration Statement also states that San is “providing consulting services relating to the financial matters of the Company” and Xiaoyue is “responsible for providing consulting services relating to the administration of the Company.” *Id.* at 60.

Nova Smart fails to disclose that these individuals are controlling significant aspects of the company and also hides their association with Arc Capital. First, Lopez gave more than “advice and guidance;” rather he played the lead role in founding, organizing, and operating Nova Smart, even more so than its officers and directors. As Camarero admitted, Lopez was responsible for choosing Nova Smart’s original principal place of business and selecting and paying the law firm that incorporated Nova Smart and serves as its registered agent, Spiegel & Utrera, P.A.

(“Spiegel”). March 15, 2017 Declaration of S. Torrico, Ex. 4 at ¶ 21(e), 21(g); Exs. 4-M, 4-N. Lopez also decided upon using a 6790 Collins Ave. address in Miami, Florida, both for Nova Smart’s incorporation documents and the January 5, 2016 registration statement, even though both Camarero and Quintero admitted that Nova Smart has no operations in the United States and conducts business out of Shanghai. Exs. 4 at ¶¶ 21(f), 22(c); 4-J; EEE-1 at 1.<sup>12</sup> In addition, documentary evidence reflects that Lopez paid Spiegel on behalf of Nova Smart. Ex. 4-M (Spiegel receipt to Nova Smart acknowledging payment of \$389.90 for incorporation and registered agent services); Ex. 4-N (debt agreement reflecting that Lopez loaned \$389.90 to Nova Smart).

Lopez also played a significant role in the filing of Nova Smart’s Registration Statement. The Staff’s investigation has revealed that Lopez drafted the vast majority of the Nova Smart Registration Statement and introduced Nova Smart to the law firm that facilitated its filing. Ex. 4 at ¶ 21(g)-(h). Lopez gave Camarero a template S-1 to use for Nova Smart, as demonstrated by Nova Smart’s January 5, 2016 registration statement, which contains references to business lines – apparel and a lifestyle business – that are not part of Nova Smart’s business plan, but describe Arc’s business. Exs. 4 at ¶ 21(h); EEE-1 at 13, 19.

Second, contrary to the assertion that Arc Capital is not a promoter of Nova Smart, the Staff’s examination has revealed that three of Nova Smart’s key consultants – Lopez, Cinta, and Xiaoyue – are associated with Arc Capital and referred numerous shareholders to Nova Smart. Staff has obtained documents Arc Capital submitted to Alpine Securities evidencing that Cinta and

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<sup>12</sup> Camarero informed the Staff that he did not know what was located at 6790 Collins Ave., but the Staff determined through its examination that it is a storefront unrelated to Nova Smart’s business. Exs. 4 at ¶ 21(e); 2 at ¶ 8; 2-D. Although Nova Smart’s February 25, 2016 Registration Statement stated a new location in Granville, Michigan, its annual report filed with the Florida Secretary of State still listed 6790 Collins Ave. as its principal place of business. Exs. EEE-2 at 1; 4-J. Further, mail addressed to the Granville address in December 2016 was returned to Staff with labels indicating the mailbox had been cancelled. Ex. 4-L.

Lopez serve as consultants for Arc Capital. Ex. 4-I. In addition, Camarero confirmed that Arc Capital's owner, Mengying Wang, is a cousin of Xiaoyue, another Nova Smart consultant who previously worked with both Lopez and Cinta at Evotech. Ex. 4 at ¶ 21(c). Camarero and Quintero confirmed the majority of the Nova Smart shareholders, including some of the largest such as Arc Capital and Capital Flows, were introduced through either Lopez, Cinta, or Xiaoyue. *Id.* at ¶¶ 21(j), 22(f).

Third, although the Nova Smart Registration Statement describes San as being responsible for providing consulting services relating to Nova Smart's financial matters, it fails to acknowledge that he also acted as a promoter for Nova Smart. Both Camarero and Quintero admitted that San was responsible for introducing Nova Smart to its outside auditors, Accell Audit & Compliance, P.A. ("Accell"), and that San served as the primary point of contact. Ex. 4 at ¶¶ 21(i), 22(e). In addition, San was responsible for Accell's hiring, and he worked directly with Accell throughout the filing and amendment of the Nova Smart Registration Statement. Ex. 4-O.

## 2) Nova Smart Makes Misstatements Regarding its Two Directors.

The Nova Smart Registration Statement identifies two directors, Camarero, who also serves as the President and CEO, and Quintero, who also serves as the CFO, and states that they "are responsible for the Company's day to day operations." EEE-2 at 49. However, there is no resolution appointing Quintero a director of Nova Smart, as contrasted with the resolution appointing Camarero, and all board resolutions are signed solely by Camarero. Exs. 4 at ¶ 22(d); 4-Q. When staff specifically requested documentation showing Quintero was a director of Nova Smart, nothing was provided. Ex. 4 at ¶¶ 8-9. Quintero further admitted he is not involved in Nova Smart's day-to-day operations. *Id.* at ¶ 22(d).

### III. LEGAL DISCUSSION

A stop order suspending the effectiveness of Respondents' Registration Statements is warranted because (1) Respondents failed to answer or otherwise respond to the OIP or to appear at the hearing; (2) the Registration Statements contain numerous material misstatements and omissions; and (3) Respondents failed to cooperate with the Staff's examinations.

#### A. A Default Judgment Should Be Entered Against Respondents.

Rule 220(f) of the Commission's Rules of Practice, 17 C.F.R. § 201.220(f), provides that a respondent who fails to file an answer within the prescribed time may be deemed in default pursuant to Rule 155(a). Rule 155(a) provides in relevant part:

A party to a proceeding may be deemed to be in default and the Commission or the hearing officer may determine the proceeding against that party upon consideration of the record, including the order instituting proceedings, *the allegations of which may be deemed to be true*, if that party fails (1) to appear, in person or through a representative, at a hearing or conference of which that party has been notified; [or] (2) to answer ... or otherwise to defend the proceeding....

17 C.F.R. § 201.155(a) (emphasis added).

Respondents were properly served with the OIP, and failed to file an answer within the prescribed time. They were given notice of the hearing, and failed to appear. Arc and Nova Smart also failed to respond to the Court's Order to Show Cause.<sup>13</sup> Pursuant to Rules 155(a) and 220(f), the allegations of the OIPs should be deemed true, and a stop order should issue suspending the effectiveness of the Registration Statements. *See, e.g., Blue Mountain Eco Tours, Inc.*, Release No. 966, 2016 SEC LEXIS 747, at \*2 (Feb. 26, 2016).

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<sup>13</sup> While Cinta made a submission purporting to respond to the Order to Show Cause, it is not clear whether he speaks for Go EZ, and he has not provided evidence that Go EZ was not properly served. The Division has submitted evidence proving proper service on Go EZ.

**B. A Stop Order Should Issue Against Respondents Based on Material Misstatements and Omissions in the Registration Statements.**

“The essential purpose of [a registration statement] is to ‘protect investors by promoting full disclosure of information thought necessary to informed investment decisions.’” *mPhase Techs., Inc.*, Exchange Act Release No. 34-74187, 2015 SEC LEXIS 398, at \*22 (Feb. 2, 2015) (Commission opinion) (quoting *World Trade Fin. Corp.*, Exchange Act Release No. 66114, 2012 SEC LEXIS 56, at \*22 (Jan. 6, 2012) (Commission opinion)). Under Section 8(d) of the Securities Act, 15 U.S.C. § 77h(d), a stop order may issue if “the registration statement includes any untrue statement of a material fact or omits to state any material fact required to be stated therein or necessary to make the statements therein not misleading.” “Information in a registration statement is material when there is a substantial likelihood that a reasonable investor would attach importance to it in determining whether to purchase the security in question.” *Petrofab Int’l, Inc.*, Securities Act Release No. 6769, 1988 SEC LEXIS 782, at \*16 (Apr. 20, 1998) (citing *TSC Indus., Inc., v. Northway, Inc.*, 426 U.S. 438, 449 (1976)) (Commission opinion); *see* 17 C.F.R. § 230.405 (defining a material fact as one to which “there is a substantial likelihood that a reasonable investor would attach importance in determining whether to purchase the security”).

Respondents’ Registration Statements contain numerous material misstatements and omissions, each of which provides grounds to issue a stop order.

1) Respondents Fail to Disclose and Misstate Promoters and Control Persons.

All three Registration Statements contain material misstatements and omissions concerning their promoters and control persons. Item 11(n) of Form S-1 requires the registrant to furnish the information required by Item 404 of Regulation S-K, which includes the identity of any promoter or control person that the registrant has had within the last five fiscal years. 17 C.F.R. § 229.404. Under Rule 405 of Regulation C, a “promoter” is defined to include “[a]ny



person who, acting alone or in conjunction with one or more other persons, directly or indirectly takes initiative in founding and organizing the business or enterprise of an issuer.” 17 C.F.R. § 230.405. Rule 405 defines “control” to mean “the possession, direct or indirect, of the power to direct or cause the direction of the management and policies of a person.” *Id.* The failure to disclose the existence of a promoter or control person is material. *See SEC v. Fehn*, 97 F.3d 1276, 1290 (9th Cir. 1996) (materially misleading to identify a new president and CEO as a recent addition when in fact he had been an undisclosed promoter and control person for over a year); *Hughes Capital Corp.*, 48 S.E.C. 802, 806-09, 1987 SEC LEXIS 4158 (July 20, 1987) (failure to disclose promoter and control person in a registration statement is material) (Commission opinion). A company’s failure to properly identify control persons and promoters in registration statements has resulted in stop orders being issued. *See, e.g., Scription Work Sol., Inc.*, Release No. 955, 2016 SEC LEXIS 474, at \*5 (Feb. 9, 2016), Decision Final, Release No. 33-10063, 2016 SEC LEXIS 1240 (Apr. 5, 2016) (undisclosed control person interacted with auditors regarding financial statements); *Int’l Precious Metals, Inc.*, Release No. 808 2015 SEC LEXIS 2304, at \*8 (June 10, 2015), Decision Final, Release No. 33-9866, 2015 SEC LEXIS 2995 (July 22, 2015) (undisclosed individuals were instrumental in the founding of the company); and *Kismet, Inc.*, Release No. 809, 2015 SEC LEXIS 2307, at \*8 (June 10, 2015), Decision Final, Release No. 33-9865, 2015 SEC LEXIS 2994 (July 22, 2015) (undisclosed individuals were instrumental in establishing corporate entity, getting its registration filed, and setting up basic operational functions).

The Respondents’ Registration Statements made material misrepresentations and omissions concerning their promoters and/or control persons. Go EZ’s Registration Statement failed to disclose that Basilio was its promoter and control person. From the outset, Basilio took

the initiative in founding and organizing the business or enterprise of Go EZ. As confirmed by numerous witnesses, including Cinta (then Go EZ's sole officer and one of its two directors), Basilio, through Evotech, acquired a public shell company and renamed it Go EZ. Basilio then orchestrated, through his business associate Ng, all of the purported transactions that Go EZ entered into. *See* Section II(A). The Go EZ Registration Statement, however, discloses only Cinta as a founder and control person.

Arc's Registration Statement states that Capital Flows is a promoter for Arc and that it incorporated the company. Section II(B). Lopez, however, admitted that Capital Flows was not responsible for incorporating Arc and is only an investor, not a promoter. *Id.*

Nova Smart's Registration Statement also paints a false picture of who is controlling the company and omits material information about its named consultants. First, the Nova Smart Registration Statement states that its "officers and Directors, Mr. Blanco and Mr. Quintero are responsible for the Company's day to day operations," but failed to identify Lopez, Cinta, San, and Xiaoyue as promoters. Section II(C). Second, it states that "Arc Capital Ltd is not considered to be a promoter of [Nova Smart] as it was responsible for the incorporation of the Company but is not responsible for organizing the business and does not exert any control over the business of the Company or management," but fails to disclose Lopez's, Cinta's, and Xiaoyue's association with Arc Capital, and Arc Capital's promoter status. Third, it states that Camarero and Quintero are Nova Smart's directors and officers, but only Camarero is a director of Nova Smart. *Id.*

Each of these material misstatements and omissions concerning control persons and promoters provide sufficient grounds to issue a stop order against all three Respondents. *See, e.g., Fehn*, 97 F.3d at 1290; *Hughes Capital*, 48 S.E.C. at 806-09; *Scripton Work Sol., Inc.*, 2016 SEC LEXIS 474 at \*5; *Kismet, Inc.*, 2015 SEC LEXIS 2307, at \*8.

2) Go EZ and Arc Fail To Disclose the Related-Party Nature of Transactions and Potential Conflicts of Interest.

Go EZ's and Arc's Registration Statements also contain material misstatements and omissions concerning related-party transactions and potential conflicts of interest. Item 11(a) of Form S-1 requires the registrant to name, for any transactions with related persons, "the related person and the basis on which the person is a related person" and "[a]ny other information regarding the transaction or the related person in the context of the transaction that is material to investors in light of the circumstances of the particular transaction." 17 C.F.R. § 229.404(a). Under the instructions, the definition of a related person includes both a beneficial owner of more than five percent of any class of the registrant's voting securities and "[a]ny immediate family member" of such a beneficial owner. *Id.*

Go EZ failed to disclose that its transaction with FTA, and its ongoing consulting relationship with Benedict were related-party transactions. Basilio controlled Evotech, which owned 1 million shares of Go EZ – far more than 5% – and Benedict is Basilio's son. Ex. E-6 at 8 n.1; Section II(A)(2). Prior to the FTA transactions, Benedict owned FTA. *Id.* Accordingly, both Benedict and Basilio were related parties. *See Western Dist. Council of Lumber Prod. and Indus. Workers v. Louisiana Pac. Corp.*, 892 F.2d 1412, 1417 (9th Cir. 1989) (requiring strict interpretation of Instructions to Item 404(a) as to immediate family). Likewise, Arc should have disclosed that its transaction with Lynus was a related-party transaction. Lopez was the sole officer and director of Arc, and Lynus was owned by his father. Section II(B).

In addition, both Go EZ and Arc should have disclosed other important relationships, but instead used a long-standing friend and a business partner as "middle-men" to create the false appearance of arms-length transactions. Go EZ used Basilio's longstanding business partner, Ng, to disguise the fact that he caused Go EZ to purchase his son's business; Go EZ never

disclosed Basilio's lengthy personal and professional relationship with Ng. Section II(A)(1). Arc used Lopez's close friend Camarero to disguise the fact that Lopez caused Arc to enter into an agreement with Lopez's own father; Arc never disclosed Lopez's decades-long friendship with Camarero. A reasonable investor would attach importance to the reasons that the issuers entered into transactions, including the fact that the transactions were routed through a middleman with significant connections to the issuers' control persons. *See Petrofab*, 1988 SEC LEXIS 782, at \*16; *Zagami v. Natural Health Trends Corp.*, 450 F. Supp. 2d 705 (N.D. Tex. 2008) (disclosure of related-party nature of transaction resulted in a 15.6% decrease in common stock value).

Finally, Go EZ's Registration Statement affirmatively states that there was no prior relationship between Lopez and Cinta, while Arc's Registration Statement states that there was no prior relationship between Lopez, Cinta, San, and Xiaoyue. In fact all of these individuals were employees of Evotech and worked there together; and they all worked at Go EZ, at Arc, and at Nova Smart. "When a corporation does make a disclosure – whether it be voluntary or required – there is a duty to make it complete and accurate." *Roeder v. Alpha Indus., Inc.*, 814 F.2d 22, 26 (1st Cir. 1987). Go EZ and Arc failed in this duty.

3) Respondents Make Numerous Material Misstatements About the Nature and Scope of their Operations.

All three Registration Statements contain material misstatements concerning the nature and scope of their operations. Such statements are material and can significantly alter the "total mix" of information available to a reasonable investor. *SEC v. Husain, et al*, No. 2:16:cv-03250-ODW, 2017 U.S. Dist. LEXIS 29131, at \*8 (C.D. Cal. Mar. 2, 2017) ("Other than a corporation's financials, its leadership, the nature of its operations, and its plan for the future would seem to be the most important pieces of information available to an investor."); *see also Basic Inc. v.*

*Levinson*, 485 U.S. 224, 231–32 (1988); *SEC v. Texas Gulf Sulphur Co.*, 401 F.2d 833, 849 (2d Cir. 1968).

a) Go EZ

Go EZ’s Registration Statement portrays a growing company with multiple lines of business and offices on both coasts of the United States. Section II(A). This portrayal, however, is created by material misrepresentations in several respects. As to its FTA operations, Go EZ’s Registration Statement states that (1) FTA “is a provider of computer software programming, testing and development services to tech companies such as Apple,” and that “[i]t is uncertain whether FTA can maintain its current customer base;” (2) FTA used multiple independent contractors to assist with operations; and (3) Go EZ developed a “GO EZ’ brand ‘smartwatch’” and that “additional development of the product is underway to improve the user experience.” *Id.* These representations were false because (1) FTA had only provided services to Apple, not other tech companies, and had no existing customer base at any time after its acquisition by Go EZ;<sup>14</sup> (2) FTA’s operations were conducted solely by Benedict; and (3) Go EZ did not develop its smartwatch, and no additional development of the product was underway. *Id.*

As to Glophone, Go EZ’s Registration Statement stated that Glophone was operating a retail store at 6782 Collins Avenue in Miami Beach, which also served as Go EZ’s principal executive offices. Section II(A)(2). These statements were false because (1) an unrelated motorsport store was operating at 6782 Collins Avenue; (2) Glophone had abandoned all operations, liabilities, and revenues from the retail store at 6790 Collins Avenue, which was operated and controlled by Guerra and his corporation that was unaffiliated with Glophone; and (3)

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<sup>14</sup> Go EZ’s disclosure that FTA has only entered into one agreement with CyberCoders, and that “no work is currently being performed pursuant to that agreement”, Ex. E-6 at 33, does not remedy these misstatements, as Go EZ misleadingly adds that it “may also use other referral agencies, such as Kelly Services, Inc.” *Id.*

none of Go EZ's officers, executives, or directors had ever been to the United States, and no one at Go EZ was using the Collins Avenue location as an executive office. *Id.*

Finally, Go EZ's Registration Statement further gave the appearance of broader operations by stating that (1) it had "previous principal executive offices" in Los Altos, California; (2) "FTA has its own leased office space, at 1047 Amarillo Avenue, Palo Alto, California;" (3) an "officer/shareholder of [Go EZ] is allowing [Go EZ] to use his office as a mailing address; and (4) Go EZ is no longer a shell company. *Id.* These statements are false because (1) the address in Los Altos is a mailbox facility, not an executive office, and Go EZ has never controlled the box number listed; (2) the Palo Alto address is Benedict's home, not leased office space for FTA; (3) Benedict is not an officer or shareholder of Go EZ; and (4) Go EZ has minimal or no operations and assets, and no genuine intent to develop operations. Section II(B)(2).

b) Arc

First, the Arc Registration Statement describes Arc's operation of and resulting revenues from 82 Room through an agreement with Fanxi. These representations are false, because (1) 82 Room is neither owned nor operated by Arc or Fanxi, and instead, is independently owned by Yawei, and (2) Arc has not received any revenues from Yawei, 82 Room, Taobao, or Fanxi. Section II(B). The Registration Statement also describes Arc's sale of wine and olive oil, but does not disclose that Arc did not have any additional stock of olive oil to sell. *Id.*

Second, the Arc Registration Statement states that Arc has operations in Miami, Florida, and that members of Arc's key personnel reside throughout the world. Section II(B)(4). Arc's purported business operations in Miami, however, are the address to a mailbox facility, and Lopez admitted that the all of Arc's key personnel have resided in China since the Arc Registration Statement was filed. *Id.* Third, Arc fails to disclose that Beatriz and Jia, two of its key consultants, no longer had any involvement with the company. *Id.*

Fourth, Cinta's, San's, and Xiaoyue's involvement with Go EZ and Nova Smart should have been disclosed to investors since the key roles they played at Go EZ and Nova Smart increased the likelihood of a material adverse effect on Arc's business. Section II(B)(3).

Finally, the Arc Registration Statement uses these false and misleading statements to conceal the fact that Arc is a shell company with nominal operations and with no plans to actually grow or operate its business. Section II(B)(4).

c) Nova Smart

The Nova Smart Registration Statements states Nova Smart's "business and registered office is located at 2885 Sanford Ave. SW 36883, Granville, MI 49418," but this address is unrelated to the company's operations and no longer valid. Section II(C)(1). Further, both the CEO and CFO admitted that Nova Smart's only operations are in Shanghai. *Id.*

All of the foregoing material misrepresentations and omissions are material – and warrant the issuance of a stop order – because they concern the nature and scope of Respondents' operations. *See Husain*, 2017 U.S. Dist. LEXIS 29131 at \*8.

C. **A Stop Order Should Issue Based on Respondents' Failure to Cooperate with the Staff's Examinations.**

Section 8(e) of the Securities Act provides that, if an issuer fails to cooperate with, obstructs, or refuses to permit the staff's examination into whether the issuer's registration statement contains material misstatements or omissions, "such conduct shall be proper ground for the issuance of a stop order." *Scientific Research Dev. Co.*, Securities Act Release No. 5040 (Jan. 26, 1970) (settled action). Failing to cooperate with the staff's examination is an independent basis for issuing a stop order; a material misstatement or omission is not required. *See Blimpie Corp.*, Securities Act Release No. 5146 (May 6, 1971) (issuing a stop order solely on the grounds that the company's officers refused to testify pursuant to a Section 8(e) examination)

(Commission opinion); *see also Nat'l Car Care, Inc.*, 50 S.E.C. 383 (1990) (issuing a stop order and finding production of certain documents by NCC and its officers did not ameliorate the refusal to testify) (settled action)); *Sand Int'l, Inc.*, Release No. 1066 (Oct. 14, 2016) (initial decision), Release No. 1026 (Dec. 5, 2016) (final decision) (issuance of a stop order based on company's failure to cooperate in a Section 8(e) examination).

Entry of a stop order against Respondents is appropriate because they failed to cooperate with the Staff's examinations. Although Respondents admitted they had received the subpoenas issued to them, they failed to respond fully. Section I. Respondents' document productions all had clear deficiencies, which was evident when the Staff received documents from third parties that Respondents should have produced. *Id.* And when the Staff identified specific deficiencies in Respondents' productions, Respondents failed to make any additional documents available and eventually refused to respond to the Staff's communications. *Id.* A stop order should issue based on these failures alone. *Nat'l Car Care, Inc.*, 50 S.E.C. 383 (1990).

Furthermore, Respondents failed to make directors, officers or consultants available for sworn testimony. Respondents impeded the Staff's efforts to uncover documentation showing the control relationships described above, the related-party nature of transactions, and the scope and nature of Respondents' operations, by providing incomplete and inadequate responses to the Staff's requests for documents and refusing to make available for testimony key individuals able speak to the nature and scope of Respondents' operations. This failure to cooperate with the Staff's examination also constitutes an independent basis for a stop order. *See Sand Int'l, Inc.*, Release No. 1066; *Nat'l Car Care, Inc.*, 50 S.E.C. 383 (1990); *Blimpie Corp.*, Securities Act Release No. 5146; *Scientific Research Dev. Co.*, Securities Act Release No. 5040.




#### IV. CONCLUSION

As set forth above, the Division seeks issuance of a stop order against Respondents for three independently sufficient reasons: (1) Respondents' failure to answer, appear at the hearing, or otherwise appear in or defend the action; (2) material misstatements and omissions in Respondents' Registration Statements; and (3) Respondents' failure to cooperate with the Staff's examinations. A stop order is appropriate and in the public interest.

April 7, 2017

Respectfully submitted,



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**CERTIFICATE OF SERVICE**

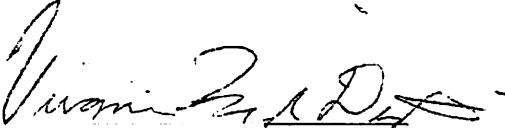
I hereby certify that an original and three copies of the foregoing were filed with the Securities and Exchange Commission, Office of the Secretary, 100 F Street, N.E., Washington, D.C. 20549-9303, and that a true and correct copy has been served in the form indicated below, on this 7th day of April, 2017, on the following persons entitled to notice:

The Honorable Cameron Elliot  
Administrative Law Judge  
Securities and Exchange Commission  
100 F Street, N.E.  
Washington, DC 20549  
***Service by Email: ALJ@sec.gov***

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