

## EN BANC

[ G.R. Nos. 104637-38, September 14, 2000 ]

**SAN MIGUEL CORPORATION, NEPTUNIA CORPORATION LIMITED, ANDRES SORIANO III AND ANSCOR-HAGEDORN SECURITIES, INC., PETITIONERS, VS. SANDIGANBAYAN (FIRST DIVISION), PHILIPPINE COCONUT PRODUCERS FEDERATION, INC. (COCOFED), MARIA CLARA L. LOBREGAT, BIENVENIDO MARQUEZ, JOSE R. ELEAZAR, JR., DOMINGO ESPINA, JOSE GOMEZ, CELESTINO SABATE, MANUEL DEL ROSARIO, JOSE MARTINEZ, JR., JOSE REYNALDO MORENTE AND ELADIO CHATTO, RESPONDENTS.**

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### DECISION

**PUNO, J.:**

It appears that on March 26, 1986, the Coconut Industry Investment Fund Holding Companies<sup>[1]</sup> ("CIIF" for brevity) sold 33,133,266 shares of the outstanding capital stock of San Miguel Corporation to Andres Soriano III of the SMC Group payable in four (4) installments.<sup>[2]</sup>

On April 1, 1986, Andres Soriano III paid the initial P500 million to the UCPB as administrator of the CIIF. The sale was transacted through the stock exchange and the shares were registered in the name of Anscor-Hagedorn Securities, Inc. (AHSI).

On April 7, 1986, the Presidential Commission on Good Government (PCGG) then led by the former President of the Senate, the Honorable Jovito R. Salonga, sequestered the shares of stock subject of the sale.<sup>[3]</sup> Due to the sequestration, the SMC Group (hereinafter referred to as the petitioners) suspended payment of the balance of the purchase price of the subject stocks. In retaliation, the UCPB Group rescinded the sale.

On June 2, 1986, UCPB and CIIF Holding Companies went to court. They filed a complaint with the Regional Trial Court of Makati against the petitioners for

confirmation of rescission of sale with damages.<sup>[4]</sup> On June 5, 1986, the petitioners assailed in this Court the jurisdiction of the Makati RTC on the ground that primary jurisdiction was vested with the PCGG since the SMC shares were sequestered shares.<sup>[5]</sup> On August 10, 1988, we upheld the petitioners. We ordered, among others, the dismissal of the rescission case filed in the Makati RTC without prejudice to the ventilation of the parties' claims before the Sandiganbayan.<sup>[6]</sup>

The record shows that the petitioners and the UCPB Group were able to thresh out their dispute extra-judicially. In March 1990, they signed a Compromise Agreement and Amicable Settlement.<sup>[7]</sup> 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**. xxx"<sup>[8]</sup> (emphasis supplied)

They likewise agreed to pay an "**arbitration fee**" of 5,500,000 SMC shares composed of 3,858,831 "A" shares and 1,641,169 "B" shares to the PCGG to be held in trust for the Comprehensive Agrarian Reform Program.<sup>[9]</sup>

On March 23, 1990, the petitioners and the UCPB Group filed with the Sandiganbayan a **Joint Petition for Approval of the Compromise Agreement and Amicable Settlement**. The petition was docketed as Civil Case No. 0102.<sup>[10]</sup>

On March 29, 1990, the Sandiganbayan *motu proprio* directed that copies of the Joint Petition be furnished to E. Cojuangco, Jr., M. Lobregat and others who are defendants in Civil Case No. 0033. The same SMC shares are the subject of Civil Case No. 0033 and alleged as part of the alleged ill-gotten wealth of former President Marcos and his "cronies."<sup>[11]</sup>

On April 25, 1990, the **Republic** of the Philippines, through the Office of the Solicitor General (OSG), **opposed**<sup>[12]</sup> the Compromise Agreement and Amicable Settlement. It contended that the involved coco-levy funds, whether in the form of earnings or dividends therefrom, or in the form of the value of liquidated corporate assets represented by all sequestered shares (like the value of assets

sold/mortgaged to finance the P500M first installment), or in the form of cash, or, as in the case of subject "Settlement," in the form of "proceeds" of sale or of "payments" of certain alleged obligations are public funds. As public funds, the coco-levy funds, in any form or transformation, are beyond or "outside the commerce," and perforce not within the private disposition of private individuals.<sup>[13]</sup>

The reliefs prayed for by the Solicitor General state:

"1. That the "Settlement" be stricken off the record or at most referred back to the PCGG for serious study and consideration. While the PCGG under its legal mandate (as sustained in G.R. No. 84895, "Republic v. Campos") in principle encourages settlement agreements on ill-gotten wealth to expedite recovery thereof for the benefit of the Government, the herein privately proposed "**Settlement**" **subject of the petition contains private proposals of "utilization and management of" public funds that are prejudicial to the Government**, without "full disclosures" as normally required by PCGG and over which in respect of declarant immunity may even be granted.

2. That this Petition be consolidated with, or treated as a premature motion or incident in Civil Case No. 0033, and brought by improper parties. To repeat, the plaintiff Republic through PCGG is not a party to what in effect will be a judicial compromise in Civil Case No. 0033. Nowhere does the "Settlement" mention that its terms are subject to the judicial outcome of this Civil Case No. 0033. It is to be emphasized that even in the "Pepsi-Cola Settlement" cited by the petitioners, the alleged loan payments therein to liquidate alleged obligations are subject in no uncertain terms to the final outcome of the main Civil Case No. 0033 pending before this Honorable Court,

'The concern of the Court in matters such as this has always been to see to it that the properties in sequestration would be well (and profitably, if possible) preserved either for the government, if the plaintiff proves the 'crony' and 'ill-gotten' character of the property, or for the defendants if not,'

considering that one of the reliefs prayed for or one of causes of action in the Republic's Complaint in Civil Case No. 0033 is precisely for Accounting and/or Damages. In the instant "Settlement," the "crony" and "ill-gotten character of the property" involved is a matter of public record if not public notoriety. Plaintiff Republic need not prove the public character of the coco-levy funds. This is a matter of settled law and jurisprudence, a "given" fact, to quote the Honorable Supreme Court."

<sup>[14]</sup> (emphasis supplied)

On April 18, 1990, Mr. Eduardo M. Cojuangco, Jr. moved to intervene alleging legal interest in the approval or disapproval of the Compromise Agreement and Amicable Settlement.<sup>[15]</sup>

On May 24, 1990, the Philippine Coconut Producers' Federation, Inc. (COCOFED), et al.<sup>[16]</sup> filed an "Omnibus Class Action **Motion for Leave to Intervene** and to Admit: (1) **Opposition-in-Intervention**, and (2) **Compulsory Counter-Petition**

**and Counterclaim for Damages."**<sup>[17]</sup> They alleged that they are the ultimate **beneficial owners** of the SMC shares subject of the Compromise Agreement.

On June 18, 1990, the PCGG filed its Manifestation<sup>[18]</sup> attaching a copy of the Resolution<sup>[19]</sup> of the Commission en banc dated June 15, 1990. PCGG joined the Solicitor General in praying that the Joint Petition for Approval of Compromise Agreement should be treated as an incident of Case No. 0033.<sup>[20]</sup> PCGG, however, interposed no objection to the implementation of the Compromise Agreement subject to the incorporation of the following provisions:

- "1. As stated in the COMPROMISE, the 5 million SMC shares (now 26,450,000) paid for by the P500 million first installment shall be delivered to SMC, kept in treasury, and sold as soon as feasible in accordance with a plan to be agreed upon by the Commission and SMC; provided, that SMC shall not unreasonably withhold its consent to a sales plan approved by PCGG.

The P500 million paid by SMC as first installment shall be accounted for by UCPB and the CIIF companies to the extent respectively received by them, and any portion thereof in excess of the usual business needs of the possessor shall be delivered by it to the Commission, to be held in escrow for the ultimate owner.

2. On Delivery Date, the stock certificates for the balance of the SHARES in the name of the 14 holding companies shall be delivered to PCGG and deposited with the Central Bank for safekeeping to await their sale in accordance with the plan of dispersal that PCGG and UCPB shall agree to establish for them. As soon as practicable, but with proper account of market conditions, all those shares shall be sold, and the proceeds thereof disposed as provided below. UCPB shall not unreasonably withhold its consent to a sales plan approved by PCGG in accordance with this paragraph.
3. So much of the proceeds of the sale as may be necessary shall be used a) to finance the obligations of the CIIF Companies under the COMPROMISE, and b) to liquidate the obligations of the CIIF Companies to UCPB for the purchase price of the SHARES. The balance shall be kept by the PCGG in escrow to await final judicial determination of the ownership of the various coconut-related companies and of all the other assets involved here. The cash dividends that have been declared on the SHARES may be applied for the above purposes before proceeds from the sale of shares are realized. The balance of such cash dividends shall be held in escrow in the same manner as the sales proceeds.
4. All SHARES shall continue to be sequestered even beyond Delivery Date. Sequestration on them shall be lifted as they are sold consequent to approval of the sale by the Sandiganbayan, and in accordance with the dispersal plan

approved by the Commission. All of the SHARES that are unsold will continue to be voted by PCGG while still unsold.

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."<sup>[21]</sup>

The petitioners and the UCPB Group filed their Joint Manifestation<sup>[22]</sup> accepting the conditions imposed by PCGG. They also opposed the intervention of COCOFED, et al.

On October 12, 1990, the petitioners moved for early resolution of the Joint Petition for Approval of the Compromise Agreement and Amicable Settlement together with its pending incidents.<sup>[23]</sup>

On October 16, 1990, the Sandiganbayan issued an Order<sup>[24]</sup> integrating Case No. 0102 as an incident of Civil Case No. 0033, thus:

"Considering the interest expressed by the different parties in Civil Case No. 0033, and considering further that the subject matter of the amicable settlement which is presented before this Court for approval, the Court has deemed it best that Civil Case No. 0102 be integrated with, and be made an incident to, Civil Case No. 0033. xxx"<sup>[25]</sup>

The petitioners did not challenge the Order.

In its Manifestation<sup>[26]</sup> dated November 19, 1990, the Solicitor General maintained his Opposition to the Compromise Agreement and Amicable Settlement.

On November 23, 1990, Sandiganbayan deferred consideration of the Compromise Agreement "until the parties thereto take the initiative to restore the same in the Court's calendar."<sup>[27]</sup> On February 5, 1991, it also deferred resolution of Cojuangco's Motion to Intervene.

On February 21, 1991, the UCPB Group filed a Motion to set the Joint Petition for hearing.<sup>[28]</sup> In its Order dated February 27, 1991, the Sandiganbayan required the parties to comment on the propriety of the said court's continuing to entertain the Compromise Agreement.<sup>[29]</sup> In compliance with the said Order, the petitioners filed its Manifestation dated March 15, 1991 expressly recognizing the jurisdiction of the Sandiganbayan to rule on the petition for the approval of the compromise agreement.<sup>[30]</sup>

On June 3, 1991, the Sandiganbayan issued the following Resolution:<sup>[31]</sup>