

EN BANC

[G.R. Nos. 177857-58, October 05, 2016]

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, VS. 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.

[G.R. No. 178193]

DANILO B. URSUA, PETITIONER, VS. REPUBLIC OF THE PHILIPPINES, RESPONDENT.

R E S O L U T I O N

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 P3,313,326,600.00, payable in four (4) installments. On April 1, 1986, the SMC Group paid the initial purchase price of P500 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]

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 dividend 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:

- a. On instructions of the SMCGroup, 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 481,628,055.99 representing accumulated dividends (from April 11, 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:

- 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 1 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]

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-a-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]

On September 17, 2009, this Court issued a Resolution^[18] 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.

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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 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*