

SECOND DIVISION

[G.R. NO. 129434, August 18, 2006]

**TRANS MIDDLE EAST (PHILS.) EQUITIES, INC., PETITIONER, VS.
SANDIGANBAYAN (SECOND DIVISION), RESPONDENT.**

DECISION

SANDOVAL-GUTIERREZ, J.:

For our resolution is the instant Petition for Certiorari under Rule 65 of the 1997 Rules of Civil Procedure, as amended, assailing the June 17, 1997 Resolution^[1] of the Sandiganbayan in Civil Case No. 0035, entitled "Republic of the Philippines, *petitioner, versus* Benjamin "Kokoy" Romualdez, *et al; respondents.*"

Sometime in 1983, Atty. Edilberto S. Narciso, Jr. and his law firm organized into a corporation the Trans Middle East (Phils.) Equities, Incorporated (TMEPEI), petitioner herein, with a capital stock of P30,000,000.00 divided into 300,000 shares at P100.00 per share. Atty. Narciso acted as Treasurer.

On October 17, 1983, petitioner's Articles of Incorporation and By-laws were registered with the Securities and Exchange Commission (SEC).

On December 27, 1985, a special meeting of petitioner's stockholders was held and a new set of directors was elected. Atty. Narciso retained his position as Treasurer.

Meanwhile, on March 13, 1998, then President Corazon C. Aquino issued Executive Order (EO) No. 2 partly quoted as follows:

Executive Order No. 2

REGARDING THE FUNDS, MONEYS, ASSETS, AND PROPERTIES ILLEGALLY ACQUIRED OR MISAPPROPRIATED BY FORMER PRESIDENT FERDINAND E. MARCOS, MRS. IMELDA ROMUALDEZ MARCOS, THEIR CLOSE RELATIVES, SUBORDINATES, BUSINESS ASSOCIATES, DUMMIES, AGENTS, OR NOMINEES.

WHEREAS, the Government of the Philippines is in possession of evidence showing that there are assets and properties purportedly pertaining to former President Ferdinand E. Marcos, and/or his wife, Mrs. Imelda Romualdez Marcos, their close relatives, subordinates, business associates, dummies, agents or nominees which had been or were acquired by them directly or indirectly, through or a result of the improper or illegal use of funds or properties owned by the Government of the Philippines or any of its branches, instrumentalities, enterprises, banks or financial institutions, or by taking undue advantage of their office, authority, influence, connections or relationship, resulting in their

unjust enrichment and causing grave damage and prejudice to the Filipino people and the Republic of the Philippines;

WHEREAS, said assets and properties are in the form of bank accounts, deposits, trust accounts, shares of stocks, buildings, shopping centers, condominium, mansions, residences, estates, and other kinds of real and personal properties in the Philippines and in various countries of the world;

WHEREAS, a Presidential Commission on Good Government has been established primarily charged with the responsibility of recovering the aforesaid assets and properties for the Philippine Government.

x x x

(3) Require all persons in the Philippines holding such assets or properties, whether located in the Philippines or abroad, in their names as nominees, agents or trustees, to make full disclosure of the same to the Commission on Good Government within thirty (30) days from the publication of this Executive Order, or the substance thereof, in at least two (2) newspapers of general circulation in the Philippines.

On **April 10, 1986**, pursuant to the said EO No. 2, Atty. Narciso, in his capacity as petitioner's Treasurer, sent a letter^[2] to the Presidential Commission on Good Government (PCGG), which reads:

Dear Sirs:

Re: PHILIPPINE COMMERCIAL INTERNATIONAL BANK SHARES UNDER EXECUTIVE ORDER NO. 2

I have the honor to inform that TRANS MIDDLE EAST PHILS. EQUITIES, INC. (TMEPEI) IS THE OWNER OF 6,299,177 SHARES of Philippine Commercial International Bank (PCIB) which are registered in the books of PCIB as follows:

<u>Name of Registered Owner</u>	<u>Number of Shares</u>
TRANS MIDDLE EAST PHILS. EQUITIES, INC	6,119,067 shares
Edilberto S. Narciso, Jr.	<u>180,110 shares</u>
TOTAL	6,299,177 shares

This matter is being reported conformable to Executive Order No. 2 of President Aquino, as the beneficial owner of said shares is former Gov. Benjamin Romualdez and it would thus appear that these shares are within the jurisdiction or cognizance of the Commission under Executive Order No. 2.

However, as of March 31, 1986, these shares have outstanding claims, liens and charges against them in the approximate amount of P70,000,000.00 which are due and payable.

Thus, on April 15, 1986, the PCGG sequestered the 6,119,067 shares held by petitioner in Philippine Commercial and International Bank (PCIB) and the 180,110 shares held by Atty. Narciso in the same bank or a total of 6,299,177 shares.

In July 1987, the PCGG filed with the Sandiganbayan (hereinafter referred to as respondent court) Civil Case No. 0035, entitled "Republic of the Philippines *versus* Benjamin "Kokoy" Romualdez, Juliette Romualdez, President Ferdinand E. Marcos, Imelda R. Marcos, Jose F.S. Bengzon, Jr., Jose Vicente Jimenez, Armando V. Faustino, Jr., Leonardo C. Cruz, and Atty. Edilberto Narciso, Jr., *et al.*" The complaint is for reconveyance, reversion, restitution, accounting, and damages for ill-gotten wealth.

In its Second Amended Complaint dated January 22, 1988, the PCGG alleged, among others, that:

Defendants Benjamin "Kokoy" Romualdez and Juliette Romualdez acting by themselves and/or in unlawful concert with defendants Ferdinand E. Marcos and Imelda R. Marcos, and taking undue advantage of their relationship, influence and connection with the latter defendant spouses, engaged in devices, schemes and stratagems to unjustly enrich themselves at the expense of plaintiff and the Filipino people, among others:

x x x

[j] effected, with the active collaboration among others, Edilberto S. Narciso, Jr., Jose F.S. Bengzon, Jr., Jose Vicente E. Jimenez, Amando V. Faustino, Jr., and Leonardo C. Cruz, the sale of shareholdings of the First Philippine Holdings Corporation in the Philippine and Commercial and International Bank (PCIB) to Trans Middle East Philippines Equities, Inc., a front organization of defendant Benjamin Romualdez. The acquisition of PCIB shares was packed by PCIB and financed by PCIB and Philippine Commercial Capital, Inc., through loan extended to SOLOIL Inc., for and in behalf of Trans Middle East Equities, Inc. The manner by which PCIB in effect funded the purchase of shares of its own capital stock was done in violation of banking laws, rules and regulations on (i) loans to directors, officers, stockholders and other related interest (DOSRI), (ii) single borrower's Limit (SBL), (iii) disclosure requirements, and (iv) duty to ascertain identity of borrower and purpose of the loan.

In his Answer dated September 23, 1988, Atty. Narciso denied the above allegations, thus:

They [he and other lawyers in the law firm] have not singly or collectively made any attempt to conceal, hide or dispose of any or all of the assets and properties of Benjamin Romualdez; to the contrary, said persons shortly after the revolution and in compliance with Executive Order Nos. 1 and 2 of President Corazon C. Aquino, voluntarily and without bargaining for immunity, disclosed to the PCGG all of the assets and properties of Benjamin Romualdez known to them. More particularly, the ownership by Benjamin Romualdez of Trans Middle East Philippines Equities, Inc. which, in turn, owns 6,299,177 PCIBank shares was voluntarily disclosed to the PCGG by answering defendant himself. This

disclosure enables the PCGG to immediately place all of the 6,299,177 PCIBank shares under sequestration and subsequently to received approximately P6,600,000.00 in cash dividends accruing to those shares.

The answers of Attys. Bengzon, Jimenez, and Faustino state the same allegations contained in Atty. Narciso's answer.

On March 24, 1988, petitioner TMEPEI filed with respondent court a Motion to Intervene alleging that it is the registered owner of 6,119,067 common shares of the PCIB and the recognized owner of 180,110 shares or a total of 6,299,177 shares which correspond to only 12.97% of the common shares of the bank; and that the PCGG sequestered its shares without due process and exercised all rights of ownership thereof. Petitioner thus prayed for the issuance of a temporary restraining order (TRO) and a writ of preliminary injunction to enjoin the PCGG from exercising acts of ownership.

On April 14, 1988, the PCGG filed its Opposition to petitioner's motion to intervene, contending that Benjamin Romualdez is the beneficial owner of the sequestered shares as shown by the letter of Atty. Narciso dated April 10, 1986, quoted earlier.

On April 27, 1988, respondent court issued a Resolution granting petitioner's motion to intervene and accordingly admitted its complaint-in-intervention.

On May 7, 1991, petitioner filed an urgent motion for the issuance of a TRO to enjoin the PCGG from voting its sequestered shares in the PCIB stockholders' meeting to be held on May 9, 1991.

On May 8, 1991, respondent court granted the motion and issued a TRO.

On **October 3, 1991**, respondent court promulgated a Resolution perpetually enjoining the PCGG from voting petitioner's 6,299,177 shares (which increased to 10,853,481) in any PCIB stockholders' meeting and allowing petitioner to vote the same shares in all elections.

The PCGG filed its Motion for Reconsideration but the same was denied by respondent court.

Hence, the PCGG filed with this Court a petition for certiorari assailing the Resolutions of respondent court dated October 3, 1991 and May 26, 1992, contending that they were issued with grave abuse of discretion. The petition was docketed as G.R. No. 105808.

On June 18, 1996, this Court issued a Resolution granting PCGG's petition and setting aside respondent court's challenged Orders. It held that the question of who has the right to vote the sequestered shares is not yet ripe for adjudication. It hinges on the determination of the issue of whether the subject shares of stock constitute ill-gotten wealth, a factual matter which only respondent court can determine. This Court then directed respondent court to resolve the issue with reasonable dispatch.

On January 16, 1997, respondent court issued a Resolution setting the case for hearing. Upon the PCGG's request, respondent court issued a subpoena to Atty.