Republic of the Philippines
Department of Finance
Securities and Exchange Commission
SEC Building, EDSA, Greenhills, Mandaluyong City

In the Matter of:

DILIMAN DOCTORS HOSPITAL, INC. **SEC CDO Case No. 10-12-008**

ENFORCEMENT AND PROSECUTION DEPARTMENT,
Movant.

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ORDER

Pending consideration by the Commission is a Motion for Issuance of Cease and Desist Order (**"Motion"**), dated 01 October 2012,[1] filed by the Enforcement and Prosecution Department (**"EPD"**) of this Commission against Diliman Doctors Hospital, Inc.

Diliman Doctors Hospital, Inc. (**"Diliman Doctors,"** for brevity) is a corporation duly registered with the Commission on 20 April 2011 under Company Registration No. CS201107118. Its primary purpose, as stated in its Articles of Incorporation, is:

> "To establish, operate, own, manage and maintain a hospital or hospitals, medical and clinical laboratories and such other enterprises which may have similar or analogous undertakings or dedicated to services in connection therewith, subject to the condition that purely professional medical and surgical services shall be performed by duly qualified physicians or surgeons who may or may not be connected with the corporation and whose services shall be freely and individually contracted by the patients."

[1] Filed on 05 October 2012.

In its Motion, the EPD alleged that on 26 September 2011, the Commission received a letter dated 23 September 2011 and signed by Dr. Potenciano R. Malvar ("Dr. Malvar," for brevity), Medical Director of the General Miguel M. Malvar Medical Foundation. In the same letter, Dr. Malvar alleged that Diliman Doctors is selling its shares of stock to the public through the Internet and newspaper publication. The following documents were later on presented by Dr. Malvar as evidence showing that Diliman Doctors is actually offering and/or selling shares to the public as investment, to wit:

a. Flyers of Diliman Doctors;[2]
b. Stockholder's Information Sheet;[3] and
c. Payment Scheme which states that 1 Block is equivalent to 2 Shares.[4]

The EPD conducted a conference on 01 February 2012, where the officers of Diliman Doctors, Dr. Nicanor Molon (Chairman) and Mr. Jose Bacud (President), with their counsel Atty. Meinrado Enrique A. Bello ("Atty. Bello," for brevity) appeared. Dr. Molon and Mr. Bacud admitted that they are the founders and stockholders of Diliman Doctors and that all shares of the corporation were already fully subscribed. They likewise stated that the offering of block of shares of the corporation, as shown in the flyers presented to them by EPD, was not approved by the Board of Directors of Diliman Doctors.

EPD required Dr. Molon and Mr. Bacud thereafter to submit their respective affidavits and likewise a copy of the Stock and Transfer Book of Diliman Doctors. In a letter dated 21 February 2012, Atty. Belo submitted the Joint Affidavit (dated 21 February 2012) of Dr. Molon and Mr. Bacud, the representatives of Diliman Doctors. In the Joint Affidavit, they stated the following:

> "xxx 13. Thus, as of May 2011, the authorized capital stock of the corporation was fully subscribed. Thus, there is no truth to the rumor that DDHI is selling its shares to the public.

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[2] Annex "E" of the Motion.
[3] Annex "F" of the Motion.
[4] Annex "G" of the Motion.

14. We also categorically state that the Board of Directors never approved the brochure (presented by the investigating attorneys) which offers/sells block shares of the corporation as well as its distribution to the public as there are no more shares to be sold by the corporation.xxx"[5]

On 29 February 2012, Atty. Belo submitted a certified true photocopy of the original Stock and Transfer Book ("STB," for brevity) of Diliman Doctors, which appeared to contain no entries or information, nor the names and respective shares of the incorporators, directors and officers of Diliman Doctors. Likewise attached to the letter is the Affidavit (dated 28 February 2012) of Dr. Rodolfo P. Luna, M.D., the corporate secretary of Diliman Doctors stating that he did not put any entries in the said Stock and Transfer Book as he or any of the incorporators of Diliman Doctors is not knowledgeable or familiar in accomplishing or making the entries as required, and thus, up to now, the STB is empty.[6]

Meanwhile, in a Conference held on 27 July 2012, Drs. Rowena B. Blancia and Potenciano R. Malvar, assisted by their counsel Atty. Felino M. Ganal, appeared before the EPD, where Dr. Blancia explained the circumstance as to how she was able to invest her money in Diliman Doctors. EPD advised Dr. Blancia to reduce into writing her statements and to submit the same to the Commission.

On 11 September 2012, EPD received an Affidavit of Complaint of Dr. Malvar against Jose A. Bacud, Jr., Nicolas S. Molon, Rodolfo P. Luna, Victoria D. Dumlao, Lani G. Ancheta, Cesar T. Culas, Marietta T. Samoy, Geanie Cerna-Lopez, Joy C. Luna, Jay Crisostomo, Florentina U. Ty, Edna Ancheta, Reynold G. Ancheta, Annie Grace B. Bucalan, Francisca N. Dayrit, Victor A. Domingo, Emigdio V. Dumlao, Jr., Victoria D. Dumlao, Edna R. Molon, Rodolfo S. Nasol, Kristine Ann C. Venzuela, and Dayrit Property Sales & Leasing Corp. Dr. Malvar likewise attached the following documents to his Affidavit of Complaint, to wit:

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[5] Annex "J" of the Motion.
[6] Annex "M" of the Motion.

a. A copy of the official newspaper advertisement of Diliman doctors which appeared on page four (4) of the 07 July 2011 issue of the Philippine Daily Inquirer;[7]
b. A print-out of the Facebook page of Diliman Doctors;[8]
c. Fliers,[9] Stockholder Information Sheet,[10] and Payment Scheme Slip[11];
d. Print-out of the web page of Dayrit Property Sales & Leasing Corp.;[12]
e. Print-out of a web page of a Dr. Marietta Tan Samoy offering shares of Diliman Doctors for sale;[13]
f. Affidavit of Dr. Rowena B. Blancia;[14]
g. A copy of the cheque which Rowena Blancia issued to Diliman Doctors;[15]
h. Acknowledgement Receipt which Diliman Doctors issued to Princez Mariya Blancia;[16]
i. A copy of the flyer of Diliman Doctors;[17]
j. A copy of the Stockholder's Information Sheet;[18]
k. A copy of the Payment Scheme Slip;[19] and
l. Articles of Incorporation[20] and By-Laws[21] of Diliman Doctors.

In her affidavit, Dr. Rowena B. Blancia, narrated that she learned from some friends about Diliman Doctors and proceeded to its construction site to inquire about the hospital being advertised. At the office, she was given a flyer, an application form and a payment scheme slip by the office secretary named

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7 Annex "P" of the Motion.
8 Annexes "Q", "Q-1", "Q-2", "Q-3", "Q-4", and "Q-5" of the Motion.
9 Annex "R" of the Motion.
10 Annex "S" of the Motion.
11 Annex "T" of the Motion.
12 Annex "U', Annex "U-1", "U-2", "U-3", "U-4", "U-5", and "U-6" of the Motion.
13 Annex "V", Annex "V-1", Annex "V-2", Annex "V-3" and Annex "V-4" of the Motion.
14 Annex "W" of the Motion.
15 Annex "X", Annex "X-1", and Annex "X-2" of the Motion.
16 Annex "Y" and Annex "Y-1" of the Motion.
17 Annex "Z" of the Motion.
18 Annex "AA" of the Motion.
19 Annex "BB" of the Motion.
20 Annex "CC" of the Motion.
21 Annex "CC-1" of the Motion.

Posing as investors, the EPD investigators pretended to be interested in placing their money in Diliman Doctors and inquired about the corporation. The guards manning the gate provided them with flyers of Diliman Doctors as well as a Stockholder's Information Sheet. When they pressed for additional information regarding the corporation and the amount of investment, they were invited by the guards to enter the premises and led them to an office.

The investigators were entertained by Ms. Judith V. Labrador or "Duday," who introduced herself as the secretary of Dr. Ancheta. The investigators were able to gather from Ms. Labrador the following information: (i) Diliman Doctors is accepting investors, and has already reached three hundred twenty-five (325); (ii) the minimum amount of investment is Four Hundred Seventy-Five Thousand Pesos (Php475,000.00) for cash buyers (one-time payment only); (iii) Five Hundred Thousand Pesos (Php500,000.00) for investors who opt to pay on a six-month staggered basis; (iv) Five Hundred Twenty-Five Thousand Pesos (Php525,000.00) for investors who decide to avail of the one year or twelve-month staggered basis; (v) for investors who choose the six-month or twelve-month installment basis, they have to pay a down payment of One Hundred Thousand Pesos (Php100,000.00); (vi) mode of payment is either cash or cheque which should be deposited directly to the bank account of Diliman Doctors; (vii) investors are also instructed to give a copy of the deposit slip to Ms. Labrador for records purposes and as proof of payment of their investment. Ms. Labrador likewise informed the EPD investigators that Diliman Doctors has not issued any certificate of stocks but rather only an acknowledgment receipt as proof or evidence of their payments.[23]

A print-out of the webpage of a blog of one Dr. Samoy captioned as "Doc. Samoy's Business Page: DILIMAN DOCTORS HOSPITAL INVESTMENT" was also gathered by EPD, contains the same statement found in the flyer of Diliman Doctors:

> "DILIMAN DOCTORS HOSPITAL INVESTMENT
>
> With your single investment, you become part owner of the hospital with lifetime health security for you, your spouse and family as

[23] As narrated in the Field Investigation Report dated 25 September 2012 (Annex "DD").

well as th[e] opportunity of your shares to earn dividends and appreciate in market value.

As a personal property, the stockholder's shares can be sold, transferred and inherited, unlike one's HMO and other health insurance.

Moreover, the excellent location is strategic for medical practitioners.

PRICES AND PAYMENT TERMS

1. Cash – P450,000.00
2. 6 Months – P475,000.00
   Minimum Down payment of P100,000.00 – Minimum P50,000.00 per month – Balance upon 6th month
3. 1 year – P500,000.00
   Minimum Down payment of P100,000.00 – Minimum P25,000.00 per month – Balance upon 12th month"

Dayrit Property Sales & Leasing Corporation also posted on its website the same information posted in the blog of Dr. Samoy's business page.

Section 3.1 of the Securities Regulation Code (**"SRC"**), defines securities as shares, participation or interests 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.[24] It includes shares of stock, bonds, debentures, notes, evidences of indebtedness, asset-backed securities.[25]

Based on the foregoing definition, the shares of stock of Diliman Doctors are securities within the purview of the SRC.

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[24]Section 3, Securities Regulation Code (SRC).
[25]Section 3(a), SRC.

capital markets depend on the investing public's level of confidence in the system.[32]

WHEREFORE, premises considered, there being a *prima facie* evidence that respondent Diliman Doctors Hospital, Inc. is engaged in the unauthorized offer for sale of securities, the respondent corporation, its officers, directors, representatives, salesmen, agents and any and all persons claiming and acting for and on its behalf, are hereby ordered to immediately **CEASE and DESIST**[33]**, UNDER PAIN OF CONTEMPT**, from further engaging in the business of offering for sale or selling securities until they have complied with the requirements of law and its implementing rules and regulations.

Pursuant to Section 10.3 of the 2006 Rules of Procedure of the SEC, in relation to Section 64.3 of the SRC, respondent Diliman Doctors Hospital, Inc. may file a formal request to lift the Cease and Desist Order within a non-extendible period of five (5) business days from receipt hereof.

The Enforcement and Prosecution Department is hereby **DIRECTED** to: (a) serve this Order on the President, General Manager, Corporate Secretary, Treasurer or In-House Counsel of Diliman Doctors Hospital, Inc. (b) post copies of the Order at the entrance of the main office and/or branches, if any, of Diliman Doctors Hospital, Inc. Let a copy of this Order be also posted in the Commission's website and published in a national newspaper of general circulation.

Let a copy of this Order be furnished the Company Registration and Monitoring Department, the Corporation Finance Department and the Economic Research and Information Department for their information and appropriate action.

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[32]Power Homes Unlimited Corporation vs. Securities and Exchange Commission and Manero. G.R. No. 164182. 26 February 2008.

[33]Section 64.*Cease and Desist Order*. – 64.1. The Commission, after proper investigation or verification, *motu proprio,* or upon verified complaint by any aggrieved party, may issue a cease and desist order without the necessity of a prior hearing if in its judgment the act or practice, unless restrained, will operate as a fraud on investors or is otherwise likely to cause grave or irreparable injury or prejudice to the investing public.

FAIL NOT UNDER PENALTY OF LAW.

SO ORDERED.

Mandaluyong City, 22 November 2012.

TERESITA J. HERBOSA
Chairperson

MA. JUANITA E. CUETO
Commissioner

MANUEL HUBERTO B. GAITE
Commissioner

ELADIO M. JALA
Commissioner

ANTONIETA F. IBE
Commissioner