



## ENFORCEMENT AND INVESTOR PROTECTION DEPARTMENT

**In the Matter of:**

**WELLCONS UNLIMITED SYSTEMS, INC.**  
COMPANY REG NO. CS202104675

For Revocation of Certificate of Incorporation for violation of Section 44 of the Revised Corporation Code of the Philippines in relation to Presidential Decree No. 902A for serious misrepresentation as to what the corporation can do to the great prejudice of or damage to the general public

X-----X

### ORDER OF REVOCATION

This refers to **WELLCONS UNLIMITED SYSTEMS, INC** ("**Wellcons**"), a corporation registered with this Commission on 19 April 2021 under Company Reg. No. CS202104675 with registered principal office address at P15A National Highway Bagontaas City of Valencia, Bukidnon, Region X, Philippines 8709. Its primary purpose as stated in its Articles of Incorporation is:

*"To engage in conduct and carry on the business on distributions of products by a leverage on multi-level marketing, buying and selling and marketing thru on-line channel in so far may be permitted by law, all kinds of goods and merchandise of every kind of description such as but not limited on household needs which primary target is the basic needs of the individuality and household. This to integrate the free market trade on products and develop people on engaging line to entrepreneurship as primarily distributor and be enhanced with equip values and training. This is to prepare according to global standards of professional entrepreneur and promote the tread products that adhere globally competitive market of capacity building human resource and goods that will allow free movement locally and internationally.*

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

The incorporators of **WELLCONS** are as follows:

Name	Citizenship	Residential Address
RANDY MAGDAYAO LAPASARAN	Filipino	Panadtalan MARAMAG, BUKIDNON, REGION X, Philippines, 8714
RUBEN OMISOL GERALLA, JR.	Filipino	Batangan CITY OF VALENCIA, BUKIDNON REGION X, Philippines, 8709
GERSON LARGO MADAGAT	Filipino	Mailag CITY OF VALENCIA, BUKIDNON REGION X, Philippines, 8709
MERARIE ESPUERTA PAILAGAO	Filipino	P3 Dalwangan CITY OF MALAYBALAY (Capital), BUKIDNON, Region X, Philippines, 8700
RENATO GUITCHE BIORREY	Filipino	Concepcion CITY OF VALENCIA, BUKIDNON, REGION X, PHILIPPINES, 8709
VAL IAN PALMES SUMAMPONG	Filipino	Poblacion CITY OF VALENCIA, BUKIDNON, Region X, PHILIPPINES, 8709
FYMCENIA DOONGAN VILLAMIN	Filipino	Casisang CITY OF MALAYBALAY (Capital), BUKIDNON, Region X, PHILIPPINES, 8700

The Authorized Capital Stock of respondent WELLCONS as appearing in its Articles of Incorporation is ONE MILLION PESOS (Php1,000,000.00), composed of Ten Thousand (10,000) common voting shares with par value of One Hundred Pesos (Php100.00) per share while its Subscribed Capital Stock is Two Hundred Fifty Thousand Pesos (Php250,000.00) and the Paid-Up Capital Stock is Sixty Two Thousand Five Hundred Pesos (Php62,500.00).

**RELEVANT FACTS**

The Department has received various email messages inquiring/reporting and requesting assistance regarding Wellcons. Below are some details sent to this department:

- a) *“A friend informed me about Wellcons Unlimited Systems, Inc. who is getting investments from the public. According to her, the company gives out products to members upon payment of joining fee but they are not required to sell said products. Income is generated thru referral fees as more members join in. Although she already warned her relatives from joining, her brother and mother have already invested in said company.*

*This is their website (<https://wellcons.net/>) and FB page (<https://m.facebook.com/pages/category/Product-Service/Wellcons-Unlimited-System-Inc-105731418124227/>).”*

*Thank you.”*

- b) *” Sir:*  
*Maligayang pagbati.*

*I am \_\_\_\_\_, the Municipal Planning and Development Coordinator (MPDC) of LGU Kapatagan municipality. Someone coordinated me to orient the MPDC office regarding the benefits of Wellcons Unlimited System, Inc. I didn't commit yet to transact with them unless I am sure that the company is legit. The reason I emailed to you sir because I am quite confused. When I entered the name Wellcons Unlimited System, Inc in the search engine of your system I found nothing. I only found Wellcons Unlimited Systems.*

*May I hear from your office if this Wellcons Unlimited System, Inc is the same with the Wellcons Unlimited Systems as registered in the SEC system?*

*Attached is the screenshot of my "do-it-yourself" verification.*

*I am looking forward to hearing from you."*

c) *"Greetings!*

*I am \_\_\_\_\_. I have a concern with regard to the company WELLCONS UNLIMITED SYSTEM INC. May I ask if the company is authorized to solicit investments? I am just a concerned individual as my parents and friends are being offered to invest in the said company.*

*On my end, I've already checked their certificate of registration posted online. However, it seems that they don't have the required secondary license. I am writing this to get clarification on the authority of the said company and/or to bring to your attention the activities of the said company."*

d) *"can you please check their modus operandi here in bukidnon and neighboring cities, many of our relatives are duped to invest because it yields 1% daily, please, advise us as we feel if this is a scam many will again be victimized."*

e) *"Dear EPD,*

*In connection with my email below, may I inquire if the above company is a legitimate or scam company.*

*My relatives in Bukidnon are requesting investments from me, given the high potential earning.*

*Let me share a youtube video on the Company's income scheme: <https://youtu.be/AdTVUFYk7zk>*

*As I understand with the video, the initial investment will double in 7 months.*

*Hoping for your kind assistance.*

*Thank you."*

f) *"Good day, I want your help po. My nag invite po sakin sumali mag invest, di ko po mahanap kung ito ay legit or registered. Name po ng company or group na ito is Wellcons unlimited system inc. Mainly sa bukidnon ata ito. At 1yr plang ata ang tagal. Isa po akong ofw, here in Saudi Arabia. Na scam na rin po ako bago lng din, itong PBx premium captcha. Kaya medyo alanganin na namn ako dito sa bago na nag invite sakin. Reg. Fee is 1890, puhunan 20k po. Gusto ko lng po malaman kung registered po ba ito sa sec. Maraming salamat po, at sana masagot po ang tanong ko. God bless and more power."*

g) *"Good Day!*

*I would like to raise a concern regarding "wellcons unlimited system". Please check in youtube about their company and how they deal with their business. They claimed that they have SEC and DTI permits hence a lot of people joined and invested their hard earned money as the company proclaim that their money will double once their product mature in just 100 days."*

- h) *"Hi, I would like to report the above subject company continues to operate under the name WCI with the same management and scheme but they only change the name of the company. Is WellCons already allowed to solicit and investment from the public as what the management is claiming?"*

In order to check the veracity of the information received, this department conducted an inquiry/investigation regarding the business activities/operations of **WELLCONS UNLIMITED SYSTEMS, INC. (Wellcons)**, and all other individuals affiliated with the company.

Below are some common Facebook posts pertaining to the investment being offered by the persons promoting the scheme of **Wellcons**.



Misslovender Sadlucap updated the group cover photo.  
Yesterday at 8:59 AM · 🌐







Joniel Duncano Taglucop » Wellcons Unlimited System s, Inc  
 January 16 ·



**WELLCONS UNLIMITED SYSTEM INC.**  
 FOUNDED ON OCTOBER 10, 2020  
 Main office: Valencia City Bukidnon  
 SEC.REG.NO.CS202104675G  
 PRESIDENT/CEO : MERARI ESPUERTA PAILAGAO  
 VP- MARKETING : GERSON LARGO MADAGAT  
**WHY WELLCONS?**  
 \* BINARY ACCOUNT  
 \* PANGKABUHAYAN PROGRAM



www.wellcons.net


Acct. Entry	Amount	Direct Referral	Indirect Referral	SMB	DSMB	Pairs/ Day	INCOME/ DAY
Fast Track	P1, 890 (50)P.V	200	50	500	250	12 6/6	9, 000
GLOBAL	P5, 890 (150)P.V	400	100	1, 500	500	24 12/12	16, 000
EXECUTIVE	P13, 890 (300)P.V	800	200	3, 000	1, 000	48 24/24	32, 000

**PANGKABUHAYAN PROGRAM**

Packages Option	Amount	1% Daily Reward	Return of Purchase
Bronze	P1, 500.00 (15 pts)	P15.00	P3, 000.00
SILVER	P2, 500.00 ( 25 pts)	P25.00	P5, 000.00
GOLD	P5, 000.00 (50 pts)	P50.00	P10, 000.00

**PASSIVE INCOME**  
 1. Global Pool Reward - TOP - 5% of the total sales daily.  
 2. Loyalty Reward - TOP - 10% of the total sales daily  
 3. Profit Sharing - TOP - 10% of the total sales daily  
 4. Daily Rewards - 1% daily of your package purchase

**Line of SUCCESS**  
 (First in , First out system)  
 100, 000  
 X 5%  
 5, 000 **TOP 1**



**WELLCONS UNLIMITED SYSTEM INC.**  
*"Helping each other to SUCCEED"*  
**A walk for Financial Freedom**  
 SEC REGISTRATION NO.: CS202104675  
**TWO SYSTEM PROGRAM**

**1.) OPEN ACC. DASHBOARD WITH BINARY SYSTEM**  
 → 5 WAYS TO EARN  
 1. 50% Discount Lifetime  
 2. DR- Direct Referral  
 3. SMB - Sales Match Bonus  
 4. IDR - Indirect Referral  
 5. DSMB - Direct Sales Match Bonus  
 → 3 OPTION PACKAGE PURCHASE
 

	DR	SMB	IDR	DSMB	2 Cycle/Day
1. Fast Track Package P1,890	- 200	- 500	- 50	- 250	- 12 pairs / day
2. Global Package P5,890	- 400	- 1,500	- 100	- 500	- 18 pairs / day
3. Executive Package P13,890	- 800	- 3,000	- 200	- 1,000	- 48 pairs / day

\* The Binary System Program is one Leg pairing Left and Right enjoy 50% income on your personal direct sponsor.

**2.) PANGKABUHAYAN PROGRAM SYSTEM**  
 → 4 WAYS TO EARN  
 1. Global Pool Reward Bonus - 5% TOP 100  
 2. Loyalty Reward Bonus - 10% TOP 500  
 3. Profit Sharing Reward Bonus - 10% TOP 1000  
 4. Daily Global Pool Reward Bonus  
 P5,000 - 50 pesos / day - 50 pts.  
 P10,000 - 100 pesos / day - 100 pts.  
 P100,000 - 1,000 pesos / day - 1,000 pts.  
 P150,000 - 1,500 pesos / day - 1,500 pts.  
 → 3 OPTION PACKAGE PURCHASE  
 1 Gold Package P5,000 R.O.P. = 10K Cash  
 2 Gold Package P10,000 R.O.P. = 20K Cash  
 20 Gold Package P100,000 R.O.P. = 200K Cash  
 30 Gold Package P150,000 R.O.P. = 300K Cash

**• ACTIVE INCOME PERSONAL SALES / GROUP SALES**

1 <sup>ST</sup> LEVEL	- 15%
2 <sup>ND</sup> LEVEL	- 2%
3 <sup>RD</sup> LEVEL	- 1%
4 <sup>TH</sup> LEVEL	- 1%
5 <sup>TH</sup> LEVEL	- 1%

**OPEN ACCOUNT PANGKABUHAYAN**

1 ACCOUNT	- 20K
3 ACCOUNT	- 60K
7 ACCOUNT	- 140k
1 EXECUTIVE PACKAGE	- 150K

**• SAFETYNET ENCASHMENT AND TRANSFER ACCOUNT INCOME**  
 BINARY WALLET - 3k minimum  
 PANGKABUHAYAN - 1k Minimum  
 INFINITE WALLET - 500 minimum  
 - ENCASHMENT EVERY SATURDAY AND SUNDAY  
 - CASH RELEASE FRIDAY  
 - WHERE:
 

✓ PALAWAN	✓ G-CASH	✓ METROBANK	✓ UNION BANK
✓ MLHULLIER	✓ COINS.PH	✓ BDO	
✓ CEBUANA	✓ SPI	✓ PAYMAYA	

**WWW.WELLCONS.NET**



Analiza Salingoran Bagbag  
 December 26, 2021 ·



Stephen John Gapasin » DAVAO WELLCONS UNLIMITED SYSTEM  
 December 3, 2021 ·



**Sino pa mag avail kay wellcons. 1,890 only our entry.**

**Starting JANUARY 1, 2,500 na ang entry ni wellcons.**



WELLCONS UNLIMITED SYSTEM, INC.			
PURCHASE		JOIN US NOW!	
GROW SAVE		 <b>BUSINESS ACCOUNT Php 2,500.00</b>	
 <b>Pangkabuhayan</b> Worth of Purchase <b>Php 25,000</b> Return of Purchase <b>Php 50,000</b>		 <b>Pangkabuhayan</b> Worth of Purchase <b>Php 5,000</b> Return of Purchase <b>Php 10,000</b>	
 <b>Pangkabuhayan</b> Worth of Purchase <b>Php 2,500</b> Return of Purchase <b>Php 5,000</b>		 <b>Pangkabuhayan</b> Worth of Purchase <b>Php 1,500</b> Return of Purchase <b>Php 3,000</b>	

Based on investigation conducted by the Department, it was found out that Wellcons is enticing/inviting the public to invest through the “2 in1 system” which was called **BINARY SYSTEM AND PANGKABUHAYAN SYSTEM**.

The scheme is a combination of pyramiding/Ponzi structure where the package chosen by an individual promises token products, recruitment incentives, Direct Referral Bonus, Indirect Referral Bonus, Sales Match Bonus and Direct Sales Match Bonus, etc., with a double-your-money program.

Such invitation to invest which is publicly made through social media amounts to a public offering of securities. **Section 8 of the Securities Regulation Code** specifically provides that securities shall not be publicly offered for sale or distribution in the Philippines without a registration statement filed with and approved by the Commission. **Rule 3.1.17 of the 2015 SRC Rules** also provides that any solicitation or presentation for sale through information communication technology, constitutes a public offering of securities to the public.

Considering that **WELLCONS** appears to be engaged in selling investment contracts, the Department inquired with the Markets and Securities Regulation Department (MSRD), Corporate Governance and Finance Department (CGFD), and Company Registration and Monitoring Department (CRMD) to determine if the said company was issued or has a pending application for a permit to offer securities for sale.

Consequently, the MSRD, CGFD, and CRMD certified that **WELLCONS UNLIMITED SYSTEMS, INC** has not registered any securities pursuant to the provisions of the Securities Regulation Code that would allow it to offer and/or sell securities to the public.

Thus, on 3 February 2022, this Department issued an Advisory informing the public that:

“Per record of the Commission, **WELLCONS UNLIMITED SYSTEMS, INC. (WELLCONS)** although registered with the Commission, has **NO SECONDARY LICENSE** 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 Regulation Code (SRC) since it has not secured prior registration and/or license from the Commission as prescribed under Sections 8 and 28 of the Securities Regulation Code (SRC).



Notably, the schemes that is being offered by **MERARI PAILAGAO** through **WELLCONS UNLIMITED SYSTEMS, INC.** is not within its allowed activities.

To emphasize, registration of a corporation merely grants it juridical personality and must conduct business in accordance with the purpose for which it was established and the law requires whenever such entity shall solicit investment, it must have secured the necessary secondary license.

xxx”

It was further stated therein that: “xxx the public is advised NOT TO INVEST or STOP INVESTING in any investment scheme being offered WELLCONS UNLIMITED SYSTEMS, INC. (WELLCONS) and exercise caution in dealing with any individuals or group of persons soliciting investments or recruiting investors for and on behalf of the said company.xxx.”

Despite the issuance of the abovementioned SEC Advisory against **WELLCONS UNLIMITED SYSTEMS, INC. (WELLCONS)**, the latter did not heed attention thereto, and in fact, continued with its investment-taking activities through its President, agents, representatives, enablers and influencers.

On 21 February 2022, a Show Cause Order was issued against **WELLCONS UNLIMITED SYSTEMS, INC. (WELLCONS)**, addressed to its registered principal office, and the addresses of their incorporators and directors, directing the company to SHOW CAUSE in writing, within five (5) days from receipt why:

*“I. The Certificate of Incorporation of **WELLCONS UNLIMITED SYSTEMS, INC. (WELLCONS)** should not be revoked pursuant to Section 6 (i) (2) of Presidential Decree No. 902-A for serious misrepresentation as to what the corporation can do or is doing to the great prejudice of or damage to the general public;*

*II. No administrative sanctions should be imposed against the subject corporation and its incorporators, directors, and officers for violation of Sections 8.1 of the Securities Regulation Code (SRC) and its Implementing Rules and Regulations.”*

On 3 March 2022, Wellcons, through its President, Mr. Merarie E. Pailagao, filed a Request to Lift SEC Advisory dated 3 March 2022. Mr. Pailagao in fact confirmed the existence of Fast Track, Global and Executive packages and the Pangkabuhayan Packages when he avers that:

*xxx “ WELLCONS simply offered its products to the public through its entry level packages and the Pangkabuhayan Packages – Bronze, Silver, Gold. Each package has corresponding amount to be paid by the buyer, and the buyer can choose freely on what package he would purchase. The buyer upon purchasing WELLCONS products is given corresponding points are reward for patronizing its products. The first buyer will be given further points through referral system. If the second buyer successfully purchased WELLCONS products, the first buyer will be rewarded with points as award for referral. xxx (Emphasis supplied)*

*xxx WELLCONS can distribute reward points to its regular consumers and consumer endorsers considering that WELLCONS is really earning through sale of its products. The Slimming Coffee for example is being bought in whole sale from the factory in the amount of One Hundred Five (P105.00) Pesos per box and is being sold in retail to its consumers in the amount of Eight Hundred Pesos (P800.00) per box, the Serpentina supplement is bought at the factory price of One Hundred Twenty Pesos (P120.00) then sold to the consumers at the price of Eight Hundred Pesos (P800.00) per box. In this manner, there is income that is entering to WELLCONS hence there is enough earnings to support the reward points system marketing plan of the company.” xxx*

On 21 March 2022, the EIPD received the Investigation Report from the SEC Cagayan de Oro Extension Office (SEC-CDOEO).

The Investigation confirms that WELLCONS has two systems, to wit:

1. Binary System

Before one can avail of the Pangkabuhayan Package, one has to avail of this to become a member by availing of either:

- a. Fast Track Package worth Php2,500.00 where a member shall earn: Direct Referral amounting to Php200.00; Indirect Referral amounting to Php50.00; Sales Match Bonus amounting to Php500.00; and Direct Sales Match Bonus amounting to Php250;
- b. Global Package worth Php5,890.00 where a member shall earn: Direct Referral amounting to Php400.00; Indirect Referral amounting to Php100.00; Sales Match Bonus amounting to Php1,500.00; and Direct Sales Match Bonus amounting to Php500; and
- c. Executive Package worth Php13,890.00 where a member shall earn: Direct Referral amounting to Php800.00; Indirect Referral amounting to Php200.00; Sales Match Bonus amounting to Php3,000.00; and Direct Sales Match Bonus amounting to Php1,000.

2. Pangkabuhayan Program

Upon availment of any of the Binary System, one can avail of any of the following:

- a. Bronze Package worth Php1,500.00 with a daily income of Php15.00 for 6 months;
- b. Silver Package worth Php2,500.00 with a daily income of Php25.00 for 6 months;
- c. Gold Package worth Php5,000.00 with a daily income of Php50.00 for 6 months; and
- d. Platinum Package worth Php25,000.00 with a daily income of Php250.00 for 6 months.

Further, there are four (4) ways to earn under the Pangkabuhayan System:

- a. Global Pool Reward;
- b. Loyalty Reward;
- c. Profit Sharing Reward; and
- d. Daily Sales Reward

On May 24, 2022, a scanned copy of the Affidavit of the investigator from SEC-CDOEO was received by the EIPD through email. The investigator authenticated his findings during his field investigation conducted on 4 February 2022 and narrated the following materials facts:

*“xxx 1. On 4 February 2022, I joined the business opportunity of Wellcons Unlimited System Inc. (hereinafter referred to as “Wellcons”, for brevity) whose branch office is located at the 2nd Floor, E. De Leon Bldg., Yacapin corner Velez Sts., Cagayan de Oro City.xxx;*



xxx3. I manifested to Ms. Señoron that I am interested to invest with the Pangkabuhayan Program System which provide a daily income on the investment even without doing anything.xxx

xxx4. I chose the Bronze package with a requirement investment of Php1,500. However, Ms. Señoron informed me that I need to be a member first by buying the registration package. The three (3) option packages are the following which are also shown in "Annexed A":

1. **Fast Tract Package** - P2,500 with the following entitlements: DR,P200; IDR, P50; SMB, P500; DSMB, P250; & 12 pairs per day;
2. **Global Package** - P5,890 with the following entitlements: DR, P400; IDR, P100; SMB, P1,500; DSMB, P500; & 18 pairs per day; and
3. **Executive Package** - P13,890 with the following entitlements: DR, P800; IDR, P200; SMB, P3,000; DSMB, P1,000; & 48 pairs per day.

4. I have paid a total amount of Four Thousand (P4,000) pesos with the following breakdown:

1. Fast Tract Package- P2,500
2. Pangkabuhayan Package - P1,500
- Total - P4,000xxx;

xxx7. In the Wellcons' webpage, <https://wellcons.net>, my user name is \_\_\_\_\_. On the day of my registration, the main dashboard of my account shows zero balances.xxx

xxx9. On the third day, my main dashboard shows a global pool income of Forty-five (P45) pesos. This global pool represents the Pangkabuhayan cumulative daily income for three (3) days.xxx

xxx10. On the thirteenth day, the main dashboard shows a global pool income of One Hundred Ninety-Five (P195) pesos. This global pool income represents the Pangkabuhayan cumulative daily income for thirteen (13) days.xxx

xxx11. On the fifteenth day, my main dashboard shows a global pool income of Two Hundred Twenty-Five (P225) pesos. This global pool represents the Pangkabuhayan cumulative daily income for fifteen (15) days.xxx

xxx14. The investment contract I have entered into with Wellcons is an investment in money, in the amount of One Thousand Five Hundred (P1,500) pesos, in a common enterprise with my expectation of profit of fifteen (P15) pesos per day."xxx

On 25 March 2022, Mr. Merarie E. Pailagao, Wellcons' President, submitted their Answer to the Show Cause Order dated 18 March 2022. In Wellcons' Answer to the Show Cause Order, Mr. Pailagao stated the same reasons in their Request to Lift SEC Advisory, where he affirms that:

xxx **"WELLCONS simply offered its products to the public through its entry level packages and the Pangkabuhayan Packages – Bronze, Silver, Gold.** Each package has corresponding amount to be paid by the buyer, and the buyer can choose freely on what package he would purchase. The buyer upon purchasing WELLCONS products is given corresponding points are reward for patronizing its products. The first buyer will be given further points through referral system. If the second buyer successfully purchased WELLCONS products, the first buyer will be rewarded with points as award for referral. xxx (Emphasis supplied)

*xxx WELLCONS can distribute reward points to its regular consumers and consumer endorsers considering that WELLCONS is really earning through sale of its products. The Slimming Coffee for example is being bought in whole sale from the factory in the amount of One Hundred Five (P105.00) Pesos per box and is being sold in retail to its consumers in the amount of Eight Hundred Pesos (P800.00) per box, the Serpentina supplement is bought at the factory price of One Hundred Twenty Pesos (P120.00) then sold to the consumers at the price of Eight Hundred Pesos (P800.00) per box. In this manner, there is income that is entering to WELLCONS hence there is enough earnings to support the reward points system marketing plan of the company. xxx”*

On 23 June 2022, the Commission *en banc* issued a **Cease and Desist Order** against WELLCONS which was posted at the SEC website, the dispositive portion of which is quoted below:

**“WHEREFORE**, premises considered, directing Wellcons Unlimited Systems, Inc., its president, Merarie E. Pailagao, its offices, operators, administrators, promoters, representatives, salesmen, agents, investment team planners, mentors, enablers, influencers, assigns, conduit entites, subsidiaries, and any and all persons claiming and/or acting for and in their behalf, are hereby ordered to **IMMEDIATELY CEASE AND DESIST** from engaging in the unlawful/unauthorized solicitation, offer and/or sale of securities in the form of investment contracts and/or any other similar or related acts, until requisite registration statement is duly filed with and approved by the Commission.

Wellcons Unlimited Systems, Inc., its president, Merarie E. Pailagao, its officers, operators, administrators, promoters, representatives, salesmen, agents, investment team planners, mentors, enablers, influencers, assigns, conduit entities, subsidiaries, and any and all persons claiming and/or acting for and in their behalf are likewise directed to immediately **CEASE** their internet presence relating to the transactions and investment scheme covered by this *Cease and Desist Order*. The Commission will institute the appropriate administrative and criminal action against any persons or entities found to act as solicitors, information providers, salesmen, agents, brokers, dealers or the like for and in their behalf.

Finally, the Commission hereby **PROHIBITS** Wellcons Unlimited Systems, Inc. its president, Merarie E. Pailagao, its officers, operators, administrators, promoters, representatives, salesmen, agents, investment team planners, mentors, enablers, influencers, assigns, conduit entities, subsidiaries, and any and all persons claiming and/or acting for and in their behalf from transacting any business involving the funds in its depository banks and/or in any non-bank financial institution, and from transferring , disposing, or conveying in any manner, any and all assets, properties, real or personal, including bank deposits, if any, of which the named persons herein may have interest, claim or participation, whether directly or indirectly, under their custody, to ensure the preservation of the assets of the investors.

xxx”

On June 27, 2022, SEC-CDOEO posted the **SEC Cease and Desist Order (CDO)** at the premises of WELLCONS.

To date, **Wellcons Unlimited Systems, Inc** has not secured any Permit to Offer and Sell securities nor have pending applications for registration of securities under the SRC.

## DISCUSSION

The factual backdrop of this case having been laid, we now resolve the instant proceedings on the basis of available evidence.

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:

xxx

(b) **Investment contracts** xxx”

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 Rules) 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* (G.R. No. 164182 February 26, 2008) which traces its roots from the case of *SEC vs. W. J. Howey Co.* (66 S.Ct.1100 May 27, 1946) and was later modified in the case of *SEC vs. Glenn W. Turner Enterprises, Inc.* (474 F.2d476 February 1, 1973), 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. (Emphasis and underscoring supplied)

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 and 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

distribution to the public. As a form of security, investment contracts must be registered under Section 8 of the SRC before they can be sold or offered 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;

3.1.17.1 Presentation in any public or commercial place;

3.1.17.2 **Advertisement or announcement** on radio, television, telephone, **electronic communications, information communication technology or any other forms of communication;** or

3.1.17.3 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 or agents of a company selling or convincing people to invest in an 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 a 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 WELLCONS to determine if they satisfy the elements of an investment contract. Indeed, the elements of investment contracts are manifested in the investments being offered as supported by the following facts quoted from the Cease and Desist Order issued on 23 June 2022, to wit:

- “First, there was an investment of money from the public. WELLCONS actually received money from the public who were enticed to invest in their scheme;
- Second, there was a common enterprise in the sense that respondent “WELLCONS” pooled the money invested by its investors in a profit-making venture;



- Third, there was clearly an expectation of profit on the part of its investors who were attracted to join the scheme as they relied on the promise that they will receive the profits as well as the other benefits promised to them, within a period of six (6) months; and
- Fourth, the promise of a guaranteed return or passive income under the Pangkabuhayan Program clearly shows that member-investors need not do anything but wait until the end of the sixth month. This equally shows that the earnings that they receive or will receive is due mainly to the efforts of WELLCONS.”

It is important to emphasize that **WELLCONS UNLIMITED SYSTEMS, INC. (Wellcons)**, as a juridical person, is only allowed to exercise powers inherent to its corporate 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 can do is necessarily circumscribed by its primary purpose clause in its AOI.

This Department particularly noted that the primary purpose of WELLCONS as stated in its Articles of Incorporation, specifically provided that **it has no authority to solicit or accept investments from the public**, to wit:

“xxx

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

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 and 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 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.”*

To make matters worse, the double-your-money scheme being offered by WELLCONS through its Pangkabuhayan Program, bears the tell-tale signs of a ponzi scheme<sup>2</sup> where the profits or pay-outs taken from the incoming investors or additional “pay-ins” shall be paid to existing or earlier members-investors - *in a nutshell, encapsulated by the saying “robbing Peter to pay Paul”*-- considering that it does not have any underlying legitimate business where it could source its promised return on investments to its investors. Such scheme is prohibited under Section 26 of the Securities Regulation Code which provides:

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

<sup>2</sup> 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 (\*actually postal reply coupons) 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 of realizing this same extravagant rate of return themselves. (*People of the Philippines v. Priscilla Balasa, et. al., G.R. 106357, dated September 3, 1998*)

“SEC. 26. **Fraudulent Transactions.** – It shall be unlawful for any person, directly or indirectly, in connection with the purchase or sale of 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, January 14, 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)*

It bears stressing that the finding of the EIPD that WELLCONS is engaged in the sale, solicitation and/or offering of securities in the form of investment contract to the public which requires a registration statement duly filed with and approved by the SEC, was affirmed by the Commission *en banc* in the abovementioned CDO, viz:

“The *Motion* is impressed with merit.

The EIPD’s Motion which is supported by substantial evidence sufficiently established that WELLCONS is offering and/or selling securities in the form of investment contracts to the public without requisite license from the Commission,

xxx

In the instant case, the evidence on record shows that WELLCONS is offering unregistered securities in the form of investment contracts to the investing public through its website and social media platforms, i.e., Facebook and YouTube without the requisite license.

xxx”.

In **SEC vs. CJH Development Corporation**<sup>3</sup>, the Supreme Court ruled that the sale and/or offer of securities without the requisite license, necessarily operates as a fraud on investors, thus:

*“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)*

Finally, 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 or 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. Under the 2016 Rules of Procedure of the Securities and Exchange Commission, 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>4</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 P.D. 902-A, except those cases which fall under the original authority of other Operating Departments; and

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, SEC Admin Case No. 11-10-124 entitled *In re: PHILBIO Renewable Energy Resources Corp.*, promulgated on 27 April 2016 provides what constitute 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.”*

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<sup>3</sup> G.R. No. 210316, 28 November 2016.

<sup>4</sup> Revocation refers to the involuntary dissolution of corporate registration pursuant to Section 138 of the Revised Corporation Code of the Philippines.

Considering that nowhere is it stated in the primary purpose clause of WELLCONS in its Articles of Incorporation that it is authorized to engage in the selling or offering for sale of securities to the public, coupled with the fact that it does not have the necessary Permit to Offer and Sell Securities, the activities of WELLCONS of selling or offering for sale securities in the form investment contracts is considered an ***ultra vires act*** and therefore constitute serious misrepresentation.

**WHEREFORE**, for violation of Section 44 of the Revised Corporation Code of the Philippines (RCC or R.A. 11232) in relation to Sections 8.1, 28.1 and 26.1 of the Securities Regulation Code (SRC), Section 6 of P.D. 902-A and Section 179 (j) of the RCC and Section 5.1 (m) of the SRC, the Certificate of Incorporation/the registration of **WELLCONS UNLIMITED SYSTEMS, INC.** as a corporation is hereby **REVOKED**.

Likewise, the Request to Lift SEC Advisory by **WELLCONS UNLIMITED SYSTEMS, INC.** is hereby **DENIED**.

Accordingly, let this Order be posted at the SEC website and 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**

Pasay City, 5 July 2022.



**Securities and  
Exchange  
Commission**  
PHILIPPINES

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