Securities and Exchange Commission

ENFORCEMENT AND INVESTOR PROTECTION DEPARTMENT

In the matter of:

SEC EIPD CASE NO. 2026-8089

KNOXPORT, INC.
Company Reg. No.: CS201122555
11th Avenue cor. 39th St., Bonifacio Triangle
Fort Bonifacio, 1634 Taguig City
Fourth District, National Capital Region (NCR)
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REMIGIO C. CRUZ, JR.
President / Chairman of the Board
45 Alondras Street, Mira Nila Homes,
Quezon City

RESOLUTION

This resolves the findings against Knoxport, Inc. for violations of Sections 8, 26, and 28 of Republic Act No. 8799, otherwise known as the Securities Regulation Code ("SRC") for the possible unauthorized offering and sale of securities in the form of investment contracts.

FACTS

Knoxport, Inc. ("Knoxport") is a corporation duly registered with the Securities and Exchange Commission ("Commission") under Company Registration No. CS201122555 on 28 December 2011, with principal office address at 11th Avenue cor. 39th Street, Bonifacio Triangle, Fort Bonifacio, Taguig City. Knoxport is the principal franchisee and operator of KFC (Kentucky Fried Chicken) restaurants in the Philippines,

The investigation was prompted, among others, by a publicly available interview entitled **"Follow The Money: KFC Sub-Franchising: The Smartest Passive Investment in Today's Fast-Food Economy,"** aired on the *Bilyonaryo* YouTube channel.

In the said interview, **Mr. Adrian Kent Galindo**, identified as Franchise Management Director of KFC Philippines, actively promoted Knoxport's so-called "sub-franchising" arrangement to the general public.

During the interview, Mr. Galindo, Knoxport's authorized officer, repeatedly described the program as an **investment opportunity** intended for individuals seeking **returns without the headaches of daily operations.** To quote:

> *"The objective is to bring KFC to more Filipinos nationwide, and so we launched our sub-franchising way back in 2020. So doing it for 5 years already. And it's giving an opportunity for entrepreneurs to invest in a global brand such as KFC. We work under a management service provider setup. So we make it very easy for our franchisees.* ***We provide all of the services that they would need right from the start. From the designing of the store, the construction, even with the hiring and training and even with the day-to-day operations.***
>
> *XXX*

They're pleasantly surprised that there's an opportunity for them to have their own KFC franchise without having to, you know, go through all of the headache of running the store. *As you said, a lot of them are very busy with their core businesses, but KFC presents another investment opportunity for them and we help them every step of the way. They don't have to worry so much about pag nawala yung kanilang staff, biglang nag-AWOL, We'll take care for them.*

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We run our franchise stores the same way we run our company owned stores *and these audits are in place to make sure that everything is being prepared properly and again it's the same people running the company owned stores. So there's no distinction between equity and sub-franchise."* (*Emphasis ours*)

From the foregoing, it is clear that Mr Galindo repeatedly emphasized that the investment opportunity being offered by Knoxport, among others, is characterized by the following:

1. It is intended for passive investors;
2. Knoxport operates under a management service provider structure;
3. Knoxport retains exclusive control over store design, construction, hiring, training, staffing, inventory, and day-to-day operations;
4. Investors are not expected to participate in the management or operation of the business;
5. Profitability and return on investment (ROI) are presented as primary inducements; and
6. The required investment ranges from approximately ₱25 million to ₱40 million, depending on the type of store.

Notably, these representations were made on a public, unrestricted media platform, clearly addressed to potential investors.

Accordingly, on **21 October 2025**, the EIPD issued a **Notice of Conference** to Knoxport which, through counsel, appeared before the Commission on 24 October 2025 and was directed to submit a Position Paper.

Thereafter, Knoxport submitted its **Position Paper dated 12 November 2025**, asserting that its sub-franchising program constitutes a bona fide franchising arrangement and not an investment contract under the SRC.

It bears emphasis that although Knoxport subsequently caused the removal of the subject interview from online platforms following its initial discussion with the Commission, **it nevertheless failed to issue any public clarification, correction, or disclaimer** to address or rectify the statements made by its officer.

Assuming arguendo that Knoxport was not engaged in unauthorized investment solicitation as clearly illustrated in its promotional stints, good faith and prudence would have required it to **affirmatively correct the misleading public representations** to properly guide and protect the investing public. Hence, the mere takedown of the video, without providing any clarifications, failed to cure the misleading impressions already created.

To date, apart from the interview, Knoxport continues to promote its sub-franchising program through its official website, "**https://corporate.kfc/com.ph**," and other online platforms, which collectively convey the character of a passive investment opportunity. As posted:

"***KFC Philippines offers a comprehensive, end-to-end franchising process and management.*** *From site selection, planning and staff hiring, training, marketing, and daily operations.* ***KFC Philippines will oversee full store management.***

Franchisees will not undergo training. As the management Service Provider (MSP), KFC Philippines will manage the daily operations of the franchise store." (*Emphasis ours*)

These materials, whether considered independently, or together with the interview of Mr. Galindo, clearly gives the impression that the franchisee or investor need not do anything to earn income and that Knoxport or KFC management will run the business entirely, from operations to stocking and systems and, ultimately, the franchisee's role is largely limited to funding the enterprise and monitoring performance.

Thus, taken as a whole, these representations reinforce the understanding that profits are expected to be derived primarily from the efforts of Knoxport, not from the active participation of the franchisee.

Considering the foregoing circumstances, the Commission issued a **Show Cause Order dated 08 January 2026**, directing Knoxport to show cause why it should not be held administratively liable for violations of Sections 8, 26, and 28 of the Securities Regulation Code.

FINDINGS

Under Rule 3, paragraph 1(G) of the Implementing Rules and Regulations of the SRC, an investment contract exists when a person:

1. Invests money;
2. In a common enterprise
3. With the expectation of profits
4. To be derived primarily from the efforts of others.

In determining the existence of an investment contract, the Commission is guided by the principle that substance prevails over form. Therefore, the Commission is not bound solely by contractual labels as in the case at hand, but must consider the totality of representations, including how the scheme is marketed and understood by the public.

Based on the evidence on record, the Commission finds that Knoxport's sub-franchising program satisfies all the elements of an investment contract. *To wit:*

1. Substantial sums of money or investment are required from investors;
2. The enterprise is centrally operated and controlled by Knoxport;
3. Profitability and Return of Investment ("ROI") are emphasized in public promotions; and
4. Investors are led to expect profits primarily from the managerial and operational efforts of Knoxport, while their own involvement is minimal.

Evidently, Knoxport's claim that sub-franchisees are active entrepreneurs is belied by its own promotional statements, which repeatedly assure prospective participants that they need not concern themselves with operations because **Knoxport will manage everything for them.**

In this light, the Commission is not persuaded by the arguments advanced in Knoxport's Position Paper.

First, the absence of a profit guarantee does not remove an arrangement from the coverage of the SRC. What the law proscribes is the inducement of an expectation of profits, which is plainly present in this case.

Second, Knoxport's reliance on the formal provisions of its supposed International franchise agreement cannot prevail over the reality that the program is consistently marketed and presented to the public as a passive income opportunity.

Finally, Knoxport's admission that the statements made by its officer created a "wrong impression," when viewed alongside its failure to issue any public clarification or correction, further underscores the misleading character of its promotional activities.

Considering the foregoing, the Commission finds that Knoxport's sub-franchising program constitutes the offer and sale of unregistered securities to the public, irrespective of the provisions of the said International Franchise Agreement submitted, and was undertaken without the requisite

license or registration from the SEC, in clear violation of Sections 8, 26, and 28 of the SRC, for which administrative penalties must be imposed.

Henceforth, in determining the appropriate penalty, the Commission takes into account the public and widespread nature of the solicitation, the substantial amounts of money involved, the continued use of mass media and online platforms to promote the scheme even after the removal of the subject interview, and Knoxport's failure to timely issue corrective disclosures or clarifications to address misleading public representations.

WHEREFORE, premises considered, **THE COMMISSION HEREBY FINDS THAT KNOXPORT, INC. IS ENGAGED IN THE OFFERING AND SALE OF UNREGISTERED INVESTMENT CONTRACTS** in violation of **Section 8**, and in the **unlicensed solicitation of investments** in violation of **Sections 26 and 28** of **Republic Act No. 8799**, otherwise known as the **Securities Regulation Code (SRC)**.

Accordingly, **Knoxport, Inc., its officers, representatives, agents, and all persons acting on its behalf are hereby ORDERED to CEASE AND DESIST** from offering, promoting, marketing, or selling investment contracts or any securities to the public unless duly registered with the Commission and unless the persons engaged in such activities are properly licensed, in accordance with the SRC and its implementing rules.

Further, for violations of Sections 8, 26, and 28 of the SRC, **Knoxport, Inc. is hereby held administratively liable and is ordered to pay the corresponding fine of One Million Pesos (₱1,000,000.00) pursuant to Section 54 of the SRC**, without prejudice to the filing of appropriate civil and criminal actions against the responsible officers and persons, when circumstances so warrant.

Let copies of this Order be furnished to all concerned for their information, guidance, and strict compliance.

SO ORDERED.

05 February 2026.

Makati City, Philippines.

FILBERT CATALINO F. FLORES III, MNSA, CESO IV
EIPD Director

Copy furnished:

COMPANY REGISTRATION AND MONITORING DEPARTMENT(CRMD)

CORPORATE GOVERNANCE AND FINANCE DEPARTMENT (CGFD)

MARKETS AND SECURITIES REGULATION DEPARTMENT (MSRD)

INFORMATION COMMUNICATIONS TECHNOLOGY DEPARTMENT (ICTD)

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