



Republic of the Philippines  
Department of Finance  
Securities and Exchange Commission

**ENFORCEMENT AND INVESTOR PROTECTION DEPARTMENT**

In the matter of:

**LODI TECHNOLOGIES INCORPORATED DOING  
BUSINESS UNDER THE NAME/S AND STYLE/S  
OF LODITECH  
SEC Company Reg. No.: 2021070021373-02**

For Revocation of Certificate of Incorporation for violation of the Corporation code of the Philippines in relation to Presidential Decree No. 902-A for serious misrepresentation as to what the corporation can do to the great prejudice of or damage to the general public

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**ORDER OF REVOCATION**

**LODI TECHNOLOGIES INCORPORATED DOING BUSINESS UNDER THE NAME/S AND STYLE/S OF LODITECH (herein referred to as LODITECH) is a Corporation registered with the Commission on 02 August 2021 under Company Reg. No. 2021070021373-02. Its principal office address is located at ONE CORPORATE CENTRE SUITE 200, 2901-2904, 29F ONE CORPORATE CENTRE MERALCO AVE. COR. JULIA VARGAS AVE. ORTIGAS CENTER PASIG CITY SAN ANTONIO, CITY OF PASIG, 2<sup>ND</sup> DISTRICT, NATIONAL CAPITAL REGION(NCR), 1600.**

Its primary purpose as stated in its Articles of Incorporation is:

“To engage in the business of providing business process outsourcing services such as, but not limited to, inbound and outbound contact/call center, technical and customer support, customer relations, data management, and information technology, processing; To design, develop and maintain computer software solutions and packages, and provide software-related advisory and consultancy services; and to provide services and exercise powers in relation to, arising out of and incidental to the foregoing purposes”.

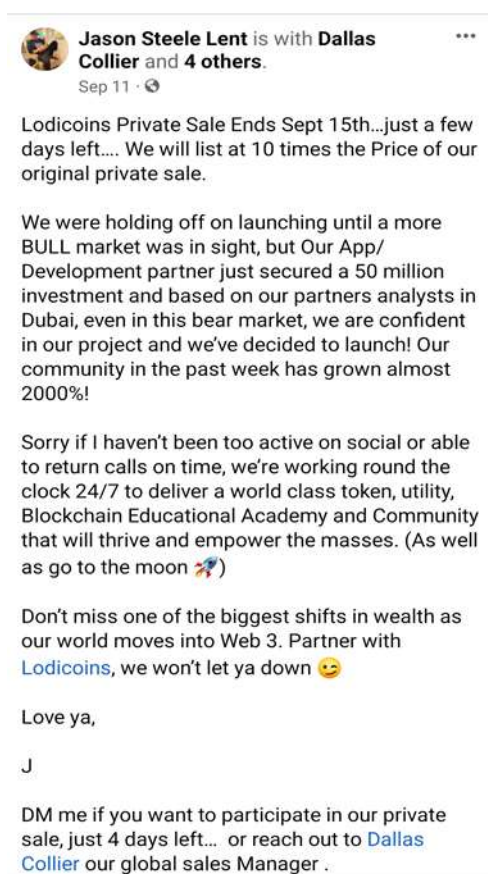
Its secondary purpose as stated in its Articles of Incorporation is:

“1. To purchase, acquire, own, lease, sell, and convey to the extent allowed by law, property of every kind and description that may be necessary or incidental to the conduct of its corporate business; 2. To raise capital or borrow money from not more than 19 lenders, including its stockholders, to meet the financial requirements with the company, partnership, persons, or government entities, domestic, or foreign, for the advancement of its interest and in carrying out its primary purpose; 4. To establish and operate branch offices or agencies to carry out any or all of its operations and business without any restrictions as to place or amount; 5. To do and perform all acts and things necessary and incidental to the accomplishment of the foregoing purposes or the exercise of any or all powers of a corporation for the benefit of this corporation and its stockholders.

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

The Department received numerous emails inquiring and reporting about **LODITECH** and its product, **LodiCoin** where its reported investment-taking activities is based on.

Investigation conducted by the Department revealed that **LODITECH** launched its product, a digital asset called **LodiCoin**. **LODITECH** promotes said product as a digital asset but their CEO's pronouncement says otherwise as he stated that there will be at least **a profit of 1000% or 10x the initial price from the 'private sale' of the LODICOIN**, to wit:



The 'digital assets' being sold to the public by **LODITECH** are actually securities in the form of investment contracts which the Securities Regulation Code (SRC) requires to be registered before they are offered and/or sold to the public.

However, **LODITECH** is not authorized to solicit, accept or take investments/placements from the public nor to issue investment contracts and other forms of securities defined under Section 3 of the Securities and Regulation Code (SRC) as it has not applied for or has been issued a Secondary License to offer and/or sell securities to the public.

Hence on September 27, 2022, an Advisory was posted on the Commission's website against **LODITECH**, which states that:

Applying the **Howey Test**,<sup>2</sup> the investment-taking scheme employed by Lodi Technologies Incorporated is an investment contract as it involves the offering and sale of securities to the public where their investors need not exert any effort other than to invest or place money in its scheme with the expectation of profits.

Hence, no matter how LODICOIN portrays itself as "utility token," clearly, \$LODI is being offered for its potential for price appreciation, not to mention profit opportunities through commissions, bonuses and other incentives. In this case, the sales materials and literature describe LODICOIN as having profit potential (in the words of the CEO - "we will list at ten times more than the pre-sale price"), and therefore, it is offered in such a way that the investor "expects profits," as to ultimately, consider it as a security.

In other words, merely calling a token a "utility" token or structuring it to provide some utility does not prevent the token from being a security. Tokens and offerings that incorporates features and marketing efforts that emphasize the potential for profits based on the entrepreneurial or managerial efforts of others contain the hallmarks of a security.

Accordingly, these virtual currencies and assets cannot be masked and presented as currencies when it is essentially a security in character which must be subject to registration in order to protect the investing public.

Therefore, said entities or individuals must be duly registered with the Commission and that any person or entity intending to offer and sell its *investment contract* are required to secure the necessary registration and/or license from the Commission as well.

A warning was further given to the public in said Advisory, to wit:

Hence, the public is advised **NOT TO INVEST** or **STOP INVESTING** in **Lodicoins and Lodi Technologies Incorporated's investment-taking scheme** which operate without the necessary licenses and/or authority.

Thereafter, a **Show Cause Order** was issued and served against **LODITECH** on 18 October 2022 at its principal address indicated in its Articles of Incorporation (AOI), i.e., Suite 200, 2901-2904, 29F, One Corporate Centre, Meralco Ave. Corner Julia Vargas, Ortigas Center, San Antonio, Pasig City Second District, National Capital Region (NCR) 1600 and to the addresses of the incorporators as similarly indicated in the AOI, #42 Maywood Avenue, San Antonio, City of Paranaque, Fourth District, National Capital Region (NCR), 1716 for RICHARD MARTIN CUENCA CALUNGSOD, #10 Pennsylvania, New Manila, Kristong Hari, Quezon City, Second District, National Capital Region(NCR) 1112 for KRISTOFFER LAWRENCE CADEVIDA, 1415 Wack Wack Twin Towers, Old Wack-wack Road, Wack-wack Greenhills, Mandaluyong City, Second District, National Capital Region (NCR), 1555 for JASON STEELE KAWEH I LENT, Unit 3405, Zinnia Towers II, EDSA Avenue, Katipunan, Quezon City, Second District, National Capital Region (NCR), 1211 for ROSANNA SHAREI DEL MUNDO and to the company's official e-mail, legal@lodicoins and [choy@lodicoins.com](mailto:choy@lodicoins.com).

The Show Cause Order directed the company **to show cause why its Certificate of Incorporation should not be revoked 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 for committing fraud in the procurement of its Certificate of Incorporation and to show cause why no administrative sanction and/or criminal charges should be filed against LODITECH for violation of the Securities Regulation Code.**

On October 18, 2022, the Company submitted its reply stating that:

"1. On 18 October 2022, Loditech received a copy of the Show Cause Order dated 18 October 2022 ("Order") issued by this Honorable Office.

2. The Order charges Loditech and its incorporators, namely: Richard Martin Cuenca Calunsod, Kristoffer Lawrence Cadevia, Jason Steele Kawehi Lent, and Rosanna Sharei Del Mundo with: a.) publicly offering and selling of securities without

a license from the Securities and Exchange Commission (“SEC”); and b.) committing serious misrepresentation as to what Loditech can do to the great damage or prejudice of the public (“Charges”).

3. The Order also directed Loditech and its incorporators to submit a Verified Answer or Explanation within fifteen (15) days from receipt of the Order, or until 02 November 2022, showing why they should not be held liable for the Charges. Hence, the Answer.

4. At the outset, Loditech manifests that other than being incorporators and stockholders of Loditech, Kristoffer Lawrence Cadevia and Rosanna Sharei del Mundo did not participate in any discussion, transaction or approvals regarding any of the business activities of Loditech and are not, in any way, involved in the operations of Loditech.

5. Further, Loditech notes that its officers, namely: Richard Martin Cuenca Calunsod and Jason Steele Kawehi Lent (“Loditech Officers”), participated and led Loditech in the conduct of its business activities in the Philippines in accordance with their understanding of the basic laws on operating a business in the Philippines.

6. The Loditech Officers, at the outset, sought and intended to comply with applicable statutory and regulatory requirements to enable Loditech to conduct its intended business activities in the Philippines and to show the public that its business transactions are legitimate.

7. Having this in mind, the Loditech Officers appointed a legal counsel (“**Counsel A**”) to ensure that Loditech’s business activities will be properly conducted in accordance with Philippine laws and regulations.

8. The Loditech Officers actively sought the advice of Counsel A as regards the necessary registration/s and/or compliance obligations for them to operate their business model and conduct their business activities using Loditech in the Philippines, including, among others, the issuance of a utility token referred to as Lodicoi, which will be used exclusively in Lodicoi’s online platform (“**Business Activities**”). In this regard, the Loditech Officers have disclosed to Counsel A all relevant matters necessary to conduct the Business Activities.

9. Thereafter, Counsel A assisted the Loditech Officers in setting-up their Philippine entity - specifically, the drafting of the necessary incorporation documents such as the Articles of Incorporation and By-Laws – which later on was registered as Loditech before the Securities and Exchange Commission (“SEC”) through the issuance of SEC Certificate of Registration No. CS2019535303. The Loditech Officers intended to use Loditech as their Philippine corporate vehicle to conduct the Business Activities in the Philippines.

10. With the incorporation of Loditech, Counsel A assured Loditech and its officers that Loditech may already proceed with the conduct of the proposed Business Activities.

11. It must be noted that, despite the Loditech officers’ full disclosure to Counsel A of all the necessary information relative to the Business Activities, there was no instruction or guidance from Counsel A of any further act, application or registration that must be performed or secured by Loditech for it to be able to proceed with any and all of its Business Activities, including the issuance of Lodicoi.

12. With this Loditech and its officers believed, in utmost good faith, that it has all the necessary authorizations, licenses and/or permits to carry on and proceed with its Business Activities, including the issuance of Lodicoi, which was intended to be classified as a utility token.

13. Accordingly, Loditech confidently proceeded to launch Lodicoins, relying on the advice of Counsel A that Loditech's incorporation with the SEC is sufficient to conduct its Business Activities in the Philippines.

14. Loditech and the Loditech Officers were, thus, surprised when they were notified of the SEC Advisory dated 29 September 2022 against Loditech and Lodicoins.

15. At the risk of sounding repetitive, it is important to highlight that Loditech and the Loditech Officers have, prior to the incorporation of Loditech, sought to ensure that Loditech's Business Activities will be compliant with the applicable Philippine laws, rules, and regulations. Thus, since its inception, the Loditech Officers sought, and relied upon the advice of Counsel A who is supposed to be in a better position to know the Philippine Statutory and regulatory requirements to conduct Loditech's Business Activities, as well as the processes required to secure and comply with any applicable requirements.

16. Loditech and the Loditech Officers were then assured by Counsel A that with the incorporation of Loditech with the SEC, Loditech can legally proceed with the conduct of its Business Activities.

17. Given the foregoing, Loditech and its incorporators, directors and/or officers invoke good faith in relying upon the representations and assurances of Counsel A and of the latter's supposed authority and capacity to render legal advice in keeping with Philippine laws, rules, and regulations.

18. Notwithstanding the foregoing and as a further gesture of good faith but without admitting any liability, Loditech and its officers manifests that it is amenable to any settlement as the Commission may prescribe, including payment of appropriate and reasonable fine/s as may be imposed by this Honorable Office in relation to this investigation.

19. Finally, Loditech and its officers manifests its consent to the electronic service of papers, decisions, orders, resolutions, and documents emanating from this Honorable Office. Such papers, decisions, orders, resolutions, and documents may be served to Loditech via electronic means through [choy@lodicoins.com](mailto:choy@lodicoins.com).

Hence, the factual backdrop having been laid, we now resolve the instant case.

Section 3.1 of the Securities Regulation Code (SRC) defines securities as:

"3.1 "Securities" are 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:

- (a) Shares of stocks, bonds, debentures, notes, evidences of indebtedness, asset-backed securities;
- (b) ***Investment contracts***, certificates of interest or participation in a profit-sharing agreement, certificates of deposit for a future subscription;
- (c) Fractional undivided interests in oil, gas or other mineral rights;
- (d) Derivatives like option and warrants;
- (e) Certificates of assignments, certificates of participation, trust certificates, voting trust certificates or similar instruments;
- (f) Proprietary or non-proprietary membership certificates in corporations; and

(g) Other instruments as may in the future be determined by the Commission. “

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 IRR)*, 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* which traces its roots from the US case of *SEC vs. Howey Co.* and was later modified in the case of *SEC vs. Glenn W. Turner Enterprises, Inc.* 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 provides, 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 investment contracts, as defined by the SRC in relation to *SRC Rule 26.3.5 of the 2015 SRC IRR*, must be registered before the same can be ***sold or offered*** for sale or distributed to the public.

*Rule 3.1.17 of the 2015 SRC IRR* defined **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

3.1.17.4 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 while "*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, dealers 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 against **LODITECH** to determine if they satisfy the elements of an investment contract. In our evaluation, indeed, the elements of an investment contract are manifested in the investments being offered by against **LODITECH** as follows:

- First, there was an **investment of money** by the public in the investment scheme of **LODITECH** who were enticed to invest in their scheme;
- Second, there was a **common enterprise** in the sense that the investors' monies were pooled in respondent **LODITECH's** alleged profit-making venture;
- Third, there was clearly an **expectation of profits** on the part of its investors who were promised that their money would earn as much as 1000% when the digital asset, through the form of a crypto currency, is launched; and
- Lastly, the expectation of profits is **derived primarily from the efforts of others. Here the investors had no hand in the management of LODITECH's product LodiCoin and promised to earn profits by merely investing in said project of the entity.**

It is important to emphasize that as a juridical person, **LODITECH** is only allowed to exercise powers inherent to its existence as provided in the Revised Corporation Code of the Philippines and those conferred in its Articles of Incorporation. (AOI). In other words, what a corporation or partnership can do is necessarily circumscribed by its primary purpose clause in its AOI.

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 or 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 ***ultra vires***. 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 purpose stated in **LODITECH's** Articles of Incorporation *prohibited it to operate an investment-taking scheme*, viz:

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

Section 44 of the Revised Corporation Code of the Philippines, 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."

In an opinion<sup>1</sup>, 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."

Likewise, the Certificate of Incorporation issued to **LODITECH** explicitly states that:

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 dealer (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 lending company, and time share, cash share/membership certificate 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.** (emphasis supplied)

The act of **LODITECH** through its affiliates in allowing certain persons acting as their agents or representatives to make public presentations of their investment scheme, inviting the public to invest in **LodicoIn** through social media renders them liable for the unauthorized public offering of securities and the misrepresentation committed in connection with such public offering.

Likewise, the investment scheme of respondent **LODITECH** promising a return of at least 1000% upon the release of **LodiCoin**, has the characteristics of a Ponzi scheme. 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<sup>2</sup> 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

<sup>1</sup> SEC-OGC Opinion No. 11-33 dated 29 July 2011 addressed to Mr. Jesus B. Lapuz.

<sup>2</sup> Actually, postal reply coupons



of realizing this same extravagant rate of return themselves. Such 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 or 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, 14 January 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)

The offering and selling of securities in the form of investment contracts using the “**Ponzi Scheme**” which is fraudulent and unsustainable, is **NOT** a registrable security. The Commission will not issue a License to Sell Securities to the Public to persons or entities that are engaged in this business or scheme.

The investment scheme of **LODITECH** also operates to defraud investors as it deceives the investing public by making it appear that it has the authority to deal in securities. This also amounts to serious misrepresentation as to what it can do or is doing to the damage and prejudice of the investing public.

In the case of *SEC vs. CJH DEVELOPMENT CORPORATION* (G.R. NO. 210316, 28 November 2016) the Supreme Court held that:

“**the act of selling unregistered securities would necessarily operate as a fraud on investors as it deceives the investing public by making it appear that respondents have authority to deal on such securities.** 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)

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 great prejudice of or damage to the general public. Likewise, Section 5.1 (m) of the SRC and Section 179 (j) of the Revised Corporation Code of the Philippines (RCCP) empower the Commission to revoke the franchise or Certificate of Incorporation/registration of corporations registered with it.

Under the 2016 Rules of Procedure of the SEC, the EIPD shall exercise authority over persons and entities, whether under the primary authority of other Operating Departments, involved in the following:

- xxx "1. Investigations and administrative actions involving the following:
  - xxx c) Selling, offering or transacting unregistered securities by entities without secondary license;
  - d) *Ultra Vires* acts committed in violation of the Revised Corporation Code;
2. Petitions for revocation<sup>3</sup> of corporate registration in all cases, except those which fall under the original authority of CRMD;
3. Administrative actions for fraudulent transactions involving securities;
4. Administrative actions for all other violations under PD 902-A, except those cases which fall under the original authority of other Operating Departments;
5. All other matters involving investor protection filed by the public, referred by self-regulatory organizations, or referred by other Operating Departments after initial evaluation or findings that there is a possible violation of laws, rules or regulations that the Commission implements but do not fall under their respective original authority."

Further, in SEC Admin Case No. 11-10-124 entitled *In re: PHILBIO Renewable Energy Resources Corp.*, promulgated on 27 April 2016, the Commission provided what constitutes 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 purpose **LODITECH** that it is authorized to engage in the selling or offering for sale of securities to the public, compounded by the fact that it does not have the required Secondary License from the Commission to offer or sell securities to the public, its activity of selling or offering securities or investment contracts to the public is considered an *ultra vires act* and therefore constitutes serious misrepresentation as to what the corporation can do or is doing 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.

Lastly, in the reply of **LODITECH**, it stated multiple times that that it has availed of the legal services of certain "Counsel A." According to it, as mentioned above, it is invoking good faith and that it believes that it has already complied with ALL the necessary requirements to conduct all their businesses, including the said investment-taking activities which involve publicly offering and selling securities, in accordance with the Philippine laws.

It is a settled principle that the negligence or mistakes of counsel, bind the client. LODITECH retained the services of counsel of its choice. It should bear the consequences of

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<sup>3</sup> Revocation refers to involuntary dissolution of corporate registration pursuant to Section 138 of the Revised Corporation Code.

its faulty option. Further, it must be emphasized that the Securities Regulation Code (SRC) is a Special Law, as such, *malum prohibitum* an individual or entity incurs liability by mere commission of acts in violation of the provisions of the SRC. Good faith will not serve to exculpate the violator from liability.

It is also worth noting that it can be clearly seen in the Certificate of Incorporation of LODITECH that the said certificate “**DOES NOT AUTHORIZE INVESTMENT SOLICITATION AND INVESTMENT-TAKING WITHOUT SECONDARY LICENSE FROM THIS COMMISSION.**”



**WHEREFORE**, for violation of Section 44 of the Revised Corporation Code of the Philippines (R.A. No. 11232) in relation to Sections 8.1, 26 and 28.1 of the Securities Regulation Code and Section 6 (i)(2) of P.D. 902-A, Section 5.1 (m) of the SRC and Section 179 (j) of the RCCP, the Certificate of Incorporation and registration as a corporation of **LODITECH** is 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 corporation 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 Corporation in the online database of the Commission.

**SO ORDERED**

Makati City, 05 July 2023.

  
**OLIVER C. LEONARDO**  
Director