

Title: Julio E. T. Sales and George V. Agonias v. Securities and Exchange Commission, et al.

Facts

1. **Sales Agreement**:

- **June 13, 1974**: State Investment House, Inc. (SIHI) entered into an agreement with Sipalay Mining Exploration Corporation (SMEC), purchasing 200,000,000 shares for P2,600,000.00. Restrictions included selling shares to the public, with a stockbroker not exceeding 1,000,000 shares per buyer.

2. **Amendment**:

- **October 19, 1974**: SMEC's board amended the agreement allowing sales in blocks of up to 5,000,000 shares.

3. **Intracorporate Transactions**:

- **December 22, 1975**: SIHI requested SMEC to transfer the shares to Anselmo Trinidad & Co., Inc. (ATCO), which was done. ATCO participated in subsequent stockholder meetings.

4. **Sale to VULCAN**:

- **July 17, 1978**: ATCO sold 198,500,000 shares to Vulcan Industrial and Mining Corporation (VULCAN).
- SMEC board directed its President to sign the stock transfer certificates accordingly.

5. **Petition for Nullity**:

- **July 10, 1979**: Petitioners sought nullification of the shares' sale to VULCAN and filed for preliminary injunction to prevent VULCAN from voting in the upcoming stockholders' meeting.

6. **Initial SEC Action**:

- **July 16, 1979**: SEC temporarily restrained VULCAN from voting its shares in the July 1979 annual meeting.

7. **Stockholders' Meeting**:

- **July 18, 1979**: Annual meeting proceeded sans VULCAN's shares, and a new board was elected.

8. **Further Actions**:

- VULCAN countersued for voiding the 1979 board election.
- **April 16, 1980**: SEC suspended the notice calling for unpaid subscriptions in SMEC.
- **June 13, 1980**: SEC denied both sides' motions, directed SMEC to hold a 1980 meeting, and formed a committee to supervise it.
- **July 17, 1980**: SEC reaffirmed its June order and denied reconsideration motions.

9. **Preliminary Injunction**:

- **August 1, 1980**: Supreme Court issued a temporary restraining order (TRO) against SEC's orders.
- Respondents filed comments, and the Supreme Court stopped an August 21, 1980 meeting.

10. **Resolution**:

- **July 27, 1987**: Supreme Court considered the petition and comments.

Issues

1. **Arbitrary and Grave Abuse of Discretion**:

- Whether SEC acted arbitrarily and with grave abuse of discretion by ordering the creation of a supervisory committee for SMEC's annual meeting.

2. **Entitlement to Injunctive Relief**:

- Whether SEC erred by denying petitioners' application for a preliminary injunction to restrain VULCAN from voting its shares.

Court's Decision

1. **Supervisory Committee**:

- **Jurisdiction under P.D. No. 902-A**: SEC has jurisdiction over controversies relating to the election of directors and stockholder relations under P.D. No. 902-A.
- **SEC's Broad Powers**: SEC can compel corporations to hold stockholder meetings and supervise them.
- **No Grave Abuse**: The creation of the committee was lawful and well within SEC's powers to ensure orderly elections.

2. **Denial of Preliminary Injunction**:

- **Right to Sell**: The sale of shares to VULCAN was presumed valid, and VULCAN had been voting them in earlier meetings.

- **No Clear Right Violated**: Petitioners failed to provide clear and satisfactory proof that VULCAN's ownership was illegal or violated conditions of the sales agreement.
- **Balancing Equities**: Issuing an injunction would cause greater harm to VULCAN compared to the alleged injury to the petitioners.

Doctrine

1. **Absolute Jurisdiction of SEC**: SEC holds exclusive jurisdiction over intra-corporate controversies and election disputes, under P.D. No. 902-A.
2. **Supervisory and Control Powers**: SEC has the mandate and statutory authority to ensure orderly conduct in corporate affairs, including calling and supervising stockholder meetings.

Class Notes

1. **Intra-corporate Controversies**:
 - SEC handles disputes between stockholders and corporations.
 - Includes election disputes and the right to vote shares.
2. **Preliminary Injunction**:
 - Requires clear right and impending violation.
 - Harm must be greater to the applicant compared to potential relief.

Historical Background

P.D. No. 902-A created in the 1970s aimed to centralize corporate regulatory functions under the SEC, providing it comprehensive power to supervise and regulate corporate activities, ensuring fair elections, and protecting investments. This case highlights the SEC's robust authority in maintaining corporate governance and resolving complex disputes within corporate entities.