Republic of the Philippines
Department of Finance
Securities and Exchange Commission
COMMISSION EN BANC

IN THE MATTER OF:

STRADCOM INTERNATIONAL HOLDINGS, INC. **SEC Registration No. A200011088**	**SEC En Banc Case No. 04-14-326** **Promulgated:** 06 October 2022

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STRADCOM CORPORATION **SEC Registration No. A199724063**	**SEC En Banc Case No. 11-13-308** **Promulgated:** 06 October 2022

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DECISION

Before this Commission are the Memorandum on Appeal dated 7 November 2013 (SEC En Banc Case No. 11-13-308), and the Memorandum on Appeal dated 4 April 2014 (SEC En Banc Case No. 04-14-326) filed by Stradcom International Holdings, Inc. (Stradcom), assailing the Orders dated 13 August 2013 and 3 March 2014 (the "Assailed Orders") issued by the Company Registration and Monitoring Department (CRMD) which denied the Appellant's request to expunge the sham General Information Sheets (GIS) dated 1 December 2010 and 1 June 2011, executed and filed by Mr. Bonifacio Sumbilla (Mr. Sumbilla), Mr. Jer B. Samson (Mr. Samson), and Mr. Rodolfo Millare (Mr. Millare), respectively.

RELEVANT FACTS

From the time of incorporation of Stradcom in 2001 up to year 2010, Mr. Cezar Quiambao and his team (the "Quiambao Group") had been consistently elected as members of, and composed the Board of Directors (the "Board") of the corporation.[1] During the Annual Stockholders Meeting of Stradcom that was held on 7 May 2010, the Quiambao Group were again elected as members of the Board, composed particularly of the following:

1. Roberto F. De Ocampo;
2. Cezar T. Quiambao;
3. Horacio M. Borromeo, Jr.;
4. Owen S. Carsi Cruz;
5. Anthony K. Quiambao;
6. Demetrio G. Demetria; and
7. Wilhardo H. Morales.[2]

During the same meeting, the following were also elected as officers of Stradcom:

1.	Roberto F. De Ocampo	-	Chairman of the Board;
2.	Cezar T. Quiambao	-	President;
3.	Oscar A. Cabading	-	Treasurer;
4.	Owen S. Carsi Cruz	-	Corporate Secretary; and
5.	Eric Gene C. Pilapil	-	Assistant Corporate Secretary.[3]

From 2010 up to the filing of the Complaint, no annual meeting was held. Thus, the Quiambao Group and the corporate officers continuously discharged their functions under a hold-over capacity.[4] The corresponding GIS were filed with the Commission by Stradcom.

On 10 November 2010, Mr. Samson filed a GIS[5] for Stradcom for the year 2010 (the "November 2010 GIS"), allegedly without the knowledge and authority of Stradcom. The November 2010 GIS disclosed that Stradcom conducted a special stockholders' meeting on 24 November 2010 where the Sumbilla Group were elected as members of the Board and officers, particularly:

1.	Bonifacio Sumbilla	-	Chairman and CEO;
2.	Aderito Z. Yujuico	-	Treasurer;
3.	Dolney S. Sumbilla;		
4.	Rodolfo A. Millare	-	Corporate Secretary;
5.	Ronnie M. Bilang;		
6.	Enrico M. Bilang;		
7.	Egy G. Geron; and		
8.	Jer B. Samson	-	Assistant Corporate Secretary.

[2] Annex "C" of the Appeal (SEC En Banc Case No. 04-14-326)
[3] Memorandum of Appeal (SEC En Banc Case No. 04-14-326), Annex "C"
[4] *Ibid.* Annex "D" of the Appeal

On 1 December 2010, Mr. Samson filed another GIS (the "December 2010 GIS") with the Commission, which declared that Stradcom conducted a special stockholders' meeting resulting in, among others, the election of the Sumbilla Group as members of the Board.[6]

On the basis of the November 2010 GIS and December 2010 GIS, the Sumbilla Group, claiming to be the legitimate directors of Stradcom, attempted to forcibly take over the corporation's IT facility on 2 December 2010. The attempt, however, was foiled by the security guards on-duty. The series of attempts to take-over the IT facility of Stradcom, which the Sumbilla Group subsequently carried out, were likewise unsuccessful.[7]

Considering that the members of the Sumbilla Group who claim to be the legitimate directors and officers of Stradcom are not stockholders of the corporation,[8] the Quiambao Group, after filing criminal charges,[9] filed on 8 December 2010 before the Commission a Letter requesting that the November 2010 GIS and December 2010 GIS be expunged from the records of the Commission, as they are not official documents of the corporation. The request was made in an effort to protect the general public and prevent the use of such documents to commit illegal acts.

In its Letter dated 21 December 2010,[10] Director Ferdinand B. Sales of the CRMD denied the Quiambao Group's request on the ground that the matter, being an intra-corporate dispute, is outside the jurisdiction of the Commission.

On 29 March 2011, Stradcom held its Annual Stockholders' Meeting which resulted in the re-election of the Quiambao Group as members of the Board and officers. The GIS reflecting the foregoing was filed with the Commission on 31 March 2011.

On 1 June 2011, Mr. Samson filed with the Commission another GIS, disclosing that the Sumbilla Group was elected as members of the Board of Stradcom during the special stockholders meeting held on 3 May 2011 (the "May 2011 GIS").[11]

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[6] Annex "F" of the Appeal (SEC En Banc Case No. 04-13-326)
[7] Pars 11 and 12 of the Appeal (SEC En Banc Case No. 04-14-326)
[8] Annex "F" of the Appeal (SEC En Banc Case No. 04-14-326)
[9] Annexes "J" to "J-2" of the Appeal (SEC En Banc Case No. 11-13-308)
[10] Ibid. Annex "P"

In its letter dated 11 October 2011, the Quiambao Group requested the Commission to expunge from the records the May 2011 GIS, and reiterated its request to expunge the November 2010 GIS, and December 2010 GIS (collectively, the "Sumbilla Group GIS").

On 18 August 2011, the Regional Trial Court of Urdaneta City issued a Resolution relative to SEC Case No. U-142[12] (the "RTC Resolution"), finding that Mr. Samson and Mr. Millare were not stockholders of Stradcom, and unauthorized to represent the corporation in any proceeding.

The Sumbilla Group elevated the RTC Resolution to the Court of Appeals, which issued a Decision dated 10 August 2010 (the "CA Decision"), sustaining the finding of the RTC and dismissing their Petition for violating the rule against splitting a cause of action.

The Supreme Court upheld the CA Decision in its Resolution dated 5 August 2013 (the "SC Resolution"). The SC Resolution became final and executory on 13 March 2013, and was entered into the Book of Entries of Judgment.[13]

In a Letter dated 17 February 2014,[14] the Quiambao Group informed the CRMD of the SC Resolution, and reiterated its request for the expunction of the Sumbilla Group GIS on the ground that the Sumbilla Group, having been conclusively found not to be stockholders of the corporation, has no authority to represent and file any document for and on behalf of the corporation.

Notwithstanding the manifestations, Director Sales issued the Assailed Orders which denied the requests of the Quiambao Group. Director Sales maintained the position that the matter is an intra-corporate corporate dispute which is outside the jurisdiction of the Commission. Director Sales, however, decided to annotate the status "DISPUTED" in the subject GISs filed with the Commission to alert the investing public.

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[12] Stradcom International Holdings, Inc., as represented by Rodolfo Millare vs Stradcom Corporation, et al. (Annex "K" of the Appeal)

[13] Annex "P" of the Appeal (SEC En Banc Case No. 04-14-326)

ISSUE

Whether Director Sales, in his capacity as the director of the Company Registration and Monitoring Department, committed reversible error when he denied the request of the Quiambao Group to expunge from the records the GIS filed by the Sumbilla Group.

RULING

The Appeal is impressed with merit.

In the Assailed Order, the CRMD justified the dismissal of the case on the finding that the matter partakes of an intra-corporate dispute that is outside the jurisdiction of the Commission. Moreover, the denial of the request for expunction of the Sumbilla Group GIS was premised on the absence of a final and executory order from the appropriate court directing such action. Hence, the CRMD merely caused the abovementioned annotation.

The CRMD was therefore of the position that a conclusive finding affirmed by no less than the Supreme Court that the Sumbilla Group are not stockholders of Stradcom, does not authorize the Commission to expunge a questionable document, filed by an outsider, in the absence of a direct order from the court.

This Commission does not agree.

The matter subject of the instant case is not an intra-corporate dispute.

Jurisdiction over the subject matter is conferred by law. Section 5.2 of the Securities Regulation Code (SRC) expressly conferred jurisdiction over intra-corporate controversies upon the Regional Trial Courts (RTC), acting as commercial courts. Thus, when the nature of the controversy is intra-corporate, the RTC has the exclusive jurisdiction to take cognizance of, and pass upon the same.

An intra-corporate dispute is understood as suit arising from intra-corporate relations, or between or among stockholders, or between any or all of them and the corporation.[15] To determine if a suit partakes of a nature of an intra-corporate dispute, the Supreme Court has consistently applied the relationship test and the nature of the controversy test, thus:

> "In determining whether a dispute constitutes an intra-corporate controversy, the Court uses two tests, namely, the relationship test and the nature of the controversy test.
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> An intra-corporate controversy is one which pertains to any of the following relationships: (1) between the corporation, partnership or association and the public; (2) between the corporation, partnership or association and the State insofar as its franchise, permit or license to operate is concerned; (3) between the corporation, partnership or association and its stockholders, partners, members or officers; and (4) among the stockholders, partners or associates themselves. Thus, under the relationship test, the existence of any of the above intra-corporate relations makes the case intra-corporate.
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> Under the nature of the controversy test, "the controversy must not only be rooted in the existence of an intra-corporate relationship, but must as well pertain to the enforcement of the parties' correlative rights and obligations under the Corporation Code and the internal and intra-corporate regulatory rules of the corporation." In other words, jurisdiction should be determined by considering both the relationship of the parties as well as the nature of the question involved."[16]

In Metropolitan Bank & Trust Co. v. Salazar Realty Corp.,[17] the Supreme Court emphasized that the mandatory application of the two-tier test is designed to ensure that corporate disputes which are intra-corporate in nature are handled exclusively by the RTC, thus:

> "With the advent of the SEC Reorganization Decree, jurisprudence has resorted to Section 5 thereof to allocate jurisdiction between the SEC and the regular courts. The application of Section 5 was eventually standardized into a two-tier test which has been applied to all kinds of stockholder suits, whether individual, class, or derivative. The two "tiers" are actually two separate tests: the first test assesses the relationship of the parties of the case to one another, and the second test assesses nature of the controversy among the parties:
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[15] Strategic Alliance Development Corporation vs Star Infrastructure Development Corporation (G.R. No. 187872, November 17, 2010)

[16] Medical Plaza Makati Condominium Corp. v. Cullen, G.R. No. 181416, [November 11, 2013], 720 PHIL 732-749)

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The two-tier test ensures that cases involving corporations but do **not** involve *actual intra-corporate disputes* are filtered out:

> [I]n the 1984 case of DMRC Enterprises v. Este del Sol Mountain Reserve, Inc., the Court introduced the nature of the controversy test. We declared in this case that it is not the mere existence of an intra-corporate relationship that gives rise to an intra-corporate controversy; to rely on the relationship test alone will divest the regular courts of their jurisdiction for the sole reason that the dispute involves a corporation, its directors, officers, or stockholders. We saw that there is no legal sense in disregarding or minimizing the value of the nature of the transactions which gives rise to the dispute.
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> Under the nature of the controversy test, the incidents of that relationship must also be considered for the purpose of ascertaining whether the controversy itself is intra-corporate. The controversy must not only be rooted in the existence of an intra-corporate relationship, but must as well pertain to the enforcement of the parties' correlative rights and obligations under the Corporation Code and the internal and intra-corporate regulatory rules of the corporation. If the relationship and its incidents are merely incidental to the controversy or if there will still be conflict even if the relationship does not exist, then no intra-corporate controversy exists." (Emphasis supplied)

Applying the two-tier test, the Commission finds and so holds that the matter subject of the instant case is not intra-corporate in nature.

The relationship test is not satisfied because the dispute does not involve a corporation and its stockholders. Neither does the dispute involve the stockholders themselves. This is supported by the SC Resolution which affirmed the finding of the RTC and CA that the members of the Sumbilla Group are not stockholders of Stradcom. In the same manner, the nature of the controversy test is not satisfied because the Sumbilla Group, not being stockholders of Stradcom, cannot claim to exercise the rights provided by law and its constitutional documents.

On account thereof, the dismissal of the case on the ground of lack of jurisdiction has no basis in law and jurisprudence, and must therefore be reversed.

The Commission has the power and authority to expunge from its records a false, fraudulent or bogus GIS.

In the Assailed Orders, the CRMD denied the request of the Quiambao Group to expunge the Sumbilla Group GIS from the records of the Commission on the ground that "*the Commission has not received a final and executory order from of the appropriate court, specifically directing the same to expunge the assailed report from its records.*" Stated differently, the CRMD was saying that the Commission has no power to remove from its records a report for a particular corporation that was judicially determined to have been filed by one who is not a stockholder or member thereof, absent a clear order from the court to that effect.

We do not agree.

The mandate of the Commission to protect investors encompasses a wide range of power and authority intended to ensure that the hard-earned money/property of investors which are paid as equity in a corporate vehicle is managed and used in accordance with minimum accepted standards and best practices. This is consistent with the catch-all provision contained in Section 5.1(n) of the SRC which grants the Commission such powers that are implied from, or are necessary, or incidental to carry out its express powers, thus:

> "**Section 5.** *Powers and Functions of the Commission.* – 5.1. The commission shall act with transparency and shall have the powers and functions provided by this code, Presidential Decree No. 902-A, the *Corporation Code*, the Investment Houses law, the Financing Company Act and other existing laws. Pursuant thereto the Commission shall have, among others, the following powers and functions:
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> xxx xxx xxx
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> (n) Exercise such other powers as may be provided by law as well as those which may be implied from, or which are necessary or incidental to the carrying out of, the express powers granted the Commission to achieve the objectives and purposes of these laws."

In relation to the duty of the Commission to accept corporate filings, we hold that the same necessarily includes the power to remove from its records any filing that has been finally determined to be false or fraudulent. In the same manner, the Commission is duty bound to remove a report from the records of a particular corporation if such is proven to have been filed by a person who is not a stockholder or member of such corporation. A contrary position will promote a situation where government processes and facilities are allowed to be utilized to perpetrate fraud and/or cause confusion to the public. Worse, to allow a report filed by a non-stockholder/member to remain as part of the records of a corporation will sanction the practice of giving premium to a fraudulent act, that might, in all probability, result in the erosion of the confidence by the public in the corporate system. This, we hold, is not the intent of the law.

In the instant case, the SC Resolution which ruled that the members of the Sumbilla Group are not stockholders of Stradcom, should be taken judicial notice of, and considered as substantial evidence, that such persons have no personality to act, represent, and/or file any document for and on behalf of the corporation. Hence, any action done by the Sumbilla Group for and on behalf Stradcom is not an action of the corporation and does not bind the latter, in the same way that reports purporting to be that of Stradcom which are filed by persons who are not stockholders or authorized representatives thereof are, for all legal intents and purposes, not part of the corporate documents of the corporation.

It should be emphasized that in administrative actions, such as the instant case, the quantum of proof necessary to justify a decision is merely substantial evidence or "*such relevant evidence as a reasonable mind might accept as adequate to support a conclusion, even if other minds equally reasonable might conceivably opine otherwise*".[18] The SC Resolution which was submitted in evidence, showed that the reports filed by the Sumbilla Group is not a report of the Stradcom, and should thus be removed from its records which are on file with the Commission. In this context, it behooves the Commission to act affirmatively on the request of Stradcom to have these documents removed from its corporate filings, if only to ensure that what is on its records fully reflect the valid corporate actions of Stradcom. More importantly, by doing so, the avoidance of fraud and confusion on the part of the public is secured.

Finally, in the context of the established by evidence that the Sumbilla Group actually utilized its GIS filings to mislead and deceive the public into the belief that they are the legitimate directors of Stradcom, and attempted to carry out a fraudulent take-over of its IT facility, the removal of the Sumbilla Group GIS even more becomes imperative. While this Commission takes cognizance of SEC Office Order No. 242, Series of 2013, directing the CRMD to, among others, ensure that there is no double filing of GIS, and to mark the multiple GIS filed by corporation with intra-corporate dispute as "DISPUTED," it should be emphasized that this policy finds application only in instances where there is a real intra-corporate dispute as shown *prima facie* in the documents presented or filed with the Commission. SEC Office Order No. 242 was implemented in recognition of the fact that it is the proper RTC which has exclusive jurisdiction to take cognizance of, and pass upon cases involving an intra-corporate dispute. In other words, this policy does not apply if there is already evidence showing that a party which filed a GIS for a particular corporation is not a stockholder thereof, and is therefore bereft of any authority to represent or bind such corporation, as what happened in the instant case. A different construction will not only negate the objective of the Policy, but also result in an absurd situation where a rule is allowed to be used to perpetrate fraud, and affected corporations are left at the mercy of fraudsters.

In the instant case, we hold that the decision of the CRMD to annotate the word "DISPUTED" on the Sumbilla Group GIS, as well as on all the relevant GIS filed by the Quiambao Group pursuant to the Rule did not only completely disregard the finding of the Supreme Court, as embodied in the SC Resolution, it also in effect recognized the acts of persons who are not stockholders of Stradcom, to the detriment of the latter. This action should be reversed as this is not in keeping with the intent and spirit of the policy of the Commission.

It should be emphasized that this is not the first time that the Commission will be exercising its power to expunge from its records corporate papers and documents. In the case of *Carmen S. Pascual, et al. vs Gabriel R. Pascual et al. (SEC-SICD Case No. 3085)*, the Commission sustained the expunction from its records all the corporate papers and other documents of a corporation arising from the fraudulent acquisition of shares by the parties therein.

WHEREFORE, premises considered, the Orders of the CRMD dated 13 August 2013 and 3 March 2014 are hereby **REVERSED** and **SET ASIDE**. The CRMD is hereby **DIRECTED** to expunge from the records of the Commission all the General Information Sheets executed and filed by Mr. Jer B. Samson and Mr. Rodolfo Millare.

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SO ORDERED.

Makati City, Philippines.

EMILIO B. AQUINO
Chairperson

JAVEY PAUL D. FRANCISCO
Commissioner

KELVIN LESTER K. LEE
Commissioner

KARLO S. BELLO
Commissioner

MCJILL BRYANT T. FERNANDEZ
Commissioner