

EN BANC

[G.R. Nos. 177857-58, January 24, 2012]

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 S. URSUA, PETITIONER, VS. REPUBLIC OF THE PHILIPPINES, RESPONDENT,

D E C I S I O N

VELASCO JR., J.:

The Case

Cast against a similar backdrop, these consolidated petitions for review under Rule 45 of the Rules of Court assail and seek to annul certain issuances of the Sandiganbayan in its **Civil Case No. 0033-A** entitled, "*Republic of the Philippines, Plaintiff, v. Eduardo M. Cojuangco, Jr., et al., Defendants, COCOFED, et al., BALLARES, et al., Class Action Movants,*" and **Civil Case No. 0033-F** entitled, "*Republic of the Philippines, Plaintiff, v. Eduardo M. Cojuangco, Jr., et al., Defendants.*" Civil Case (CC) Nos. 0033-A and 0033-F are the results of the splitting into eight (8) amended complaints of CC No. 0033 entitled, "*Republic of the Philippines v. Eduardo Cojuangco, Jr., et al.,*" a suit for recovery of ill-gotten wealth commenced by the Presidential Commission on Good Government (PCGG), for the Republic of the Philippines (Republic), against Ferdinand E. Marcos and several individuals, among them, Ma. Clara Lobregat (Lobregat) and petitioner Danilo S. Ursua (Ursua). Lobregat and Ursua occupied, at one time or another, directorial or top management positions in either the Philippine Coconut Producers Federation, Inc. (COCOFED) or the Philippine Coconut Authority (PCA), or both.^[1] Each of the eight (8) subdivided complaints correspondingly impleaded as defendants only the alleged participants in the transaction/s subject of the suit, or who are averred as owner/s of the assets involved.

The original complaint, CC No. 0033, as later amended to make the allegations more specific, is described in *Republic v. Sandiganbayan*^[2] (one of several ill-gotten suits of the same title disposed of by the Court) as revolving around the provisional take

over by the PCGG of COCOFED, Cocomark, and Coconut Investment Company and their assets and the sequestration of shares of stock in United Coconut Planters Bank (UCPB) allegedly owned by, among others, over a million coconut farmers, and the six (6) Coconut Industry Investment Fund (CIIF) corporations,^[3] referred to in some pleadings as CIIF oil mills and the fourteen (14) CIIF holding companies^[4] (hereafter collectively called "CIIF companies"), so-called for having been either organized, acquired and/or funded as UCPB subsidiaries with the use of the CIIF levy. The basic complaint also contained allegations about the alleged misuse of the coconut levy funds to buy out the majority of the outstanding shares of stock of San Miguel Corporation (SMC).

More particularly, in **G.R. Nos. 177857-58**, class action petitioners COCOFED and a group of purported coconut farmers and COCOFED members (hereinafter "COCOFED et al." collectively)^[5] seek the reversal of the following judgments and resolutions of the anti-graft court insofar as these issuances are adverse to their interests:

1) Partial Summary Judgment^[6] dated **July 11, 2003**, as reiterated in a resolution^[7] of December 28, 2004, denying COCOFED's motion for reconsideration, and the **May 11, 2007** resolution denying COCOFED's motion to set case for trial and declaring the partial summary judgment final and appealable,^[8] all issued in **Civil Case No. 0033-A**; and

2) Partial Summary Judgment^[9] dated **May 7, 2004**, as also reiterated in a resolution^[10] of December 28, 2004, and the **May 11, 2007** resolution^[11] issued in **Civil Case No. 0033-F**. The December 28, 2004 resolution denied COCOFED's Class Action Omnibus Motion therein praying to dismiss CC Case No. 0033-F on jurisdictional ground and alternatively, reconsideration and to set case for trial. The May 11, 2007 resolution declared the judgment final and appealable.

For convenience, the partial summary judgment (PSJ) rendered on July 11, 2003 in CC No. 0033-A shall hereinafter be referred to as **PSJ-A**, and that issued on May 7, 2004 in CC 0033-F, as **PSJ-F**. PSJ-A and PSJ-F basically granted the Republic's separate motions for summary judgment.

On June 5, 2007, the court *a quo* issued a Resolution in CC No. 0033-A, which modified PSJ-A by ruling that no further trial is needed on the issue of ownership of the subject properties. Likewise, on May 11, 2007, the said court issued a Resolution in CC No. 0033-F amending PSJ-F in like manner.

On the other hand, petitioner Ursua, in **G.R. No. 178193**, limits his petition for review on PSJ-A to the extent that it negates his claims over shares of stock in UCPB.

Tañada, et al. have intervened^[12] in G.R. Nos. 177857-58 in support of the government's case.

Another petition was filed and docketed as **G.R. No. 180705**. It involves questions

relating to Eduardo M. Cojuangco, Jr.'s (Cojuangco, Jr.'s) ownership of the UCPB shares, which he allegedly received as option shares, and which is one of the issues raised in PSJ-A.^[13] G.R. No. 180705 was consolidated with G.R. Nos. 177857-58 and 178193. On September 28, 2011, respondent Republic filed a Motion to Resolve G.R. Nos. 177857-58 and 178193.^[14] On January 17, 2012, the Court issued a Resolution deconsolidating G.R. Nos. 177857-58 and 178193 from G.R. No. 180705. This Decision is therefore separate and distinct from the decision to be rendered in G.R. No. 180705.

The Facts

The relevant facts, as culled from the records and as gathered from Decisions of the Court in a batch of coco levy and illegal wealth cases, are:

In 1971, **Republic Act No. (R.A.) 6260** was enacted creating the Coconut Investment Company (CIC) to administer the **Coconut Investment Fund** (CIF), which, under Section 8^[15] thereof, was to be sourced from a PhP 0.55 levy on the sale of every 100 kg. of copra. Of the PhP 0.55 levy of which the copra seller was, or ought to be, issued **COCOFUND** receipts, PhP 0.02 was placed at the disposition of COCOFED, the national association of coconut producers declared by the Philippine Coconut Administration (PHILCOA, now PCA^[16]) as having the largest membership.^[17]

The declaration of martial law in September 1972 saw the issuance of several presidential decrees ("P.Ds.") purportedly designed to improve the coconut industry through the collection and use of the coconut levy fund. While coming generally from impositions on the first sale of copra, the coconut levy fund came under various names, the different establishing laws and the stated ostensible purpose for the exaction explaining the differing denominations. Charged with the duty of collecting and administering the Fund was PCA.^[18] Like COCOFED with which it had a legal linkage,^[19] the PCA, by statutory provisions scattered in different coco levy decrees, had its share of the coco levy.^[20]

The following were some of the issuances on the coco levy, its collection and utilization, how the proceeds of the levy will be managed and by whom, and the purpose it was supposed to serve:

1. **P.D. No. 276** established the Coconut Consumers Stabilization Fund (**CCSF**) and declared the proceeds of the CCSF levy as trust fund,^[21] to be utilized to subsidize the sale of coconut-based products, thus stabilizing the price of edible oil.^[22]
2. **P.D. No. 582** created the Coconut Industry Development Fund (**CIDF**) to finance the operation of a hybrid coconut seed farm.
3. Then came **P.D. No. 755** providing under its Section 1 the following:

It is hereby declared that the policy of the State is to provide readily available credit facilities to the coconut farmers at a preferential rates; that this policy can be expeditiously and efficiently realized by the

implementation of the "Agreement for the Acquisition of a Commercial Bank for the benefit of Coconut Farmers" executed by the [PCA]...; and that the [PCA] is hereby authorized to distribute, for free, the shares of stock of the bank it acquired to the coconut farmers....

Towards achieving the policy thus declared, P.D. No. 755, under its **Section 2**, authorized PCA to utilize the CCSF and the CIDF collections to acquire a commercial bank and **deposit the CCSF levy collections in said bank, interest free**, the deposit withdrawable only when the bank has attained a certain level of sufficiency in its equity capital. The same section also decreed that all levies PCA is authorized to collect shall not be considered as special and/or fiduciary funds or form part of the general funds of the government within the contemplation of P.D. No. 711.^[23]

4. **P.D. No. 961** codified the various laws relating to the development of coconut/palm oil industries.

5. The relevant provisions of P.D. No. 961, as later amended by **P.D. No. 1468** (*Revised Coconut Industry Code*), read:

ARTICLE III

Levies

Section 1. *Coconut Consumers Stabilization Fund Levy*. -- The [PCA] is hereby empowered to impose and collect ... the Coconut Consumers Stabilization Fund Levy

....

Section 5. *Exemption*. -- The **[CCSF]** and the **[CIDF]** as well as all disbursements as herein authorized, shall **not** be construed ... as **special and/or fiduciary funds**, or as **part of the general funds** of the national government within the contemplation of PD 711; ... **the intention being that said Fund and the disbursements thereof as herein authorized for the benefit of the coconut farmers shall be owned by them in their private capacities**: (Emphasis supplied.)

6. **Letter of Instructions No. (LOI) 926**, Series of 1979, made reference to the creation, out of other coco levy funds, of the Coconut Industry Investment Fund (**CIIF**) in P.D. No. 1468 and entrusted a portion of the CIIF levy to UCPB for investment, on behalf of coconut farmers, in oil mills and other private corporations, with the following equity ownership structure:^[24]

Section 2. *Organization of the Cooperative Endeavor*. - The [UCPB], in its capacity as the investment arm of the coconut farmers thru the [CIIF] ... is hereby directed to invest, on behalf of the coconut farmers, such portion of the CIIF ... in private corporations ... under the following guidelines:

a) The coconut farmers shall own or control at least ... (50%) of the outstanding voting capital stock of the private corporation [acquired] thru the CIIF and/or corporation owned or controlled by the farmers thru the CIIF (Words in bracket added.)

Through the years, a part of the coconut levy funds went directly or indirectly to various projects and/or was converted into different assets or investments.^[25] Of particular relevance to this case was their use to acquire the **First United Bank** (FUB), later renamed **UCPB**, and the acquisition by UCPB, through the CIIF companies, of a large block of SMC shares. ^[26]

Apropos the intended acquisition of a commercial bank for the purpose stated earlier, it would appear that FUB was the bank of choice which the Pedro Cojuangco group (collectively, "Pedro Cojuangco") had control of. The plan, then, was for PCA to buy all of Pedro Cojuangco's shares in FUB. However, as later events unfolded, a simple direct sale from the seller (Pedro) to PCA did not ensue as it was made to appear that Cojuangco, Jr. had the exclusive option to acquire the former's FUB controlling interests. Emerging from this elaborate, circuitous arrangement were two deeds; the first, simply denominated as *Agreement*,^[27] dated May 1975, ^[28] entered into by and between Cojuangco, Jr., for and in his behalf and in behalf of "*certain other buyers*," and Pedro Cojuangco, purportedly accorded Cojuangco, Jr. the option to buy **72.2%** of FUB's outstanding capital stock, or 137,866 shares (the "option shares," for brevity), at PhP 200 per share.

The second but related contract, dated May 25, 1975, was denominated as *Agreement for the Acquisition of a Commercial Bank for the Benefit of the Coconut Farmers of the Philippines*.^[29] It had PCA,^[30] for itself and for the benefit of the coconut farmers, purchase from Cojuangco, Jr. the shares of stock subject of the First Agreement for PhP 200 per share. As additional consideration for PCA's buy-out of what Cojuangco, Jr. would later claim to be his exclusive and personal option,^[31] it was stipulated that, from PCA, Cojuangco, Jr. shall receive equity in FUB amounting to 10%, or **7.22%**, of the 72.2%, or fully paid shares.

Apart from the aforementioned 72.2%, PCA purchased from other FUB shareholders 6,534 shares.

While the 64.98% portion of the option shares (72.2% - 7.22% = 64.98%) ostensibly pertained to the farmers, the corresponding stock certificates supposedly representing the farmers' equity were in the name of and delivered to PCA.^[32] There were, however, shares forming part of the aforesaid 64.98% portion, which ended up in the hands of non-farmers.^[33] The remaining 27.8% of the FUB capital stock were not covered by any of the agreements.

Under paragraph 8 of the second agreement, PCA agreed to expeditiously distribute the FUB shares purchased to such "*coconut farmers holding registered COCOFUND receipts*" on equitable basis.

As found by the Sandiganbayan, the PCA appropriated, out of its own fund, an amount for the purchase of the said 72.2% equity, **albeit it would later**