



Republic of the Philippines
Department of Finance
SECURITIES AND EXCHANGE COMMISSION
SEC Building, EDSA, Greenhills
Mandaluyong City Metro Manila
Philippines

OFFICE OF THE GENERAL COUNSEL

In the matter of:

LEAD LENDING CORPORATION

CED Case No. 02-2743

**Compliance and Enforcement Department (CED),
Movant.**

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ORDER

Before the Commission is the *Motion for Issuance of a Cease and Desist Order* dated May 22, 2003 filed by the Compliance and Enforcement Department (CED) against LEAD LENDING CORPORATION ("the Company").

Subject LEAD LENDING CORPORATION was registered with the Commission on April 8, 1998 under Registration No. A199805581, with principal office at 8193 A.C. Raftel Ctr., Dr. A. Santos Ave., Sucat, Paranaque. It appears however, from the affidavits of the private complainants and other documents submitted as evidence, that the corporation holds a branch office at 1861 Evangelista St., Brgy. Pio del Pilar, Makati City.

A handwritten signature in black ink, appearing to be the initials "JAL" or similar, written over the end of the text.

Indicated in Article II of its Articles of Incorporation is the corporation's primary purpose which reads:

“ To engage in business as lending investor without however engaging in pawnbroking under PD 114 and financing under RA 5980, provided that borrowing shall be sourced from not more than 19 lenders.”

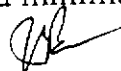
Movant CED alleges that respondent corporation sold securities in the form of investment contracts to more than twenty (20) investors without having filed any registration statement covering the same, in patent contravention and evident violation of Section 8.1 of the Securities Regulation Code and SRC Rule 8.

Based on the evidence submitted, it appears that Lead Lending Corporation, headed by its president Gaudencio C. Maximo, whose signature appears in the standard contract, promissory note and checks issued by the corporation, engaged in the unauthorized offering, solicitation and acceptance of deposits or placement of investments from the public in violation of Section 8.1 of the Securities Regulation Code. Attached to the complaint are affidavits (marked as annexes “I” to “I-23”) of twenty four (24) individuals/complainants who had invested their money with LEAD LENDING CORPORATION. Attached also is a certification issued by the Corporation Finance Department of this Commission, certifying to the fact that LEAD LENDING CORPORATION has not filed any registration statement with the Commission

Under Section 8.1 of the Securities Regulation Code it is provided 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 Commission.”

The law 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.” (SRC Section 3. 3.1) It includes investment contracts, like the ones issued by respondent corporation.

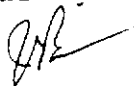
A perusal of the attached standard contract with respondent corporation reveals that for a minimum investment of twenty thousand pesos



(P 20,000.00) under a minimum period of three months, investors are guaranteed a return of 4% interest per month. The contract is renewable after the expiration of the term of the original contract. Clearly, there is a transaction or scheme involving the investment of money. The investor then is issued post-dated checks representing the return of interest. There is therefore the element of expectation of profits primarily from the efforts of others since the participation of the investors are limited to placing their money and then collecting the promised returns as each post-dated check fall due without any modicum of effort on the part of the investors. Clearly, the scheme partakes of an "investment contract", which is defined in the Implementing Rules and Regulations of the Securities Regulation Code (Rule 3.1-1) as " a contract, transaction or scheme whereby a person invests his money in a common enterprise and is led to expect profits primarily from the efforts of others."

Based on the evidence and supporting documents so far presented, the Commission is convinced that there is a prima facie case that the company is engaged in the unauthorized offering, solicitation and placement of investments from the general public without the necessary license. Moreover, LEAD LENDING CORPORATION has breached the 19-Lender ceiling under Section 10 (k) of the SRC for entities without license from the CFD and those not duly licensed to perform quasi-banking activities. Based on the contracts presented and made available to the Commission, LEAD LENDING CORPORATION has solicited more than nineteen (19) investment contracts during a twelve-month period. Taken in the light of the corporation's primary purpose, it is undeniable that the corporation has violated the Corporation Code for having engaged in acts beyond the scope of its authority. Accordingly, the company should be enjoined from further committing the aforesaid unauthorized acts.

WHEREFORE, premises considered, LEAD LENDING CORPORATION, its respective officers, directors, representatives, agents and any and all persons, conduit entities and subsidiaries claiming and acting for and on their behalf are hereby ordered to immediately CEASE AND DESIST from further offering, soliciting and accepting deposits or placements of investments from the general public. This Cease and Desist Order should not prevent herein respondents from returning the investments/contributions made by various persons with them.



Should the corporation opt to file a motion to lift this CDO within a non-extendible period of five (5) days from receipt hereof, the motion must show cause why the CDO should not be made permanent.

The Rule on Summary Procedure under SEC Circular No. 4, Series of 2001 and Section 55 of the Securities Regulation Code on Settlement Offers are likewise available to the parties herein concerned.

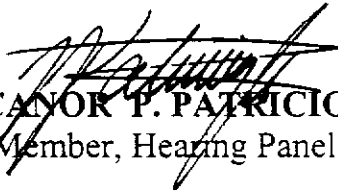
SO ORDERED.

Mandaluyong City, Metro Manila.


May 30, 2003.



VERNETTE G. UMALI-PACO
Head, Hearing Panel



NICAYNOR P. PATRICIO JR.
Member, Hearing Panel



MARIE-JOSE B. LIM
Member, Hearing Panel