

UNITED STATES OF AMERICA
Before the
SECURITIES AND EXCHANGE COMMISSION

SECURITIES ACT OF 1933
Release No. 10500 / May 24, 2018

ADMINISTRATIVE PROCEEDING
File No. 3-18504

In the Matter of

ARTHUR KAPLAN,

Respondent.

**ORDER INSTITUTING CEASE-AND-
DESIST PROCEEDINGS PURSUANT TO
SECTION 8A OF THE SECURITIES ACT OF
1933, MAKING FINDINGS, AND IMPOSING
A CEASE-AND-DESIST ORDER**

I.

The Securities and Exchange Commission (“Commission”) deems it appropriate that cease-and-desist proceedings be, and hereby are, instituted pursuant to Section 8A of the Securities Act of 1933 (“Securities Act”), against Arthur Kaplan (“Kaplan” or “Respondent”).

II.

In anticipation of the institution of these proceedings, Respondent has submitted an Offer of Settlement (the “Offer”), which the Commission has determined to accept. Solely for the purpose of these proceedings and any other proceedings brought by or on behalf of the Commission, or to which the Commission is a party, and without admitting or denying the findings herein, except as to the Commission’s jurisdiction over him and the subject matter of these proceedings, which are admitted, Respondent consents to the entry of this Order Instituting Cease-and-Desist Proceedings Pursuant to Section 8A of the Securities Act of 1933, Making Findings, and Imposing a Cease-and-Desist Order (“Order”), as set forth below.

III.

On the basis of this Order and Respondent's Offer, the Commission finds¹ that:

RESPONDENT

1. Arthur Kaplan, age 31, is a resident of Westerville, Ohio. Kaplan worked as personal assistant to Edward Panos from 2007 through early 2013. Kaplan signed tolling agreements in this matter, suspending the running of the applicable statute of limitations for the period beginning on December 16, 2016, through June 24, 2018.

OTHER RELEVANT PERSONS

2. Edward Panos ("Panos"), age 47, is a resident of Park City, Utah. Panos was in the shell promotion business until recently, and consented in December 2016 to a judgment relating to the allegations in *SEC v. Panos*, No. 16-cv-02473 (D.D.C. Dec. 19, 2016), which is based on much of the same activity described herein.

FACTS

A. Kaplan Meets Panos and Forms Arthur Kaplan Cosmetics

3. In early 2007, Kaplan worked as an interpreter at a public issuer, of which Panos was part-owner. Kaplan approached Panos seeking an opportunity to work with him. Kaplan had an idea for a new company that would manufacture and sell organic men's skincare and cosmetic products.

4. On or around June 25, 2007, Panos arranged for Arthur Kaplan Cosmetics, Inc. ("AK Cosmetics") to be incorporated under the laws of Nevada. Kaplan was named as the sole officer and director of AK Cosmetics in the incorporation papers and accompanying board resolutions, and he received 10.1 million shares of AK Cosmetics common stock (representing 67% of the total outstanding shares). But Panos controlled Kaplan and had full control over AK Cosmetics' business decisions and affairs, including private and public offering documents. While Kaplan took some initial steps to explore marketing and production, he soon realized that Panos had other plans for AK Cosmetics.

5. Two days after AK Cosmetics was incorporated, Panos instructed Kaplan to sign board resolutions approving a private offering under Regulation D. Panos then provided Kaplan with cash and directed him to work with another Panos associate to identify investors for the private offering. The private offering was really a sham designed to put shares into Panos' hands, while disguising Panos' ownership and control.

¹ The findings herein are made pursuant to Respondent's Offer of Settlement and are not binding on any other person or entity in this or any other proceeding.

6. Kaplan and the Panos associate convinced twenty-eight of their family and friends to sign a subscription agreement for the purchase of AK Cosmetics shares at \$0.01 per share and to write a check to AK Cosmetics for \$100 or \$250 (depending on the number of shares each purchased). At the same time, Kaplan and the Panos associate asked each individual to sign a blank stock purchase agreement purporting to sell the newly purchased shares to an unspecified purchaser, for an unspecified price, on an unspecified future date. In exchange, Kaplan and Panos' associate immediately reimbursed each investor with a cash payment (funded by Panos) equal to the amount of his or her investment, sometimes with a small additional incentive payment. This private offering raised no actual funds for AK Cosmetics. Kaplan and Panos' associate delivered the signed subscription agreements and stock purchase agreements to Panos for his future use.

7. Kaplan subsequently assisted Panos in taking steps to draft and file a Form S-1 registration statement and a Form 211 to permit some of the shares of AK Cosmetics to be traded publicly. Panos directed these activities, retained outside counsel and external auditors, and paid for their professional services. The Form S-1 was signed by Kaplan and filed with the Commission on June 26, 2008, and became effective on July 14, 2008. The Form 211 was filed with the Financial Industry Regulatory Authority ("FINRA") in August 2008, and AK Cosmetics initiated quotation on the OTC Bulletin Board on or around October 22, 2008.

8. Between November 2008 and December 2009, at Panos' instruction and working out of Panos' home office, Kaplan took the twenty-eight blank stock purchase agreements that had been obtained from AK Cosmetics' initial investors and filled in the names of accounts that Panos controlled, or the names of Panos business associates, in the blank "purchaser" space, making it appear that they purchased shares from the initial investors. Kaplan also filled in, at Panos' instruction, an invented sales date and price. As a result of this activity, Panos came to control most of the 5 million shares registered in AK Cosmetics' Form S-1, or 33% of the total outstanding shares; Kaplan continued to hold his 10.1 million shares, which were not registered.

9. In early 2009, Panos met with the CEO of Plantation Exploration, Inc. ("Plantation Exploration"), a private company based in Texas that purported to be in the mineral and gas exploration business. Panos reached an agreement with the CEO of Plantation Exploration whereby Plantation Exploration would merge into AK Cosmetics, assume control of AK Cosmetics, and then change its name to Savoy Energy Corporation ("Savoy").

10. On or around March 31, 2009, at Panos' instruction, Kaplan signed a merger agreement with Plantation Exploration, which became a wholly-owned subsidiary of AK Cosmetics. A few days later, at Panos' instruction, Kaplan changed the name of AK Cosmetics to Savoy. Kaplan subsequently resigned as sole officer and director of Savoy and cancelled his 10.1 million shares. The CEO of Plantation Exploration was issued 2 million shares of Savoy and assumed control of Savoy. Kaplan received \$34,000 after the merger was complete.

11. On or around June 2, 2009, Savoy's shares became subject to a 1:4 forward split, increasing its outstanding shares from 7.25 million to 29 million. Throughout the summer and fall of 2009, Panos orchestrated a promotional campaign for Savoy, which resulted in a dramatic increase in the trading volume and share price of Savoy common stock. The trading volume of Savoy's shares increased from about 194,000 shares on August 31, 2009, to over 1.4 million shares

on September 1, 2009, over 17 million on November 9, over 21 million on November 10, and over 15 million on November 11, 2009. Savoy's share price increased from \$0.30 per share to a high of \$0.49 per share, and ended at a price of \$0.326 per share by November 11, 2009.

12. Kaplan helped Panos execute sales of Savoy shares across various accounts controlled by Panos between June and November 2009. Panos profited from these sales of Savoy shares, making over \$340,000 in accounts held in his name.

B. Panos and Kaplan Repeat this Pattern at Dragon Beverage and T&G Apothecary

13. While engaged in the AK Cosmetics scheme, but continuing into 2012, Panos, with assistance from Kaplan and a network of associates, took substantially the same steps, in connection with at least two other microcap and penny stock issuers, Dragon Beverage, Inc. ("Dragon Beverage") and T&G Apothecary, Inc. ("T&G Apothecary"), as part of similar schemes to defraud investors.

i. Dragon Beverage

14. On or around December 19, 2008, Panos arranged for Dragon Beverage to be incorporated as a private Nevada corporation. In or about February 2010, in the lead-up to taking Dragon Beverage public, Panos arranged for a close friend of Kaplan's, whom Kaplan had recruited, to be named as the sole officer and director of Dragon Beverage (the "Dragon Beverage CEO"). The Dragon Beverage CEO was given 5 million shares of Dragon Beverage common stock, or 62.5% of the then total outstanding shares, but Panos continued to have full control of the company's business decisions and affairs.

15. Panos provided Kaplan and the Dragon Beverage CEO with cash and directed them to identify individuals to invest in a private offering. As with the AK Cosmetics private offering, the Dragon Beverage private offering was a sham designed to put shares into Panos' hands, while disguising his ownership and control.

16. Kaplan and the Dragon Beverage CEO convinced thirty of their family and friends, principally college students, to participate in the offering. Acting on Panos' behalf, Kaplan and the Dragon Beverage CEO asked each individual to sign a subscription agreement for the purchase of 100,000 shares of Dragon Beverage common stock at \$0.01 per share and to write a check to Dragon Beverage for \$100. At the same time, Kaplan and the Dragon Beverage CEO asked each individual to sign a blank stock purchase agreement purporting to sell the newly purchased shares to an unspecified purchaser, for an unspecified price, on an unspecified date. In exchange, Kaplan and the Dragon Beverage CEO immediately reimbursed each investor with a cash payment (funded by Panos) equal to the amount of his or her investment, sometimes with a small additional incentive payment. This private offering raised no actual funds for Dragon Beverage.

17. In 2010, after the private offering was complete, Panos arranged to have a Form S-1 registration statement filed to register the sale of the Dragon Beverage shares that were nominally held in the names of the thirty investors recruited by Kaplan and the Dragon Beverage CEO. The

registration statement became effective on or around September 10, 2010. Dragon Beverage's stock initiated quotation on the OTC Bulletin Board on or around November 12, 2010.

18. Kaplan and the Dragon Beverage CEO delivered the signed subscription agreements and stock purchase agreements to Panos for his future use. On Dragon Beverage's share registry, however, it continued to appear that the company's shares were owned by the thirty investors that Kaplan and the Dragon Beverage CEO signed up, and that they collectively held 37.5% of the company's shares.

19. Kaplan's actions materially assisted Panos in accumulating a large, undisclosed position in Dragon Beverage. Once Dragon Beverage's shares were publicly trading, Kaplan assisted Panos in completing the stock purchase agreements that Dragon Beverage's initial investors had executed, assigning their shares to accounts that Panos controlled and to business associates of Panos.

20. Panos subsequently arranged a transfer of control of Dragon Beverage to the CEO of E-Waste Systems (UK) Ltd. ("E-Waste UK"), a non-operating private company based in London, England. By June 2011, Dragon Beverage changed its name to E-Waste Systems, Inc. ("EWSI"). The Dragon Beverage CEO resigned from his position as an officer and director of EWSI and transferred all of his shares (and thus his controlling interest) in the company to the CEO of E-Waste UK, who became the company's new CEO and new controlling shareholder.

21. As with AK Cosmetics, Panos' strategy for exiting his position in EWSI stock was to engage in a paid promotional campaign to artificially increase its trading volume and price, and then sell his shares into the inflated market. Kaplan assisted Panos in this process. For example, in or around February 2012, Kaplan contracted for a paid email campaign to promote EWSI, using Panos' funds. In order to make the campaign more effective and increase trading volume, Kaplan also coordinated the timing of the campaign with EWSI, which issued a press release near or around the same day as the scheduled promotional campaign. The promotional campaign ran on February 2, 2012, and involved mass emailing as well as publication of promotional material on a microcap promotion site. Following this paid promotional campaign, EWSI's share price increased from \$1.65 per share to \$1.92 per share. Kaplan helped Panos sell EWSI shares into the artificially inflated market through various accounts controlled by Panos. Panos profited from the sale of those shares.

22. Kaplan helped Panos execute sales of Dragon Beverage and EWSI shares across various accounts controlled by Panos between November 2010 and August 2011. Panos profited from these sales of Dragon Beverage and EWSI shares, making over \$39,000 in accounts held in his name.

ii. T&G Apothecary

23. On or around January 17, 2011, Panos arranged for the formation of a private entity called T&G Apothecary. Panos' associate was named as the sole director and CEO of T&G Apothecary ("T&G CEO"), and she nominally received a majority of the company's shares, but, as

with AK Cosmetics and Dragon Beverage, Panos retained full control of the company's business decisions and affairs.

24. Panos instructed the T&G CEO to sign board resolutions approving a private offering under Regulation D. Panos provided Kaplan and the T&G CEO with cash and directed them to identify individuals to invest in the private offering. As with the AK Cosmetics and Dragon Beverage private offerings, the T&G Apothecary private offering was a sham designed to put shares into Panos' hands, while disguising his ownership and control.

25. Kaplan and the T&G CEO convinced thirty friends and family members to participate in the offering. Acting on Panos' behalf, Kaplan and the T&G CEO asked each individual to sign a subscription agreement for the purchase of T&G Apothecary shares at \$0.01 per share and to write a check to T&G Apothecary for \$100. Again, Kaplan and the T&G CEO asked each individual to sign a blank stock purchase agreement purporting to sell the newly purchased shares to an unspecified purchaser, for an unspecified price, on an unspecified future date. In exchange, Kaplan and the T&G CEO immediately reimbursed each investor with a cash payment (funded by Panos) equal to or slightly exceeding the amount of his or her investment. Kaplan delivered the signed subscription agreements and stock purchase agreements to Panos for future use, thereby providing material assistance to Panos in accumulating a large, undisclosed position in T&G Apothecary. This private offering raised no actual funds for T&G Apothecary.

26. In or around April 2011, after the T&G Apothecary offering was complete, Panos caused the T&G CEO to file a Form S-1 registration statement with the Commission, registering the sale of the private offering shares. The registration statement became effective on or around December 9, 2011. The shares initiated quotation on the OTC Bulletin Board on or around March 15, 2012.

27. In 2011 and 2012, at Panos' instruction and working from Panos' home office, Kaplan took the blank stock purchase agreements that had been obtained from T&G Apothecary's initial thirty investors and filled in the names of accounts that Panos controlled, or the names of Panos business associates, making it appear that they had purchased shares from the initial investors. Kaplan also filled in, at Panos' instruction, an invented sales date and price. As a result of this activity, Panos came to control most of the 8 million shares listed in the T&G Apothecary Form S-1, or 37.5% of the total outstanding shares. Although the T&G CEO continued to hold her 5 million shares, which were not listed in the Form S-1, Panos exercised control over these shares as well.

28. On or around July 19, 2012, at Panos' instruction, Kaplan filled in the name of his girlfriend as the purchaser on a stock purchase agreement that had been signed by one of the initial investors listed in T&G Apothecary's Form S-1. Kaplan knew or should have known that his girlfriend had not paid the stated purchase price for the shares, that the shares were just temporarily placed into her account, and that the shares would later be transferred back to Panos upon his request. On or around August 9, 2012, Kaplan, who had access to his girlfriend's account, transferred her T&G Apothecary shares to a Panos account. In exchange, on or around July 19, 2012, Panos instructed Kaplan to sign a convertible note with T&G Apothecary for \$5,000, pursuant to which T&G Apothecary would pay Kaplan \$5,000 or give him shares at a 20%

discount to market. This convertible note was intended to compensate Kaplan for his assistance in transferring control of T&G Apothecary shares to Panos-controlled accounts, but it was never converted or repaid.

29. Panos exited his position in T&G Apothecary stock in or about August 2012 when, at Panos' arrangement, a private company in Vancouver, Canada, called Biologix Hair, Inc. ("Biologix") signed a stock purchase agreement to acquire T&G Apothecary. In July and August 2012, Kaplan took steps to assist in this process. Ultimately, in or around August 14, 2012, a Biologix trust account wired \$250,000 to Panos. A week later, in exchange for a \$50,000 payment, the T&G Apothecary CEO resigned and executed documents transferring her controlling shares to a representative of Biologix, who became T&G Apothecary's sole officer and director. The transaction was finalized on or about December 3, 2012.

VIOLATION

30. As a result of the conduct described above, Kaplan violated Section 17(a)(3) of the Securities Act, which prohibits, in the offer or sale of securities, knowingly, recklessly, or negligently engaging in transactions, practices, or courses of business which operate or would operate as a fraud or deceit upon purchasers of such securities.

IV.

In determining to accept the Offer, the Commission considered cooperation afforded the Commission staff by Respondent.

V.

In view of the foregoing, the Commission deems it appropriate to impose the sanctions agreed to in Respondent's Offer.

Accordingly, it is hereby ORDERED that:

- A. Pursuant to Section 8A of the Securities Act, Respondent cease and desist from committing or causing any violations and any future violations of Section 17(a)(3) of the Securities Act.

- B. Respondent acknowledges that the Commission is not imposing a civil penalty based upon his cooperation in a Commission investigation and/or related enforcement action. If at any time following the entry of the Order, the Division of Enforcement (“Division”) obtains information indicating that Respondent knowingly provided materially false or misleading information or materials to the Commission, or in a related proceeding, the Division may, at its sole discretion and with prior notice to the Respondent, petition the Commission to reopen this matter and seek an order directing that the Respondent pay a civil money penalty. Respondent may contest by way of defense in any resulting administrative proceeding whether it he knowingly provided materially false or misleading information, but may not: (1) contest the findings in the Order; or (2) assert any defense to liability or remedy, including, but not limited to, any statute of limitations defense.

By the Commission.

Brent J. Fields
Secretary