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The creative minds of NaFFAA's top leaders were busy at work looking for deals that could bring in the money. One such deal comes to light as allegations of improprieties refused to be addressed by NaFFAA officials. In the East Coast, NaFFAA was reduced, overnight, to a mere marketing arm of a Philippine telecommunications giant in exchange for \$50,000. The same thing might have happened in the Pacific Northwest, specifically in Seattle, Washington, where the same company handed out \$25,000 to the NaFFAA there. The big issue wasn't so much the monies fed to NaFFAA as the possible violations of criminal and civil laws that put NaFFAA's non-profit status in jeopardy. "We are not in the business of selling phone products," says a top official, indicating the seriousness of the situation.

One-hundred-three-thousand-five-hundred dollars went to an elderly NaFFAA couple. Another \$1,000 to a NaFFAA chair. Now, \$50,000 to a regional chapter. Still another \$25,000 to yet another chapter. When does the counting end?

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POTENTIAL CRIMINAL AND CIVIL VIOLATIONS

NaFFAA's \$50K Deal with Philippine Firm Raises Questions About Money Laundering

By ROMEO P. MARQUEZ

The author is a member, Investigative Reporters and Editors (IRE) and the Asian-American Journalists Association (AAJA)

S AN DIEGO – For \$50,000, a regional chapter of the National Federation of Filipino-American Associations (NaFFAA) has contracted a marketing deal with a Philippine communications firm which might have violated laws against money laundering and compromised the organization's non-profit status.

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The venture with SMART Communications -- apparently unrecorded in NaFFAA's national office and probably unknown to the company's headquarters in Manila -- is the latest to surface in the past five weeks of intense media scrutiny following allegations of wrongdoing and financial improprieties in NaFFAA.

It involved the purchase of a gadget called "plug n talk" from SMART, a wholly-owned subsidiary of Philippine Long Distance Telephone Co. (PLDT) and the country's leading wireless service provider. NaFFAA then undertook to sell the gadget to its members.

A service product labeled as "plug n play" costing \$40.00 apiece was also launched in Seattle last year during NaFFAA's Eighth National Empowerment Conference.

SMART, whose status to do business in the United States is under question, donated \$25,000 to that event though it isn't clear if the NaFFAA chapter there marketed the kit which may be one and the same as the "plug n talk".

The venture with SMART seems to contravene with NaFFAA's status as a 501 (c) (3) entity. It potentially exposes the organization to possible criminal and civil violations, including money laundering, according to informed sources familiar with the arrangement.

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"NaFFAA Region One, under the leadership of Regional Chair J.T. Mallonga, has a signed contract with SMART Philippines for the distribution/sale of its products to member community organizations," NaFFAA communications director Jon Melegrito admitted in a statement to this reporter.

Region One comprises the states of Connecticut, Maine, Massachusetts, New Hampshire, New Jersey, New York, Pennsylvania, Rhode Island and Vermont which have an appreciable number of Filipinos. As a consumer market, the region has rich potential.

In consideration of the contract, according to Melegrito, SMART Philippines "advanced to Region One the amount of \$50K for the purchase of said plug n talk devices."

Company officials in Manila have not responded to questions as of this writing.

The money has not been reported in NaFFAA's official financial statements. Whether it has been spent for the purpose or disbursed to defray other costs was not immediately clarified.

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Melegrito, however, makes the assurance that "the \$50K is a restricted fund and cannot be utilized for any other purpose".

NaFFAA national treasurer Lourdes (Ludy) P. Corrales has admitted that the deal looked questionable.

"This transaction did not get recorded in NaFFAA National and I did not want to know anything about it because we might get into trouble," she explained in a letter to NaFFAA chair Greg Macabenta.

"We are not in the business of selling phone products," she said in the same letter, a copy of which was obtained by this reporter from concerned NaFFAA officials who asked not to be identified.

"Had the \$50,000 been donated to us (meaning NaFFAA national), well and good," Corrales wrote.

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"But to pass the money through NaFFAA Region 1 (much like money laundering) and someone outside of NaFFAA handling the money to buy and sell inventories, I do not feel comfortable with that arrangement," Corrales added.

The \$50,000 guaranteed SMART's access to the region's member organizations and their individual members in the nine East Coast states. Corrales called it a "pass through to NaFFAA".

The news development could further boost assertions of wrongdoing in the organization that claims to be the voice for all Filipinos in the US.

Last month, new disclosures from documents kept hidden for seven years and recently unsealed showed that former NaFFAA chair Alex Esclamado and his wife Lourdes M. Esclamado, currently assistant national treasurer, received a total of \$103,500 from NaFFAA.

An advertising agency, the Minority Media Services Inc., owned by incumbent NaFFAA chair Greg Macabenta also got at least \$1,000. Lorna Dietz, an advertising solicitor in the employ of Macabenta, has stated that Filipinas magazine, also owned by Macabenta, would not have

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financial problems if it was true that Wells Fargo donated \$300,000 to NaFFAA.

In fact, Wells Fargo granted NaFFAA a total of \$300,000, for which Alex Esclamado was paid a commission. # # #

This "Breaking News" was sent by Romeo P. Marquez, editor, *Philippine Village Voice*, San Diego, California. Mailing address: P.O. Box 2118, La Jolla, CA 92038.

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