

SPECIAL FIRST DIVISION

[G.R. No. 117018-19, August 08, 2002]

**BENJAMIN D. YN SON, PETITIONER, VS. COURT OF APPEALS,
FELIPE YULIENCO AND EMERITO M. SALVA, RESPONDENTS.**

[G.R. NO. 117327. AUGUST 8, 2002]

**FELIPE YULIENCO AND EMERITO M. SALVA, PETITIONERS, VS.
COURT OF APPEALS AND BENJAMIN D. YN SON, RESPONDENTS.**

R E S O L U T I O N

YNARES-SANTIAGO, J.:

The instant controversy has its origin in the petition filed before the Securities and Exchange Commission by Felipe Yulienco and Emerito M. Salva, as stockholders, against Benjamin D. Ynson, as president and CEO, of Phesco, Inc., alleging mismanagement of the corporation.

On October 15, 1987, the parties submitted a Joint Motion for Judgment by Compromise. Subsequently, on October 20, 1987, the SEC rendered judgment approving in toto the Compromise Agreement executed by the parties. Among the provisions of the Compromise Agreement was a stipulation for the sale by Yulienco of his 96,420 shares of stock and by Salva of his 114 shares of stock to Phesco, Inc., at their fair market value in relation to the 1986-87 audited financial statement and the assets/properties of the corporation, which fair market value shall be determined and fixed by a mutually appointed appraiser, the AEA Development Corporation, in consultation with J.S. Zulueta & Co. The parties further agreed that the fair market value of the shares of stock as determined and fixed by AEA Development Corporation shall be final, irrevocable and binding upon the parties and non-appealable.

On February 5, 1988, the AEA Development Corporation fixed the fair market value of the shares of stock at P311.32 per share. Thereafter, Ynson moved for execution of the compromise agreement and tendered to Yulienco and Salva checks in payment of their shareholdings in accordance with the appraised valuation thereof.

Yulienco and Salva opposed the motion for execution, alleging that fraud attended the preparation of the 1986-87 Financial Statements of Phesco, Inc. since some assets which could have increased the value of their shares were not included therein. Hence, they moved that the appraisal report of AEA Development Corporation be set aside and that a new audit team be appointed to prepare the financial statement of Phesco, Inc, for 1986-87.

In an Omnibus Order dated September 30, 1988, the SEC Hearing Panel granted the motion for execution of the Compromise Agreement. Yulienco and Salva appealed to the SEC En Banc.

On December 1, 1992, the SEC En Banc issued a Resolution dismissing the appeal and affirming the writ of execution. The opinion contained in the said Resolution included an "obiter" to the effect that:

However, petitioners [Yulienco and Salva] are entitled to the total amount of P30,052,964.88 plus the legal interest the same might have earned from the time the compromise agreement became final until paid, since said amount is due to them pursuant to the appraisal made in accordance with the compromise agreement.^[1]

Ynson filed a motion for clarification, contending that the payment of legal interest was not in the original decision of the SEC. The motion was denied.

Thus, Ynson filed before the Court of Appeals a petition for review, docketed as CA-G.R. SP No. 31571, assailing the resolution of the SEC to payment of legal interest. On the other hand, Yulienco and Salva also filed a petition with the Court of Appeals, docketed as CA-G.R. SP No. 30734, praying for the review of the SEC En Banc's dismissal of their appeal from the decision of the SEC Hearing Panel. The two petitions were consolidated.

On November 29, 1993, the Court of Appeals rendered judgment as follows:

WHEREFORE, we find the Petition for Review filed by Felipe Yulienco and Attorney E.M. Salva to be with merit and accordingly, we rule that:

1. The compromise judgment dated October 20, 1987 has not attained finality upon the submission of the AEA Development Corporation's Appraisal Report dated February 5, 1988.
2. The instant case is remanded to the Securities and Exchange Commission En Banc for the determination of the fair market value of the shares of stock of Felipe Yulienco and Attorney Emerito M. Salva in relation to the audited financial statements of PHESCO, Inc. for fiscal year 1986-87. Accordingly, the SEC En Banc is hereby ordered to create as new audit team to examine the books of accounts and other records and documents of PHESCO, Inc. and pursuant thereto, prepare a new audited financial statement for fiscal year 1986-87.

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On the other hand, the petition for review filed by respondent Ynson docketed as CA-G.R. SP No. 31571 is hereby DISMISSED.

SO ORDERED.^[2]

Subsequently, on September 6, 1994, the Court of Appeals rendered an Amended Decision, affirming in all respects its earlier decision except the last paragraph thereof, as follows:

5. The petition filed by Benjamin Ynson in CA-G.R. SP No. 31572, is also GRANTED. The Order dated April 12, 1993 and the Resolution dated July 22, 1993 are hereby ANNULLED and SET ASIDE. Consequently, the total amount of the shares of stock which petitioners under the compromise are bound to convey and transfer to PHESCO, Inc. shall be paid without interest.^[3]