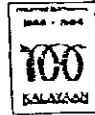




Republic of the Philippines  
**SECURITIES AND EXCHANGE COMMISSION**  
SEC Building, EDSA, Greenhills  
Mandaluyong City



**In the Matter of  
MULTINATIONAL TELECOM  
INVESTORS CORPORATION**

**CED CASE NO. 01-2596**

**COMPLIANCE AND  
ENFORCEMENT DEPARTMENT,  
Movant.**

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**CEASE AND DESIST ORDER**

Before us is an Urgent Motion for Issuance of Cease and Desist Order filed by the Compliance and Enforcement Department ("CED") of this Commission against Multinational Telecom Investors Corporation ("Multitel"). A copy of the said Motion, its Annexes and other supporting documents, is attached and made an integral part hereof as Annex "A".

Multitel was registered with this Commission on March 7, 1988 under Registration No. 149102 under the name Ariolite Enterprises International Corporation. On August 14, 2000, this Commission approved the change of its corporate name to Multinational Telecom Investors Corporation as well as the amendment of its primary purpose, to wit:

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

On March 8, 2001, the Compliance and Enforcement Department of this Commission issued a Cease and Desist Order ("CDO") against Multitel after an audit revealed that Multitel has 238 investors with an aggregate exposure of P11.1-M, in contravention of the limitation stated in its primary purpose, and after certification from the Corporation Finance Department of this Commission that Multitel failed to file a Registration Statement or any Notice/Application for Confirmation of Availability of Exemption from Registration before issuing securities to the public, in violation of the Securities Regulation Code. This CDO was made permanent on May

7, 2001 in an Order that denied Multitel's Urgent Motion to Lift Cease and Desist Order.

On June 19, 2001, we issued an Order lifting the CDO against Multitel after we took cognizance of a duly notarized certification from Multitel that it had officially reduced the number of its lenders to 10. Nonetheless, we made the lifting of the CDO subject to the audit findings of the Inspection and Surveillance Division of the CED to be undertaken within two weeks from the issuance of our Order.

On August 6, 2001, an Order was issued by the CED creating and authorizing an audit team to examine the books of accounts, financial records and other pertinent documents of Multitel in compliance with our Order of June 19, 2001. Subsequently, the CED issued another Order dated September 4, 2001 to examine the books and records of Everflow Group of Companies, Inc. ("Everflow"), Partners in Progress Holdings, Inc. ("Partners") and Sage Management Corporation ("Sage"), which are all listed as investors of Multitel.

An examination of the books and records of Multitel and the above-mentioned companies revealed that:

- a. Multitel has twelve listed investors namely, Everflow, Partners, Sage, CUP Multi-Purpose Cooperative, Inc., Multilink Multi-Purpose Cooperative, Inc., Star Enterprise Multi-Purpose Cooperative, Inc., Oceanic Employees Multi-Purpose Cooperative, Inc., Bethel Multi-Purpose Cooperative, Inc., Goodwill Development Cooperative, Inc., Handog sa Pag-unlad Multi-Purpose Cooperative, Inc., One-Heart Multi-Purpose Cooperative, Inc. and Telecoms Multi-Purpose Cooperative, Inc. (collectively, the "Lenders")
- b. Multitel does not allow individual investors to invest directly. Instead, individual investments in Multitel are coursed through the Lenders to make it appear that Multitel's investors do not exceed 19. The Lenders accept investments in Multitel from and for the account of their individual clients to whom they issue receipts of investments or fund receipts as evidence of indebtedness. Thereafter, the Lenders remit their collections to Multitel, which then issues postdated checks directly to the individual investors.

- c. In Multitel's schedule of placement payables, Everflow's investment amounted to P440,000.00 and US\$3,400.00 as of August 6, 2001, while Sage's totaled P275,000.00 and US\$2,500.00 as of the same date. However, no investment accounts were lodged in the August 2001 Interim Balance Sheets of both Everflow and Sage to reflect their supposed investments in Multitel.
- d. Everflow, Partners and Sage are not licensed by the Bangko Sentral ng Pilipinas (BSP) to engage in deposit taking. Neither do their respective Articles of Incorporation allow them to accept deposits from the investing public.

In an ocular inspection of the Multitel office on October 15, 2001, the CED examiners confirmed that Multitel is engaged in deposit taking, although said function is not within its primary purpose and despite the absence of a BSP license.

Based on the foregoing, it is evident that Multitel, despite its representations to the contrary, as well as the Lenders and its associates, have been flagrantly violating the Securities Regulation Code ("SRC") and the Corporation Code ("CC"), including:

- a. **SRC Rule 10-1(4)(c)**, which provides that any person claiming exemptive relief from the securities registration requirement pursuant to SRC Section 10.1(k) (private placement) should sell to no more than 19 non-qualified buyers (i.e., not a bank, registered investment house, insurance company, pension fund or retirement plan maintained by the Government of the Philippines or any political subdivision thereof or managed by a bank or other persons authorized by the Bangko Sentral to engage in trust functions, investment company, or such other person as the Commission may by rule determine as qualified buyers, on the basis of such factors as financial sophistication, net worth, knowledge, and experience in financial and business matters, or amount of assets under management)

Under the same Rule, if a corporation, partnership or other entity that is organized for the specific purpose of acquiring the securities offered and is not a qualified buyer under the SRC, then each beneficial owner of equity

securities in said corporation, partnership or entity should be counted as a separate buyer.

Considering that the Lenders are not qualified buyers, each of the investors, for whose accounts the Lenders made placements with Multitel, should be counted as a separate buyer, thereby bringing the total investors in Multitel to more than the allowable number under the Rule.

- b. **CC, Section 45**, which provides that "no corporation shall possess or exercise any corporate powers except those conferred by this Code or by its articles of incorporation and except such as are necessary or incidental to the exercise of the powers so conferred".

Not one among Multitel, Everflow, Partners or Sage is licensed to engage in deposit taking. Despite this, they have been found to perform such function, in contravention of the limitation in their respective primary purposes as approved by this Commission.

- c. SRC Rule 10-1(4)(b), which provides that "securities sold in any such transaction may only be sold to persons purchasing for their own account".

As shown by the discrepancies in Multitel's schedule of payments of payables and the Interim Balance Sheets of Everflow and Sage, it is manifest that the latter are mere conduits of Multitel, in violation of the aforementioned Rule.

Considering the foregoing offenses and Multitel's propensity to conceal the same, there is an imperative to issue a Cease and Desist Order against Multitel in order to prevent further violations, which we have every reason to believe are still being committed, and to protect the investing public from Multitel's machinations. We therefore rule to grant the Urgent Motion of the CED.

WHEREFORE, pursuant to the authority vested in the Commission, Multinational Telecom Investors Corporation, its officers, directors, agents, representatives, conduits, assigns, and any and all persons claiming and acting for and in their behalf and under their authority are hereby ordered to immediately CEASE AND DESIST from further accepting investments from the public.

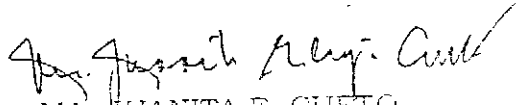
In accordance with the provisions of Section 64.3 of Republic Act No. 8799, otherwise known as the Securities Regulation Code, the parties subject of this Cease and Desist Order may file a request for the lifting thereof within five days from receipt hereof.

SO ORDERED.

Mandaluyong City, Metro Manila.

January 15, 2002.

For the Commission: En Banc:

  
MA. JUANITA E. CUETO  
Commissioner