



110182019001697



## SECURITIES AND EXCHANGE COMMISSION

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### Company Information

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**SEC Registration No.** A199908874  
**Company Name** DFNN INC.  
**Industry Classification** Research & Experimental Dev. In Information Technology  
**Company Type** Stock Corporation

### Document Information

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SECURITIES AND EXCHANGE COMMISSION

SEC FORM 17-C

CURRENT REPORT UNDER SECTION 17  
OF THE SECURITIES REGULATION CODE  
AND SRC RULE 17.2(c) THEREUNDER

1. October 16, 2019  
Date of Report (Date of earliest event reported)
2. SEC Identification Number A199908874 3. BIR Tax Identification No. 202-955-796-000
4. DFNN INC.  
Exact name of issuer as specified in its charter
5. Philippines 6.  (SEC Use Only)
- Province, country or other jurisdiction of incorporation Industry Classification Code:
7. L2-L5 14<sup>th</sup> Floor, Philippine Stock Exchange Tower, 5<sup>th</sup> Ave. cor. 28<sup>th</sup> St.  
BGC, Taguig City, 1634 1634  
Address of principal office Postal Code
8. (632) 8 396-5270 loc. 104  
Issuer's telephone number, including area code
9. N/A  
Former name or former address, if changed since last report
10. Securities registered pursuant to Sections 8 and 12 of the SRC or Sections 4 and 8 of the RSA

Title of Each Class	Number of Shares of Common Stock Outstanding and Amount of Debt Outstanding
<u>Common Shares</u>	<u>324,620,008</u>

11. Indicate the item numbers reported herein: ITEM 5

The Honorable Court of Appeals promulgated a Resolution dated 27 September 2019 denying the Motion for Reconsideration filed by Philippine Charity Sweepstakes Office (PCSO). In the Motion for Reconsideration, PCSO prayed for the reconsideration of the Decision of the Court of Appeals which denied the Petition for Certiorari filed by the former and affirmed the Order of the Regional Trial Court of Makati City (RTC Order) granting the Motion for Issuance of Writ of Execution filed by DFNN. The RTC Order is in relation to its Decision granting DFNN's Petition for Correction, correcting the liquidated damages awarded to DFNN in the Arbitration Panel's Award dated 21 May 2015 from Php27,000,000.00 to Php310,095,149.75 plus 6% interest from date of finality until payment by PCSO. (see the attachment for further details on the nature of the proceedings)

**COURT OF APPEALS DENIES  
THE MOTION FOR RECONSIDERATION OF PCSO**

DFNN Inc. (DFNN) was informed on 16 October 2019 of the Resolution promulgated by the Court of Appeals<sup>1</sup> denying the Motion for Reconsideration filed by Philippine Charity Sweepstakes Office (PCSO). In the Motion for Reconsideration, PCSO prayed for the reconsideration of the Decision of the Court of Appeals<sup>2</sup> which denied the Petition for Certiorari filed by the former and affirmed the Order of the Regional Trial Court of Makati City (RTC Order)<sup>3</sup> granting the Motion for Issuance of Writ of Execution filed by DFNN. The RTC Order is in relation to its Decision (RTC Decision)<sup>4</sup> granting DFNN's Petition for Correction, correcting the liquidated damages awarded to DFNN in the Arbitration Panel's Award dated 21 May 2015 (Arbitral Award) from Php27,000,000.00 to Php310,095,149.75 plus 6% interest from date of finality until payment by PCSO.

This case stemmed from a Request for Arbitration filed by DFNN against PCSO with the Arbitration Panel. During the proceedings before the Arbitration Panel, DFNN stated that, on 9 April 2003, the company and PCSO entered into an Equipment Lease Agreement (ELA) for the Systems Design, Development and Upgrade for Lotto Betting *via* Personal Communication Devices (PCD *via* text, GPRS, Bluetooth, 3G, Wifi Protocols and other wireless devices). Further, PCSO agreed to exclusively lease all hardware, software, and technical skills from DFNN in order to develop the application of Personal Communication Devices for acceptance and processing of bets from the Personal Communication Devices users in the Philippines. Thereafter, Board of Directors of PCSO issued a resolution dated 9 March 2005, rescinding the ELA alleging that DFNN purported failed to comply with its obligation.

On 21 May 2015, the Arbitration Panel rendered the Arbitral Award ordering PCSO to pay DFNN the amount of Php27,000,000.00 as liquidated damages based on the terms of the ELA.

On 26 June 2015, DFNN filed with the Regional Trial Court of Makati City a Petition for Correction asserting that there was evident miscalculation in the amount of liquidated damages in the amount of Php27,000,000.00. As above stated, the RTC Decision was rendered correcting the liquidated damages in the Arbitral Award from Php27,000,000.00 to Php310,095,149.75 plus 6% interest from date of finality until payment by PCSO. The RTC Decision became a preliminary step for DFNN to file a necessary claim with the Commission on Audit (COA).

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<sup>1</sup> Court of Appeals Resolution dated 27 September 2019.

<sup>2</sup> Court of Appeals Decision dated 31 May 2019.

<sup>3</sup> RTC Order dated 7 December 2019.

<sup>4</sup> RTC Decision dated 17 February 2016

Thereafter, PCSO appealed the RTC Decision to the Court of Appeals, which then affirmed the said decision of the lower court. PCSO then elevated the matter to the Supreme Court assailing the ruling of the Court of Appeals. As of date, the Supreme Court has yet to resolve the case.

Meanwhile, as above stated, DFNN filed a Motion for Issuance of Writ of Execution on 11 October 2016 with the Regional Trial Court of Makati City in relation to its RTC Decision. The RTC issued a Decision dated 7 December 2016 granting the said Motion. Afterwards, on 23 January 2017, DFNN filed before the COA a Petition for the Enforcement of its money claims against PCSO (i.e. ₱310,095,150 plus 6% interest) considering the immediate executory nature of the RTC Decision. However, to date, the COA has yet to resolve the Petition.

On 31 May 2019, as above mentioned, the Court of Appeals rendered a Decision affirming the RTC Order granting the Motion for Issuance of Writ of Execution filed by DFNN. On 27 September 2019, the Motion for Reconsideration filed by PCSO praying for the reconsideration of the Decision of the Court of Appeals was denied by the said Court.

It must be reiterated that a Writ of Execution is a court order granted to enforce a final judgment by transferring assets, money or property belonging to the judgment debtor to the judgment creditor. In this regard, DFNN had already submitted the necessary claim to the COA and is now awaiting the expected favorable ruling affirming all the legal decisions rendered in DFNN's favor and executing the said Writ of Execution.

Said ruling by the Court of Appeals denying the Motion for Reconsideration and in effect re-affirming the RTC Decision reinforces DFNN's position as well as emphasizes the continuing compounding legal 6% interest penalties per annum, in favor of DFNN.


DFNN is optimistic that this long, drawn legal proceedings shall finally be laid to rest and collection shall be consummated. PCSO will also be able to put a cap on the continuing interest penalties imposed by the Court, in addition, PCSO can finally set aside all the legal impediments to initiating and implementing a long overdue entry into the mobile and wireless lottery space by the latter.

**SIGNATURES**

Pursuant to the requirements of the Securities Regulation Code, the issuer has duly caused this report to be signed on its behalf by the undersigned hereunto duly authorized.

DFNN Inc.  
Issuer

October 18, 2019  
Date

  
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Atty. Cyrus R. Montesa  
Assistant Corporate Secretary

\* Print name and title of the signing officer under the signature.