**ENFORCEMENT AND INVESTOR PROTECTION DEPARTMENT**

**In the Matter of:**

**MASSDROP MARKETING and FRANCHISING OPC**
COMPANY REG NO. 2021020006740-02;

and

**MDM VENTURES CORPORATION**
COMPANY REG NO. 2021060015483-11

**x-----------------------------------------------x**

For Revocation of Certificate of Incorporation for violation of Section 44 of the Revised Corporation Code of the Philippines in relation to Presidential Decree No. 902A for serious misrepresentation as to what the corporations can do to the great prejudice of or damage to the general public.

# ORDER OF REVOCATION

This refers to the following entities:

**MASSDROP MARKETING AND FRANCHISING OPC** ("**MassDrop**"), a One-Person Corporation registered with this Commission on 10 February 2021 under Company Reg. No. 2021020006740-02 with principal office address at Unit 206 BFCT KM. 1 - Marcos Highway - Calumpang, City of Marikina, Second District, National Capital Region (NCR), 1800. Its primary purpose is:

> *"Primary;*
>
> *To provide franchise marketing services in all the support needed in facilitating business to revitalized selling techniques. It pioneers and caters to small and medium franchise company that can assist your businesses of its franchise potential. It will provide business program and assist requirements from planning to implementation that guaranties results in work with outmost professionalism.* ***It will not engage in any practice of profession regulated by Professional Regulatory Commission****.*

*Secondary:*

> *To engage in marketing consultancy to persons, firms, associations, corporations, partnerships and other entities necessary in meeting the objectives of the enterprise such as product developments, marketing promotions, advertisements, corporate imaging and product launching and designs";*

> ***Provided that the corporation shall not solicit, accept or take investments/placements from the public neither shall it issue investment contracts". ****(emphasis is ours)*

Edgar Joseph Tan ("EJ Tan/EJJ Tan") whose address is at Lot 59-61, Block 56 Village East 3 Bilibiran, Binangonan, Rizal, Region IV-A (CALABARZON), 1940 is MassDrop's sole stockholder/director/president with a Php1,000,000.00 Authorized Capital Stock and Php250,000.00 thereof subscribed and fully paid.

Edgar G. Tan, Filipino, with residential address at 935 Homeland Subdivision Martin St. Muzon, Taytay, Rizal Region IV-A (CALABARZON), 1920 is EJJ Tan's nominee, while Zerina T. Tan with residential address at Lot 59-61, Block 56 Village East 3, Bilibiran, Binangonan, Rizal, Region IV-A (CALABARZON), 1940 is the alternate nominee.

On the other hand, **MDM VENTURES CORPORATION** ("**MDM Ventures**"), was registered with this Commission on 2 June 2021 under Company Reg. No. 2021060015483-11 with the same principal office as that of MassDrop's and except a variation on phraseology thereof, almost similar purposes as MassDrop's, to wit:

*"Primary:*

> ***To provide*** *and engage in the business of* ***franchise marketing services in all the support needed in facilitating*** *business that* ***revitalized selling techniques, pioneers and caters to small and medium franchise company that can assist*** *your* ***businesses of its franchise potential****. To* ***provide business program and assist requirements from planning to implementation that guarantees results in work with outmost professionalism****. Without* ***engaging in any practice of profession regulated by Professional Regulatory Commission****".*

*Secondary:*

> ***To engage in marketing consultancy to persons, firms, associations, corporations, partnerships and other entities necessary in meeting the objectives of the enterprise such as product developments, marketing promotions, advertisements, corporate imaging and product launching and designs***;

***Provided that the corporation shall not solicit, accept or take investments/placements from the public neither shall it issue investment contracts.*** *" (emphasis is ours)*

MDM Ventures' incorporators/first directors/stockholders are:

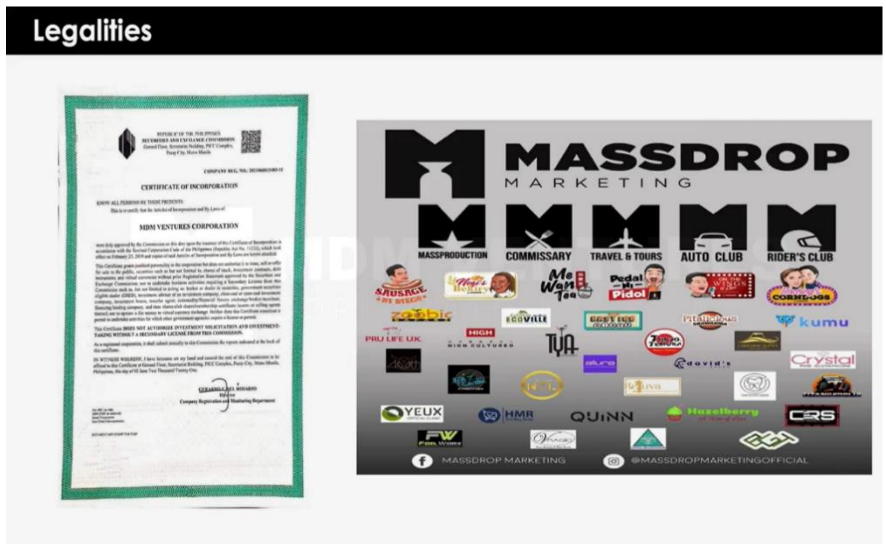
| Name | Residence | Subscribed Capital Stock | Paid-Up Capital Stock |
|---|---|---|---|
| Renato A Sismundo JR. | Olalia Road Dela Paz (Pob.), City of Antipolo, Rizal, REgion IV-A (CALABARZON), 1870 | Php85,000.00 | Php21,250.00 |
| Eduardo B Mallari JR. | 230 Loreta St., CHS Subd. Cotta, Lucena City (Capital), Quezon, Region IV-A (CALABARZON), 4301 | Php82,500.00 | Php20,625.00 |
| Roel B. Duya | 619A Mabini St., Manggahan, City of Pasig, Second District, National Capital Region (NCR), 1611 | Php82,500.00 | Php20,625.00 |

Now, this department has received various emails inquiring on MassDrop and MDM Ventures and reporting on their activities, some of which we quote as follows:

a. "*Good evening po, patulong po sana ako kung legit ba to na company kasi nag oofer sila ng 20% ng company share daw*"


*b.* *“Hi,*

*I just want to report this company which recently change its name from MASSDROP MARKETING to MDM VENTURES just to get more investors. After SEC issued the advisory against this MASSDROP they changed their name. Today they are more rampant in recruiting people to their Ponzi scheme alluring people a guaranteed ROI. Please review.*
*Company Name: MDM VENTURES*
*CEO: Edgar Joseph Tam*
*FB profile : [https://www.facebook.com/ejj.tan](https://www.facebook.com/ejj.tan)*
*Group Page Name: MASSDROP MARKETING*
*Group Page Link: [https://www.facebook.com/groups/3324487567676949](https://www.facebook.com/groups/3324487567676949)*
*Thank you”*




As borne by various Facebook posts and from tipsters/email senders, MassDrop and subsequently MDM Ventures, entice the public to invest online or through the internet with a minimum investment of P1,000 which will earn 20% per month.

In order to check the veracity of the information received, this department conducted an inquiry/investigation regarding the business activities/operations of Massdrop Marketing.

Below are common Facebook posts pertaining to the investments offered by Massdrop.

**Reb Ebyong** shared a **post**.
April 8 at 7:33 AM ·

https://m.facebook.com/story.php?story_fbid=2876342639286757&id=100007331474239

**Reb Ebyong** added **2 new photos** to the album: **MASSDROP**.
April 8 at 7:32 AM ·

ang daming buhay na nag bago. nakita mo na pagbabago sa iba, yung unang naniwala?
hanggang ngayon duda ka parin? pag dudahan mo ang duda

**Massdrop Marketing**

⚠️ Not NETWORKING nor INVESTMENT SCHEME
⚠️ NO need invites
⚠️ NO need to sell
✔️ SEC registered
✔️ Innovative E-commerce platform
✔️ Franchising
✔️ Purchasing

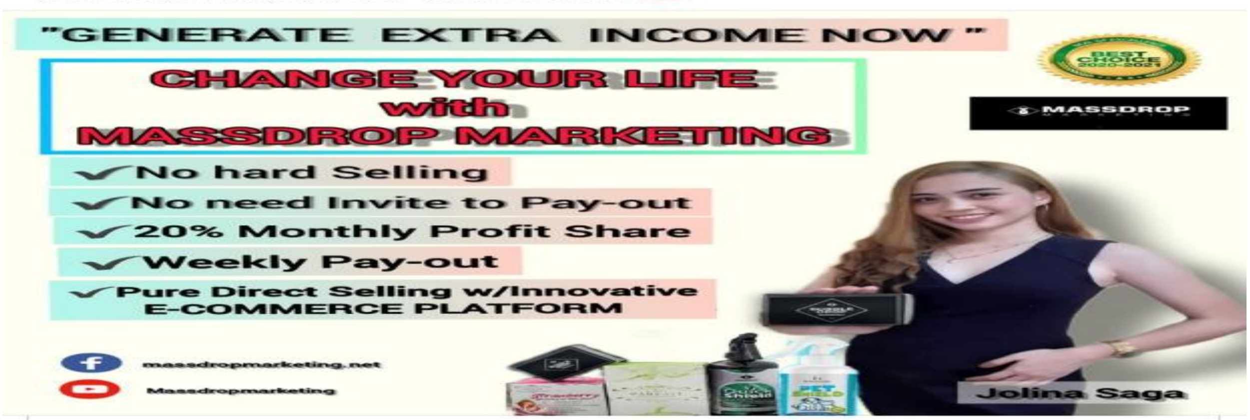
if somebody offers you an amazing opportunity but you are not sure you can do it, say YES - then learn how to do it later!
-Richard Branson

Maging riteMED ka!
"Wag mahiyang mag tanong! "

#MassdropMarketing
#MassdropLangMalakas
#BubbleDropSoap
#Purchase
#Franchise

**April Arnejo** shared a **post**.
March 27 at 4:54 PM ·

Change Your Life with Massdrop Marketing ❤️
Direct message me for more Details 💋




**April Arnejo** added **a new photo** to the album: 🖤**Massdrop Marketing**🖤.
March 27 at 3:29 PM ·

CHANGE YOUR LIFE WITH US 😉

Be a distributor 😤
Massdrop Marketing

Pag ikaw di ka kumita ng 20% after 30 days , double ko ang pera mo!

- Selling not required
- Invites not required
- Not Networking
- Not Pyramiding
- Not Investment scheme
- We do Marketing! 💯

Hanggang kailan ka pa mag iisip? Message na! 🙂
MAGDUDA O KUMITA. The choice is yours.

#massdropmarketing
#entrepreneur
#LegitDistributor
#franchising — with **April Arnejo II** and **Lei Lah**.

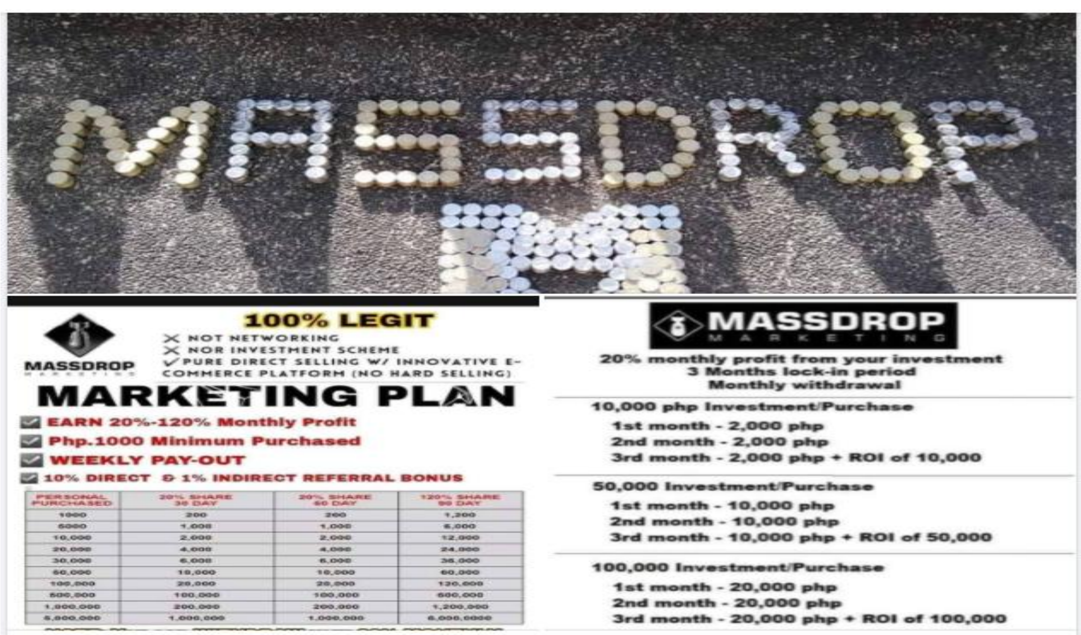
Based on investigation conducted by this department, MassDrop entices the public to invest online or through the internet to become a member thereof with a ***minimum investment of Php1,000.00 with a guaranteed monthly return of 20% for 90 days or for a total of 60% income in just 3 months. Accordingly, a member shall only need to invest, wait, and earn without having to do anything***.

Considering that MassDrop appears to be engaged in the offering and selling of securities in the form of investment contracts, the Department inquired with the other Operating Departments of the Commission such as the Markets and Securities Regulation Department (MSRD), Corporate Governance and Finance Department (CGFD), and Company Registration and Monitoring Department (CRMD) to determine if MASSDROP MARKETING AND FRANCHISING OPC was issued or has a pending application for a permit to offer securities for sale.

Consequently, the MSRD, CGFD, and CRMD certified that MASSDROP MARKETING AND FRANCHISING OPC has not registered any securities pursuant to the provisions of the Securities Regulation Code that would allow it to offer and/or sell securities to the public.

Thus, on 18 May 2021, an SEC Advisory was issued informing the public that:

> *"xxx **MASSDROP MARKETING and FRANCHISING OPC 'MASSDROP MARKETING'** headed by their President **Edgar Joseph Tan 'EJ TAN,'** are enticing the public to invest their money in said entity.xxx*
>
> *Based on the information received by this Commission, MASSDROP MARKETING entices the public to invest online or through the internet to become a member thereof with a minimum investment of Php1,000.00 with a **guaranteed monthly return of 20% for 90 days plus ROI on the 3rd month or a total of 160% income in just 3 months.***



Accordingly, a member shall only need to invest, wait and earn without having to do anything.

*xxx*

*While MASSDROP MARKETING and FRANCHISING OPC was registered with this Commission, however, it is to be noted that the issued Certificate of Registration explicitly highlighted that: "**This Certificate DOES NOT AUTHORIZE INVESTMENT SOLICITATION AND INVESTMENT-TAKING WITHOUT A SECONDARY LICENSE FROM THIS COMMISSION.**"*

Despite the issuance of the abovementioned SEC Advisory against **MASSDROP MARKETING AND FRANCHISING OPC**, it continued to perpetrate its investment-taking activities unabated through its owner, agents, representatives, enablers and influencers, this time through another entity, **MDM VENTURES CORPORATION** which was incorporated on 2 June 2021 (after the issuance of the SEC Advisory against MassDrop). Notably, in its application for registration, it was shown that the acronym **"MDM"** in its corporate name **MDM VENTURES CORPORATION,** stands for "**Massive Drop Marketing.**"

**SECURITIES AND EXCHANGE COMMISSION**

Registration Application Form Summary - **SEC - ESPARC**

| | | | |
|---|---|---|---|
| **REFERENCE NUMBER :** | SEC210531-WPVCNGKGAFB3WYI | | |
| **DATE SUBMITTED :** | 2021-05-31 14:55:26 | | |
| **PROCESSING OFFICE :** | SEC Main Office - PICC | | |
| **APPLICANT/REPRESENTATIVE CONTACT DETAILS** | | | |
| **Name:** ROEL DUYA | | **Email:** | yamatoasahaina@gmail.com |
| **Mobile:** 09171342517 | | **Phone:** | 0917342517 |
| **COMPANY DETAILS** | | | |
| **Company Name:** | MDM VENTURES CORPORATION | | |
| **Company Name Acronym Meaning:** | Massive Drop Marketing | | |
| **Type:** | Stock Corporation | **Sub-Type:** | Corporation with less than 5 Incorporators |
| **Classification:** | ALL FILIPINO | **Sub-Class:** | Regular |
| **Industry:** | OTHER SERVICE ACTIVITIES | | |
| **Sub-Industry:** | Other personal service activities, n.e.c. | | |
| **Purpose:** | To provide and engage in the business of franchise marketing services in all the support needed in facilitating business that revitalized selling techniques, pioneers and caters to small and medium franchise company that can assist businesses of its franchise potential. To provide business program and assist requirements from planning to implementation that guarantees results in work with outmost professionalism. Without engaging any practice of profession regulated by Professional Regulatory Commission | | |
| **Secondary Purpose:** | To engage in marketing consultancy to persons, firms, associations, corporations, partnerships and other entities necessary in meeting the objectives of the enterprise such as product developments, marketing promotions, advertisements, corporate imaging and product launching and designs. | | |

Massdrop advised that a would-be investors should make a deposit to the bank account shown below in order to earn the promised profit of the schemes being perpetrated by EJ Tan.

| Bank | Bank Account Name | Bank Account Number |
|---|---|---|
| EastWest Bank | Massdrop Marketing and Franchising OPC | 200025287737 |

It should be pointed out that MDM Ventures' principal office address is also at Unit 206 BFCT KM. 1 Marcos Highway, Calumpang, City of Marikina, Second District, National Capital Region (NCR), 1800 and that it purposes are effectively the same as that of MassDrop's, to wit:

*"Primary:*

> ***To provide** and engage in the business of **franchise marketing services in all the support needed in facilitating** business that **revitalized selling techniques, pioneers and caters to small and medium franchise company that can assist** your **businesses of its franchise potential**. To **provide business program and assist requirements from planning to implementation that guarantees results in work with outmost professionalism**. Without **engaging in any practice of profession regulated by Professional Regulatory Commission**".*

*Secondary:*

> "***To engage in marketing consultancy to persons, firms, associations, corporations, partnerships and other entities necessary in meeting the objectives of the enterprise such as product developments, marketing promotions, advertisements, corporate imaging and product launching and designs***";

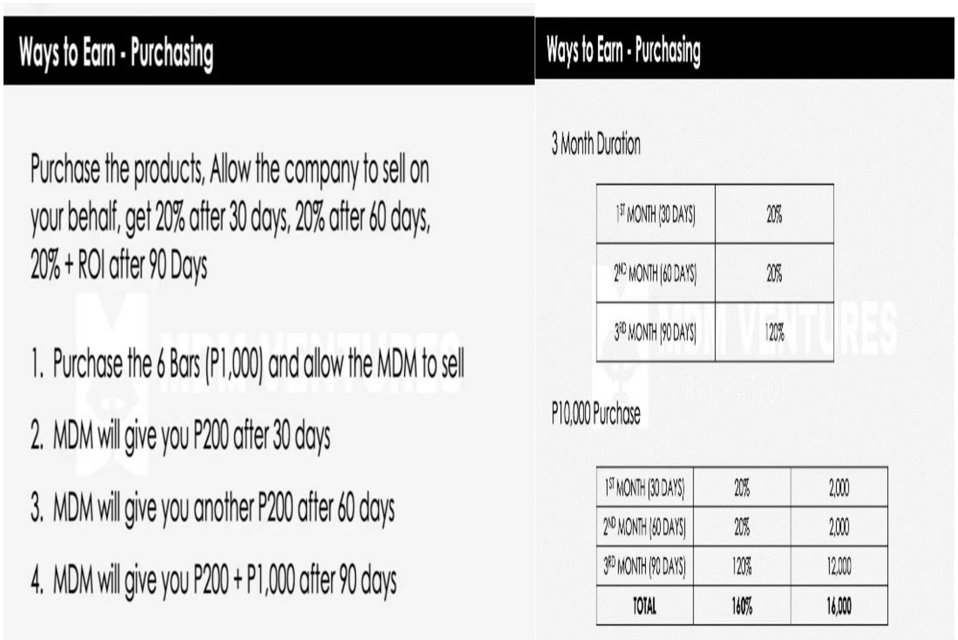
> ***Provided that the corporation shall not solicit, accept or take investments/placements from the public neither shall it issue investment contracts".*** *(emphasis is ours)*

Also, the schemes offered by MDM Ventures are exactly the same as that of MassDrop's.

Thus, on 25 June 2021, another SEC Advisory was issued informing the public that:

> *"xxx the investment-activities of **Massdrop Marketing and Franchising OPC** headed by **EDGAR JOSEPH TAN**, a.k.a. **EJJ TAN** is being continued under the name of **MDM VENTURES CORPORATION** xxx.*

> *xxx **MDM VENTURES CORPORATION** entices the public to invest online or through the internet to become a member thereof with a minimum investment of Php1,000.00 with a **20% every month for 3 months and on the 3rd month you get your P1,000 investment plus the 20% profit or a total of 160% in 3 months.***




*While **MDM VENTURES CORPORATION** was registered with this Commission as a corporation, however, it is to be noted that the issued Certificate of Registration explicitly highlighted that: **<u>"This Certificate DOES NOT AUTHORIZE INVESTMENT SOLICITATION AND INVESTMENT-TAKING WITHOUT A SECONDARY LICENSE FROM THIS COMMISSION."</u>** Consequently, **MDM VENTURES CORPORATION has not secured secondary license from this Commission to offer and/or sell securities to the public.**xxx*

In said Advisory, the Commission extracted EJ Tan's FB post that MassDrop and MDM Ventures have transferred to a new office to wit:

On 17 September 2021, an Investor Alert in Filipino was posted at the official SEC Facebook page warning the public against the activities of MDM Ventures :

Securities and Exchange Commission Philippines
September 17 ·

HUWAG MAGING BIKTIMA!

Binibigyan ng babala ang publiko na huwag mag-invest sa MDM VENTURES CORPORATION. Base sa nakalap na impormasyon ng Komisyon ng Panagot at Palitan (Securities and Exchange Commission) ang mga aktibidad ng pamumunuhan ng Massdrop Marketing and Franchising OPC na pinamumunuan ni Mr. EDGAR JOSEPH TAN, a.k.a. EJJ TAN ay nagpapatuloy sa ilalim ng pangalan ng MDM VENTURES CORPORATION na siyang diumano'y pinamumunuan nina Mr. RENATO A. SISMUNDO, JR., Mr. EDUARDO B. MALLARI, JR., at Mr. ROEL B. DUYA bilang incorporators/directors/stockholders nito. Ang nasabing kompanya ay REHISTRADO SA SEC ngunit ito ay WALANG LISENSYA upang mangalap ng investment mula sa publiko na isang malinaw na paglabag sa Securities Regulation Code ng Pilipinas (SRC).

Ang MDM VENTURES CORPORATION ay nag-aalok ng mga pamumuhunan tulad ng inaalok ng MASSDROP na nagsisimula sa halaga na Php1,000.00 na may kaakibat na 20% na kita bawat buwan sa loob ng 3 buwan at sa pangatlong buwan nito ibabalik nila sa kanilang miyembro ang Php1,000.00 na siyang ipinuhunan nito kasama ang 20% na kita o katumbas ng 160% sa loob ng 3 buwan.

Nais naming ipabatid na ang pag-aalok at pagbebenta ng nga "securities" sa publiko na kung saan ang mga mamumuhunan ay walang ibang kailangang gawin maliban sa magbigay o maglaan ng pera sa operasyon ng isang entidad kapalit ang pagtanggap ng kita mula rito ay maituturing nang isang Ponzi Scheme.

Bukod pa dito, ang ganitong mga uri ng pamamaraan ng pagnenegosyo ay maituturing din na isang "investment contract" na nangangailangan ng kaakibat na rehistro mula sa SEC tulad sa nasabing kompanya.

Kung kayo ay may nalalaman o karagdagang impormasyon hinggil sa nabanggit na gawain at sa mga taong nagpapatakbo sa operasyon nito, maaaring makipag-ugnayan sa Enforcement and Investor Protection Department sa pamamagitan ng email address na epd@sec.gov.ph.

Ang advisory ng Komisyon tungkol sa MDM VENTURES CORPORATION ay mababasa sa sumusunod na link sa SEC website: https://www.sec.gov.ph/advisori.../mdm-ventures-corporation/

#BagoMaginvestMagINVESTiga
#HuwagMagingBiktima

EJ Tan as Massdrop's and MDM Ventures' President, released a Statement/Press Release on 31 August 2021 in Facebook apologizing for the delay in payouts and that their "secondary license" is being worked out with the Commission with its release expected in September 2021.

MDM VENTURES CORPORATION

**MDMVC**
104-B Shaw Boulevard
Kapitolyo Pasig City 1603
(02) 8-288-2956
massdropmarketing@gmail.com

August 31, 2021

To all Depot owners, Leaders, Employees and Members:

This is to make public the current update relayed to all the depot owners during a zoom meeting held on August 29, 2021 at 10:44am:

1. As to date, our legal team is already working on recovering all the lost assets of the company during the two (2) unforeseen incidents. The affidavits of our members that witnessed the incident that took place last Aug. 4, 2021 in our main office during our weekly scheduled payout will greatly help in our fight to get back everything we've lost that caused the delay in our members payouts and heavily crippled our business operations.

2. PAYOUT / PULLOUT – MDMVC and its management would like to send its gratitude and appreciation to all members for their support and our sincerest apology for the current delays in payouts. We humbly ask for your continuous understanding and patience during these difficult times.

Although we haven't released any payout funds yet to the depots and despite the huge losses in business operations caused by the recent incidents deliberately done against the company, MDMVC have slowly started to release payouts since last week and will continue to do so as funds become available.

In order for MDMVC to survive, and our goal to rebuild the company that was able to improve the lives of many of our members and have helped so many, priority will be given to paying out store sales profits and hold off on referral earnings already earned, temporarily, until the company is able to recuperate its losses and resume normal business operations.

Although pullouts is an option, MDMVC and its management highly encourage our members to continue instead of pulling out. This is necessary to ensure business continuity and its survival which benefits not just the company but ALL members of MDMVC.

Understand that the company had no delays in payouts prior to these 2 incidents, and we believe that these steps we are taking along with your help and support will give time for the company to recuperate from its losses and be able to payout each and every member in its proper time at the same time allow us to continue what we started which benefits everyone, both the company and all its members.

3. SECONDARY LICENSE - There is currently a letter circulating online claiming that the company has not filed any application for the secondary license and we refuse to believe the validity of the document. MDMVC stand firm in our statement that this is being worked on and although we cannot give further details about the status to ensure that our application will no longer be impeded or influenced by any group that is determined to bring down the company, we can tell you that it is making good progress in the right direction and if there will be no further unforeseen challenges, we hope to announce its approval this September.

4. There is still no clue on the whereabouts of Mr. Owel Duya from the time he was taken by the vehicles which appeared in the CCTV footages submitted to the PNP.

5. The CSR Team has spearheaded the collection of data and account details of the members who are needing payout funds. Kindly message the pages directly to accomplish your online forms so the payout will be directly deposited to your account. Facebook or Massdrop Marketing or Massdrop CSR.

6. The pull-out forms will be available at the same social media pages to be accomplished by each member should they wish to pull out their purchases. The legal team prepared a draft settlement agreement and quit claim for the members to sign upon payment of such refunds.

7. A temporary main office is being set by the management to process requests by the members, pending the completion of the monster depot which is still under construction.

8. The top management is currently spearheading the updates which will be posted in our official fb page and will be disseminating the same to the depot owners which can then be shared to the members. To avoid speculations, a regular update will be given out to the public.

For everyone's reference and guidance. For more inquiries, kindly message the CSR Team thru the social media pages of Massdrop Marketing. Thank You.

Sincerely yours,

**Edgar Joseph Tan**
**President**

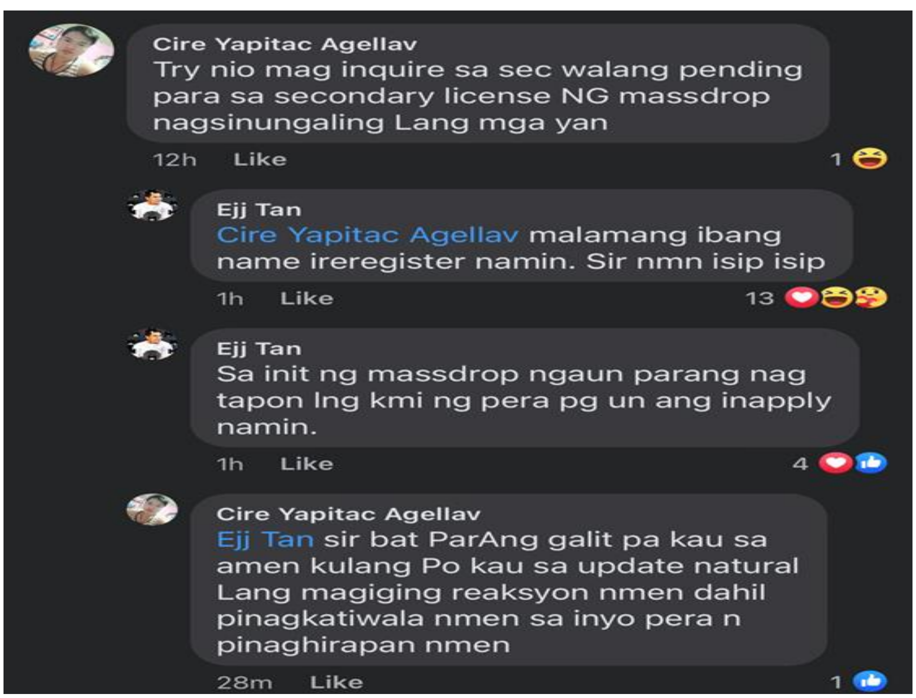
As the EIPD has been receiving inquiries from the public as to whether there is truth to EJ Tan's claim that they have already filed a secondary license with the Commission, the Department responded to investors that per coordination with the different Operating Departments of the Commission, Massdrop and MDM Ventures have no pending applications for a secondary license, that is, applications for registration of securities under the Securities Regulation Code or Permit to Offer and Sell Securities.

As what can be seen from EJ Tan's Statement on Massdrop and MDM Ventures supposed application for secondary license, he represented that:

> "3. SECONDARY LICENSE – There is currently a letter circulating online claiming that the company has not filed any application for the secondary license and we refuse to believe the validity of the document. MDMCC stand firm in our statement that this is being worked on and although we cannot give further details about the status to ensure that our application will no longer be impeded or influenced by any group that is determined to bring down the company, we can tell you that it is making good progress in the right direction and if there will be no further unforeseen challenges, we hope to announce its approval this September."

To date, Massdrop and MDM Ventures have not secured any Permit to Offer and Sell securities nor have they pending applications for registration of securities under the SRC.

Curiously, an email sender shared an investor's conversation with EJJ Tan on the latter's claim as to Massdrop and MDM Ventures' much-ballyhooed pending secondary license application, as follows:



On the other hand, EJ Tan in his Statement had acknowledged to investors the delay in the promised payouts to the restive investors, as follows:

> "2. PAYOUT /PULLOUT – MDMVC and its management would like to send its gratitude and appreciation to all members for their support and our sincerest apology for the current delays in payouts. We humbly ask for your continuous understanding and patience during these difficult times.
>
> Although we haven't released any payout funds yet to the depots and despite huge losses in business operations caused by the recent incidents deliberately done against the company, MDMVC have slowly started payouts since last week and will continue to do so as funds become available.
>
> In order for MDMVC to survive, and our goal to rebuild the company that was able to improve the lives of many of our members and have helped so many, priority will be given to paying out store sales profits and hold off on referral earnings already earned, temporarily, until the company is able to recuperate its losses and resume normal business operations.
>
> Although pullouts is an option, MDMVC and its management highly encourage our members to continue instead of pulling out. This is necessary to ensure business continuity and its survival which benefits not just the company but ALL members of MDMVC.
>
> Understand that the company had no delays in payouts prior to these 2 incidents, and we believe that these steps we are taking along with your help and support will give time for the company to recuperate from its losses and be able to payout each and every member in its proper time at the same time allow us to continue what we started, which benefits everyone, both the company and all its members."

Consequently, on 23 September 2021, a Show Cause Order was issued to MASSDROP MARKETING AND FRANCHISING OPC and MDM VENTURES CORPORATION addressed to its principal office, official email addresses and the addresses of their stockholder-director-president, nominee and alternate nominee, and directors and to its Counsel-of-Record – Camtugan & Partners represented by Atty. Francis Rae G. Camtugan II ***directing the companies to show cause why their Certificates of Incorporation should not be revoked pursuant to Section 6 (i) (2) of Presidential Decree No. 902-A for serious misrepresentation as to what the corporation can do or is doing to the great prejudice of or damage to the general public and to show cause why no administrative sanctions and/or criminal charges should be imposed/filed against*** **MASSDROP MARKETING AND FRANCHISING OPC and MDM VENTURES CORPORATION and/or their incorporators, directors and officers for violation of the Securities Regulation Code.**

On 30 September 2021, the EIPD received MassDrop's and MDM Ventures' Motion through its counsel, Camtugan & Partners through Atty. Francis Rae G. Camtugan II. The Motion did not address the findings detailed in the Show Cause Order that MassDrop and MDM Ventures are offering securities in the form of investment contracts, nor proffer a cogent explanation in their defense, instead, the companies had the temerity to insist that complainants against them execute Affidavits and have the same furnished to them before they comply with the issued Show Cause Order.

Further, it was stated therein that the issued Show Cause Order is just a collection of screenshots and materials from social media, facetiously claiming that such may be done by anybody else including the creation of GCash and Facebook Account.

On this score, the 2016 Rules of Procedure of the Securities and Exchange Commission, particularly, *Part II. Investigation Proceedings in General and Administrative Action, Section 2-4 Confidentiality of Investigation Proceedings* provides:

> *"Any information, document or records obtained by the Commission in the course of any investigation or examination shall be deemed non-public, unless otherwise required by any other pertinent law or by the Operating Department or the Commission En Banc."*

Further, Sections 2-1 and 2-3 of the same Rules provides:

> *"Sec. 2-1. Commencement of Investigation Proceedings. – An investigation for possible violation of laws, rules, regulations, circulars and orders being implemented by the Commission may be commenced by the Operating Department that has authority over the subject matter,* ***either motu proprio****, or upon receipt of a complaint from the public, a referral from a government instrumentality or a self-regulatory organization,* ***or an anonymous tip****";*
>
> *"Sec. 2-3. Investigative Discretion. -The Operating Department shall* ***not be bound by the contents of the complaint, tip or referral, and has full discretion to expand its investigation based on the evidence gathered.****"*

Thus, with or without a complaint nor a tip from anyone, the EIPD may conduct its investigation against any entity or person that may be found to be conducting activities that may be in violation of the laws that are being implemented by this Commission.

Further, Sec. 2-7 of the SEC Rules provides:

> *Sec. 2-7. Actions that may be taken after investigation. – The Operating Department may, in its discretion, take one or more of the following actions after resolution of the investigation:*
>
> *a. Initiate an administrative action for the imposition of corresponding administrative sanctions or penalties;xxx*

Also under Section 64. 2 of the Securities Regulation Code, it is provided that:

> *64.2 Until the Commission issues a cease and desist order, the fact that an investigation has been initiated or that a complaint has been filed, including the contents of the complaint, shall be confidential. Upon issuance of a cease and desist order, the Commission shall make public such order and a copy thereof shall be immediately furnished to each person subject to the order.*

Verily, a revocation proceeding is an administrative action. Consequently, the issued Show Cause presented various posts in social media pertaining to the offering of the schemes of Massdrop and MDM Ventures including the bank account where prospective investors ought to deposit their investments in the companies.

In addition, the Show Cause Order explicitly lays down the charges against Massdrop and MDM Ventures that they are engaged in the selling and/or offering of securities to the public in the form of investment contracts without the necessary secondary license from this Commission and thus, their failure to answer the material allegations mentioned therein within the reglementary period is tantamount to a waiver to refute the same.

Accordingly, the factual backdrop having been laid, we now rule based on the evidence at hand.

Section 3.1 of the Securities Regulation Code (SRC) defines securities as shares, participation or interest in a corporation or in a commercial enterprise or profit-making venture and evidenced by a certificate, contract, instrument, whether written or electronic in character. It includes:

> xxx
>
> (a) ***Investment contracts***, certificates of interest or participation in a profit sharing agreement, certificates of deposit for a future subscription;
>
> xxx

An investment contract on the other hand, is defined under SRC Rule 26.3.5 of the 2015 Implementing Rules and Regulations of the Securities Regulation Code (2015 SRC Rules) as follows:

> An **investment contract** means a contract, transaction or scheme (collectively "contract") whereby a person invests his money in a common enterprise and is led to expect profits primarily from the efforts of others.
>
> A common enterprise is deemed created when two (2) or more investors "pool" their resources, creating a common enterprise, even if the promoter receives nothing more than a broker's commission."

Further, the elements of an investment contract were enumerated in the case of ***Power Homes Unlimited Corporation vs. SEC*** *(G.R. No. 164182 February 26, 2008)* traced from the case of ***SEC vs. Howey Co.*** *(66 S.Ct.1100 May 27, 1946)* and was later modified in the case of ***SEC vs. Glenn W. Turner Enterprises, Inc.*** *(474 F.2d476 February 1, 1973)*, as follows:

- A contract, transaction or scheme
- An investment of money
- A common enterprise
- Expectation of profits
- Profits arises primarily from the entrepreneurial and managerial efforts of others.

Section 8, in relation to Section 12 of the SRC provide that:

> "SEC. 8. ***Requirement of Registration of Securities***. – 8.1. ***Securities shall not be sold or offered for sale or distribution within the Philippines***, ***without a registration statement*** duly filed with and approved by the Commission. Prior to such sale, information on the securities, in such form and with such substance as the Commission may prescribe, shall be made available to each prospective purchaser.
>
> "SEC. 12. Procedure for Registration of Securities. –
>
> 12.1. All securities required to be registered under Subsection 8.1 shall be registered through the filing by the issuer in the main office of the Commission, of a sworn registration statement with respect to such securities, in such form and containing such information and documents as the Commission shall prescribe. The registration statement shall include any prospectus required or permitted to be delivered under Subsections 8.2, 8.3 and 8.4."

Securities such as an investment contract as defined by the SRC and in relation to SRC Rule 26.3.5 of the 2015 SRC Rules must be registered with the Commission pursuant to Sections 8 and 12 of the SRC before the same can be ***offered or sold*** for distribution to the public.

Rule 3.1.17 of the 2015 SRC Rules defines ***Public Offering*** as "any offering of securities to the public or to anyone, whether solicited or unsolicited. Any solicitation or presentation of securities for sale through any of the following modes shall be presumed to be a public offering:

> 3.1.17.1 Publication in any newspaper, magazine or printed reading material which is distributed within the Philippines or any part thereof;
>
> 3.1.17.2 Presentation in any public or commercial place;
>
> 3.1.17.3 ***Advertisement or announcement*** on radio, television, telephone, ***electronic communications***, ***information communication technology or any other forms of communication***; or
>
> 3.1.17.3.4 Distribution and/or making available flyers, brochures or any offering material in a public or commercial place, or to prospective purchasers through the postal system, ***information communication technology*** and ***other means of information distribution***." (Emphasis supplied)

On the other hand, a "Broker" is defined under Section 3.3. of the SRC as a person engaged in the business of buying and selling securities for the account of others. "Salesman" is defined under 3.13 of the SRC as a natural person, employed as such or as an agent, by a dealer, issuer or broker to buy and sell securities.

Consequently, Section 28 of the SRC provides that:

> "SEC. 28. ***Registration of Brokers, Dealers, Salesman and Associated Persons***. – 28.1. No person shall engage in the business of buying or selling securities in the Philippines as a broker or dealer, or act as a salesman, or an associated person of any broker or dealer unless registered as such with the Commission.

Thus, any person, without proper license from the Commission who acts as brokers or agents of a company selling or convincing people to invest in the investment scheme including solicitations or recruitment through the internet may likewise be prosecuted and held criminally liable under Section 28 of the SRC and penalized with a maximum fine of Five Million pesos (P5,000,000.00) or penalty of Twenty One (21) years imprisonment or both pursuant to Section 73 of the SRC.

In this particular case, the Department carefully examined the characteristics of the investments offered by EJ Tan thru his affiliated entities MASSDROP and MDM VENTURES to determine if they satisfy the elements of an investment contract. In our evaluation, indeed, the elements of investment contracts are manifested in the investments being offered by EJJ Tan, as follows:

- First, there was an **investment of money** from the public. "MASSDROP" and "MDM VENTURES" actually received money from the public who were enticed to invest in their scheme;

- Second, there was a **common enterprise** in the sense that respondent "MASSDROP" and "MDM VENTURES" pooled the money invested by its investors in a profit-making venture;

- Third, there was clearly an **expectation of profits** on the part of its investors who were attracted to join the scheme as they relied on the promise that their money would earn a monthly return of 20% in a total of 30 days or a total of approximately 160% for a minimum investment of Php1,000.00; and

- Lastly, the expectation of profits is **derived primarily from the efforts of "MASSDROP" and "MDM VENTURES"** and/or its directors, officers, agents or representatives.

It is important to emphasize that **MASSDROP MARKETING and FRANCHISING OPC** and **MDM VENTURES CORPORATION** as juridical persons, are only allowed to exercise powers inherent to their corporate existence as provided in the Revised Corporation Code of the Philippines and those conferred in their Articles of Incorporation (AOI). In other words, what a corporation can do is necessarily circumscribed by its primary purpose clause in its AOI.

The *proviso* in the purpose clause as stipulated in the Articles of Incorporation of both **MASSDROP MARKETING and FRANCHISING OPC** and **MDM VENTURES CORPORATION** clearly and explicitly state:

> ***"Provided that the corporation shall not solicit, accept or take investments/placements from the public neither shall it issue investment contracts.***"

Nonetheless, the purpose stated in the Articles of Incorporation need not set out with particularity the multitude of activities in which the corporation may engage. The effect of broad purposes or objects is to confer wide discretionary authority upon the directors and management of the corporation as to the kinds of business in which it may engage. However, ***dealings which are entirely irrelevant*** to the purposes are unauthorized and called ***<u>ultra vires</u>***. The purpose clause of the articles of incorporation indicates the extent as well as the limitations of the powers which a corporation may exercise. In fact, the purposes in **MASSDROP MARKETING and FRANCHISING OPC's** and **MDM VENTURES CORPORATION's** Articles of Incorporation ***prohibited them to operate an investment-taking scheme***.

In an opinion[1], the Commission pronounced that:

> *"It is the corporation's primary purpose clause which confers, as well as limits, the powers which a corporation may exercise and the character of a corporation is usually determined by the objects of its formation and the nature of its business as stated in the articles. The primary purpose of the corporation, as stated in its articles of incorporation, is the first business to be undertaken by the corporation. Hence, the primary purpose determines its classification."*

In fact, the Certificates of Incorporation of **MASSDROP MARKETING and FRANCHISING OPC** and **MDM VENTURES CORPORATION** expressly state:

> *"This Certificate grants juridical personality to the corporation but* ***does not authorize*** *it to* ***issue, sell or offer for sale to the public, securities*** *such as but not limited to shares of stock,* ***investment contracts****, debt instruments and virtual currencies without prior Registration Statement approved by the Securities and Exchange Commission; nor to undertake business activities requiring a Secondary License from this Commission such as, but not limited to acting as: broker or dealer in securities, government securities eligible dealers (GSED), investment adviser of an investment company, close-end or open-end investment company, investment house, transfer agent, commodity/financial futures exchange/broker/merchant, financing company, and time shares/club shares/membership certificates issuers or selling agents thereof; nor to operate a fiat money to virtual currency exchange.* ***Neither*** *does this Certificate constitute a* ***permit to undertake activities for which other government agencies require a license or permit****.*

[1] SEC-OGC Opinion No. 11-33 dated 29 July 2011 addressed to Mr. Jesus B. Lapuz.

*This Certificate* ***DOES NOT AUTHORIZE INVESTMENT SOLICITATION AND INVESTMENT-TAKING WITHOUT A SECONDARY LICENSE FROM THIS COMMISSION.****" (emphasis ours)*

The act of **MASSDROP MARKETING and FRANCHISING OPC** and **MDM VENTURES CORPORATION** in allowing certain persons acting as their agents or representatives to make public presentations of their investment scheme, inviting the public to invest in their companies through social media and seminars conducted, renders them liable for the unauthorized public offering of securities and the misrepresentation committed in connection with such public offering.

The investment schemes of **MASSDROP MARKETING and FRANCHISING OPC** and **MDM VENTURES CORPORATION** also operate to defraud investors as they deceive the investing public by making it appear that they have the authority to deal in securities. These also amount to serious misrepresentation as to what they can do or is doing to the damage and prejudice of the investing public.

That **MASSDROP MARKETING and FRANCHISING OPC** and **MDM VENTURES CORPORATION** could not present any specific business plan or cite a profitable enterprise to finance their money-making scheme clearly shows that the investment schemes they foisted on the unsuspecting public with a guaranteed return of 160% for 3 months, were fraudulent. It must be noted that the corporations were just registered with the Commission this year and have yet to submit their Audited Financial Statements. For all of their vaunted promises, per their Articles of Incorporation, **MASSDROP MARKETING and FRANCHISING OPC's <u>paid-up capital was only a paltry Php.250,000.00,</u>** while **MDM VENTURES CORPORATION's <u>paid up capital is even smaller at Php 62,500.00.</u>**

It has been held that where one states that the future profits or income of an enterprise shall be a certain sum, but he actually knows that there will be none, or that they will be substantially less than he represents, the statements constitute an actionable fraud where the hearer believes him and relies on the statement to his injury.[2]

In ***SEC vs. CJH Development Corporation***[3], the Supreme Court ruled that the sale and/or offer of securities without the requisite license, necessarily operates as a fraud on investors, thus:

> *"The act of selling unregistered securities would necessarily operate as a fraud on investors as it <u>deceives the investing public by making it appear that respondents have authority to deal on such securities.</u> Section 8.1 of the SRC clearly states that securities shall not be sold or offered for sale or distribution within the Philippines without a registration statement duly filed with and approved by the SEC and that prior to such sale, information on the securities, in such form and with such substance as the SEC may prescribe, shall be made available to each prospective buyer." (Emphasis ours)*

[2] People vs. Menil (G.R. 115054-66; September 12, 2000)
[3] G.R. No. 210316, 28 November 2016.

To exacerbate matters, the schemes being offered by **MASSDROP MARKETING and FRANCHISING OPC** and **MDM VENTURES CORPORATION** are clearly in the nature of a *ponzi* scheme[4] where the profits or payouts shall be taken from incoming investors or additional pay-ins of existing members-investors, considering that it does not have any underlying legitimate business from where it could source its promised return on investments to its investors. Such a scheme is prohibited under Section 26 of the SRC:

> "SEC. 26. ***Fraudulent Transactions***. – It shall be unlawful for any person, directly or indirectly, in connection with the purchase or sale any securities to:
>
> 26.1. Employ any device, scheme, or artifice to defraud;
>
> 26.2. Obtain money or property by means of any untrue statement of a material fact of any omission to state a material fact necessary in order to make the statement made, in the light of the circumstances under which they were made, not misleading; or
>
> 26.3. Engage in any act, transaction, practice or course of business which operates or would operate as a fraud or deceit upon any person."

In the case of ***People of the Philippines vs. Palmy Tibayan and Rico Z. Puerto*** *(G.R. Nos. 209655-60, January 14, 2015)*, the Supreme Court held that:

> *"To be sure, a Ponzi scheme is a type of investment fraud that involves the payment of purported returns to existing investors from funds contributed by new investors.* ***Its organizers often solicit new investors by promising to invest funds in opportunities claimed to generate high returns with little or no risk.*** *In many Ponzi schemes, the* ***perpetrators focus on attracting new money to make promised payments to earlier-stage investors to create the false appearance that investors are profiting from a legitimate business****. It is not an investment strategy but a gullibility scheme, which works only as long as there is an ever increasing number of new investors joining the scheme. It is difficult to sustain the scheme over a long period of time because the operator needs an ever larger pool of later investors to continue paying the promised profits to early investors. The idea behind this type of swindle is that the "con-man" collects his money from his second or third round of investors and then absconds before anyone else shows up to collect. Necessarily, Ponzi schemes only last weeks, or months at the most." (Underscoring added for emphasis)*

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[4] A **Ponzi scheme** is an investment program that offers impossibly high returns and pays these returns to early investors out of the capital contributed by later investors. Named after Charles Ponzi who promoted the scheme in the 1920s, the original scheme involved the issuance of bonds (actually, postal reply coupons) which offered 50% interest in 45 days or a 100% profit if held for 90 days. Basically, Ponzi used the money he received from later investors to pay extravagant rates of return to early investors, thereby inducing more investors to place their money with him in the false hope of realizing this same extravagant rate of return themselves. (*People of the Philippines v. Priscilla Balasa, et. al., G.R. 106357, dated September 3, 1998*)

Under Section 6 of Presidential Decree 902-A, the Commission has the power to suspend, or revoke, after proper notice and hearing, the franchise or certificate of registration of corporations, partnerships and associations, on the ground of serious misrepresentation as to what the corporation can do or is doing to the to the great prejudice of or damage to the general public. Likewise, Section 5.1 (m) of the SRC and Section 179 (j) of the RCCP empower the Commission to revoke the franchise or Certificate of Incorporation/registration of corporations registered with it.

Further, SEC Admin Case No. 11-10-124 entitled *In re: PHILBIO Renewable Energy Resources Corp.*, promulgated on 27 April 2016 provides what constitute serious misrepresentation, to wit:

> *"From the foregoing, it is indubitable that PHILBIO misrepresented itself to the public that it can solicit investments despite the fact that it is* ***not one of the purposes of the corporation****. Worse, it* ***does not have a license to offer/sell securities****. PHILBIO operates an investment-taking scheme which is therefore considered an* ***ultra vires act****. These constitute serious misrepresentation as to what the corporation can do or doing to the great prejudice to the general public."*

Considering that nowhere is it stated in the primary purposes of **MASSDROP MARKETING and FRANCHISING OPC** and **MDM VENTURES CORPORATION** that they are authorized to engage in the selling or offering for sale of securities to the public, their activities of selling or offering for sale of investments are considered *ultra vires acts* under Section 44 of the Revised Corporation Code of the Philippines (RCCP), or an act beyond the corporate powers conferred to them by the State and therefore constitute serious misrepresentation as to what the corporations can do to the great prejudice or damage to the general public which is a ground for the revocation of a corporation's primary franchise or certificate of registration/ incorporation under PD 902-A.

Section 44 of the RCCP provides:

> ***SEC. 44. Ultra Vires Acts of Corporations.*** *— No corporation shall possess or exercise corporate powers other than those conferred by this Code or by its articles of incorporation and except as necessary or incidental to the exercise of the powers conferred.*

WHEREFORE, for violation of Section 44 of the Revised Corporation Code of the Philippines in relation to Sections 8.1 and 28.1 of the Securities Regulation Code and Section 6 (i) (1) of P.D. 902-A, Section 5.1 (m) of the SRC and Section 179 (j) of the RCCP P.D. 902-A, the Certificates of Incorporation and the registrations of **MDM VENTURES CORPORATION** and **MASSDROP MARKETING FRANCHISNG OPC** are hereby **REVOKED**.

Accordingly, let this Order be attached by the Corporate Filing and Records Division of the Company Registration and Monitoring Department (CRMD) to the records of the corporations on file with the Commission. Further, the Information and Communications Technology Department (ICTD) of this Commission is likewise requested to enter the "revoked" status of subject corporations in the online database of the Commission.

SO ORDERED.

Pasay City, 31 December 2021.

**OLIVER O. LEONARDO**
Officer-in-Charge