

FIRST DIVISION

[G.R. No. 128941, January 28, 1999]

**CAPITOL COLLEGE OF ILIGAN, INC., PETITIONER, VS. THE
HONORABLE COURT OF APPEALS AND SPOUSES GERARDO AND
FELINA ARANAS, RESPONDENTS.**

D E C I S I O N

AUSTRIA-MARTINEZ, J.:

This petition questions the judgment^[1] of the Court of Appeals dated December 20, 1996, in CA-G.R. SP No. 39876, the dispositive portion of which reads:

"WHEREFORE, the petition for mandamus is hereby GRANTED, and respondent Securities and Exchange Commission is ordered to cause the amendment of the Writ of Execution of June 1, 1995 for it to conform to the final judgment of the then CFI-Lanao del Norte, Iligan City, Branch 2, in Civil Case No. II-73 (1276) of August 7, 1975, as affirmed with modification by the Supreme Court in its decision in G.R. No. 95067 of July 23, 1992, in that it should order respondents Capitol College of Iligan, Inc. (CCII) and spouses Sesenio and Laurena Rosales to:

"1) Cause the issuance in favor of the petitioners spouses Gerardo and Felina Aranas the certificates of stock corresponding to the cash investments made by them in respondent CCII, in the amount of P5,730.00 as of May 1964;

"2) Submit all records/books of accounts of respondent corporation from 1964 up to the present for inspection for the purpose of determining whether profits have indeed been earned by the corporation and whether herein petitioners have been unjustly deprived of their share therein;

"3) Deliver to petitioners spouses Aranas their unrealized profits and/or dividends by virtue of their investments from May, 1964 up to the present; and

"4) Pay the amount of P5,000.00 as moral damages."^[2]

The antecedents of this case may be stated as follows:

On August 7, 1975, the Court of First Instance (now Regional Trial Court) of Iligan City rendered judgment in Civil Case NO. II-73 ^[1276], entitled "Aranas vs. Iligan Capitol College, et.al.," ordering petitioner to deliver to private respondents their share of the profits and/or dividends by virtue of their investment in the corporation, and to pay private respondents P5,000.00 as moral damages and P1,000.00 as attorney's fees.^[3] This judgment was affirmed *in toto* by the Court of Appeals in AC-

G.R. CV No. 59114 on March 11, 1983, but was later modified^[4] on November 21, 1983 by eliminating the award of P5,000.00 as moral damages. Appeal to this Court from the modified judgment proved unavailing and the case was remanded for execution.

In the course of the execution of the judgment, the RTC issued an Order on July 27 1984^[5] directing the examination of the property and income of the petitioner. This order of the RTC was challenged by the petitioner before the Court of Appeals in AC-G.R. SP No. 04028, entitled "Capitol College of Iligan, et.al. vs. Hon. Juan C. Nabong, Jr., et.al."

On August 30, 1985, the Court of Appeals affirmed the RTC order but with a qualification that the examination of petitioner's books of account be "limited only to the determination if the corporation had declared dividends from 1964 and private respondent's share thereof, for, unless dividends are declared, the stockholders of a corporation are not entitled to any share in the profits of the corporation."^[6]

On April 24, 1989, the RTC issued another order^[7] requiring the physical inventory of the assets of the petitioner. The validity of this order was questioned by the petitioner before the Court of Appeals in CA-G.R. SP No. 18317, entitled "Capitol College of Iligan vs. Hon. Mamindiara P. Mangotara, et. al."

On June 29, 1990, the Court of Appeals, thru then Associate Justice Justo P. Torres, nullified and set aside the challenged order and reiterated the appellate court's earlier ruling in AC-G.R. SP No. 04028. It ratiocinated that the determination of corporate profits and the declaration of dividends are corporate powers vested in the board of directors which cannot be exercised by the court. In addition, the appellate court ruled that the execution of the final judgment of the RTC should be placed under the supervision of the Securities and Exchange Commission (SEC) in view of the enactment of P.D. 902-A.^[8]

The aforesaid judgment was elevated to this Court, docketed as G.R. No. 95067, on the sole question of whether the SEC has jurisdiction over an intra-corporate dispute which occurred prior to, but remained unfinished after, the promulgation of P.D. 902-A.

On July 23, 1992, the issue was resolved by this Court, thus:

"There is, true enough, no indication that right after 11 March 1976 when PD 902-A was promulgated, herein private respondents moved for the transfer of the proceedings to the SEC, hence, they can be deemed to have acquiesced to the proceedings before the court a quo and to be bound thereby; however, execution and subsequent incidents will have to be transferred to the jurisdiction of the Securities and Exchange Commission. This appears to be the clear intent of the law, PD 902-A.

"The Securities and Exchange Commission is ordered to cause the execution of the final judgment, dated 7 July 1975, of the RTC of Lanao del Norte, Branch I, Iligan City in Civil Case No. 1276. This will include, among others, the issuance of certificate of stock in favor of petitioners, inspection of the books of accounts of respondent corporation for the

purpose of determining whether profits have indeed been earned by the corporation and whether herein petitioners have been unjustly deprived of their share therein.”^[9]

Pursuant to the above-quoted decision of this Court, the SEC took cognizance of the case and, on April 26, 1994, the SEC Hearing Officer, Alberto P. Atas, issued an order^[10] directing the issuance of a writ of execution, the tenor of which was in accordance with the final disposition of the Court of Appeals in CA-G.R. SP No. 04028 and CA-G.R. No. 18137, as affirmed by this Court in G.R. No. 95067. Consequently, a writ of execution^[11] was issued ordering the examination of the books of the petitioner to determine whether or not dividends have been declared since 1964. On February 23, 1995, the SEC *En Banc* confirmed the provisions of the writ of execution issued by Hearing Officer Alberto Atas.

On February 21, 1996, private respondents filed with the SEC *En Banc* a petition for mandamus which was docketed as EB No. 399, praying, among others, that the petitioner be directed to submit all records from 1964 for the purpose of determining the profits of the petitioner and to order the latter to pay private respondents their share in the profits.

On December 5, 1994, the SEC rendered a decision, the dispositive portion of which reads:

“WHEREFORE, pursuant to the authority vested in the Commission and the decision of the Regional Trial Court in Civil Case No. 11-73 (1267), as modified by the Court of Appeals in AC-G.R. No. 95067, the above-named respondents are hereby directed to comply with the final and executory judgment consisting of the examination of the respondent corporation to determine whether or not dividends have been declared by the College since 1964.x x x”^[12]

On February 21, 1996, private respondents filed a petition for mandamus with the Court of Appeals (docketed as CA-G.R. SP No. 39876) praying that petitioner be ordered to: (a) issue certificates of stocks in favor of private respondents in the amount of P5,730.00; (b) submit all records/books of account from 1964 to 1990 and 1993 for verification and inspection with the purpose of determining petitioner’s profits; (c) pay private respondents’ share in the profits for 1991-92 in the amount of P5,647,870.00 pursuant to the writ of execution dated May 17, 1993; (d) pay private respondents’ share in the profits discovered after inspection/examination for 1964-90; and (e) pay moral damages of not less than P200,000.00, exemplary damages of P100,000.00, litigation expenses of P50,000.00 and attorney’s fees.^[13]

On December 20, 1996, the Court of Appeals rendered judgment^[14] ordering, among others, the inspection of the books of the petitioner from 1964 to the present for the purpose of determining whether profits have been earned and whether private respondents were deprived of their share therein; and, to deliver to private respondents their unrealized profits and/or dividends by virtue of their investment from 1964 to the present. Petitioner’s motion for reconsideration was denied on March 31, 1997.

On May 8, 1997, petitioner filed the instant petition assigning the following errors: