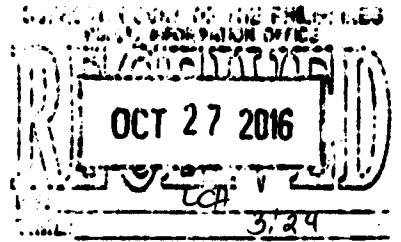




Republic of the Philippines
SUPREME COURT
Manila



EN BANC

**PHILIPPINE COCONUT
PRODUCERS FEDERATION, INC.
(COCOFED), MANUEL V. DEL
ROSARIO, DOMINGO P. ESPINA,
SALVADOR P. BALLARES,
JOSELITO A. MORALEDA, PAZ M.
YASON, VICENTE A. CADIZ,
CESARIA DE LUNA TITULAR, and
RAYMUNDO C. DE VILLA,**
Petitioners,

G.R. Nos. 177857-58

Present:

SERENO,* *C.J.*,
CARPIO,**
VELASCO, JR.,
LEONARDO-DE CASTRO,**
BRION,
PERALTA,**
BERSAMIN,
DEL CASTILLO,
PEREZ,
MENDOZA,
REYES,
PERLAS-BERNABE,**
LEONEN,
JARDELEZA,** and
CAGUIOA,** *JJ.*

- versus -

REPUBLIC OF THE PHILIPPINES,
Respondent.

**WIGBERTO E. TAÑADA, OSCAR F.
SANTOS, SURIGAO DEL SUR
FEDERATION OF
AGRICULTURAL COOPERATIVES
(SUFAC) and MORO FARMERS
ASSOCIATION OF ZAMBOANGA
DEL SUR (MOFAZS), represented by
ROMEO C. ROYANDOYAN,**
Intervenors.

X-----X
DANILO B. URSUA,
Petitioner,

G.R. No. 178193

- versus -

REPUBLIC OF THE PHILIPPINES,
Respondent.

Promulgated:

October 5, 2016

X-----X
[Signature]

* On official business.
** No part.

RESOLUTION

VELASCO, JR., J.:

For consideration is the *Manifestation and Omnibus Motion (Omnibus Motion)* dated October 12, 2012 interposed by respondent Republic of the Philippines (Republic). In it, respondent claims that the Court, in its September 4, 2012 Resolution, has not included as part of its assets to be reconveyed to it the 25.45 million San Miguel Corporation (SMC) shares subject of the Compromise Agreement dated March 20 and 22, 1990 entered into by and between the SMC Group and the United Coconut Planters Bank (UCPB) Group that SMC subsequently converted to treasury shares.

Antecedents

On March 26, 1986, the Coconut Industry Investment Fund Holding Companies (“CIIF”) sold 33,133,266 SMC common shares to Andres Soriano III of the SMC Group for ₱3,313,326,600.00, payable in four (4) installments. On April 1, 1986, the SMC Group paid the initial purchase price of ₱500 million to the UCPB as administrator of the CIIF (the “UCPB Group”). The sale was transacted through the stock exchange and the shares were then registered in the name of Anscor-Hagedorn Securities, Inc. (AHSI).¹

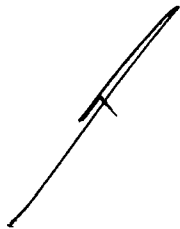
On April 7, 1986, the Presidential Commission on Good Government (PCGG) sequestered the shares of stock. Due to the sequestration, the SMC Group suspended payment of the balance of the purchase price of the subject stocks. In retaliation, the UCPB Group attempted to rescind the sale by filing a complaint with the Regional Trial Court of Makati. The complaint, however, was eventually ordered dismissed for lack of jurisdiction.²

Early 1989 developments saw the SMC and UCPB groups successfully threshing out their dispute over the aborted sale of the over 33.1 million SMC shares which have meanwhile ballooned to 175,274,960 as a consequence of dividends and stock splits. But because any settlement required PCGG’s intervention, Andres Soriano III, for SMC, and Ramon Y. Sy, for UCPB, in a joint letter of October 31, 1989, informed the PCGG about a proposal which would have the two groups give PCGG an “arbitration fee” in the form of 5,500,000 SMC shares to support the Comprehensive Agrarian Reform Program (CARP).³

¹ See *San Miguel Corporation, et al. v. Sandiganbayan*, G.R. Nos. 104637-38, September 14, 2000, 340 SCRA 289, 295; and *Republic v. Sandiganbayan*, G.R. No. 118661, January 22, 2007, 512 SCRA 25, 34.

² See *Soriano III v. Yuzon*, G.R. No. 74910, August 10, 1988, 164 SCRA 226.

³ See *Republic v. Sandiganbayan*, supra note 1.



PCGG approved the proposal. Thus, on March 20 and 22, 1990, SMC and UCPB representing the CIIF signed a *Compromise Agreement and Amicable Settlement* ("*Compromise Agreement*"). Its pertinent provisions state:

3.1. The sale of the shares covered by and corresponding to the first installment of the 1986 Stock Purchase Agreement consisting of Five Million SMC Shares is hereby recognized by the parties as valid and effective as of 1 April 1986. Accordingly, said shares and all stock and cash dividends declared thereon after 1 April 1986 shall pertain, and are hereby assigned, to SMC. x x x

3.2. The First Installment Shares shall revert to the SMC treasury for dispersal pursuant to the SMC Stock Dispersal Plan attached as Annex "A-1" hereof. The parties are aware that these First Installment Shares shall be sold to raise funds at the soonest possible time for the expansion program of SMC. x x x

3.3. The sale of the shares covered by and corresponding to the second, third and fourth installments of the 1986 Stock Purchase Agreement is hereby rescinded effective 1 April 1986 and deemed null and void, and of no force and effect. Accordingly, all stock and cash dividends declared after 1 April 1986 corresponding to the second, third and fourth installments shall pertain to CIIF Holding Corporations. x x x

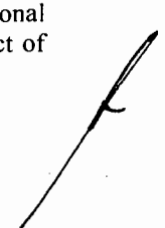
On March 23, 1990, the SMC and the UCPB Groups filed with the Sandiganbayan a *Joint Petition for Approval of the Compromise Agreement and Amicable Settlement* ("*Joint Petition*"), docketed as CC No. 0102.⁴

On June 18, 1990, the PCGG joined the OSG in praying that the SMC and UCPB Groups' *Joint Petition* be treated as an incident of Civil Case (CC) No. 0033, a case for the recovery of ill-gotten wealth instituted by the PCGG with the Sandiganbayan against former President Ferdinand Marcos, Eduardo Cojuangco, Jr. ("*Cojuangco*"), et al. on July 31, 1987. PCGG, however, interposed no objection to the implementation of the *Compromise Agreement* subject to some conditions.⁵

On July 4, 1991, the SMC and UCPB Groups filed a *Joint Manifestation of Implementation of Compromise Agreement and of Withdrawal of Petition* therein stating that they have implemented the *Compromise Agreement* with the conditions set by the PCGG and, accordingly, withdrawing their *Joint Petition*. They informed the Sandiganbayan of the execution of the following corporate acts:

⁴ *San Miguel Corporation, et al. v. Sandiganbayan*, supra note 1.

⁵ One of the conditions stated, viz: "5. The consent of PCGG to the transfer of the sequestered shares of stock in accordance with the COMPROMISE, and to the lifting of the sequestration thereon to permit such transfer, shall be effective only when approved by the Sandiganbayan. The Commission makes no determination of the legal rights of the parties as against each other. The consent it gives here conforms to its duty to care for the sequestered assets, and to its purpose to prevent the repetition of the national plunder. It is not to be construed as indicating any recognition of the legality or sufficiency of any act of any of the parties." (emphasis supplied)



a. On instructions of the SMC Group, the certificates of stock registered in the name of Anscor-Hagedorn Securities, Inc. (AHSI) representing 175,274,960 SMC shares were surrendered to the SMC corporate secretary.⁶

b. The said SMC shares were reissued and registered in the record books of SMC in the following manner: i) Certificates for 25,450,000 SMC shares were registered in the name of SMC, as treasury; ii) Certificates for 144,324,960 SMC shares were registered in the name of the CIIF Holding Companies; iii) Certificates for 5,500,000 SMC shares were registered in the name of the PCGG.

c. The UCPB Group has delivered to the SMC Group the amount of P500,000,000.00 in full payment of the UCPB preferred shares.

d. The SMC Group delivered to the UCPB Group the amount of P481,628,055.99 representing accumulated dividends (from April 1, 1986) on the shares reverted to the CIIF Holding Companies.

The PCGG, for its part, manifested that it has no objection to the action thus taken by the SMC and UCPB Groups.⁷ COCOFED, et al. and Cojuangco filed their respective motions, both dated July 4, 1991, to nullify the implementation of the *Compromise Agreement*. Acting on the *Joint Manifestation of Implementation of Compromise Agreement and of Withdrawal of Petition*, the Sandiganbayan on July 5, 1991 noted the same.⁸

On July 16, 1991, SMC filed its *Manifestation* where it declared that Stock Certificate Nos. A 0004129 and A 0015556 representing 25,450,000 shares were issued in the name of SMC as treasury stocks.

On October 25, 1991, the Sandiganbayan issued a Resolution requiring SMC to deliver the 25.45 million SMC treasury shares to the PCGG.⁹ On March 18, 1992, the Sandiganbayan denied the SMC Group's *Motion for Reconsideration*.¹⁰

Later, the Sandiganbayan ordered on December 8, 1994 that the causes of action in CC No. 0033 be divided and litigated separately. In Compliance, the Republic subdivided CC No. 0033 into eight complaints, two of which became:

⁶ By 1991, the 33,133,266 shares have increased to 175,274,960 due to stock dividends and stock splits.

⁷ See *San Miguel Corporation, et al. v. Sandiganbayan*, supra note 1, at 303; and *Republic v. Sandiganbayan*, supra note 1, at 41.

⁸ *San Miguel Corporation, et al. v. Sandiganbayan*, id.

⁹ Id.

¹⁰ Id.

- a. CC No. 0033-A, entitled *Third Amended Complaint (Subdivided)[Re: Anomalous Purchase and Use of First United Bank (now "United Coconut Planters Bank")]*, the subject matter of which is the sequestered shares of stock of UCPB registered in the names of the coconut farmers (the UCPB shares) and of Cojuangco; and
- b. CC No. 0033-F, entitled *Third Amended Complaint (Subdivided)[Re: Acquisition of San Miguel Corporation]*, the subject matter of which is the shares of stock of SMC registered in the names of the CIIF Holding Companies (the SMC shares).

In a Resolution, the Sandiganbayan admitted the eight subdivided complaints on March 24, 1999.¹¹

Meanwhile, respondent Republic filed in CC No. 0033-A a *Motion for Partial Summary Judgment*, which the Sandiganbayan granted on July 11, 2003 via a Partial Summary Judgment (PSJ) holding that the coco levy fund is public in nature.

On February 2, 2004, SMC filed in CC No. 0033-F a Complaint-in-Intervention praying that any judgment forfeiting the CIIF block of shares should exclude the "treasury shares." Herein respondent opposed the SMC's motion to intervene in said case. By Resolution of May 6, 2004, the graft court denied the desired intervention.

The next day, the Sandiganbayan granted the Republic's *Motion for Judgment on the Pleadings and/or Partial Summary Judgment* in CC No. 0033-F in its May 7, 2004 PSJ, holding that "[t]he CIIF Companies having been acquired with public funds, the 14 CIIF-Holding Companies and all their assets, including the CIIF Block of SMC Shares, being public in character, belong to the government."¹² In so ruling, the Sandiganbayan declared the 33,133,266 sequestered SMC shares subject of the stock purchase agreement by the CIIF Holding Companies and Andres Soriano III as owned by the Republic in trust for the coconut farmers.¹³

¹¹ Annex "W" of the Class Action Petition for Review on Certiorari.

¹² PSJ dated May 7, 2004, p. 64.

¹³ *Rollo* (G.R. Nos. 177857-58), pp. 404-405. On the issue regarding the actual percentage of the sequestered CIIF Block of SMC shares vis-à-vis the outstanding capital stock of SMC, the Sandiganbayan stated in its May 7, 2004 PSJ, thus:

The subject matter of the Motion for Partial Summary Judgment is the CIIF block of San Miguel Corporation shares or the shares of the 14 CIIF Holding Companies. While the plaintiff (Republic) claims that this would constitute twenty-seven percent (27%) of the SMC capital stock, COCOFED et al. and Ballares, et al. claim that the said shares constitute 31.23% of the issued and outstanding capital stock of SMC based on the 33,133,266 SMC shares owned by the 14 Holding Companies in 1983 which they alleged now total 880,720,162.71 SMC shares by reason of stock dividends that should have been declared and delivered in the respective names of the 14 Holding Companies. Defendants Cojuangco, et al. allege that a portion of the 27% SMC shares mentioned

In its Resolution of May 11, 2007 in CC No. 0033-F, the Sandiganbayan held that there is no need for further trial on the issue regarding the actual percentage of the sequestered CIIF Block of SMC shares vis-à-vis the outstanding capital stock of SMC, effectively deleting the last paragraph of the dispositive portion of its May 7, 2004 PSJ.¹⁴

It is upon the foregoing factual backdrop and proceedings that herein petitioners have filed the captioned consolidated *Petitions for Review on Certiorari* in May 2007.

Awaiting the decision thereon, COCOFED filed on July 24, 2009 an *Urgent Motion to Approve the Conversion of the SMC Common Shares into SMC Series 1 Preferred Shares*¹⁵ praying for the approval of the conversion of the Class "A" and Class "B" common shares registered in the name of the 14 CIIF Holding Companies (listed in Annex "D" of the motion)¹⁶ into SMC Series 1 Preferred Shares.

By then, the 14 CIIF Holding Companies' registered shareholdings in SMC already totaled 753,848,312 shares after dividend yields and availment by the CIIF of stock rights offering on April 11, 2005 of additional 28,645,672 shares.¹⁷

by plaintiff are now treasury shares, possibly referring to the shares involved in the SMC Motion for Intervention, which has already been denied by this Court. PSJ dated May 7, 2004, p. 46 (id. at 386).

¹⁴ The dispositive portion of the May 11, 2007 Sandiganbayan Resolution reads:

WHEREFORE, the MOTION FOR EXECUTION OF PARTIAL SUMMARY JUDGMENT (RE: CIIF BLOCK OF SMC SHARES OF STOCK) dated August 8, of the plaintiff is hereby denied for lack of merit. However, this Court orders the severance of this particular claim of Plaintiff. The Partial Summary Judgment dated May 7, 2004 is now considered a separate final and appealable judgment with respect to the said CIIF Block of SMC shares of stock.

The Partial Summary Judgment rendered in May 7, 2004 is modified by deleting the last paragraph of the dispositive portion which will now read, as follows:

WHEREFORE, in view of the foregoing, we hold that:

The Motion for Partial Summary Judgment (Re: Defendants CIIF Companies, 14 Holding Companies and Cocofed et al) filed by Plaintiff is hereby GRANTED ACCORDINGLY, the CIIF COMPANIES, NAMELY:

x x x x

AS WELL AS THE 14 HOLDING COMPANIES, NAMELY:

x x x x

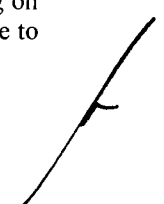
AND THE CIIF BLOCK OF SAN MIGUEL CORPORATION (SMC) SHARES OF STOCK TOTALING 33,133,266 SHARES AS OF 1983, TOGETHER WITH ALL DIVIDENDS DECLARED, PAID AND ISSUED THEREON AS WELL AS ANY INCREMENTS THERETO ARISING FROM, BUT NOT LIMITED TO, EXERCISE OF PRE-EMPTIVE RIGHTS ARE DECLARED OWNED BY THE GOVERNMENT IN TRUST FOR ALL THE COCONUT FARMERS AND ORDERED RECONVEYED TO THE GOVERNMENT.

The aforementioned Partial Summary Judgment is now deemed a separate appealable judgment which finally disposes of the ownership of the CIIF Block of SMC Shares, without prejudice to the continuation of the proceedings with respect to the remaining claims particularly those pertaining to the Cojuangco, et al. block of SMC shares.

¹⁵ *Rollo* (G.R. Nos. 177857-58), Vol. 3, pp. 1760-1775.

¹⁶ *Id.* at 1842.

¹⁷ With the stock dividends declared by SMC from 1991 to 2001, the SMC shares registered in the name of the CIIF Holding Companies increased to 752,202,640. SMC conducted a stock rights offering on April 11, 2005 and the CIIF Holding Companies subscribed to 28,645,672 shares resulting in an increase to 753,848,312 shares. (*Rollo* [G.R. No. 178193], Vol. 3, p. 1596.)



On September 17, 2009, this Court issued a Resolution¹⁸ approving with qualification the conversion, viz:

WHEREFORE, the Court APPROVES the conversion of the 753,848,312, SMC Common Shares registered in the CIIF companies to SMC SERIES 1 PREFERRED SHARES of 753,848,312, the converted shares to be registered in the names of the CIIF companies in accordance with the terms and conditions specified in the conversion offer set forth in SMC's Information Statement and appended as Annex "A" of COCOFED's Urgent Motion to Approve the Conversion of the CIIF SMC Common Shares into Series 1 Preferred Shares. The preferred shares shall remain in custodia legis and their ownership shall be subject to the final ownership determination of the Court. Until the ownership issue has been resolved, the preferred shares in the name of the CIIF Companies shall be placed under sequestration and PCGG management.

X X X X

Once the conversion is accomplished, the SMC Common Shares previously registered in the names of the CIIF companies shall be released from sequestration.¹⁹

Notably, the Court's September 17, 2009 Resolution was limited only to the 753,848,312 common shares that were registered in the name of the CIIF Companies. To stress, a part of these shares evolved from the 144,324,960 shares registered in the name of the CIIF Holding Companies following the implementation of the Compromise Agreement and augmented by the 28,645,672 shares availed during the stock rights offering in April 2005. The September 17, 2009 Resolution did not include the 25.45 million shares in the name of SMC as treasury shares. Neither did the same Resolution encompass the "arbitration fee" shares which already amounted to 27,571,409 Class "A" and Class "B" shares as of July 30, 2009.²⁰

On June 28, 2011, respondent Republic filed with the Court an *Urgent Motion to Direct the San Miguel Corporation (SMC) to Comply with the Final and Executory Resolutions dated October 24, 1991 and March 18, 1992 of the Sandiganbayan*²¹ praying that this Court direct SMC to comply with the Sandiganbayan's October 25, 1991 and March 18, 1992 Resolutions. In a Resolution dated July 5, 2011, this Court required SMC to file a Comment on the Republic's Urgent Motion.²²

On January 24, 2012, this Court finally rendered judgment on the captioned consolidated petitions and affirmed with modification the PSJs of


¹⁸ *Rollo* (G.R. Nos. 177857-58), Vol. 3, pp. 1881-1913.

¹⁹ *Id.* at 1911. Underscoring supplied.

²⁰ A separate Urgent Motion to Approve the Conversion of the PCGG-ITF-CARP-SMC Common Shares Into SMC Series 1 Preferred Shares September 30, 2009 was filed by the Republic, *id.* at 2103-2110. *See also* PCGG Resolution No. 2009-037-756, *id.* at 2004.

²¹ *Id.*, Vol. 4-A, pp. 3322-3349.

²² *Id.* at 3423-A-B.



the Sandiganbayan holding that the CIIF Companies and the CIIF block of SMC shares are public funds/assets.

Petitioners COCOFED, et al. interposed their Motion for Reconsideration dated February 14, 2012 of this Court's January 24, 2012 Decision.

Pending the resolution of the petitioners' motion for reconsideration, SMC filed its *Comment on the Urgent Motion to Direct the San Miguel Corporation (SMC) to Comply with the Final and Executory Resolutions Dated October 24, 1991 and March 18, 1992 of the Sandiganbayan* on March 30, 2012 opposing the Republic's motion on procedural and substantive grounds. In the main, SMC argued that the *Compromise Agreement* whence it derives its right on the treasury shares is effective and the Republic has no ground to assail it.

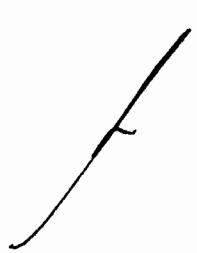
In its September 4, 2012 Resolution denying COCOFED's motion for reconsideration, the Court sought to reflect the current number of the shares registered in the name of the CIIF companies and so held:

As of 1983, the Class A and B San Miguel Corporation (SMC) common shares in the names of the 14 CIIF Holding Companies are 33,133,266 shares. From 1983 to November 19, 2009 when the Republic of the Philippines representing the Presidential Commission on Good Government (PCGG) filed the "Motion To Approve Sale of CIIF SMC Series I Preferred Shares," **the common shares of the CIIF Holding companies increased to 753,848,312 Class A and B SMC common shares.**

Owing, however, to a certain development that altered the factual situation then obtaining in G.R. Nos. 177857-58, there is, therefore, a compelling need to clarify the *fallo* of the January 24, 2012 Decision to reconcile it, vis-a-vis the shares of stocks in SMC which were declared owned by the Government, with this development. **We refer to the Resolution issued by the Court on September 17, 2009 in the then consolidated cases docketed as G.R. Nos. 177857-58, G.R. No. 178193 and G.R. No. 180705. In that Resolution which has long become final and executory, the Court, upon motion of COCOFED and with the approval of the Presidential Commission on Good Government, granted the conversion of 753,848,312 Class "A" and Class "B" SMC common shares registered in the name of the CIIF companies to SMC Series 1 Preferred Shares of 753,848,312, subject to certain terms and conditions.** The dispositive portion of the aforementioned Resolution states:

x x x x

The CIIF block of SMC shares, as converted, is the same shares of stocks that are subject matter of, and declared as owned by the Government in, the January 24, 2012 Decision. Hence, the **need** to clarify.



WHEREFORE, the Court resolves to **DENY** with **FINALITY** the instant Motion for Reconsideration dated February 14, 2012 for lack of merit.

The Court further resolves to **CLARIFY** that the 753,848,312 SMC Series 1 preferred shares of the CIIF companies converted from the CIIF block of SMC shares, with all the dividend earnings as well as all increments arising from, but not limited to, the exercise of preemptive rights subject of the September 17, 2009 Resolution, shall now be the subject matter of the January 24, 2012 Decision and shall be declared owned by the Government and be used only for the benefit of all coconut farmers and for the development of the coconut industry.

As modified, the fallo of the January 24, 2012 Decision shall read, as follows:

WHEREFORE, the petitions in G.R. Nos. 177857-58 and 178793 are hereby **DENIED**. The Partial Summary Judgment dated July 11, 2003 in Civil Case No. 0033-A as reiterated with modification in Resolution dated June 5, 2007, as well as the Partial Summary Judgment dated May 7, 2004 in Civil Case No. 0033-F, which was effectively amended in Resolution dated May 11, 2007, are **AFFIRMED with MODIFICATION**, only with respect to those issues subject of the petitions in G.R. Nos. 177857-58 and 178193. However, the issues raised in G.R. No. 180705 in relation to Partial Summary Judgment dated July 11, 2003 and Resolution dated June 5, 2007 in Civil Case No. 0033-A, shall be decided by this Court in a separate decision.

The Partial Summary Judgment in Civil Case No. 0033-A dated July 11, 2003, is hereby **MODIFIED**, and shall read as follows:

x x x x

SO ORDERED.

The Partial Summary Judgment in Civil Case No. 0033-F dated May 7, 2004, is hereby **MODIFIED**, and shall read as follows:

WHEREFORE, the **MOTION FOR EXECUTION OF PARTIAL SUMMARY JUDGMENT (RE: CIIF BLOCK OF SMC SHARES OF STOCK)** dated August 8, 2005 of the plaintiff is hereby denied for lack of merit. However, this Court orders the severance of this particular claim of Plaintiff. The Partial Summary Judgment dated May 7, 2004 is now considered a separate final and appealable judgment with respect to the said CIIF Block of SMC shares of stock.

The Partial Summary Judgment rendered on May 7, 2004 is modified by deleting the last paragraph of the dispositive portion, which will now read, as follows:

WHEREFORE, in view of the foregoing, we hold that:

The Motion for Partial Summary Judgment (Re: Defendants CIIF Companies, 14 Holding Companies and

Cocofed, et al.) filed by Plaintiff is hereby **GRANTED**.
ACCORDINGLY, THE CIIF COMPANIES, NAMELY:

1. Southern Luzon Coconut Oil Mills (SOLCOM);
2. Cagayan de Oro Oil Co., Inc. (CAGOIL);
3. Iligan Coconut Industries, Inc. (ILICOCO);
4. San Pablo Manufacturing Corp. (SPMC);
5. Granexport Manufacturing Corp. (GRANEX); and
6. Legaspi Oil Co., Inc. (LEGOIL),

**AS WELL AS THE 14 HOLDING COMPANIES,
NAMELY:**

1. Soriano Shares, Inc.;
2. ACS Investors, Inc.;
3. Roxas Shares, Inc.;
4. Arc Investors, Inc.;
5. Toda Holdings, Inc.;
6. AP Holdings, Inc.;
7. Fernandez Holdings, Inc.;
8. SMC Officers Corps, Inc.;
9. Te Deum Resources, Inc.;
10. Anglo Ventures, Inc.;
11. Randy Allied Ventures, Inc.;
12. Rock Steel Resources, Inc.;
13. Valhalla Properties Ltd., Inc.; and
14. First Meridian Development, Inc.

**AND THE CONVERTED SMC SERIES 1
PREFERRED SHARES TOTALING 753,848,312
SHARES SUBJECT OF THE RESOLUTION OF THE
COURT DATED SEPTEMBER 17, 2009 TOGETHER
WITH ALL DIVIDENDS DECLARED, PAID OR ISSUED
THEREON AFTER THAT DATE, AS WELL AS ANY
INCREMENTS THERETO ARISING FROM, BUT NOT
LIMITED TO, EXERCISE OF PRE-EMPTIVE RIGHTS
ARE DECLARED OWNED BY THE GOVERNMENT TO
BE USED ONLY FOR THE BENEFIT OF ALL
COCONUT FARMERS AND FOR THE
DEVELOPMENT OF THE COCONUT INDUSTRY, AND
ORDERED RECONVEYED TO THE GOVERNMENT.**

**THE COURT AFFIRMS THE RESOLUTIONS
ISSUED BY THE SANDIGANBAYAN ON JUNE 5, 2007
IN CIVIL CASE NO. 0033-A AND ON MAY 11, 2007 IN
CIVIL CASE NO. 0033-F, THAT THERE IS NO MORE
NECESSITY OF FURTHER TRIAL WITH RESPECT
TO THE ISSUE OF OWNERSHIP OF (1) THE
SEQUESTERED UCPB SHARES, (2) THE CIIF BLOCK
OF SMC SHARES, AND (3) THE CIIF COMPANIES, AS
THEY HAVE FINALLY BEEN ADJUDICATED IN THE
AFOREMENTIONED PARTIAL SUMMARY
JUDGMENTS DATED JULY 11, 2003 AND MAY 7, 2004.**

SO ORDERED.



On October 15, 2012, respondent Republic filed the present *Manifestation and Omnibus Motion* dated October 12, 2012 particularly asserting that the 753,848,312 SMC Series 1 Preferred Shares mentioned in this Court's September 4, 2012 Resolution does not equate to the 33,133,266 SMC common shares specified in its January 24, 2012 Decision. The Republic posits that the 25.45 million SMC treasury shares form part of the CIIF block of SMC shares totaling 33,133,266 shares as of 1983, which the Court has declared to be owned by the Government. Hence, the Republic prays that a new resolution be issued:

1. AMENDING the Resolution dated September 4, 2012 to include the "treasury shares" which are part and parcel of the 33,133,266 CIIF Block of Shares as of 1983 decreed as owned by the Government;
2. DIRECTING the San Miguel Corporation to comply with the Sandiganbayan's Resolution promulgated on October 24, 1991 and March 18, 1992 in Civil Case No. 0102 (integrated in Civil Case No. 0033 [Civil Case No. 0033-F]) as affirmed by the Honorable Court in the consolidated cases in G.R. Nos. 104037-38 and 109797 which directed the delivery to the [PCGG] of the treasury shares, including all the accrued cash and stock dividends from 1986 up to the present;
3. AWARDING actual damages in favor of the Republic of the Philippines in the form of legal interest on the cash and cash value of the stock dividends and cash dividends which ought to have accrued and delivered to the Republic and the PCGG by the SMC in compliance with the aforesaid resolutions and decision of the Sandiganbayan and the Honorable Court.²³

In its *Comment*²⁴ dated December 2, 2013 on the above *Manifestation and Omnibus Motion*, SMC maintains that the adverted SMC treasury shares belong to SMC pursuant to the March 20 and 22, 1990 *Compromise Agreement* and that this Court is without jurisdiction to order it to deliver the 25.45 million treasury shares to the Government since SMC's intervention in CC No. 0033-F was denied and so it is a non-party in said case.

Our Ruling

No Jurisdiction over SMC since it is not a party to the case

It is elementary that every person must be heard and given his day in court before a judgment involving his life, liberty or property issues against him. This rule is enshrined no less in the very first section of the Bill of Rights of our Constitution:

²³ *Rollo* (G.R. No. 178193), Vol. 3, pp. 1443-1444.

²⁴ *Id.* at 1583-1696.

SECTION 1. **No person shall be deprived of life, liberty or property without due process of law**, nor shall any person be denied the equal protection of the laws. (emphasis supplied)

Corporate persons, needless to stress, are entitled to the due process protection. Thus, in *Palm Avenue Holding Co., Inc. v. Sandiganbayan*,²⁵ the Court echoed our ruling in *PCGG v. Sandiganbayan*²⁶ that the failure to implead a corporation in a suit for the recovery of ill-gotten wealth against its stockholders cannot bind the corporation itself; otherwise, its fundamental right to due process will be violated, viz:

The Court's ruling in *Presidential Commission on Good Government v. Sandiganbayan*, which **remains good law, reiterates the necessity of the Republic to actually implead corporations as defendants in the complaint, out of recognition for their distinct and separate personalities, failure to do so would necessarily be denying such entities their right to due process.** Here, the writ of sequestration issued against the assets of the Palm Companies is not valid because the suit in Civil Case No. 0035 against Benjamin Romualdez as shareholder in the Palm Companies is not a suit against the latter. The Court has held, contrary to the assailed Sandiganbayan Resolution in G.R. No. 173082, that **failure to implead these corporations as defendants and merely annexing a list of such corporations to the complaints is a violation of their right to due process for it would be, in effect, disregarding their distinct and separate personality without a hearing.** Here, the Palm Companies were merely mentioned as Item Nos. 47 and 48, Annex A of the Complaint, as among the corporations where defendant Romualdez owns shares of stocks. **Furthermore, while the writ of sequestration was issued on October 27, 1986, the Palm Companies were impleaded in the case only in 1997, or already a decade from the ratification of the Constitution in 1987, way beyond the prescribed period.**

As a corollary rule, this Court has held that execution may issue only upon **a person who is a party to the action or proceeding**, and not against one who did not have or was denied his day in court. We said as much in *Atilano v. Asaali*:²⁷

It is well-settled that **no man shall be affected by any proceeding to which he is a stranger, and strangers to a case are not bound by a judgment rendered by the court.** Execution of a judgment can only be issued against one who is a party to the action, and not against one who, not being a party thereto, did not have his day in court. Due process dictates that a court decision can only bind a party to the litigation and not against innocent third parties. (emphasis and underscoring added)

²⁵ G.R. No. 173082, August 6, 2014, 732 SCRA 156.

²⁶ 353 Phil. 80, 92 (1998).

²⁷ G.R. No. 174982, September 10, 2012, 680 SCRA 345, 351; citing *Fermin v. Hon. Antonio Esteves*, G.R. No. 147977, March 26, 2008, 549 SCRA 424, 428.

Even the Rules of Court provides that judgments can, in appropriate cases, only be executed against a judgment obligor.²⁸

As it were, SMC was never made a party to CC No. 0033-F filed by respondent Republic to recover the SMC shares of stock registered in the name of the CIIF Holding Companies. It was not given a chance to justify, let alone ventilate, its claim over the 25.45 million shares it has in its possession even when it had volunteered to participate and moved to intervene in the said case, as will be expounded below.

Certainly, SMC cannot, under the premises, be considered as such judgment obligor in CC 0033-F as it was not impleaded by respondent Republic as a party despite the clear mandate of the Rules of Court that “parties in interest without whom no final determination can be had of an action shall be joined as plaintiffs or defendants.”²⁹

It has been advanced, however, that “[SMC] need not be [a party] because its interests have already been clearly and finally addressed by this Court.”³⁰

This view, however, fails to consider that SMC’s interests over these 25.45 million shares have not yet been addressed³¹ precisely because SMC was not impleaded in the case when its legal presence is an *absolute prerequisite* before a prejudicial and confiscatory decision can be issued against

²⁸ SECTION 8. Issuance, form, and contents of a writ of execution. – The writ of execution shall: (1) issue in the name of the Republic of the Philippines from the court which granted the motion; (2) state the name of the court, the case number and title, the dispositive part of the subject judgment or order; and (3) require the sheriff or other proper officer to whom it is directed to enforce the writ according to its terms, in the manner hereinafter provided:

(a) If the execution be against the property of the judgment obligor, to satisfy the judgment, with interest, out of the real or personal property of such judgment obligor;

(b) If it be against real or personal property in the hand of personal representatives, heirs, devisees, legatees, tenants, or trustees, of the judgment obligor, to satisfy the judgment, with interest, out of such property;

x x x x

SECTION 9. Execution of judgments for money, how enforced. – (a) Immediate payment on demand. – The officers shall enforce an execution of a judgment for money by demanding from the judgment obligor the immediate payment of the full amount stated in the writ of execution and all lawful fees. The judgment obligor shall pay in cash, certified bank check payable to the judgment obligee, or any other form of payment acceptable to the latter, the amount of the judgment debt under proper receipt directly to the judgment obligee or his authorized representative if present at the time of payment. x x x If the judgment obligee or his authorized representative is not present to receive payment, the judgment obligor shall deliver the aforesaid payment to the executing sheriff. x x x

(b) Satisfaction by levy. If the judgment obligor cannot pay all or part of the obligation in cash, certified bank check or other mode of payment acceptable to the judgment obligee, the officer shall levy upon the properties of the judgment obligor of every kind and nature whatsoever which may be disposed of for value and otherwise exempt from execution x x x.

(c) Garnishment of debts and credits. – The officer may levy on debts due the judgment obligor and other credits, including bank deposits, financial interests, royalties, commissions and other personal property not capable of manual delivery in the possession or control of third parties. x x x (emphasis supplied)

²⁹ Section 7, Rule 3 of the Rules of Court.

³⁰ Justice Leonen’s Dissent.

³¹ Id.

it.³² In other words, the non-joinder of SMC as a party in CC 0033-F did not confer upon this Court jurisdiction over the juridical person of SMC and so **the Court is without power to order SMC to comply with any pronouncement made in the case involving, adversely at that, its property.**

In a plethora of cases,³³ the Court has emphasized the well-entrenched principle that **a judgment rendered without jurisdiction cannot be the source of any right nor the creator of any obligation.** We said as much in *Florete v. Florete*³⁴ and *Arcelona v. Court of Appeals*:³⁵

A void judgment for want of jurisdiction is no judgment at all. It cannot be the source of any right nor the creator of any obligation. All acts performed pursuant to it and all claims emanating from it have no legal effect. Hence, it can never become final and any writ of execution based on it is void: “. . . it may be said to be a lawless thing which can be treated as an outlaw and slain at sight, or ignored wherever and whenever it exhibits its head.”³⁶

The acknowledgment that the Court has no jurisdiction over SMC in the present case is not “allow[ing] San Miguel Corporation to keep these treasury shares under the guise of technicalities.”³⁷ **The question of jurisdiction, the Court has repeatedly explained, is not a mere question of technicality or a simple matter of procedure but an element of due process.**³⁸ Indeed, it is unsporting, nay the height of injustice and a clear violation of the due process guarantee, to order SMC to comply with any decision rendered in CC 0033-F when it was never given the opportunity to present, explain, and prove its claim over the presently contested shares.

It may be that in *Republic v. Sandiganbayan, Maria Clara Lobregat, et al. (Lobregat)*,³⁹ one of the cases that sprung forth from the sequestration made by PCGG of properties suspected ill-gotten by former President Marcos and his cronies, including the CIIF Companies and its SMC shares, the Court mentioned that there is no need to implead SMC in cases seeking to recover sequestered SMC shares.⁴⁰

³² *Galicia v. Mercado*, G.R. No. 146744, March 6, 2006, 484 SCRA 131, 136-137.

³³ See *Metropolitan Bank and Trust Co. v. Alejo*, 417 Phil. 303 (2001); *Divinagracia v. Parilla*, G.R. No. 196750, March 11, 2015; *Macawadib v. Philippine National Police Directorate for Personnel and Records Management*, G.R. No. 186610, July 29, 2013, 702 SCRA 496; *People v. Go*, G.R. No. 201644, September 24, 2014, 736 SCRA 501; *Valdez-Tallorin v. Heirs of Tarona*, 620 Phil. 268 (2009).

³⁴ G.R. No. 174909, January 20, 2016.

³⁵ 345 Phil. 250, 287 (1997).

³⁶ Emphasis supplied.

³⁷ Justice Leonen’s Dissent.

³⁸ See *David v. Paragas*, G.R. No. 176973, February 25, 2015; and *Sy v. Court of Appeals*, G.R. No. 94285, August 31, 1999, 313 SCRA 328.

³⁹ G.R. No. 96073, January 23, 1995, 240 SCRA 376.

⁴⁰ The Court held, thus:

B. Impleading Unnecessary in Cases for Recovery of Shares of Stock or Bank Deposits
As regards actions in which the complaints seek recovery of defendants’ shares of stock in existing corporations (e.g., San Miguel Corporation, Benguet Corporation, Meralco, etc.)

Our pronouncements in *Lobregat*, however, are not applicable herein. Unlike in the foregoing cases, **SMC presently has a legitimate claim over the 25.45 million shares in its treasury by a commercial transaction not otherwise alleged to be conducted under any "illicit or anomalous conditions."** SMC and the CIIF Companies (through UCPB) entered into the contract of sale in March 1986 and SMC paid ₱500 million on April 1, 1986 or several days prior to the actual sequestration. The consequent transfer of the 5 million shares (now 26.45 million shares) to SMC vests in SMC the proprietary right over these shares. Put differently, as the manner of SMC's acquisition of these shares was arms-length and not made through public funds, the present issue does not fall within the ambit of our pronouncements in *Republic v. Sandiganbayan*, which refer to corporations as repositories of shares acquired by misappropriated public funds or "ill-gotten wealth."

More significantly, this Court, in *PCGG v. Interco*,⁴¹ *Republic v. Sandiganbayan, Sipalay Trading Corp. and Allied Banking Corp.*,⁴² and *PCGG v. Sandiganbayan and Aerocom Investors and Managers, Inc.*,⁴³ effectively abrogated its ruling in *Lobregat* when it hewed to the lone dissent of Justice Teodoro R. Padilla in the very same *Lobregat*, to wit:

... failure to implead these corporations as defendants and merely annexing a list of such corporations to the complaints is a violation of their right to due process for it would in effect be disregarding their distinct and separate personality without a hearing.

In cases where stocks of a corporation were allegedly the fruits of ill-gotten wealth, it should be remembered that in most of these cases the stocks involved constitute a substantial if not controlling interest in the corporations. **The basic tenets of fair play demand that these corporations be impleaded as defendants since a judgment in favor of the government will undoubtedly substantially and decisively affect the corporations as distinct entities.** The judgment could strip them of everything without being previously heard as they are not parties to the action in which the judgment is rendered.

... Holding that the 'corresponding judicial action or proceeding' contemplated by the Constitution is any action concerning or involving the corporation under sequestration is oversimplifying the solution, the result of which is antagonistic to the principles of justice and fair play.


... the actions contemplated by the Constitution should be those which include the corporation not as a mere annex to the complaint but as defendant. This is the minimum requirement of the due process guarantee.

because allegedly purchased with misappropriated public funds, in breach of fiduciary duty, or otherwise under illicit or anomalous conditions, the impleading of said firms would clearly appear to be unnecessary. If warranted by the evidence, judgments may be handed down against the corresponding defendants divesting them of ownership of their stock, the acquisition thereof being illegal and consequently burdened with a constructive trust, and imposing on them the obligation of surrendering them to the Government. (emphasis supplied)

⁴¹ G.R. No. 92755, July 26, 1991, En Banc Minute Resolution.

⁴² G.R. Nos. 112708-09, March 29, 1996, 255 SCRA 438.

⁴³ G.R. No. 125788, June 5, 1998, 290 SCRA 639.



Short of being impleaded, the corporation has no standing in the judicial action. It cannot adequately defend itself. It may not even be heard.

On the . . . opinion that alternatively the corporations can be impleaded as defendants by amendment of the complaint, Section 26, Article XVIII of the Constitution would appear to preclude this procedure, for allowing amendment of the complaint to implead theretofore unimpleaded corporations would in effect allow complaints against the corporation to be filed beyond the periods fixed by said Section 26.

x x x x

While government efforts to recover illegally amassed wealth should have support from all its branches, **eagerness and zeal should not be allowed to run berserk, overriding in the process the very principles that it is sworn to uphold. In our legal system, the ends do not always justify the means. Wrongs are never corrected by committing other wrongs, and as above-discussed the recovery of ill-gotten wealth does not and should never justify unreasonable intrusions into constitutionally forbidden grounds. . . .**

Indeed, it is **but in keeping with fair play that parties are allowed to present their respective claims in a full-blown trial regarding the “sale” of the 25.45 million SMC shares for ₱500 million.** This is not, at the first instance, the appropriate case to make a final judgment over the ownership of the 25.45 million shares.

Nonetheless, it is advanced that SMC had already been afforded an opportunity to air its side in *San Miguel Corporation v. Sandiganbayan*⁴⁴ and in this very case where it filed its Comment on the Republic’s Omnibus Motion. With all due respect, the posture fails to consider that the issue of ownership was never tackled in *San Miguel* and, certainly, the Comment filed by SMC in this case, over its repeated manifestation that it is not party to the instant case⁴⁵ and continuing objection on this Court’s jurisdiction, is hardly enough to satisfy the requirements of due process.

⁴⁴ Supra note 1.

⁴⁵ Prior to filing its Comment on the Omnibus Motion, a **“Manifestation Re: “Resolution” Dated November 20, 2012 dated December 17, 2012** was filed. It stated:

4.00 **Second, SMC, which is being required to comment** on the “Manifestation And Omnibus Motion...” dated October 12, 2012, as well as the “Manifestation” dated October 4, 2012, **is not a party in the instant cases. Nor has it been furnished a copy of the Court’s Resolution.** Nonetheless, in light of the foregoing, although the suggestion may appear officious, if indeed SMC is being required to comment on the matter subject of the “Resolution” of November 20, 2012, **perhaps a copy of the “Resolution” should be furnished on SMC itself.** (emphasis and underscoring supplied; *rollo* [G.R. Nos. 177857-58], Vol. 6, p. 5008)

In an **Omnibus Motion dated September 3, 2013**, SMC again emphasized, viz.:

“2. However, SMC has not been furnished with copies of the various pleadings in regard which it is required to comment as enumerated above. It must be emphasized that SMC is not a party in either G.R. Nos. 177857-58 (COCOFED, et al. vs. Republic of the Philippines) or G.R. No. 178193 ((Danilo B. Ursua vs. Republic of the Philippines).

x x x x

5. **SMC is not a party in either G.R. Nos. 177857-58 (COCOFED, et al. vs. Republic of the Philippines) or G.R. No. 178193 ((Danilo B. Ursua vs. Republic of the Philippines).** Preparation of the

The Court cannot set the benchmark of due process at the lowest level by considering each pleading submitted by a party as enough to satisfy the requirements of this Constitutional protection. If this Court is to animate the spirit of the Constitution and maintain in full strength the substance of the due process protection, it must afford each party the full legal opportunity to be heard and present evidence in support of his or her contentions. SMC must, therefore, be given full opportunity to proffer evidence on its claim of ownership over the treasury shares in a proper case before the right court.

In fact, SMC should have been allowed to participate and present its evidence in CC 0033-F. To recall, SMC filed a "Motion to Intervene" with attached "Complaint-Intervention" dated February 2, 2004 with the Sandiganbayan.⁴⁶ It alleged, among other things, that it had an interest in the matter in dispute being the owner by purchase of a portion of the so-called "CIIF block of SMC shares of stock" sought to be recovered by the Republic as alleged ill-gotten wealth.⁴⁷ SMC prayed, thus:

WHEREFORE, it is respectfully prayed that the SMC shares comprising the "compromise shares" between SMC and defendant CIIF Companies, and covered by Certificate Nos. A0004129 and B0015556, be adjudged excluded (a) from the "CIIF Block of SMC shares" subject of plaintiff's forfeiture action, and (b) from any judgment that may be rendered in this suit as to such forfeiture claim.⁴⁸

The Republic, however, opposed the intervention and found the same improper.⁴⁹ COCOFED and Ursua likewise posed their Opposition.⁵⁰ On May 6, 2004, the Sandiganbayan promulgated a Resolution finding SMC's motion to intervene devoid of merit.⁵¹ SMC moved for reconsideration but to no avail.⁵² Soon thereafter, or on May 7, 2004, the Sandiganbayan issued the Partial Summary Judgment in CC 0033-F⁵³ that was assailed in these consolidated petitions.

Undeniably, SMC was not given the proper chance to be heard and furnish proof on its claim of ownership over the treasury shares. That was a denial of its right to due process. It should be corrected.

comment will require a study of the cases, the record of which are voluminous and cover a long period of time. x x x (emphasis and underscoring supplied; id. at 5056-5057)

⁴⁶ Decision, *Republic v. Cojuangco, et al.*, CC No. 0033-F, November 28, 2007, p. 27; *rollo* (G.R. No. 178193), Vol. 1, p. 492.

⁴⁷ Id.

⁴⁸ Comment of San Miguel Corporation on the "Manifestation and Omnibus Motion," p. 44.

⁴⁹ Decision, *Republic v. Cojuangco, et al.*, CC No. 0033-F, November 28, 2007, supra note 46.

⁵⁰ Id.

⁵¹ Id.

⁵² Id. at 28; *rollo* (G.R. No. 178193), Vol. 1, p. 493.

⁵³ Id.



The Clarification in the September 4, 2012 Resolution

A review of the past underlying transactions that led to the acquisition of the so-called “treasury shares” would indicate that SMC had acquired colorable title to retain possession of the 25.45 million shares of what were once CIIF shares **prior to the sequestration of these CIIF shares on April 7, 1986 and the institution of CC Nos. 0033 and 0033-F on July 31, 1987.**

It is worthy to consider that the original contract of sale between the SMC and UCPB Groups over a block of SMC shares, which was later the subject of the Compromise Agreement, was executed on March 26, 1986 and, as mentioned, **SMC paid P500 million as first installment on April 1, 1986 or several days before the government sequestered the 33,133,266 shares, on April 7, 1986.**

Because of differences regarding the implementation of the purchase agreement after the shares were sequestered, SMC and UCPB (acting on behalf of the CIIF companies) entered into a Compromise Agreement and Amicable Settlement in March 1990 wherein the P500-million first installment paid by SMC was considered as full payment for 5 million SMC shares, which by then had increased to 26,450,000 shares.

As a consequence of the implementation of this Compromise Agreement in July 1991, the CIIF-SMC shares which then numbered 175,274,960 were, thus, distributed among the CIIF Holding Companies, SMC-Treasury and the PCGG, which helped bring to reality the Compromise Agreement and agreed to hold the “arbitration fees” in trust for the CARP. The following illustrates the evolution of the CIIF shares before their sequestration until this Court’s September 4, 2012 Resolution:

	1986 (Per the March 1986 Agreement)	1990 (Per the Compromise Agreement)	1990 (Manifestation of Implementation of Compromise Agreement and of Withdrawal of Petition)	2009 (Per PCGG Resolution No. 2009- 037-756)
CIIF Companies/ UCPB Group	28,133,266	148,824,960	144,324,960	753,848,312 ⁵⁴
SMC Group	5,000,000	26,450,000	25,450,000	25,450,000
PCGG-ITF-CARP	-	-	5,500,000 ⁵⁵	27,571,409 ²
Total Number	33,133,266			

In sum, the 753,848,312 SMC shares now reflected in the *fallo* of the September 4, 2012 Resolution in these captioned cases, are the only remaining SMC shares in the name of the CIIF companies that can be,

⁵⁴ The 144,324,960 increased to 725,202,640 from 1991 to 2001. In 2005, the CIIF subscribed to 28,645,672 shares when SMC conducted a stocks right offering. Thus, the total shares registered in the name of the CIIF in 2009 reached 753,848,312.

⁵⁵ UCPB Group contributed 4,500,000 shares; SMC Group contributed 1,000,000 shares.

and were in fact, declared as owned by the Government. Hence, the need to clarify the Court's January 2012 Decision.

On this note, there was no mistake in the dispositive portion of the September 4, 2012 Resolution. The *fallo* was clarified precisely to reflect the present number of shares registered in the name of the CIIF companies. Thus, the 5.5 million shares with the PCGG, and the 25.45 million shares with SMC, were no longer included therein.

There was never an equivalence made or implied between the 33,133,266 common shares and the 753,848,312 SMC Series 1 Preferred Shares. As observed, the current number of 753,848,312 SMC Series 1 Preferred Shares was taken from this Court's September 17, 2009 Resolution, where there was no mention of the original 33,133,266 common shares. The September 17, 2009 Resolution limited itself to the conversion of the shares remaining in the name of the CIIF companies from common to Series 1 Preferred shares., i.e., those arising from the 144,324,960 shares registered in the name of CIIF companies following the implementation of the compromise agreement and the additional 28,645,672 subscribed by them in April 1995 following SMC's stock rights offering. This is so considering that COCOFED's "Urgent Motion: To Approve the Conversion of the SMC Common Shares Into SMC Series 1 Preferred Shares" dated July 24, 2009 specifically asked for the exchange of **ALL THE SHARES OF STOCK OF SMC THAT ARE PRESENTLY SEQUESTERED AND REGISTERED IN THE RESPECTIVE NAMES OF THE 14 CIIF HOLDING COMPANIES IN THE TOTAL NUMBER OF 753,848,312.**⁵⁶ COCOFED did not ask for the conversion of all the shares that arose from the original 33,133,266 SMC Common Shares given the claim and possession of the remaining portion by the PCGG and the SMC over the remainder.

In other words, COCOFED did not ask for the conversion of the 5.5 million arbitration shares already in the name of PCGG because the shares were already transferred and registered in the name of PCGG as of July 1991.⁵⁷ Likewise, COCOFED did not ask for the conversion of the SMC

⁵⁶ Emphasis supplied.

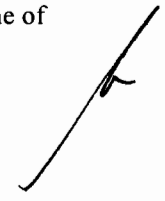
⁵⁷ On July 4, 1991, SMC and the UCPB Group filed a Joint Manifestation with the Sandiganbayan that they have implemented the Compromise Agreement and Amicable Settlement with the conditions set by the PCGG and accordingly, withdrew their Joint Petition. They informed that they have executed the following corporate acts:

a. On instructions of the SMC Group, the certificates of stock registered in the name of Anscor-Hagedorn Securities, Inc. (AHSI) representing 175,274,960 SMC shares were surrendered to the SMC corporate secretary.

b. **The said SMC shares were reissued and registered in the record books of SMC in the following manner:**

i) Certificates for 25,450,000 SMC shares were registered in the name of SMC, as treasury;

ii) Certificates for 144,324,960 SMC shares were registered in the name of the CIIF Holding Companies;



treasury shares because it had no claim on them anymore, as the same were already transferred and registered in the name of SMC.⁵⁸ As a matter of fact, certificates of stocks were issued to SMC and PCGG, specifically: (1) Certificate Nos. 004127, 004128, and 015555 for PCGG; and (2) Certificate Nos. 004129 and 015556 for SMC. Thus, the PCGG shares and the SMC treasury shares were no longer included in the September 17, 2009 and September 4, 2012 Resolutions, which were limited to the 753,848,312 shares still registered in the name of COCOFED.

There is no gainsaying that the treasury shares were originally derived from the more than 33.13 million shares acquired by the CIIF shares in 1983. However, SMC is persistent in its claim of ownership over the 25.45 million shares following the events that transpired after the purchase by the CIIF of the shares in 1983. Thus, it is not incompatible, much less “illogical,” to hold that the original 33,133,266 SMC common shares were bought with public funds in 1983 and yet the treasury shares may not now belong to the government given the foregoing events that supervened after the purchase of these shares, which, as will be discussed, bore the imprimatur of the government agency appointed to administer them.

The Republic participated in the Compromise Agreement

To sway this Court, the Republic relies on the fact that the Compromise Agreement between SMC and the CIIF Companies ratifying the sale of the first installment shares had been submitted but has not been approved by the Sandiganbayan. But note, neither has the Compromise Agreement been disapproved by that or this Court. Nowhere in *San Miguel Corporation v. Sandiganbayan*⁵⁹ did the Court rule on the validity of the Compromise Agreement, much less “indirectly [deny] approval of the Compromise Agreement,”⁶⁰ since it was not the issue presented for the Court’s resolution.⁶¹

The absence of an explicit approval of the Compromise Agreement by the Sandiganbayan, however, did not and does not preclude the PCGG from recognizing the agreement. In fact, the PCGG exercised ownership over the arbitration shares by asking, through the OSG, for the conversion of the PCGG shares into preferred shares per a Motion dated September 30, 2009.⁶² More importantly, it retained ownership of the said arbitration fee

iii) **Certificates for 5,500,000 SMC shares were registered in the name of the PCGG.** (emphasis supplied; *San Miguel Corporation v. Sandiganbayan*, supra note 1)..

⁵⁸ Id.

⁵⁹ Supra note 1.

⁶⁰ Justice Leonen’s Dissent.

⁶¹ Id.

⁶² Urgent Motion to Approve the Conversion of the PCGG-ITF-CARP SMC Common Shares Into SMC Series 1 Preferred Shares dated September 30, 2009, *rollo* (G.R. No. 177857-89), Vol. 3, pp. 2103-2110.

shares from 1991 up to the present. Undoubtedly, the Republic, through the PCGG, implicitly recognized the validity of the Compromise Agreement.

The graft court's disinclination to explicitly approve the Compromise Agreement was, as admitted in the Dissent, only intended to prevent any "prejudice [of] their eventual delivery to their lawful owner or owners who will be determined at the close of the judicial proceeding."⁶³ In effect, the Sandiganbayan intended to conserve the SMC shares *for the party who will eventually be declared the beneficial owner thereof*.

Per this Court's January 2012 Decision, beneficial ownership of the shares pertains to the Republic. But as things stood, **the Republic was actually involved in the Compromise Agreement and its implementation.**

It is not lost on this Court that the PCGG, the government's primary representative in sequestration proceedings, virtually gave its consent to SMC's continuous possession of the 25.45 million shares by approving the Compromise Agreement on which SMC predicates its claim over the shares *and* continuing its possession of the so-called "arbitration fee" shares that came out of the same Compromise Agreement.


Put differently, the PCGG, the government agency empowered to exercise sequestration powers over the 25.45 SMC treasury shares, gave its consent to SMC's claim of ownership and possession of the treasury shares by approving the Compromise Agreement on which SMC predicates its claim and also asserting and exercising ownership and possession of the so-called "arbitration fees of 5.5 SMC shares that came out of the Compromise Agreement." This may be the real reason why PCGG did not implement the SB orders dated October 25, 1991 and March 18, 1992 which ordered SMC to surrender the treasury shares.

What is more, at the time the Compromise Agreement was signed, SMC's board was dominated by PCGG nominees and other government representatives.

The facts recited in *Cojuangco, Jr. v. Roxas*⁶⁴ reveal that on April 18, 1989, the annual meeting of SMC shareholders was held. Among the matters taken up was the election of fifteen (15) members of the board of directors for the ensuing year. On such date, there were 140,849,970 shares outstanding, of which 133,224,130 shares, or 94.58%, were present at the meeting, either in person or by proxy.

⁶³ Justice Leonen's Dissent; citing *rollo* (G.R. Nos. 117857-58), Vol. 4-A, pp. 3353-3354.

⁶⁴ G.R. No. 91925, April 16, 1991, 195 SCRA 797.



Because of PCGG's claim that the shares of stock were under sequestration, PCGG was allowed to represent and vote 85,756,279 shares of stocks, or almost 2/3 of the actual votes cast. With PCGG voting the 85,756,279 shares or 1,286,744,185 votes, the following were elected members of the SMC Board:

1. Mr. Eduardo De Los Angeles
2. Mr. Feliciano Belmonte, Jr.
3. Mr. Teodoro L. Locsin
4. Mr. Domingo Lee
5. Mr. Philip Ella Juico
6. Mr. Patrick Pineda
7. Mr. Adolfo Azcuna
8. Mr. Edison Coseteng
9. Mr. Andres Soriano III
10. Mr. Eduardo Soriano
11. Mr. Francisco C. Eizmendi, Jr.
12. Mr. Benigno P. Toda, Jr.
13. Mr. Antonio J. Roxas
14. Mr. Jose L. Cuisia, Jr.
15. Mr. Oscar Hilado

Out of the 15 men elected to the board, eight (8) were PCGG nominees,⁶⁵ one (1) was nominated by SSS,⁶⁶ one by GSIS, and only five (5) were nominated by non-government institutions and/or individuals.⁶⁷ Similar facts attended the election of the directors of the SMC Board on April 17, 1990. Hence, 10 out of the 15 members of the SMC Board were government-nominated and elected.⁶⁸

It would, therefore, be fair to state that the 10 men nominated and elected by the government to the SMC Board for the years 1989-1990 and 1990-1991 have actually acted to advance the interest of the Republic at the time that the Compromise Agreement was signed and implemented.

Without a doubt, the Republic had a hand in the transactions that eventually led to the designation of the more than 25.45 million shares as SMC treasury shares. Indeed, it is not disputed that the PCGG and, ergo, the Republic had an "influence" in the execution and eventual implementation of the Compromise Agreement through their representatives in the SMC Board.

Furthermore, neither has the PCGG ever moved for the actual execution of the Sandiganbayan's October 25, 1991 and March 18, 1992

⁶⁵ Mr. Teodoro L. Locsin; Mr. Eduardo De Los Angeles; Mr. Domingo Lee; Mr. Patrick Pineda; Mr. Philip Ella Juico; Mr. Oscar Hilado; Mr. Edison Coseteng; and Mr. Adolfo Azcuna.

⁶⁶ Mr. Jose L. Cuisia, Jr.

⁶⁷ Mr. Andres Soriano III; Mr. Benigno P. Toda, Jr.; Mr. Francisco C. Eizmendi, Jr.; Mr. Antonio J. Roxas; Mr. Antonio J. Roxas; and Mr. Eduardo Soriano.

⁶⁸ *Cojuangco, Jr.*, supra note 64.

Orders now relied upon by the Republic in claiming its renewed interest on the treasury shares. Twenty-four (24) years had elapsed and the Republic, either through the OSG or the PCGG, has not lifted even a finger to execute and enforce the said Sandiganbayan Orders. It should have filed a motion or instituted an action therefor within five (5) or ten (10) years, as the case may be, as prescribed under the Rules of Court.⁶⁹ At the very least, the Republic should have asked for a citation of contempt. Regrettably, the Republic did nothing.

Certainly, the PCGG and, ergo, the Republic had no interest to do so given the 5.5 million, now more than 27.5 million, shares it had accepted as "arbitration fees." Evidently, whatever will be the outcome of CC 0033-F, i.e., whether the courts grant the shares to the Republic, COCOFED, or the coconut farmers, the Republic through the PCGG was already assured of a piece of the pie.

Indeed, for all intents and purposes, it is safe to state that SMC is an innocent bystander caught between the conflict between the government, certain individuals, and COCOFED over the shares. There is, therefore, no reason for the Court to now resolve the incident at bar to benefit the Republic at the expense of SMC.

Unjust Enrichment and Estoppel bar the Republic's Motion


There is nothing on record that says that the government offered to return the ₱500 million to the SMC Group. That is to say, while the respondent Republic is asking for the delivery and reconveyance of the 25.45 million shares, it has not intimated its intention to return the ₱500 million it received (through the CIIF Companies now declared as government-owned) for the same shares. The inevitable conclusion that can be made is the Republic plans to keep the ₱500 million along with the 25.45 million shares. Such retention and acquisition of the ₱500 million would, in context, amount to a flagrant and arbitrary deprivation of SMC's property in violation of the company's due process right. This act definitely trenches on the sacred Constitutional guarantee of due process.

Elementary rules against unjust enrichment,⁷⁰ if not the sporting idea of fair play, forbid the Republic to retain the ₱500 million with the over

⁶⁹ Rules of Court, Rule 39, Sec. 6. *Execution by Motion or by Independent Action.* — A final and executory judgment or order may be executed on motion within five (5) years from the date of its entry. After the lapse of such time, and before it is barred by the statute of limitations, a judgment may be enforced by action. The revived judgment may also be enforced by motion within five (5) years from the date of its entry and thereafter by action before it is barred by the statute of limitations.

⁷⁰ The equitable principle against unjust enrichment is encapsulated in Article 22 of the Civil Code, viz:

Art. 22. Every person who through an act of performance by another, or any other means, acquires or comes into possession of something at the expense of the latter without just or legal ground, shall return the same to him.



25.45 million shares it now claims. At the very least, everyone has a reasonable expectation that the Republic follow its own laws, foremost of which is the Constitution.

In sum, by keeping the ₱500-million first installment, approving through the PCGG the Compromise Agreement, and even taking and keeping an “arbitration fee,” the government descended to the level of an ordinary citizen and stripped itself of the vestiges of immunity that is otherwise available to it in the performance of governmental acts.⁷¹ Clearly, it is now vulnerable to the application of the principle of estoppel which militates against the grant of respondent’s motion.

While the general rule is that the State cannot be put in estoppel by the mistakes or errors of its officials or agents, it is established that “[t]he rule on non-estoppel of the government is not designed to perpetrate an injustice.”⁷² Thus, several exceptions to the Republic’s non-estoppel have been recognized. In *Republic of the Philippines v. Court of Appeals*,⁷³ the Court held:

The general rule is that the State cannot be put in estoppel by the mistakes or errors of its officials or agents. However, like all general rules, this is also subject to exceptions, viz.:

“Estoppel against the public are little favored. They should not be invoked except in rare and unusual circumstances and may not be invoked where they would operate to defeat the effective operation of a policy adopted to protect the public. They must be applied with circumspection and should be applied only in those special cases where the interests of justice clearly require it. Nevertheless, the **government must not be allowed to deal dishonorably or capriciously with its citizens, and must not play an ignoble part or do a shabby thing; and subject to limitations . . . , the doctrine of equitable estoppel may be invoked against public authorities** as well as against private individuals.”

In *Republic v. Sandiganbayan*, the government, in its effort to recover ill-gotten wealth, tried to skirt the application of estoppel against it by invoking a specific constitutional provision. The Court countered:

“We agree with the statement that the State is immune from estoppel, but this concept is understood to refer to acts and mistakes of its officials especially those which are irregular (*Sharp International Marketing vs. Court of Appeals*, 201 SCRA 299; 306 [1991]; *Republic v. Aquino*, 120 SCRA 186 [1983]), which peculiar circumstances are absent in the case at bar. Although the State’s right of action to recover ill-gotten wealth is not vulnerable to estoppel[;] it is non sequitur to

⁷¹ *Republic v. Vinzon*, G.R. No. 154705, June 26, 2003, 405 SCRA 126; *Air Transportation Office v. David and Ramos*, G.R. No. 159402, February 23, 2011. See also *Minucher v. Court of Appeals*, G.R. No. 142396, February 11, 2003; citing Gary L. Maxis, “International Law, An Introduction,” University Press of America, 1984, p. 119; D.W. Grieg, “International Law,” London Butterworths, 1970, p. 221.

⁷² *Leca Realty Corporation v. Republic of the Philippines, represented by the Department of Public Works and Highways*, G.R. No. 155605, September 27, 2006, 503 SCRA 563.

⁷³ G.R. No. 116111, January 21, 1999, 301 SCRA 366.

suggest that a contract, freely and in good faith executed between the parties thereto is susceptible to disturbance ad infinitum. A different interpretation will lead to the absurd scenario of permitting a party to unilaterally jettison a compromise agreement which is supposed to have the authority of res judicata (Article 2037, New Civil Code), and like any other contract, has the force of law between parties thereto (Article 1159, New Civil Code; *Hernaez vs. Kao*, 17 SCRA 296 [1966]; 6 *Padilla*, Civil Code Annotated, 7th ed., 1987, p. 711; 3 *Aquino*, Civil Code, 1990 ed., p. 463) . . .”

The Court further declared that “(t)he real office of the equitable norm of estoppel is limited to supply[ing] deficiency in the law, but it should not supplant positive law.”⁷⁴

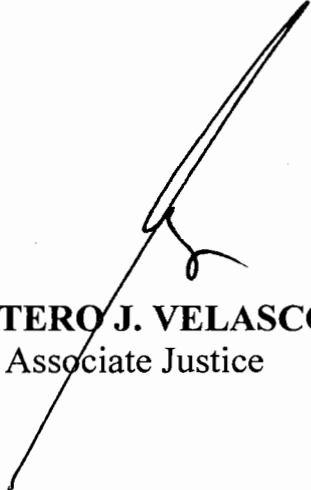
The exception established in the foregoing cases is appropriate in the present case since the Compromise Agreement partook of the nature of a bonafide proprietary business transaction of the government and was not undertaken as an incident to any of its governmental functions.

Clearly, issues regarding SMC’s right over the 25.45 million treasury shares or the entitlement to the alleged dividends on said shares or to the interests and increase in value of the P500 million remain unresolved. These issues are better ventilated and threshed out in a proper proceeding before the right forum where SMC will be accorded due process.

With respect to the Republic’s “Urgent Motion to Direct the San Miguel Corporation (SMC) to Comply with the Final and Executory Resolutions Dated October 24, 1991 and March 18, 1992 of the Sandiganbayan,” the same is noted without action in view of the ruling of the Court that jurisdiction has not been acquired over SMC.

WHEREFORE, the Republic of the Philippines’ *Manifestation and Omnibus Motion* dated October 12, 2012 is **DENIED** without prejudice to the right of respondent Republic to institute the appropriate action or proceeding where SMC’s alleged right over the 25.45 million SMC treasury shares will be determined and finally resolved.

SO ORDERED.



PRESBITERO J. VELASCO, JR.
Associate Justice


⁷⁴ Citing 31 CJS 675-676; *Republic v. Sandiganbayan*, G.R. No. 108292, September 10, 1993, 226 SCRA 314. Emphasis and underscoring supplied.

WE CONCUR:

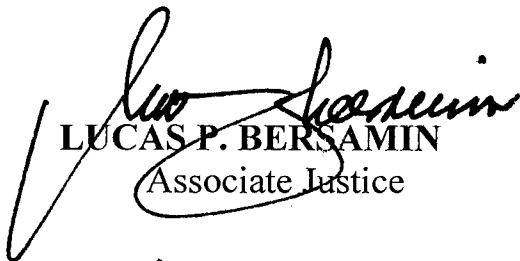
(On Official Business;
the Chief Justice left her Dissenting Opinion)
MARIA LOURDES P. A. SERENO
Chief Justice

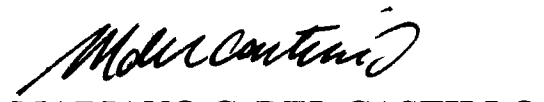
(No Part)
ANTONIO T. CARPIO

(No Part)
TERESITA J. LEONARDO-DE CASTRO



ARTURO D. BRION
Associate Justice

(No Part)
DIOSDADO M. PERALTA
Associate Justice


LUCAS P. BERSAMIN
Associate Justice



MARIANO C. DEL CASTILLO
Associate Justice


JOSE PORTUGAL PEREZ
Associate Justice


JOSE CATRAL MENDOZA
Associate Justice


BIENVENIDO L. REYES
Associate Justice

(No Part)
ESTELA M. PERLAS-BERNABE
Associate Justice

I dissent. See separate opinion

MARVIC M.V.F. LEONEN
Associate Justice

(No Part)
FRANCIS H. JARDELEZA
Associate Justice

(No Part)
ALFREDO BENJAMIN S. CAGUIOA
Associate Justice



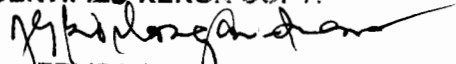
CERTIFICATION

Pursuant to Section 13, Article VIII of the Constitution, it is hereby certified that the conclusions in the above Resolution had been reached in consultation before the case was assigned to the writer of the opinion of the Court.



ANTONIO T. CARPIO
Acting Chief Justice

CERTIFIED XEROX COPY:



FELIPA B. ANAMA
CLERK OF COURT, EN BANC
SUPREME COURT

