

FIRST DIVISION

[G.R. No. 135466, May 07, 2008]

**REPUBLIC OF THE PHILIPPINES, represented by the
PRESIDENTIAL COMMISSION ON GOOD GOVERNMENT, and
DOMESTIC SATELLITE PHILIPPINES, INC., Petitioners, vs.
INVESTA CORPORATION, IGNACIO D. DEBUQUE, JR., RODRIGO
A. SILVERIO, CENON CERVANTES, JR., LUZ L. YAP, POMPEYO C.
NOLASCO, NILO B. PEÑA, LEONARDO GODINEZ, ROSOL
INTERNATIONAL, INC., and MLI REALTY & DEVELOPMENT, INC.,
Respondents.**

DECISION

CARPIO, J.:

The Case

This is a petition for review^[1] of the Order^[2] promulgated on 17 March 1998 and the Resolution^[3] promulgated on 28 August 1998 of the Sandiganbayan in Civil Case No. 0182, *Republic of the Philippines v. Investa Corporation, et al.* The Sandiganbayan dismissed the case filed by the Presidential Commission on Good Government (PCGG) on behalf of the Republic of the Philippines (Republic) and Domestic Satellite Philippines, Inc., (Domsat) (collectively, petitioners) for lack of jurisdiction. The Sandiganbayan ruled that the acts of the Board of Directors of Domsat, which the Republic claims amount to fraud, are proper subjects of an intracorporate dispute which lies with the jurisdiction of the Securities and Exchange Commission (SEC) and not with the Sandiganbayan.

The Facts

The PCGG, by authority of Executive Order Nos. 1 and 2, issued two orders for the sequestration and immediate takeover of Domsat in 1986. On 14 March 1986,^[4] the PCGG requested Mr. Carlos M. Farrales (Farrales) to "sequester and immediately take-over" Domsat, as well as all assets, funds, and records thereof, and to be the Officer-in-Charge of Domsat. The PCGG also requested Farrales to "immediately freeze all the withdrawals, transfers, and/or remittances from the funds of [Domsat] under any type of deposit accounts, trust accounts or placements, with the exception of those which are necessary for maintaining the ordinary course of business." On 11 April 1986,^[5] the PCGG named Roberto S. Benedicto (Benedicto), Jose L. Africa (J. Africa), Victor A. Africa, and Alfredo L. Africa as the owners and controllers of the shares in Domsat which should be under sequestration. The PCGG further ordered that "[t]here shall be no removal, transfer, concealment, hypothecation or any form of disposition of the above-referred shares and emoluments or benefits therefrom until further orders of this Commission."

Domsat was incorporated in 1975 with an authorized capital stock of P20 million

divided into 200,000 shares with a par value of P100 per share. The incorporators divided the shares among themselves as follows:

<u>Incorporator</u>	<u>Subscribed Shares</u>	<u>Amount of Subscription</u>	<u>Amount Paid Up</u>
Ramon Cojuangco	4,000	P400,000	P100,000
Paterno M. Kintanar	4,000	P400,000	P100,000
Enrique D. Perez	4,000	P400,000	P100,000
Manuel H. Nieto, Jr.	4,000	P400,000	P100,000
Roberto S. Benedicto	4,000	P400,000	P100,000
Jose L. Africa	4,000	P400,000	P100,000
Alejandro L. Lukban	4,000	P400,000	P100,000
Francisca de Leon	4,000	P400,000	P100,000
Salvador Tan	4,000	P400,000	P100,000
Caridad Cruz	2,000	P200,000	P50,000
Vicente Esguerra	2,000	P200,000	P50,000
Total	40,000	P4,000,000	P1,000,000 ^[6]

At the time of the issuance of the sequestration orders, the shares in Domsat were distributed as follows:

<u>Stockholder</u>	<u>Shares</u>	<u>Equity Percentage</u>
Jose L. Africa	4,000	10%
Roberto S. Benedicto	4,000	10%
Oscar Africa	1	
Antonio Cojuangco	1	
Exequiel Garcia	4,000	10%
Antonio Gomez	4,000	10%
Manuel H. Nieto, Jr.	8,800	22%
Enriquez Perez	1	
PLDT	7,197	18%
Francisca Benedicto	8,000	20%
Total	40,000	100% ^[7]

The PCGG sequestered the Domsat shares in the names of Exequiel Garcia, Antonio Gomez, Francisco Benedicto, Oscar Africa, and Enriquez Perez as nominees of Benedicto. The PCGG also sequestered the shares of Manuel H. Nieto, Jr. (Nieto).

In 1987, the Republic, represented by the PCGG, filed Civil Case No. 9 before the Sandiganbayan, which is a complaint for reconveyance, reversion, restitution, accounting and damages against Benedicto, J. Africa, and Nieto as well as against Ferdinand E. Marcos, Imelda R. Marcos, Ferdinand R. Marcos, Jr., Juan Ponce Enrile, and Potenciano Ilusorio. The Republic alleged that all assets and properties sequestered by the PCGG are ill-gotten or fruits of ill-gotten wealth of Ferdinand E. Marcos and Imelda R. Marcos and are being held by their co-defendants in trust for and for the benefit of the Marcos spouses, thus all these assets and properties must be reverted and reconveyed to the Republic. The assets and properties in Civil Case No. 9 included the shares of stock in Domsat.

In 1989, three years after the issuance of the sequestration orders, Domsat elected a new Board of Directors whom the Republic alleged are nominees of Benedicto, J.

Africa, and Nieto. On 27 September 1989, the new Domsat Board of Directors entered into a Memorandum of Agreement on Engagement of Management Consultancy and Investment Advisory Services (management contract) with Investa Corporation (Investa) to be made effective as of 25 July 1989. The management contract stated that Investa will be paid, out of Domsat's unsubscribed and unissued shares, with full value Domsat shares computed at par at the rate of one million pesos, or ten thousand shares, per semester effective 25 July 1989. As of 29 August 1989, Domsat reserved 49,200 shares for Investa. Investa eventually subscribed to these shares.

Investa's percentage share in the ownership of Domsat grew as the years passed. As of 30 June 1993, Investa owned 39.5% of the Domsat shares, valued at P7.9 million. The Republic, on the other hand, held only 17% of the shares, 9.6% of which were ceded by Benedicto and his nominees while the remaining 6.4% were sequestered from the Africas and Nieto. At the time PCGG filed the present case before the Sandiganbayan on 3 March 1998, the Republic allegedly held only 15.998% of Domsat's shares compared to Investa's 75%.

The Sandiganbayan's Second Division issued an order on 17 March 1998. The Sandiganbayan summarized the allegations of the parties as follows:

A careful and thorough analysis of the facts of the case reveals that the causes of action of the [Republic and Domsat] are anchored on their belief that the [management contract] which was entered into by and between [Domsat] thru a set of directors, a majority of whom were allegedly nominees of Roberto S. Benedicto, Jose L. Africa and Manuel H. Nieto, **and** Investa Corporation (Investa); [Investa's] eventual control over [Domsat's] Board of Directors and management and its subsequent acts of holding the annual stockholder's meeting on March 6, 1991 without notice to the [PCGG]; the Board's issuance and disposal of all the unsubscribed and unissued 100,000 shares of capital stocks valued at P10 million; and lately, the Board's proposed amendments to the Domsat's Articles of Incorporation, viz, Second Article expanding the Statement of Purposes; Sixth Article increasing the number of directors from nine (9) to fifteen (15) and Seventh Article increasing the authorized capital stock of the corporation from P20 million to P2 billion are all fraudulent schemes to carry out a plot against the sequestration of and to weaken the hold of the Republic (thru the PCGG) on the sequestered shares of Domsat. In fact, the questioned acts have allegedly diluted the Republic's shareholdings from 32.79% in equity to 15.998%. In effect, the [Republic and Domsat] accordingly suffered losses or damages - both compensatory and nominal.^[8]

The Ruling of the Sandiganbayan

The Sandiganbayan dismissed the petition *motu proprio* on the sole ground of lack of jurisdiction. We quote its ruling below.

In fine, the dispute in the case at bar concerns acts of the board of directors which the [Republic and Domsat] claim amount to fraud and consequently, detrimental to the interest of Domsat stockholders, more particularly the Republic as regards the sequestered shares.

This is also an intracorporate dispute well within the jurisdiction of the [SEC] pursuant to Section 5, paragraphs (a) and (b) of PD 902-A, as amended, which states:

SECTION 5. In addition to the regulatory and adjudicative functions of the Securities and Exchange Commission over corporations, x x x registered with it as expressly granted under existing laws and decrees, it shall have original and exclusive jurisdiction to hear and decide cases involving:

(a) Devises or schemes employed by or any acts of the board of directors, business associates, its officers or partners, amounting to fraud and misrepresentation which may be detrimental to the interest of the public and/or the stockholders, partners, members of associations or organizations registered with the Commission.

(b) Controversies arising out of the intracorporate or partnership relations, between and among stockholders, members or associates; between any or all of them and the corporation, partnership or association of which they are stockholders, members, or associates, respectively; and between such corporation, partnership or association and the state insofar as it concerns their individual franchise or right to exist as such entity.

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This does not pertain or relate to funds, moneys, assets and properties illegally acquired or misappropriated by former President Ferdinand Marcos, his family, cronies or dummies. Neither does it involve an incident arising from, incidental to, or related to any case involving such property over which the Sandiganbayan has no [sic] concern.

WHEREFORE, premises considered, the [Republic and Domsat's] petition for issuance of a temporary restraining order is denied for lack of merit and the instant case is dismissed motu proprio for lack of jurisdiction.

SO ORDERED.^[9]

The Sandiganbayan denied^[10] the Republic and Domsat's motion for reconsideration for lack of merit.

The Issue

The petition presented only one ground for our consideration: Does the Sandiganbayan have jurisdiction over Civil Case No. 0182?

Respondents Rodrigo A. Silverio and Robert W. Medel (Medel) and respondents Nilo B. Peña and Pompeyo C. Nolasco, in their separate comments, merely repeated the relevant portion of the Sandiganbayan's order and insisted that the Sandiganbayan