Republic of the Philippines
Department of Trade and Industry
Securities and Exchange Commission
SEC Bldg. EDSA, Greenhills, Mandaluyong City

In the Matter of

SEC Case No. 01-07-85
(CED Case No. 05-2829)

GERARDO LACAYA SANTIAGO, SR. FOUNDATION, INC.

DECISION

For consideration of the Commission *En Banc* is a petition for revocation of corporate franchise of Gerardo Lacaya Santiago, Sr. Foundation, Inc. ("GLSFI," for brevity) filed by the Compliance and Enforcement Department[1] ("CED," for brevity) of the Commission on 31 January 2007.

The facts of the case are narrated below:

GLSFI is a corporation duly registered with the Commission on 01 February 2001 with SEC Registration No. A200019370. GLSFI's principal address is 3-A Thercon Condominium, 1749 Nicanor Garcia, Makati City. GLSFI'S primary purpose includes:

> "xxx
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> 2. To develop self-reliance among disadvantaged individuals and groups of the country by:
>
>   a. Accelerating economic and social advancement of selected core groups in depressed communities by assisting members in securing financial assistance for gainful self-employment."

CED received a letter-indorsement from the Cooperative Development Authority dated 22 September 2004 requesting an investigation on GLSFI's alleged fraudulent collection of unspecified amount of money from the residents of San Jose Del Monte City and other parts of Bulacan. Attached to the letter-indorsement were the following:

1. A letter-complaint dated 10 July 2004 signed by the officers and directors of San Jose Del Monte City Gintong Lingap Samahan Multi-Purpose Cooperative; and

[1] Now known as the Enforcement and Prosecution Department.

2. Undated *Sama-samang Sinumpaang Salaysay* (Joint Statement) from the directors, officers, and members of the San Jose Del Monte Cooperative.

The CED then conducted its investigation and found a probable cause that GLSFI's act of collecting money and misappropriating the same caused damage to the public; thus, the instant petition was filed. Summons was served twice upon GLSFI, and the last one was done on 04 August 2010 at its new office address at 1982-C Captain M. Reyes Street corner General Lucban Street, Bangkal, Makati City. To this date, however, no answer was filed with the Commission. GLSFI is now considered as in default, and a judgment by default may be rendered pursuant to the 2006 Rules of Procedure of the Commission, Rule III, Section 3-12.[2]

The central issue in this case is whether there is a valid ground to revoke the certificate of registration of GLSFI.

We rule in the affirmative.

Section 6 of Presidential Decree No. 902-A, as amended, reads:

> "Sec. 6. In order to effectively exercise such jurisdiction, the Commission shall possess the following powers:
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> > (1) To suspend, or revoke, after proper notice and hearing, the franchise or certificate of registration of corporations, partnerships or associations, upon any of the grounds provided by law, including the following:
> >
> > xxx xxx xxx
> >
> > 2. Serious misrepresentation as to what the corporation can do or is doing to the great prejudice of or damage to the general public;
> >
> > xxx xxx xxx"

As narrated above, GLSFI was registered to extend financial assistance to the less fortunate members of the Philippine society by promising to grant a loan in the amount of Fifty Thousand Pesos (Php50,000.00) to any member. Repeated demands upon the GLSFI were made for it to make true its promise; GLSFI, however, failed to satisfy its promise of loans. GLSFI likewise failed to deliver on its promised benefits of free education, pension, hospitalization, and other benefits.[3]

The fraudulent act of GLSFI was confirmed in the investigation of CED where GLSFI through its officers Feliciano Santiago Sr. and Marilou Laroza collected

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[2] SEC. 3-12. Effect of Failure to Answer.- If the respondent fails to answer the complaint within the abovestated period, he shall be considered as in default. The Hearing Panel or Officer shall, *motu proprio*, proceed to render judgment granting the complainant such relief as the complainant may warrant, unless the Hearing Panel or Officer determines that the complainant should be required to submit *ex parte* additional evidence.

[3] Petition, Annexes "D" and "E".

different sums of money as membership fee from the members of GLSFI in exchange for a supposed loan. The membership fee was collected pursuant to GLSFI Memorandum dated 18 July 2002 requiring its members to contribute their shares with a minimum amount of Php100.00 for accreditation either as a) Ordinary Members, b) *Bonafide* Members, c) Honorary Members, and d) Donor Members.[4]

A careful reading also of the Financial Statements of GLSFI would show that the members' contributions were used to pay for its (GLSFI) operating expenses. In particular, the Income Statement for the Six Months ended 31 December 2002 reflected the amount of Php1,102,575.00[5] as operating expenses while its members' contribution only amounted to Php998,200.00. In short, the total operating expenses are greater than the contributions collected. During that period, GLSFI incurred a net loss of Php104,375.00.[6] Based on GLSFI's Audited Financial Statements as of 31 December 2004, members' contribution totaled Php187,970.00 while its operating expenses of Php1,112,991.76 exceeded its contribution funds resulting in a net loss of Php925,021.76.[7] This also proves the allegation of misappropriation since the funds of GLSFI intended to finance its projects or loans of the members were used for administrative expenses. This is likewise contrary to the Articles of Incorporation of GLSFI, which reads:

> "SECOND: xxx
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> Not more than thirty percent of the income and not more than ten (10%) of the unrestricted donations to the foundation shall be devoted to general and administrative expenses."[8]

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[4] Petition, Annex "G."

[5] The breakdown of the operating expenses is as follows:

	2002	2004
Office rentals	Php351,000.00	Php72,000.00
Meal Allowances	180,000.00	372,528.00
Transportation	90,000.00	189,475.75
Office Supplies	59,775.00	20,236.25
Foreign Travel	250,000.00	---
Telephone and Communications	61,800.00	35,510.00
Representation	80,000.00	366,223.67
Depreciation	17,000.00	7,203.29
Light and Water	---	29,222.25
Repair and Maintenance	---	2,685.00
Gasoline Expenses	---	2,752.00
Miscellaneous	13,000.00	15,155.50
Total	Php1,102,575.00	Php1,112,991.76

[6] Petition, Annex "P."

[7] Petition, Annex "R."

[8] Petition, Annex "B."

GLSFI also failed to prove the existence of its foreign and local sources of funding. In fact, the documents submitted to prove the existence of its funders were all fabricated as explained below.

In a letter addressed to the Asset Manager of an entity named Global Essential Services Group (GESG), with James Nesbitt as the Managing Director, Feliciano V. Santiago, Sr., Chairman/President/CEO of GLFSI, requested the issuance of a letter of credit or any bank instrument in the amount of US$500 Million to start the implementation of its project named Agri-Industrial Development System.[9] Another alleged financier of GLSFI is CCM Finance Limited Hong Kong with one Argentino P. Reyes as its Managing Director, supposedly approved the request for funds for the Feasibility Study of Projects addressed to Feliciano Santiago, Sr.[10] Further investigation showed, however, that GESG and CCM are not registered with the Commission[11], and CCM is likewise not registered with the Securities and Futures Commission of Hong Kong.[12]

An entity named Brilliant Investment Group, Inc. ("BIG") with an address in Nevada, United States of America ("USA"), is another purported financier of GLSFI that granted a loan to the latter in the amount of US$200 Million.[13] To prove such allegation, GLSFI presented a Loan Agreement signed by one Antonio Alabada, as authorized representative of BIG, and notarized in Makati City on 18 December 2002.[14] Another purported funding source is one Korabi Investments, Inc., with address in Illinois, USA, that was supposed to have donated US$7 Million Dollars, and that it would send 30% of the amount of the donation. To prove its claim, GLSFI submitted a Memorandum of Agreement between GLSFI and Korabi Investments, Inc., as represented by one Nehart Darsdovski, notarized on 19 August 2002.[15] Verification from the records of the Philippine Bureau of Immigration would show that Alabada and Darsdovski have no record of entry or departure from the Philippines.[16] Separate attempts to contact these two funders likewise failed.[17]

Moreover, a reading of GLSFI's Balance Sheet based on its Audited Financial Statements for the year ended 31 December 2002 would reveal that its fund balance is at a deficit of Php104,375.00.[18] In other words, GLSFI has no financial means to grant loans or financial assistance to its members. There was also no proof of inward remittance of funds from BIG or Korabi Investments. GLSFI also submitted a Certificate of Deposit of US$4.5 Billion allegedly issued by the Union Bank of

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[9] Petition, Annex "W."
[10] Petition, Annex "X."
[11] Petition, Annex "Y."
[12] Petition, Annex "Z."
[13] Petition, Annexes "AA" and "BB."
[14] Petition, Annex "BB."
[15] Petition, Annex "DD."
[16] Petition, Annex "EE."
[17] Petition, Annex "FF."
[18] Petition, Annex "O."

Switzerland (UBS).[19] GLSFI also submitted a Promissory Note under PN Code PN0701505-A issued by UBS in the amount of US$500 Million. CED verified with the Swiss Federal Banking Commission ("SFBC"), which is based in Switzerland, whether the identified documents were authentic. In a letter dated 14 March 2006, the SFBC informed the CED that the Certificate of Deposit and Promissory Note are counterfeited.[20]

The fraudulent acts perpetrated by the officers of GLSFI prejudiced the public since its funds, which were sourced from the admission fees, dues, and contributions were used to fund the operating expenses of GLSFI instead of using the same to grant loans to the members or to finance other income-generating projects of the foundation. Some members even went through the process of organizing cooperatives[21], the San Jose Del Monte Cooperative for instance, in the hope of being entitled to funding and benefits from GLSFI. The members/cooperators incurred expenses in registering the cooperative and in securing business permits and certifications from various government agencies not to mention their time and effort in organizing themselves in the hope of receiving loan grants from GLSFI. But the scheme of GLSFI was designed to further the personal interests of its officers and directors and not really to help advance the social development of the members by providing financial assistance.

WHEREFORE, foregoing premises considered, the instant petition is **GRANTED**. Accordingly, the Certificate of Registration of GERARDO LACAYA SANTIAGO, SR. FOUNDATION, INC. is hereby **REVOKED**. The Enforcement and Prosecution Department is hereby directed to file the appropriate criminal action, if warranted by the evidence on record.

Let a copy of this Decision be furnished the Enforcement and Prosecution Department and the Company Registration and Monitoring Department for their appropriate action.

SO ORDERED.

Mandaluyong City, 07 October 2010.

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[19] Petition, Annex "GG."
[20] Petition, Annex "LL."
[21] Cavite: One (1) Multi-Purpose Cooperative (MPC); Bataan: (6) MPCs; Laguna: (8) MPCs; Quezon: (1) MPC; Pangasinan: (1) MPC; and Zambales: (1) MPC.

FE B. BARIN
Chairperson

MA. JUANITA E. CUETO*
Commissioner

RAUL J. PALABRICA
Commissioner

MANUEL HUBERTO B. GAITE
Commissioner

ELADIO M. JALA
Commissioner

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