679 Phil. 508

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 reimburse itself from the coconut levy fund**.[34]

As of June 30, 1975, the list of FUB stockholders shows PCA with 129,955 shares.[35]

Shortly after the execution of the PCA - Cojuangco, Jr. Agreement, President Marcos issued, on July 29, 1975, P.D. No. 755 directing, as earlier narrated, PCA to use the CCSF and CIDF to acquire a commercial bank to provide coco farmers with "*readily available credit facilities at preferential rate*," and PCA "*to distribute, for free*," the bank shares to coconut farmers.

Then came the 1986 EDSA event. One of the priorities of then President Corazon C. Aquino's revolutionary government was the recovery of ill-gotten wealth reportedly amassed by the Marcos family and close relatives, their nominees and associates. Apropos thereto, she issued Executive Order Nos. (E.Os.) 1, 2 and 14, as amended by E.O. 14-A, all Series of 1986. E.O. 1 created the PCGG and provided it with the tools and processes it may avail of in the recovery efforts;[36] E.O. No. 2 asserted that the ill-gotten assets and

properties come in the form of shares of stocks, etc.; while E.O. No. 14 conferred on the Sandiganbayan exclusive and original jurisdiction over ill-gotten wealth cases, with the proviso that "*technical rules of procedure and evidence shall not be applied strictly*" to the civil cases filed under the E.O. Pursuant to these issuances, the PCGG issued numerous orders of sequestration, among which were those handed out, as earlier mentioned, against shares of stock in UCPB purportedly owned by or registered in the names of (a) more than a million coconut farmers and (b) the CIIF companies, including the SMC shares held by the CIIF companies. On July 31, 1987, the PCGG instituted before the Sandiganbayan a recovery suit docketed thereat as CC No. 0033.

After the filing and subsequent amendments of the complaint in CC 0033, Lobregat, COCOFED et al., and Ballares et al., purportedly representing over a million coconut farmers, sought and were allowed to intervene.[37] Meanwhile, the following incidents/events transpired:

1. On the postulate, *inter alia*, that its coco-farmer members own at least 51% of the outstanding capital stock of UCPB, the CIIF companies, etc., COCOFED et al., on November 29, 1989, filed *Class Action Omnibus Motion* praying for the lifting of the orders of sequestration referred to above and for a chance to present evidence to prove the coconut farmers' ownership of the UCPB and CIIF shares. The plea to present evidence was denied;

2. Later, the Republic moved for and secured approval of a motion for separate trial which paved the way for the subdivision of the causes of action in CC 0033, each detailing how the assets subject thereof were acquired and the key roles the principal played;

3. Civil Case 0033, pursuant to an order of the Sandiganbayan would be subdivided into eight complaints, docketed as CC 0033-A to CC 0033-H.[38]

Lobregat, Ballares *et al*., COCOFED, *et al*., on the strength of their authority to intervene in CC 0033, continued to participate in CC 0033-A where one of the issues raised was the misuse of the names/identities of the over a million coconut farmers;[39]

4. On February 23, 2001, Lobregat, COCOFED, Ballares *et al.,* filed a *Class Action Omnibus Motion* to enjoin the PCGG from voting the sequestered UCPB shares and the SMC shares registered in the names of the CIIF companies. The Sandiganbayan, by Order of February 28, 2001, granted the motion, sending the **Republic to come to this Court on certiorari, docketed as G.R. Nos. 147062-64, to annul said order; and**

5. By Decision of **December 14, 2001**, in **G.R. Nos. 147062-64** (*Republic v.*

COCOFED), [40] the Court declared the coco levy funds as *prima facie* public funds. And purchased as the sequestered UCPB shares were by such funds, beneficial ownership thereon and the corollary voting rights *prima facie* pertain, according to the Court, to the government.

The instant proceedings revolve around CC 0033-A (*Re: Anomalous Purchase and Use of [FUB] now [UCPB]*)[41] and CC 0033-F (*Re: Acquisition of San Miguel Corporation Shares of Stock*), the first case pivoting mainly on the series of transactions culminating in the alleged anomalous purchase of 72.2% of FUB's outstanding capital stock and the transfer by PCA of a portion thereof to private individuals. COCOFED, et al. and Ballares, et al. participated in CC No. 0033-A as class action movants.

Petitioners COCOFED et al.[42] and Ursua[43] narrate in their petitions how the farmers' UCPB shares in question ended up in the possession of those as hereunder indicated:

1) The farmers' UCPB shares were originally registered in the name of PCA for the eventual free distribution thereof to and registration in the individual names of the coconut farmers in accordance with PD 755 and the IRR that PCA shall issue;

2) Pursuant to the stock distribution procedures set out in PCA Administrative Order No. 1, s. of 1975, (PCA AO 1),[44] farmers who had paid to the CIF under RA 6260 and registered their COCOFUND (CIF) receipts with PCA were given their corresponding UCPB stock certificates. As of June 1976, the cut-off date for the extended registration, only 16 million worth of COCOFUND receipts were registered, leaving over 50 million shares undistributed;

3) PCA would later pass Res. 074-78, s. of 1978, to allocate the 50 million undistributed shares to (a) farmers who were already recipients thereof and (b) qualified farmers to be identified by COCOFED after a national census.

4) As of May 1981, some 15.6 million shares were still held by and registered in the name of COCOFED "*in behalf of coconut farmers*" for distribution immediately after the completion of the national census, to all those determined by the PCA to be *bonafide* coconut farmers, but who have not received the bank shares;[45] and

5) Prior to June 1986, a large number of coconut farmers opted to sell all/part of their UCPB shares below their par value. This prompted the UCPB Board to authorize the CIIF companies to buy these shares. **Some 40.34 million common voting shares of UCPB ended up with these CIIF companies** albeit initially registered in the name of UCPB.

On the other hand, the subject of CC 0033-F are two (2) blocks of SMC shares of stock, the first referring to shares purchased through and registered in the name of the CIIF holding companies. The purported ownership of the second block of SMC shares is for the nonce irrelevant to the disposition of this case. During the time material, the CIIF block of SMC shares represented 27% of the outstanding capital stock of SMC.

Civil Case No. 0033-A

After the pre-trial, but before the Republic, as plaintiff *a quo*, could present, as it committed to, a list of UCPB stockholders as of February 25, 1986,[46] among other evidence, COCOFED, *et al.*, on the premise that the sequestered farmers' UCPB shares are not unlawfully acquired assets, filed in April 2001 their *Class Action Motion for a Separate Summary Judgment.* In it, they prayed for a judgment dismissing the complaint in CC 0033-A, for the reason that the over than a million unimpleaded coconut farmers own the UCPB shares. In March 2002, they filed *Class Action Motion for Partial Separate Trial* on the issue of whether said UCPB shares have legitimately become the private property of the million coconut farmers.

Correlatively, the Republic, on the strength of the December 14, 2001 ruling in *Republic v. COCOFED*[47] and on the argument, among others, that the claim of COCOFED and Ballares et al. over the subject UCPB shares is based solely on the supposed COCOFUND receipts issued for payment of the R.A. 6260 CIF levy, filed a *Motion for Partial Summary Judgment* [RE: COCOFED, et al. and Ballares, et al.] dated April 22, 2002, praying that a summary judgment be rendered declaring:

a. That Section 2 of [PD] 755, Section 5, Article III of P.D. 961 and Section 5, Article III of P.D. No. 1468 are unconstitutional;

b. That ... (CIF) payments under ... (R.A.) No. 6260 are not valid and legal bases for ownership claims over UCPB shares; and

c. That COCOFED, *et al.,* and Ballares, *et al.* have not legally and validly obtained title over the subject UCPB shares.

After an exchange of pleadings, the Republic filed its sur-rejoinder praying that it be conclusively held to be the true and absolute owner of the coconut levy funds and the UCPB shares acquired therefrom.[48]

A joint hearing on the separate motions for summary judgment to determine what material facts exist with or without controversy followed.[49] By Order[50] of March 11, 2003, the Sandiganbayan detailed, based on this Court's ruling in related cases, the parties'

manifestations made in open court and the pleadings and evidence on record, the facts it found to be without substantial controversy, together with the admissions and/or extent of the admission made by the parties respecting relevant facts, as follows:

> As culled from the exhaustive discussions and manifestations of the parties in open court of their respective pleadings and evidence on record, the facts which exist without any substantial controversy are set forth hereunder, together with the admissions and/or the extent or scope of the admissions made by the parties relating to the relevant facts:
>
> 1. The late President Ferdinand E. Marcos was President ... for two terms . . . and, during the second term, ... declared Martial Law through Proclamation No. 1081 dated September 21, 1972.
>
> 2. On January 17, 1973, [he] issued Proclamation No. 1102 announcing the ratification of the 1973 Constitution.
>
> 3. From January 17, 1973 to April 7, 1981, [he] . . .exercised the powers and prerogative of President under the 1935 Constitution and the powers and prerogative of President . . . the 1973 Constitution.
>
> [He] ...promulgated various [P.D.s], among which were P.D. No. 232, P.D. No. 276, P.D. No. 414, P.D. No. 755, P.D. No. 961 and P.D. No. 1468.
>
> 4. On April 17, 1981, amendments to the 1973 Constitution were effected and, on June 30, 1981, [he], after being elected President, "reassumed the title and exercised the powers of the President until 25 February 1986."
>
> 5. Defendants Maria Clara Lobregat and Jose R. Eleazar, Jr. were [PCA] Directors ... during the period 1970 to 1986....
>
> 6. Plaintiff admits the existence of the following agreements which are attached as Annexes "A" and "B" to the Opposition dated October 10, 2002 of defendant Eduardo M. Cojuangco, Jr. to the above-cited Motion for Partial Summary Judgment:
>
> > a) "Agreement made and entered into this _____ day of May, 1975 at Makati, Rizal, Philippines, by and between:
> >
> > PEDRO COJUANGCO, Filipino, x x x, for and in his own behalf and in behalf of certain other stockholders of First United Bank listed in Annex "A" attached hereto (hereinafter collectively called the SELLERS);

- and -

EDUARDO COJUANGCO, JR., Filipino, x x x, represented in this act by his duly authorized attorney-in-fact, EDGARDO J. ANGARA, for and in his own behalf and in behalf of certain other buyers, (hereinafter collectively called the BUYERS)";

WITNESSETH: That

WHEREAS, the SELLERS own of record and beneficially a total of 137,866 shares of stock, with a par value of P100.00 each, of the common stock of the First United Bank (the "Bank"), a commercial banking corporation existing under the laws of the Philippines;

WHEREAS, the BUYERS desire to purchase, and the SELLERS are willing to sell, the aforementioned shares of stock totaling 137,866 shares (hereinafter called the "Contract Shares") owned by the SELLERS due to their special relationship to EDUARDO COJUANGCO, JR.;

NOW, THEREFORE, for and in consideration of the premises and the mutual covenants herein contained, the parties agree as follows:

1. Sale and Purchase of Contract Shares

Subject to the terms and conditions of this Agreement, the SELLERS hereby sell, assign, transfer and convey unto the BUYERS, and the BUYERS hereby purchase and acquire, the Contract Shares free and clear of all liens and encumbrances thereon.

2. Contract Price

The purchase price per share of the Contract Shares payable by the BUYERS is P200.00 or an aggregate price of P27,573,200.00 (the "Contract Price").

3. Delivery of, and payment for, stock certificates

Upon the execution of this Agreement, (i) the SELLERS shall deliver to the BUYERS the stock certificates representing the Contract Shares, free and clear of all liens, encumbrances, obligations, liabilities and other burdens in favor of the Bank or third parties, duly endorsed in blank or with stock powers sufficient to transfer the shares to bearer; and (ii) BUYERS shall deliver to the SELLERS P27,511,295.50 representing the

Contract Price less the amount of stock transfer taxes payable by the SELLERS, which the BUYERS undertake to remit to the appropriate authorities. (Emphasis added.)

4. Representation and Warranties of Sellers

The SELLERS respectively and independently of each other represent and warrant that:

(a) The SELLERS are the lawful owners of, with good marketable title to, the Contract Shares and that (i) the certificates to be delivered pursuant thereto have been validly issued and are fully paid and no-assessable; (ii) the Contract Shares are free and clear of all liens, encumbrances, obligations, liabilities and other burdens in favor of the Bank or third parties...

This representation shall survive the execution and delivery of this Agreement and the consummation or transfer hereby contemplated.

(b) The execution, delivery and performance of this Agreement by the SELLERS does not conflict with or constitute any breach of any provision in any agreement to which they are a party or by which they may be bound.

(c) They have complied with the condition set forth in Article X of the Amended Articles of Incorporation of the Bank.

5. Representation of BUYERS ....

6. Implementation

The parties hereto hereby agree to execute or cause to be executed such documents and instruments as may be required in order to carry out the intent and purpose of this Agreement.

7. Notices ....

IN WITNESS WHEREOF, the parties hereto have hereunto set their hands at the place and on the date first above written.

PEDRO COJUANGCO
(on his own behalf and in behalf of the other Sellers listed in Annex "A" hereof)(BUYERS)
(SELLERS)

EDUARDO COJUANGCO, JR.
(on his own behalf and in behalf of the other Buyers)

By:

EDGARDO J. ANGARA
Attorney-in-Fact

... ...

b) "Agreement for the Acquisition of a Commercial Bank for the Benefit of the Coconut Farmers of the Philippines, made and entered into this 25th day of May 1975 at Makati, Rizal, Philippines, by and between:

EDUARDO M. COJUANGCO, JR., x x x, hereinafter referred to as the SELLER;

- and -

PHILIPPINE COCONUT AUTHORITY, a public corporation created by Presidential Decree No. 232, as amended, for itself and for the benefit of the coconut farmers of the Philippines, (hereinafter called the BUYER)"

WITNESSETH: That

WHEREAS, on May 17, 1975, the Philippine Coconut Producers Federation ("PCPF"), through its Board of Directors, expressed the desire of the coconut farmers to own a commercial bank which will be an effective instrument to solve the perennial credit problems and, for that purpose, passed a resolution requesting the PCA to negotiate with the SELLER for the transfer to the coconut farmers of the SELLER's option to buy the First United Bank (the "Bank") under such terms and conditions as BUYER may deem to be in the best interest of the coconut farmers and instructed Mrs. Maria Clara Lobregat to convey such request to the BUYER;

WHEREAS, the PCPF further instructed Mrs. Maria Clara Lobregat to make representations with the BUYER to utilize its funds to finance the purchase of the Bank;

WHEREAS, the SELLER has the exclusive and personal option to buy 144,400 shares (the "Option Shares") of the Bank, constituting 72.2% of the present outstanding shares of stock of the Bank, at the

price of P200.00 per share, which option only the SELLER can validly exercise;

WHEREAS, in response to the representations made by the coconut farmers, the BUYER has requested the SELLER to exercise his personal option for the benefit of the coconut farmers;

WHEREAS, the SELLER is willing to transfer the Option Shares to the BUYER at a price equal to his option price of P200 per share;

WHEREAS, recognizing that ownership by the coconut farmers of a commercial bank is a permanent solution to their perennial credit problems, that it will accelerate the growth and development of the coconut industry and that the policy of the state which the BUYER is required to implement is to achieve vertical integration thereof so that coconut farmers will become participants in, and beneficiaries of, the request of PCPF that it acquire a commercial bank to be owned by the coconut farmers and, appropriated, for that purpose, the sum of P150 Million to enable the farmers to buy the Bank and capitalize the Bank to such an extension as to be in a position to adopt a credit policy for the coconut farmers at preferential rates;

WHEREAS, x x x the BUYER is willing to subscribe to additional shares ("Subscribed Shares") and place the Bank in a more favorable financial position to extend loans and credit facilities to coconut farmers at preferential rates;

NOW, THEREFORE, for and in consideration of the foregoing premises and the other terms and conditions hereinafter contained, the parties hereby declare and affirm that their principal contractual intent is (1) to ensure that the coconut farmers own at least 60% of the outstanding capital stock of the Bank; and (2) that the SELLER shall receive compensation for exercising his personal and exclusive option to acquire the Option Shares, for transferring such shares to the coconut farmers at the option price of P200 per share, and for performing the management services required of him hereunder.

1. To ensure that the transfer to the coconut farmers of the Option Shares is effected with the least possible delay and to provide for the faithful performance of the obligations of the parties hereunder, the parties hereby appoint the Philippine National Bank as their escrow agent (the "Escrow Agent").

Upon execution of this Agreement, the BUYER shall deposit with the Escrow Agent such amount as may be necessary to implement

the terms of this Agreement....

2. As promptly as practicable after execution of this Agreement, the SELLER shall exercise his option to acquire the Option Share and SELLER shall immediately thereafter deliver and turn over to the Escrow Agent such stock certificates as are herein provided to be received from the existing stockholders of the Bank by virtue of the exercise on the aforementioned option....

3. To ensure the stability of the Bank and continuity of management and credit policies to be adopted for the benefit of the coconut farmers, the parties undertake to cause the stockholders and the Board of Directors of the Bank to authorize and approve a management contract between the Bank and the SELLER under the following terms:

(a) The management contract shall be for a period of five (5) years, renewable for another five (5) years by mutual agreement of the SELLER and the Bank;

(b) The SELLER shall be elected President and shall hold office at the pleasure of the Board of Directors. While serving in such capacity, he shall be entitled to such salaries and emoluments as the Board of Directors may determine;

(c) The SELLER shall recruit and develop a professional management team to manage and operate the Bank under the control and supervision of the Board of Directors of the Bank;

(d) The BUYER undertakes to cause three (3) persons designated by the SELLER to be elected to the Board of Directors of the Bank;

(e) The SELLER shall receive no compensation for managing the Bank, other than such salaries or emoluments to which he may be entitled by virtue of the discharge of his function and duties as President, provided ... and

(f) The management contract may be assigned to a management company owned and controlled by the SELLER.

4. As compensation for exercising his personal and exclusive option to acquire the Option Shares and for transferring such shares to the coconut farmers, as well as for performing the management services required of him, SELLER shall receive equity in the Bank

amounting, in the aggregate, to 95,304 fully paid shares in accordance with the procedure set forth in paragraph 6 below;

5. In order to comply with the Central Bank program for increased capitalization of banks and to ensure that the Bank will be in a more favorable financial position to attain its objective to extend to the coconut farmers loans and credit facilities, the BUYER undertakes to subscribe to shares with an aggregate par value of P80,864,000 (the "Subscribed Shares"). The obligation of the BUYER with respect to the Subscribed Shares shall be as follows:

(a) The BUYER undertakes to subscribe, for the benefit of the coconut farmers, to shares with an aggregate par value of P15,884,000 from the present authorized but unissued shares of the Bank; and

(b) The BUYER undertakes to subscribe, for the benefit of the coconut farmers, to shares with an aggregate par value of P64,980,000 from the increased capital stock of the Bank, which subscriptions shall be deemed made upon the approval by the stockholders of the increase of the authorized capital stock of the Bank from P50 Million to P140 Million.

The parties undertake to declare stock dividends of P8 Million out of the present authorized but unissued capital stock of P30 Million.

6. To carry into effect the agreement of the parties that the SELLER shall receive as his compensation 95,304 shares:

(a) ....

(b) With respect to the Subscribed Shares, the BUYER undertakes, in order to prevent the dilution of SELLER's equity position, that it shall cede over to the SELLER 64,980 fully-paid shares out of the Subscribed Shares. Such undertaking shall be complied with in the following manner: ....

7. The parties further undertake that the Board of Directors and management of the Bank shall establish and implement a loan policy for the Bank of making available for loans at preferential rates of interest to the coconut farmers ....

8. The BUYER shall expeditiously distribute from time to time the shares of the Bank, that shall be held by it for the benefit of the coconut farmers of the Philippines under the provisions of this

Agreement, to such, coconut farmers holding registered COCOFUND receipts on such equitable basis as may be determine by the BUYER in its sound discretion.

9. ....

10. To ensure that not only existing but future coconut farmers shall be participants in and beneficiaries of the credit policies, and shall be entitled to the benefit of loans and credit facilities to be extended by the Bank to coconut farmers at preferential rates, the shares held by the coconut farmers shall not be entitled to pre-emptive rights with respect to the unissued portion of the authorized capital stock or any increase thereof.

11. After the parties shall have acquired two-thirds (2/3) of the outstanding shares of the Bank, the parties shall call a special stockholders' meeting of the Bank:

(a) To classify the present authorized capital stock of P50,000,000 divided into 500,000 shares, with a par value of P100.00 per share into: 361,000 Class A shares, with an aggregate par value of P36,100,000 and 139,000 Class B shares, with an aggregate par value of P13,900,000. All of the Option Shares constituting 72.2% of the outstanding shares, shall be classified as Class A shares and the balance of the outstanding shares, constituting 27.8% of the outstanding shares, as Class B shares;

(b) To amend the articles of incorporation of the Bank to effect the following changes:

(i) change of corporate name to First United Coconut Bank;

(ii) replace the present provision restricting the transferability of the shares with a limitation on ownership by any individual or entity to not more than 10% of the outstanding shares of the Bank;

(iii) provide that the holders of Class A shares shall not be entitled to pre-emptive rights with respect to the unissued portion of the authorized capital stock or any increase thereof; and

(iv) provide that the holders of Class B shares shall be

absolutely entitled to pre-emptive rights, with respect to the unissued portion of Class B shares comprising part of the authorized capital stock or any increase thereof, to subscribe to Class B shares in proportion t the subscriptions of Class A shares, and to pay for their subscriptions to Class B shares within a period of five (5) years from the call of the Board of Directors.

(c) To increase the authorized capital stock of the Bank from P50 Million to P140 Million....;

(d) To declare a stock dividend of P8 Million payable to the SELLER, the BUYER and other stockholders of the Bank out of the present authorized but unissued capital stock of P30 Million;

(e) To amend the by-laws of the Bank accordingly; and

(f) To authorize and approve the management contract provided in paragraph 2 above.

The parties agree that they shall vote their shares and take all the necessary corporate action in order to carry into effect the foregoing provisions of this paragraph 11 ....

12. It is the contemplation of the parties that the Bank shall achieve a financial and equity position to be able to lend to the coconut farmers at preferential rates.

In order to achieve such objective, the parties shall cause the Bank to adopt a policy of reinvestment, by way of stock dividends, of such percentage of the profits of the Bank as may be necessary.

13. The parties agree to execute or cause to be executed such documents and instruments as may be required in order to carry out the intent and purpose of this Agreement.

IN WITNESS WHEREOF, ...

PHILIPPINE COCONUT AUTHORITY
(BUYER)

By:

EDUARDO COJUANGCO, JR. MARIA CLARA L.

LOBREGAT
(SELLER)

... ...

7. Defendants Lobregat, *et al*. and COCOFED, *et al*. and Ballares, *et al*. admit that the ... (PCA) was the "other buyers" represented by .... Cojuangco, Jr. in the May 1975 Agreement entered into between Pedro Cojuangco (on his own behalf and in behalf of other sellers listed in Annex "A" of the agreement) and ... Cojuangco, Jr. (on his own behalf and in behalf of the other buyers). Defendant Cojuangco insists he was the "only buyer" under the aforesaid Agreement.

8. .....

9. Defendants Lobregat, *et al.,* and COCOFED, *et al.,* and Ballares, *et al*. admit that in addition to the 137,866 FUB shares of Pedro Cojuangco, et al. covered by the Agreement, other FUB stockholders sold their shares to PCA such that the total number of FUB shares purchased by PCA ... increased from 137,866 shares to 144,400 shares, the OPTION SHARES referred to in the Agreement of May 25, 1975. Defendant Cojuangco did not make said admission as to the said 6,534 shares in excess of the 137,866 shares covered by the Agreement with Pedro Cojuangco.

10. Defendants Lobregat, *et al*. and COCOFED, *et al*. and Ballares, *et al.* admit that the Agreement, described in Section 1 of Presidential Decree (P.D.) No. 755 dated July 29, 1975 as the "Agreement for the Acquisition of a Commercial Bank for the Benefit of Coconut Farmers" executed by the Philippine Coconut Authority" and incorporated in Section 1 of P.D. No. 755 by reference, refers to the "AGREEMENT FOR THE ACQUISITION OF A COMMERCIAL BANK FOR THE BENEFIT OF THE COCONUT FARMERS OF THE PHILIPPINES" dated May 25, 1975 between defendant Eduardo M. Cojuangco, Jr. and the [PCA] (Annex "B" for defendant Cojuangco's OPPOSITION TO PLAINTIFF'S MOTION FOR PARTIAL SUMMARY JUDGMENT [RE: EDUARDO M. COJUANGCO, JR.] dated September 18, 2002).

Plaintiff refused to make the same admission.

11. ... the Court takes judicial notice that P.D. No. 755 was published [in] ... volume 71 of the Official Gazette but the text of the agreement ... was not so published with P.D. No. 755.

12. Defendants Lobregat, *et al.* and COCOFED, *et al.* and Ballares, *et al.*

admit that the PCA used public funds, ... in the total amount of P150 million, to purchase the FUB shares amounting to 72.2% of the authorized capital stock of the FUB, although the **PCA was later reimbursed from the coconut levy funds** and that the PCA subscription in the increased capitalization of the FUB, which was later renamed the ... (UCPB), came from the said coconut levy funds....

13. Pursuant to the May 25, 1975 Agreement, out of the 72.2% shares of the authorized and the increased capital stock of the FUB (later UCPB), entirely paid for by PCA, 64.98% of the shares were placed in the name of the "PCA for the benefit of the coconut farmers" and 7,22% were given to defendant Cojuangco. The remaining 27.8% shares of stock in the FUB which later became the UCPB were not covered by the two (2) agreements referred to in item no. 6, par. (a) and (b) above.

"There were shares forming part of the aforementioned 64.98% which were later sold or transferred to non-coconut farmers.

14. Under the May 27, 1975 Agreement, defendant Cojuangco's equity in the FUB (now UCPB) was ten percent (10%) of the shares of stock acquired by the PCA for the benefit of the coconut farmers.

15. That the fully paid 95.304 shares of the FUB, later the UCPB, acquired by defendant ... Cojuangco, Jr. pursuant to the May 25, 1975 Agreement were paid for by the PCA in accordance with the terms and conditions provided in the said Agreement.

16. Defendants Lobregat, *et al.* and COCOFED, *et al.* and Ballares, *et al.* admit that the affidavits of the coconut farmers (specifically, Exhibit "1-Farmer" to "70-Farmer") uniformly state that:

a. they are coconut farmers who sold coconut products;
b. in the sale thereof, they received COCOFUND receipts pursuant to R.A. No. 6260;
c. they registered the said COCOFUND receipts; and
d. by virtue thereof, and under R.A. No. 6260, P.D. Nos. 755, 961 and 1468, they are allegedly entitled to the subject UCPB shares.

but subject to the following qualifications:

a. there were other coconut farmers who received UCPB shares although they did not present said COCOFUND receipt because the PCA distributed the unclaimed UCPB shares not only to those who already received their UCPB shares in exchange for their COCOFUND receipts

but also to the coconut farmers determined by a national census conducted pursuant to PCA administrative issuances;

b. [t]here were other affidavits executed by Lobregat, Eleazar, Ballares and Aldeguer relative to the said distribution of the unclaimed UCPB shares; and

c. the coconut farmers claim the UCPB shares by virtue of their compliance not only with the laws mentioned in item (d) above but also with the relevant issuances of the PCA such as, PCA Administrative Order No. 1, dated August 20, 1975 (Exh. "298-Farmer"); PCA Resolution No. 033-78 dated February 16, 1978....

The plaintiff did not make any admission as to the foregoing qualifications.

17. Defendants Lobregat, *et al*. and COCOFED, *et al*. and Ballares, *et al.* claim that the UCPB shares in question have legitimately become the private properties of the 1,405,366 coconut farmers solely on the basis of their having acquired said shares in compliance with R.A. No. 6260, P.D. Nos. 755, 961 and 1468 and the administrative issuances of the PCA cited above.

18. .....

On July 11, 2003, the Sandiganbayan issued the assailed PSJ-A finding for the Republic, the judgment accentuated by (a) the observation that COCOFED has all along manifested as representing over a million coconut farmers and (b) a declaration on the issue of ownership of UCPB shares and the unconstitutionality of certain provisions of P.D. No. 755 and its implementing regulations. On the matter of ownership in particular, the anti-graft court declared that the 64.98% sequestered "Farmers' UCPB shares," plus other shares paid by PCA are "***conclusively***" owned by the Republic. In its pertinent parts, PSJ-A, resolving the separate motions for summary judgment in *seriatim* with separate dispositive portions for each, reads:

WHEREFORE, in view of the foregoing, we rule as follows:

... ...

A. Re: CLASS ACTION MOTION FOR A SEPARATE SUMMARY JUDGMENT dated April 11, 2001 filed by Defendant Maria Clara L. Lobregat, COCOFED, *et al.,* and Ballares, *et al.*

The Class Action Motion for Separate Summary Judgment dated April 11, 2001 filed by defendant Maria Clara L. Lobregat, COCOFED, et al. and Ballares, et

al., is hereby DENIED for lack of merit.

B. Re: MOTION FOR PARTIAL SUMMARY JUDGMENT (RE: COCOFED, *ET AL.* AND BALLARES, *ET AL.)* dated April 22, 2002 filed by Plaintiff.

1. a. Section 1 of P.D. No. 755, taken in relation to Section 2 of the same P.D., is unconstitutional: (i) for having allowed the use of the CCSF to benefit directly private interest by the outright and unconditional grant of absolute ownership of the FUB/UCPB shares paid for by PCA entirely with the CCSF to the undefined "coconut farmers", which negated or circumvented the national policy or public purpose declared by P.D. No. 755 to accelerate the growth and development of the coconut industry and achieve its vertical integration; and (ii) for having unduly delegated legislative power to the PCA.

   b. The implementing regulations issued by PCA, namely, Administrative Order No. 1, Series of 1975 and Resolution No. 074-78 are likewise invalid for their failure to see to it that the distribution of shares serve exclusively or at least primarily or directly the aforementioned public purpose or national policy declared by P.D. No. 755.
2. Section 2 of P.D. No. 755 which mandated that the coconut levy funds shall not be considered special and/or fiduciary funds nor part of the general funds of the national government and similar provisions of Sec. 5, Art. III, P.D. No. 961 and Sec. 5, Art. III, P.D. No. 1468 contravene the provisions of the Constitution, particularly, Art. IX (D), Sec. 2; and Article VI, Sec. 29 (3).
3. Lobregat, COCOFED, *et al.* and Ballares, *et al.* have not legally and validly obtained title of ownership over the subject UCPB shares by virtue of P.D. No. 755, the Agreement dated May 25, 1975 between the PCA and defendant Cojuangco, and PCA implementing rules, namely, Adm. Order No. 1, s. 1975 and Resolution No. 074-78.
4. The so-called "Farmers' UCPB shares" covered by 64.98% of the UCPB shares of stock, which formed part of the 72.2% of the shares of stock of the former FUB and now of the UCPB, the entire consideration of which was charged by PCA to the CCSF, are hereby declared conclusively owned by, the Plaintiff Republic of the Philippines.

C. Re: MOTION FOR PARTIAL SUMMARY JUDGMENT (RE: EDUARDO M. COJUANGCO, JR.) dated September 18, 2002 filed by Plaintiff.

1. Sec. 1 of P.D. No. 755 did not validate the Agreement between PCA and defendant Eduardo M. Cojuangco, Jr. dated May 25, 1975 nor did it give the Agreement the binding force of a law because of the non-publication of the said Agreement.

2. Regarding the questioned transfer of the shares of stock of FUB (later UCPB) by PCA to defendant Cojuangco or the so-called "Cojuangco UCPB shares" which cost the PCA more than Ten Million Pesos in CCSF in 1975, we declare, that the transfer of the following FUB/UCPB shares to defendant Eduardo M. Cojuangco, Jr. was not supported by valuable consideration, and therefore null and void:

   a. The 14,400 shares from the "Option Shares";
   b. Additional Bank Shares Subscribed and Paid by PCA, consisting of:

   1. Fifteen Thousand Eight Hundred Eighty-Four (15,884) shares out of the authorized but unissued shares of the bank, subscribed and paid by PCA;

   2. Sixty Four Thousand Nine Hundred Eighty (64,980) shares of the increased capital stock subscribed and paid by PCA; and

   3. Stock dividends declared pursuant to paragraph 5 and paragraph 11 (iv) (d) of the Agreement.

3. The above-mentioned shares of stock of the FUB/UCPB transferred to defendant Cojuangco are hereby declared conclusively owned by the Republic of the Philippines.
4. The UCPB shares of stock of the alleged fronts, nominees and dummies of defendant Eduardo M. Cojuangco, Jr. which form part of the 72.2% shares of the FUB/UCPB paid for by the PCA with public funds later charged to the coconut levy funds, particularly the CCSF, belong to the plaintiff Republic of the Philippines as their true and beneficial owner.

Let trial of this Civil Case proceed with respect to the issues which have not been disposed of in this Partial Summary Judgment. For this purpose, the plaintiff's Motion Ad Cautelam to Present Additional Evidence dated March 28, 2001 is hereby GRANTED.

From PSJ-A, Lobregat moved for reconsideration which COCOFED, et al. and Ballares, et al. adopted. All these motions were denied in the extended assailed Resolution[51] of December 28, 2004.

Civil Case No. 0033-F

Here, the Republic, after filing its pre-trial brief, interposed a *Motion for Judgment on the Pleadings and/or for [PSJ] (Re: Defendants CIIF Companies, 14 Holding Companies and COCOFED, et al.)* praying that, in light of the parties' submissions and the supervening ruling in *Republic v. COCOFED*[52] which left certain facts beyond question, a judgment

issue:

1) Declaring Section 5 of Article III of P.D. No. 961 (Coconut Industry Code) and Section 5 of Article III of P.D. No. 1468 (Revised Coconut Industry Code) to be unconstitutional;
2) Declaring that CIF payments under RA No. 6260 are not valid and legal bases for ownership claims over the CIIF companies and, ultimately, the CIIF block of SMC shares; and
3) Ordering the reconveyance of the CIIF companies, the 14 holding companies, and the 27% CIIF block of San Miguel Corporation shares of stocks in favor of the government and declaring the ownership thereof to belong to the government in trust for all the coconut farmers.

At this juncture, it may be stated that, vis-à-vis CC 0033-F, Gabay Foundation, Inc. sought but was denied leave to intervene. But petitioners COCOFED, et al. moved and were allowed to intervene[53] on the basis of their claim that COCOFED members beneficially own the block of SMC shares held by the CIIF companies, at least 51% of whose capitol stock such members own. The claim, as the OSG explained, arose from the interplay of the following: (a) COCOFED et al.'s alleged majority ownership of the CIIF companies under Sections 9[54] and 10[55] of P.D. No. 1468, and (b) their alleged entitlement to shares in the CIIF companies by virtue of their supposed registration of COCOFUND receipts allegedly issued to COCOFED members upon payment of the R.A. 6260 CIF levy.[56]

Just as in CC No. 0033-A, the Sandiganbayan also conducted a hearing in CC No. 0033-F to determine facts that appeared without substantial controversy as culled from the records and, by Order[57] of February 23, 2004, outlined those facts.

On May 7, 2004, the Sandiganbayan, in light of its ruling in CC No. 0033-A and disposing of the issue on ownership of the CIIF oil and holding companies and their entire block of subject SMC shares, issued the assailed PSJ-F also finding for the Republic, the *fallo* of which pertinently reading:

WHEREFORE, in view of the foregoing, we hold that:

The **Motion for Partial Summary Judgment (**Re: Defendants CIIF Companies, 14 Holding Companies and Cocofed et al.) filed by Plaintiff is hereby GRANTED. ACCORDINGLY, THE CIIF COMPANIES, namely:

1. Southern Luzon Coconut Oil Mills (SOLCOM);
2. Cagayan de Oro Oil Co., Inc. (CAGOIL);
3. Iligan Coconut Industries, Inc. (ILICOCO);
4. San Pablo Manufacturing Corp. (SPMC);

5. Granexport Manufacturing Corp. (GRANEX); and
6. Legaspi Oil Co., Inc. (LEGOIL),

AS WELL AS THE 14 HOLDING COMPANIES, NAMELY:

1. Soriano Shares, Inc.;
2. ACS Investors, Inc.;
3. Roxas Shares, Inc.;
4. Arc Investors, Inc.;
5. Toda Holdings, Inc.;
6. AP Holdings, Inc.;
7. Fernandez Holdings, Inc.;
8. SMC Officers Corps, Inc.;
9. Te Deum Resources, Inc.;
10. Anglo Ventures, Inc.;
11. Randy Allied Ventures, Inc.;
12. Rock Steel Resources, Inc.;
13. Valhalla Properties Ltd., Inc.; and
14. First Meridian Development, Inc.

AND THE CIIF BLOCK OF SAN MIGUEL CORPORATION (SMC) SHARES OF STOCK TOTALLING 33,133,266 SHARES AS OF 1983 ... ARE DECLARED OWNED BY THE GOVERNMENT IN TRUST FOR ALL THE COCONUT FARMERS GOVERNMENT AND ORDERDED RECONVEYED TO THE GOVERNMENT.[58] (Emphasis and capitalization in the original; underscoring added.)

Let the trial of this Civil Case proceed with respect to the issues which have not been disposed of in this Partial Summary Judgment, including the determination of whether the CIIF Block of SMC Shares adjudged to be owned by the Government represents 27% of the issued and outstanding capital stock of SMC according to plaintiff or to 31.3% of said capital stock according to COCOFED, et al and Ballares, et al.

SO ORDERED.

Expressly covered by the declaration and the reconveyance directive are "*all dividends declared, paid and issued thereon as well as any increments thereto arising from, but not limited to, exercise of pre-emptive rights.*"

On May 26, 2004, COCOFED *et al.,* filed an omnibus motion (to dismiss for lack of subject matter jurisdiction or alternatively for reconsideration and to set case for trial), but

this motion was denied per the Sandiganbayan's Resolution[59] of December 28, 2004.

On May 11, 2007, in CC 0033-A, the Sandiganbayan issued a Resolution[60] denying Lobregat's and COCOFED's separate motions to set the case for trial/hearing, noting that there is no longer any point in proceeding to trial when the issue of their claim of ownership of the sequestered UCPB shares and related sub-issues have already been resolved in PSJ-A.

For ease of reference, PSJ-A and PSJ-F each originally decreed trial or further hearing on issues yet to be disposed of. However, the Resolution[61] issued on June 5, 2007 in CC 0033-A and the Resolution[62] of May 11, 2007 rendered in CC 0033-F effectively modified the underlying partial summary judgments by **deleting that portions on the necessity of further trial on the issue of ownership of (1) the sequestered UCPB shares, (2) the CIIF block of SMC shares and (3) the CIIF companies**. As the anti-graft court stressed in both resolutions, the said issue of ownership has been finally resolved in the corresponding PSJs.[63]

Hence, the instant petitions.

The Issues

COCOFED et al., in G.R. Nos. 177857-58, impute reversible error on the Sandiganbayan for (a) assuming jurisdiction over CC Nos. 0033-A and 0033-F despite the Republic's failure to establish below the jurisdictional facts, i.e., that the sequestered assets sought to be recovered are ill-gotten in the context of E.O. Nos. 1, 2, 14 and 14-A; (b) declaring certain provisions of coco levy issuances unconstitutional; and (c) denying the petitioners' plea to prove that the sequestered assets belong to coconut farmers. Specifically, petitioners aver:

> I. The Sandiganbayan gravely erred ... when it refused to acknowledge that it did not have subject matter jurisdiction over the ill-gotten wealth cases because the respondent Republic failed to prove, and did not even attempt to prove, the jurisdictional fact that the sequestered assets constitute ill-gotten wealth of former President Marcos and Cojuangco. Being without subject matter jurisdiction over the ill-gotten wealth cases, a defect previously pointed out and repeatedly assailed by COCOFED, *et al.,* the assailed PSJs and the assailed Resolutions are all null and void.
>
> > A. Insofar as the ill-gotten wealth cases are concerned, the Sandiganbayan's subject matter jurisdiction is limited to the recovery of "ill-gotten wealth" as defined in Eos 1, 2, 14 and 14-A. Consistent with that jurisdiction, the subdivided complaints in the ill-gotten wealth cases expressly alleged that the sequestered assets constitutes "ill-gotten wealth"

of former President Marcos and Cojuangco, having been filed pursuant to, and in connection with, Eos 1, 2, 14 and 14-A, the Sandiganbayan gravely erred, if not exceeded its jurisdiction, when it refused to require the respondent Republic to prove the aforesaid jurisdictional fact.

B. .... Having no evidence on record to prove the said jurisdictional fact, the Sandiganbayan gravely erred, if not grossly exceeded its statutory jurisdiction, when it rendered the assailed PSJs instead of dismissing the ill-gotten wealth cases....

C. Under Section 1 of Rule 9 of the Rules of Court, lack of jurisdiction over the subject matter may be raised at any stage of the proceedings.... In any event, in pursuing its intervention in the ill-gotten wealth cases, COCOFED, et al precisely questioned the Sandiganbayan's subject matter jurisdiction, asserted that the jurisdictional fact does not exist, moved to dismiss the ill-gotten wealth cases and even prayed that the writs of sequestration over the sequestered assets be lifted. In concluding that those actions constitute an "invocation" of its jurisdiction, the Sandiganbayan clearly acted whimsically, capriciously and in grave abuse of its discretion.

II. Through the assailed PSJs and the assailed Resolutions, the Sandiganbayan declared certain provisions of the coconut levy laws as well as certain administrative issuances of the PCA as unconstitutional. In doing so, the Sandiganbayan erroneously employed, if not grossly abused, its power of judicial review....

A. ... the Sandiganbayan gravely erred, if not brazenly exceeded its statutory jurisdiction and abused the judicial powers, when it concluded that the public purpose of certain coconut levy laws was not evident, when it thereupon formulated its own public policies and purposes for the coconut levy laws and at the same time disregarded the national policies specifically prescribed therein.

B. In ruling that "it is not clear or evident how the means employed by the [coconut levy] laws" would "serve the avowed purpose of the law" or "can serve a public purpose", the Sandiganbayan erroneously examined, determined and evaluated the wisdom of such laws, a constitutional power within the exclusive province of the legislative department.

C. The Sandiganbayan gravely erred in declaring Section 1 of PD 755, PCA [AO] 1 and PCA Resolution No. 074-78 constitutionally infirm by reason of alleged but unproven and unsubstantiated flaws in their implementation.

D. The Sandiganbayan gravely erred in concluding that Section 1 of PD 755 constitutes an undue delegation of legislative power insofar as it authorizes the PCA to promulgate rules and regulations governing the distribution of the UCPB shares to the coconut farmers. Rather, taken in their proper context, Section 1 of PD 755 was complete in itself, [and] prescribed sufficient standards that circumscribed the discretion of the PCA....

More importantly, this Honorable Court has, on three (3) separate occasions, rejected respondent Republic's motion to declare the coconut levy laws unconstitutional. The Sandiganbayan gravely erred, if not acted in excess of its jurisdiction, when it ignored the settled doctrines of law of the case and/or *stare decisis* and granted respondent Republic's fourth attempt to declare the coconut levy laws unconstitutional, despite fact that such declaration of unconstitutionality was not necessary to resolve the ultimate issue of ownership involved in the ill-gotten wealth cases.

III. In rendering the assailed PSJs and thereafter refusing to proceed to trial on the merits, on the mere say-so of the respondent Republic, the Sandiganbayan committed gross and irreversible error, gravely abused its judicial discretion and flagrantly exceeded its jurisdiction as it effectively sanctioned the taking of COCOFED, *et al*.'s property by the respondent Republic without due process of law and through retroactive application of the declaration of unconstitutionality of the coconut levy laws, an act that is not only illegal and violative of the settled Operative Fact Doctrine but, more importantly, inequitable to the coconut farmers whose only possible mistake, offense or misfortune was to follow the law.

A. ....

1. In the course of the almost twenty (20) years that the ill-gotten wealth cases were pending, COCOFED, *et al*. repeatedly asked to be allowed to present evidence to prove that the true, actual and beneficial owners of the sequestered assets are the coconut farmers and not Cojuangco, an alleged "crony" of former President Marcos. The Sandiganbayan grievously erred and clearly abused its judicial discretion when it repeatedly and continuously denied COCOFED, *et al.* the opportunity to present their evidence to disprove the baseless allegations of the Ill-Gotten Wealth Cases that the sequestered assets constitute ill-gotten wealth of Cojuangco and of former President Marcos, an error that undeniably and illegally deprived COCOFED, et al of their constitutional right to be heard.

2. The Sandiganbayan erroneously concluded that the Assailed PSJs

and Assailed Resolutions settled the ultimate issue of ownership of the Sequestered Assets and, more importantly, resolved all factual and legal issues involved in the ill-gotten wealth cases. Rather, as there are triable issues still to be resolved, it was incumbent upon the Sandiganbayan to receive evidence thereon and conduct trial on the merits.

3. Having expressly ordered the parties to proceed to trial and thereafter decreeing that trial is unnecessary as the Assailed PSJs were "final" and "appealable" judgments, the Sandiganbayan acted whimsically, capriciously and contrary to the Rules of Court, treated the parties in the ill-gotten wealth cases unfairly, disobeyed the dictate of this Honorable Court and, worse, violated COCOFED, et al's right to due process and equal protection of the laws.

B. The Sandiganbayan gravely erred if not grossly abused its discretion when it repeatedly disregarded, and outrightly refused to recognize, the operative facts that existed as well as the rights that vested from the time the coconut levy laws were enacted until their declaration of unconstitutionality in the assailed PSJs. As a result, the assailed PSJs constitute a proscribed retroactive application of the declaration of unconstitutionality, a taking of private property, and an impairment of vested rights of ownership, all without due process of law.[64] Otherwise stated, the assailed PSJs and the assailed Resolutions effectively penalized the coconut farmers whose only possible mistake, offense or misfortune was to follow the laws that were then legal, valid and constitutional.

IV. The voluminous records of these ill-gotten wealth cases readily reveal the various dilatory tactics respondent Republic resorted to.... As a result, despite the lapse of almost twenty (20) years of litigation, the respondent Republic has not been required to, and has not even attempted to prove, the bases of its perjurious claim that the sequestered assets constitute ill-gotten wealth of former President Marcos and his crony, Cojuangco. In tolerating respondent Republic's antics for almost twenty (20) years..., the Sandiganbayan so glaringly departed from procedure and thereby flagrantly violated COCOFED, et al.'s right to speedy trial.

In G.R. No. 178193, petitioner Ursua virtually imputes to the Sandiganbayan the same errors attributed to it by petitioners in G.R. Nos. 177857-58.[65] He replicates as follows:

I

The Sandiganbayan decided in a manner not in accord with the Rules of Court

and settled jurisprudence in rendering the questioned PSJ as final and appealable thereafter taking the sequestered assets from their owners or record without presentation of any evidence, thus, the questioned PSJ and the questioned Resolutions are all null and void.

A. The Sandiganbayan's jurisdiction insofar as the ill-gotten wealth cases are concerned, is limited to the recovery of "ill-gotten wealth" as defined in Executive Orders No. 1, 2, 14 and 14-A.

B. The Sandiganbayan should have decided to dismiss the case or continue to receive evidence instead of ruling against the constitutionality of some coconut levy laws and PCA issuances because it could decide on other grounds available to it.

II

The Sandiganbayan gravely erred when it declared PD. 755, Section 1 and 2, Section 5, Article 1 of PD 961, and Section 5 of Art. III of PD 1468 as well as administrative issuances of the PCA as unconstitutional in effect, it abused it power of judicial review....

A. The Sandiganbayan gravely erred in concluding that the purpose of PD 755 Section 1 and 2, Section 5, Article 1 of PD 961, and Section 5 of Art. III of PD 1468 is not evident. It then proceeded to formulated its own purpose thereby intruding into the wisdom of the legislature in enacting [t]he law.

B. The Sandiganbayan gravely erred in declaring Section 1 of PD 755, PCA [AO] No. 1 and PCA Resolution No. 074-78 unconstitutional due to alleged flaws in their implementation.

C. The Sandiganbayan gravely erred in concluding that Section 1 of PD No. 755 constitutes an undue delegation of legislative power insofar as it authorizes the PCA to promulgate rules and regulations governing the distribution of the UCPB shares to the coconut farmers. Section 1 of PD 755 was complete in itself, prescribed sufficient standards that circumscribed the discretion of the PCA and merely authorized the PCA to fill matters of detail an execution through promulgated rules and regulations.

III

The coconut levy laws, insofar as they allowed the PCA to promulgate rules and regulations governing the distribution of the UCPB to the coconut farmers, do not constitute an undue delegation of legislative power as they were complete in themselves and prescribed sufficient standards that circumscribed the discretion of the PCA.

IV

Assuming ex-gratia argumenti that the coconut levy laws are unconstitutional, still, the owners thereof cannot be deprived of their property without due process of law considering that they have in good faith acquired vested rights over the sequestered assets.

In sum, the instant petitions seek to question the decisions of the Sandiganbayan in both CC Nos. 0033-A and 0033-F, along with the preliminary issues of objection. We shall address at the outset, (1) the common preliminary questions, including jurisdictional issue, followed by (2) the common primary contentious issues (*i.e.* constitutional questions), and (3) the issues particular to each case.

The Court's Ruling

I

The Sandiganbayan has jurisdiction over the subject matter ofthe subdivided amended complaints.

The primary issue, as petitioners COCOFED, et al. and Ursua put forward, boils down to the Sandiganbayan's alleged lack of jurisdiction over the subject matter of the amended complaints. Petitioners maintain that the jurisdictional facts necessary to acquire jurisdiction over the subject matter in CC No. 0033-A have yet to be established. In fine, the Republic, so petitioners claim, has failed to prove the ill-gotten nature of the sequestered coconut farmers' UCPB shares. Accordingly, the controversy is removed from the subject matter jurisdiction of the Sandiganbayan and necessarily any decision rendered on the merits, such as PSJ-A and PSJ-F, is void.

To petitioners, it behooves the Republic to prove the jurisdictional facts warranting the Sandiganbayan's continued exercise of jurisdiction over ill-gotten wealth cases. Citing *Manila Electric Company [Meralco] v. Ortañez*,[66] petitioners argue that the jurisdiction of an adjudicatory tribunal exercising limited jurisdiction, like the Sandiganbayan, "depends upon the facts of the case as proved at the trial and not merely upon the allegation in the complaint."[67] Cited too is *PCGG v. Nepumuceno*,[68] where the Court held:

> The determinations made by the PCGG at the time of issuing sequestration ... orders cannot be considered as final determinations; that the properties or entities sequestered or taken-over in fact constitute "ill-gotten wealth" according to [E.O.] No. 1 is a question which can be finally determined only by a court - the Sandiganbayan. The PCGG has the burden of proving before the Sandiganbayan that the assets it has sequestered or business entity it has provisionally taken-over constitutes "ill-gotten wealth" within the meaning of [E.O.] No. 1 and Article No. XVIII (26) of the 1987 Constitution.

Petitioners' above posture is without merit.

Justice Florenz D. Regalado explicates subject matter jurisdiction:

> 16. Basic ... is the doctrine that the jurisdiction of a court over the subject-matter of an action is conferred only by the Constitution or the law and that the Rules of Court yield to substantive law, in this case, the Judiciary Act and B.P. Blg. 129, both as amended, and of which jurisdiction is only a part. Jurisdiction ... cannot be acquired through, or waived, enlarged or diminished by, any act or omission of the parties; neither can it be conferred by the acquiescence of the court.... Jurisdiction must exist as a matter of law.... Consequently, questions of jurisdiction may be raised for the first time on appeal even if such issue was not raised in the lower court....
>
> 17. Nevertheless, in some case, the principle of estoppel by laches has been availed ... to bar attacks on jurisdiction....[69]

It is, therefore, clear that jurisdiction over the subject matter is conferred by law. In turn, the question on whether a given suit comes within the pale of a statutory conferment is determined by the allegations in the complaint, regardless of whether or not the plaintiff will be entitled at the end to recover upon all or some of the claims asserted therein.[70] We said as much in *Magay v. Estiandan*:[71]

> [J]urisdiction over the subject matter is determined by the allegations of the complaint, irrespective of whether or not the plaintiff is entitled to recover upon all or some of the claims asserted therein-a matter that can be resolved only after and as a result of the trial. Nor may the jurisdiction of the court be made to depend upon the defenses set up in the answer or upon the motion to dismiss, for, were we to be governed by such rule, the question of jurisdiction could depend almost entirely upon the defendant.

Of the same tenor was what the Court wrote in *Allied Domecq Philippines, Inc. v. Villon*: [72]

> Jurisdiction over the subject matter is the power to hear and determine the general class to which the proceedings in question belong. Jurisdiction over the subject matter is conferred by law and not by the consent or acquiescence of any or all of the parties or by erroneous belief of the court that it exists. Basic is the rule that jurisdiction over the subject matter is determined by the cause or causes of action as alleged in the complaint.

The material averments in subdivided CC No. 0033-A and CC No. 0033-F included the following:

> 12. Defendant Eduardo Cojuangco, Jr served as a public officer during the Marcos administration....
>
> 13. Defendant Eduardo Cojuangco, Jr., taking advantage of his association, influence and connection, acting in unlawful concert with the [Marcoses] and the individual defendants, embarked upon devices, schemes and stratagems, including the use of defendant corporations as fronts, to unjustly enrich themselves as the expense of the Plaintiff and the Filipino people, such as when he -
>
> a) manipulated, beginning the year 1975 with the active collaboration of Defendants ..., Marai Clara Lobregat, Danilo Ursua [etc.], the purchase by the ... (PCA) of 72.2% of the outstanding capital stock of the ... (FUB) which was subsequently converted into a universal bank named ... (UCPB) through the use of ... (CCSF) ... in a manner contrary to law and to the specific purposes for which said coconut levy funds were imposed and collected under P.D. 276 and under anomalous and sinister designs and circumstances, to wit:
>
> > (i) Defendant Eduardo Cojuangco, Jr. coveted the coconut levy funds as a cheap, lucrative and risk-free source of funds with which to exercise his private option to buy the controlling interest in FUB....
> >
> > (ii) to legitimize *a posteriori* his highly anomalous and irregular use and diversion of government funds to advance his own private and commercial interests ... Defendant Eduardo Cojuangco, Jr. caused the issuance ... of PD 755 (a) declaring that the coconut levy funds shall not be considered special and fiduciary and trust funds ... conveniently repealing for that purpose a series of previous decrees ... establishing the character of the coconut levy funds as special, fiduciary, trust and governments; (b) confirming the agreement between ...Cojuangco and PCA on the purchase

of FUB by incorporating by reference said private commercial agreement in PD 755;

(iii) ....

(iv) To perpetuate his opportunity ... to build his economic empire, ... Cojuangco caused the issuance of an unconstitutional decree (PD 1468) requiring the deposit of all coconut levy funds with UCPB interest free to the prejudice of the government and finally

(v) Having fully established himself as the undisputed "coconut king" with unlimited powers to deal with the coconut levy funds, the stage was now set for Defendant Eduardo Cojuangco, Jr. to launch his predatory forays into almost all aspects of Philippine activity namely .... oil mills.

(vi) In gross violation of their fiduciary positions and in contravention of the goal to create a bank for coconut farmers of the country, the capital stock of UCPB as of February 25, 1986 was actually held by the defendants, their lawyers, factotum and business associates, thereby finally gaining control of the UCPB by misusing the names and identities of the so-called "more than one million coconut farmers."

(b) created and/or funded with the use of coconut levy funds various corporations, such as ... (COCOFED) ... with the active collaboration and participation of Defendants Juan Ponce Enrile, Maria Clara Lobregat ... most of whom comprised the interlocking officers and directors of said companies; dissipated, misused and/or misappropriated a substantial part of said coco levy funds ... FINALLY GAIN OWNERSHIP AND CONTROL OF THE UNITED COCONUT PLANTERS BANK BY MISUSING THE NAMES AND/OR IDENTIFIES OF THE SO-CALLLED "MORE THAN ONE MILLION COCONUT FARNMERS;

(c) misappropriated, misused and dissipated P840 million of the ... (CIDF) levy funds deposited with the National Development Corporation (NIDC) as administrator -trustee of said funds and later with UCPB, of which Defendant Eduardo Cojuangco, Jr. was the Chief Executive Officer....

(d) established and caused to be funded with coconut levy fundfs, with the active collaboration of Defendants Ferdinand E. Marcos through the issuance of LOI 926 and of [other] defendants ... the United Coconut Oil Mills, Inc., a corporation controlled by Defendant Eduardo Cojuangco, Jr. and bought sixteen (16) certain competing oil mills at exorbitant prices ... then mothballed them....

... ...

(i) misused coconut levy funds to buy majority of the outstanding shares of stock of San Miguel Corporation....

... ...

14. Defendants Eduardo Cojuangco, Jr. ... of the Angara Concepcion Cruz Regala and Abello law offices (ACCRA) plotted, devised, schemed, conspired and confederated with each other in setting up, through the use of the coconut levy funds the financial and corporate structures that led to the establishment of UCPB UNICOM [etc.] and more than twenty other coconut levy funded corporations including the acquisition of [SMC] shares and its institutionalization through presidential directives of the coconut monopoly....

... ...

16. The acts of Defendants, singly or collectively, and /or in unlawful concert with one another, constitute gross abuse of official position and authority, flagrant breach of public trust and fiduciary obligations, brazen abuse of right and power, unjust enrichment, violation of the Constitution and laws ... to the grave and irreparable damage of the Plaintiff and the Filipino people.

CC No. 0033-F

12. Defendant Eduardo Cojuangco, Jr., served as a public officer during the Marcos administration....

13. Having fully established himself as the undisputed "coconut king" with unlimited powers to deal with the coconut levy funds, the stage was now set for ... Cojuangco, Jr. to launch his predatory forays into almost all aspects of Philippine economic activity namely ... oil mills ....

14. Defendant Eduardo Cojuangco, Jr., taking undue advantage of his association, influence, and connection, acting in unlawful concert with Defendants Ferdinand E. Marcos and Imelda R. Marcos, and the individual defendants, embarked upon devices, schemes and stratagems, including the use of defendant corporations as fronts, to unjustly enrich themselves at the expense of Plaintiff and the Filipino people....

> (a) Having control over the coconut levy, Defendant Eduardo M. Cojuangco invested the funds in diverse activities, such as the various businesses SMC was engaged in....;
>
> ... ...
>
> (c) Later that year [1983], Cojuangco also acquired the Soriano stocks through a series of complicated and secret agreements, a key feature of

which was a "voting trust agreement" that stipulated that Andres, Jr. or his heir would proxy over the vote of the shares owned by Soriano and Cojuangco....

... ...

(g) All together, Cojuangco purchased 33 million shares of the SMC through the ... 14 holding companies

... ...

3.1. The same fourteen companies were in turn owned by the ... six (6) so-called CIIF Companies....

(h) Defendant Corporations are but "shell" corporations owned by interlocking shareholders who have previously admitted that they are just "nominee stockholders" who do not have any proprietary interest over the shares in their names.... [L]awyers of the Angara Abello Concepcion Regala & Cruz (ACCRA) Law offices, the previous counsel who incorporated said corporations, prove that they were merely nominee stockholders thereof.

(l) These companies, which ACCRA Law Offices organized for Defendant Cojuangco to be able to control more than 60% of SMC shares, were funded by institutions which depended upon the coconut levy such as the UCPB, UNICOM, ... (COCOLIFE), among others. Cojuangco and his ACCRA lawyers used the funds from 6 large coconut oil mills and 10 copra trading companies to borrow money from the UCPB and purchase these holding companies and the SMC stocks. Cojuangco used $ 150 million from the coconut levy, broken down as follows:

Amount (in million)	Source	Purpose
$ 22.26	Oil Mills	equity in holding Companies
$ 65.6	Oil Mills	loan to holding Companies
$ 61.2	UCPB	loan to holding Companies [164]

The entire amount, therefore, came from the coconut levy, some passing through the Unicom Oil mills, others directly from the UCPB.

(m) With his entry into the said Company, it began to get favors from the

Marcos government, significantly the lowering of the excise taxes ... on beer, one of the main products of SMC.

15. Defendants ... plotted, devised, schemed, conspired and confederated with each other in setting up, through the use of coconut levy funds, the financial and corporate framework and structures that led to the establishment of UCPB, [etc.], and more than twenty other coconut levy-funded corporations, including the acquisition of [SMC] shares and its institutionalization through presidential directives of the coconut monopoly....

16. The acts of Defendants, singly or collectively, and/or in unlawful concert with one another, constitute gross abuse of official position and authority, flagrant breach of public trust and fiduciary obligations, brazen abuse of right and power, unjust enrichment, violation of the constitution and laws of the Republic of the Philippines, to the grave and irreparable damage of Plaintiff and the Filipino people.[73]

Judging from the allegations of the defendants' illegal acts thereat made, it is fairly obvious that both CC Nos. 0033-A and CC 0033-F partake, in the context of EO Nos. 1, 2 and 14, series of 1986, the nature of ill-gotten wealth suits. Both deal with the recovery of sequestered shares, property or business enterprises claimed, as alleged in the corresponding basic complaints, to be ill-gotten assets of President Marcos, his cronies and nominees and acquired by taking undue advantage of relationships or influence and/or through or as a result of improper use, conversion or **diversion** of government funds or property. Recovery of these assets--determined as shall hereinafter be discussed as *prima facie* ill-gotten--falls within the unquestionable jurisdiction of the Sandiganbayan.[74]

P.D. No. 1606, as amended by R.A. 7975 and E.O. No. 14, Series of 1986, vests the Sandiganbayan with, among others, original jurisdiction over civil and criminal cases instituted pursuant to and in connection with E.O. Nos. 1, 2, 14 and 14-A. Correlatively, the PCGG Rules and Regulations defines the term "*Ill-Gotten Wealth*" as "*any asset, property, business enterprise or material possession of persons within the purview of [E.O.] Nos. 1 and 2, acquired by them directly, or indirectly thru* ***dummies, nominees, agents, subordinates and/or business associates*** *by any of the following means or similar schemes*":

(1) Through misappropriation, conversion, misuse or malversation of public funds or raids on the public treasury;

(2) ....;

(3) By the illegal or fraudulent conveyance or disposition of assets belonging to the government or any of its subdivisions, agencies or instrumentalities or

government-owned or controlled corporations;

(4) By obtaining, receiving or accepting directly or indirectly any shares of stock, equity or any other form of interest or participation in any business enterprise or undertaking;

(5) Through the establishment of agricultural, industrial or commercial monopolies or other combination and/or by the issuance, promulgation and/or implementation of decrees and orders intended to benefit particular persons or special interests; and

(6) By taking undue advantage of official position, authority, relationship or influence for personal gain or benefit.[75] (Emphasis supplied)

Section 2(a) of E.O. No. 1 charged the PCGG with the task of assisting the President in "*[T]he recovery of all ill-gotten wealth accumulated by former ... [President] Marcos, his immediate family, relatives, subordinates and close associates ... including the takeover or sequestration of all business enterprises and entities owned or controlled by them, during his administration, directly or through* ***nominees****, by taking undue advantage of their public office and/or using their powers, authority, influence, connections or relationship.*" Complementing the aforesaid Section 2(a) is Section 1 of E.O. No. 2 decreeing the freezing of all assets *"in which the [Marcoses] their close relatives, subordinates, business associates, dummies, agents or nominees have any interest or participation*."

The Republic's averments in the amended complaints, particularly those detailing the alleged wrongful acts of the defendants, sufficiently reveal that the subject matter thereof comprises the recovery by the Government of ill-gotten wealth acquired by then President Marcos, his cronies or their associates and dummies through the unlawful, improper utilization or diversion of coconut levy funds aided by P.D. No. 755 and other sister decrees. President Marcos himself issued these decrees in a brazen bid to legalize what amounts to private taking of the said public funds.

Petitioners COCOFED et al. and Ursua, however, would insist that the Republic has failed to prove the jurisdiction facts: that the sequestered assets indeed constitute ill-gotten wealth as averred in the amended subdivided complaints.

This contention is incorrect.

There was no actual need for Republic, as plaintiff *a quo*, to adduce evidence to show that the Sandiganbayan has jurisdiction over the subject matter of the complaints as it leaned on the averments in the initiatory pleadings to make visible the jurisdiction of the Sandiganbayan over the ill-gotten wealth complaints. As previously discussed, a perusal of the allegations easily reveals the sufficiency of the statement of matters disclosing the claim of the government against the coco levy funds and the assets acquired directly or

indirectly through said funds as ill-gotten wealth. Moreover, the Court finds no rule that directs the plaintiff to first prove the subject matter jurisdiction of the court before which the complaint is filed. Rather, such burden falls on the shoulders of defendant in the hearing of a motion to dismiss anchored on said ground or a preliminary hearing thereon when such ground is alleged in the answer.

COCOFED et al. and Ursua's reliance on *Manila Electric Company [Meralco] v. Ortanez*[76] is misplaced, there being a total factual dissimilarity between that and the case at bar. *Meralco* involved a labor dispute before the Court of Industrial Relations (CIR) requiring the interpretation of a collective bargaining agreement to determine which between a regular court and CIR has jurisdiction. There, it was held that in case of doubt, the case may not be dismissed for failure to state a cause of action as jurisdiction of CIR is not merely based on the allegations of the complaint but must be proved during the trial of the case. The factual milieu of *Meralco* shows that the said procedural holding is peculiar to the CIR. Thus, it is not and could not be a precedent to the cases at bar.

Even *PCGG v. Nepomuceno*[77] is not on all fours with the cases at bench, the issue therein being whether the regional trial court has jurisdiction over the PCGG and sequestered properties, vis-à-vis the present cases, which involve an issue concerning the Sandiganbayan's jurisdiction. Like in *Meralco*, the holding in *Nepomuceno* is not determinative of the outcome of the cases at bar.

While the 1964 *Meralco* and the *Nepomuceno* cases are inapplicable, the Court's ruling in *Tijam v. Sibonhonoy*[78] is the leading case on estoppel relating to jurisdiction. In *Tijam*, the Court expressed displeasure on "the undesirable practice of a party submitting his case for decision and then accepting judgment, only if favorable, and then attacking it for lack of jurisdiction, when adverse."

Considering the antecedents of CC Nos. 0033-A and 0033-F, COCOFED, Lobregat, Ballares, et al. and Ursua are already precluded from assailing the jurisdiction of the Sandiganbayan. Remember that the COCOFED and the Lobregat group were not originally impleaded as defendants in CC No. 0033. They later asked and were allowed by the Sandiganbayan to intervene. If they really believe then that the Sandiganbayan is without jurisdiction over the subject matter of the complaint in question, then why intervene in the first place? They could have sat idly by and let the proceedings continue and would not have been affected by the outcome of the case as they can challenge the jurisdiction of the Sandiganbayan when the time for implementation of the flawed decision comes. More importantly, the decision in the case will have no effect on them since they were not impleaded as indispensable parties. After all, the joinder of all indispensable parties to a suit is not only mandatory, but jurisdictional as well.[79] By their intervention, which the Sandiganbayan allowed per its resolution dated September 30, 1991, COCOFED and Ursua have clearly manifested their desire to submit to the jurisdiction of the Sandiganbayan and seek relief from said court. Thereafter, they filed numerous pleadings in the subdivided complaints seeking relief and actively participated in numerous

proceedings. Among the pleadings thus filed are the *Oppositions to the Motion for Intervention* interposed by the Pambansang Koalisyon ng mga Samahang Magsasaka at Manggagawa sa Niyogan and Gabay ng Mundo sa Kaunlaran Foundation, Inc., a *Class Action Omnibus Motion* to enjoin the PCGG from voting the SMC shares dated February 23, 2001 (granted by Sandiganbayan) and the *Class Action Motion for a Separate Summary Judgment* dated April 11, 2001. By these acts, COCOFED et al. are now legally estopped from asserting the Sandiganbayn's want of jurisdiction, if that be the case, over the subject matter of the complaint as they have voluntarily yielded to the jurisdiction of the Sandiganbayan. Estoppel has now barred the challenge on Sandiganbayan's jurisdiction.

The ensuing excerpts from *Macahilig v. Heirs of Magalit*[80] are instructive:

> We cannot allow her to attack its jurisdiction simply because it rendered a Decision prejudicial to her position. Participation in all stages of a case before a trial court effectively estops a party from challenging its jurisdiction. One cannot belatedly reject or repudiate its decision after voluntarily submitting to its jurisdiction, just to secure affirmative relief against one's opponent or after failing to obtain such relief. If, by deed or conduct, a party has induced another to act in a particular manner, estoppel effectively bars the former from adopting an inconsistent position, attitude or course of conduct that thereby causes loss or injury to the latter.

Lest it be overlooked, this Court has already decided that the sequestered shares are *prima facie* ill-gotten wealth rendering the issue of the validity of their sequestration and of the jurisdiction of the Sandiganbayan over the case beyond doubt. In the case of *COCOFED v. PCGG*,[81] We stated that:

> It is of course not for this Court to pass upon the factual issues thus raised. That function pertains to the Sandiganbayan in the first instance. For purposes of this proceeding, all that the Court needs to determine is whether or not there is *prima facie* justification for the sequestration ordered by the PCGG. The Court is satisfied that there is. **The cited incidents, given the public character of the coconut levy funds, place petitioners COCOFED and its leaders and officials, at least prima facie, squarely within the purview of Executive Orders Nos. 1, 2 and 14,** as construed and applied in **BASECO,** to wit:
>
> "1. that ill-gotten properties (were) amassed by the leaders and supporters of the previous regime;
>
> "a. more particularly, that `(i)ll-gotten wealth was accumulated by ... Marcos, his immediate family, relatives, subordinates and close associates, ... (and) business enterprises and entities (came to be) owned or controlled by them,

during ... (the Marcos) administration, directly or through nominees, *by taking undue advantage of their public office and using their powers, authority, influence, connections or relationships*';

"b. otherwise stated, that *`there are assets and properties purportedly pertaining to [the Marcoses], their close relatives, subordinates, business associates, dummies, agents or nominees which had been or were acquired by them directly or indirectly, through or as a result of the improper or illegal use of funds or properties owned by the Government ...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 ....;*

... ...

2. The petitioners' claim that the assets acquired with the coconut levy funds are privately owned by the coconut farmers is founded on certain provisions of law, to wit [Sec. 7, RA 6260 and Sec. 5, Art. III, PD 1468]... (Words in bracket added; italics in the original).

In their attempt to dismiss the amended complaints in question, petitioners asseverate that (1) the coconut farmers cannot be considered as "subordinates, close and/or business associates, dummies, agents and nominees" of Cojuangco, Jr. or the Marcoses, and (2) the sequestered shares were not illegally acquired nor acquired "through or as result of improper or illegal use or conversion of funds belonging to the Government." While not saying so explicitly, petitioners are doubtless conveying the idea that wealth, however acquired, would not be considered "ill-gotten" in the context of EO 1, 2 and 14, s. of 1986, absent proof that the recipient or end possessor thereof is outside the Marcos' circle of friends, associates, cronies or nominees.

We are not convinced.

As may be noted, E.O. 1 and 2 advert to President Marcos, or his associates' nominees. In its most common signification, the term "*nominee*" refers to one who is designated to act for another usually in a limited way; [82] a person in whose name a stock or bond certificate is registered but who is not the actual owner thereof is considered a nominee." [83] *Corpus Juris Secundum* describes a nominee as one:

... designated to act for another as his representative in a rather limited sense. It has no connotation, however, other than that of acting for another, in representation of another or as the grantee of another. In its commonly accepted meaning the term connoted the delegation of authority to the nominee in a representative or nominal capacity only, and does not connote the transfer or

> assignment to the nominee of any property in, or ownership of, the rights of the person nominating him.[84]

So, the next question that comes to the fore is: would the term "nominee" include the more than one million coconut farmers alleged to be the recipients of the UCPB shares?

Guided by the foregoing definitions, the query must be answered in the affirmative if only to give life to those executive issuances aimed at ensuring the recovery of ill-gotten wealth. It is basic, almost elementary, that:

> Laws must receive a sensible interpretation to promote the ends for which they are enacted. They should be so given reasonable and practical construction as will give life to them, if it can be done without doing violence to reason. Conversely, a law should not be so construed as to allow the doing of an act which is prohibited by law, not so interpreted as to afford an opportunity to defeat compliance with its terms, create an inconsistency, or contravene the plain words of the law. *Interpretatio fienda est ut res magis valeat quam pereat* or that interpretation as will give the thing efficacy is to be adopted.[85]

E.O. 1, 2, 14 and 14-A, it bears to stress, were issued precisely to effect the recovery of ill-gotten assets amassed by the Marcoses, their associates, subordinates and cronies, or through their nominees. Be that as it may, it stands to reason that persons listed as associated with the Marcoses[86] refer to those in possession of such ill-gotten wealth but holding the same in behalf of the actual, albeit undisclosed owner, to prevent discovery and consequently recovery. Certainly, it is well-nigh inconceivable that ill-gotten assets would be distributed to and left in the hands of individuals or entities with obvious traceable connections to Mr. Marcos and his cronies. The Court can take, as it has in fact taken, judicial notice of schemes and machinations that have been put in place to keep ill-gotten assets under wraps. These would include the setting up of layers after layers of shell or dummy, but controlled, corporations[87] or manipulated instruments calculated to confuse if not altogether mislead would-be investigators from recovering wealth deceitfully amassed at the expense of the people or simply the fruits thereof. Transferring the illegal assets to third parties not readily perceived as Marcos cronies would be another. So it was that in *PCGG v. Pena*, the Court, describing the rule of Marcos as a "*well entrenched plundering regime of twenty years,*" noted the magnitude of the past regime's organized pillage and the ingenuity of the plunderers and pillagers with the assistance of experts and the best legal minds in the market.[88]

Hence, to give full effect to E.O. 1, 2 and 14, s. of 1986, the term "nominee," as used in the above issuances, must be taken to mean to include any person or group of persons, natural or juridical, in whose name government funds or assets were transferred to by Pres.

Marcos, his cronies or his associates. To this characterization must include what the Sandiganbayan considered the "*unidentified*" coconut farmers, more than a million of faceless and **nameless coconut farmers, the alleged beneficiaries of the distributed UCPB shares, who, under the terms of Sec. 10 of PCA A.O. No. 1, s. of 1975, were required, upon the delivery of their respective stock certificates, to execute an irrevocable proxy in favor of the Bank's manager.** There is thus ample truth to the observations - *"[That] the PCA provided this condition only indicates that the PCA had no intention to constitute the coconut farmer UCPB stockholder as a bona fide stockholder;" that the 1*.5 million *registered farmer-stockholders were* "***mere nominal stockholders***."[89]

From the foregoing, the challenge on the Sandiganbayan's subject matter jurisdiction at bar must fail.

II

Petitioners COCOFED et al. were not deprived of their right to be heard.

As a procedural issue, COCOFED, et al. and Ursua next contend that in the course of almost 20 years that the cases have been with the anti-graft court, they have repeatedly sought leave to adduce evidence (prior to respondent's complete presentation of evidence) to prove the coco farmers' actual and beneficial ownership of the sequestered shares. The Sandiganbayan, however, had repeatedly and continuously disallowed such requests, thus depriving them of their constitutional right to be heard.

This contention is untenable, their demand to adduce evidence being disallowable on the ground of prematurity.

The records reveal that the Republic, after adducing its evidence in CC No. 0033-A, subsequently filed *a Motion Ad Cautelam for Leave to Present Additional Evidence* dated March 28, 2001. This motion remained unresolved at the time the Republic interposed its *Motion for Partial Summary Judgment*. The Sandiganbayan granted the later motion and accordingly rendered the Partial Summary Judgment, effectively preempting the presentation of evidence by the defendants in said case (herein petitioners COCOFED and Ursua).

Section 5, Rule 30 the Rules of Court clearly sets out the order of presenting evidence:

> SEC. 5. *Order of trial*.--Subject to the provisions of section 2 of Rule 31, and unless the court for special reasons otherwise directs, the trial shall be limited to the issues stated in the pre-trial order and shall proceed as follows:
>
> (a) The plaintiff shall adduce evidence in support of his complaint;

> **(b) The defendant shall then adduce evidence in support of his defense, counterclaim, cross-claim and third-party complaint;**
>
> ... ...
>
> (g) Upon admission of the evidence, the case shall be deemed submitted for decision, unless the court directs the parties to argue or to submit their respective memoranda or any further pleadings.
>
> If several defendants or third-party defendants, and so forth. having separate defenses appear by different counsel, the court shall determine the relative order of presentation of their evidence. (Emphasis supplied.)

Evidently, for the orderly administration of justice, the plaintiff shall first adduce evidence in support of his complaint and after the formal offer of evidence and the ruling thereon, then comes the turn of defendant under Section 3 (b) to adduce evidence in support of his defense, counterclaim, cross-claim and third party complaint, if any. Deviation from such order of trial is purely discretionary upon the trial court, in this case, the Sandiganbayan, which cannot be questioned by the parties unless the vitiating element of grave abuse of discretion supervenes. Thus, the right of COCOFED to present evidence on the main case had not yet ripened. And the rendition of the partial summary judgments overtook their right to present evidence on their defenses.

It cannot be stressed enough that the Republic as well as herein petitioners were well within their rights to move, as they in fact separately did, for a partial summary judgment. Summary judgment may be allowed where, save for the amount of damages, there is, as shown by affidavits and like evidentiary documents, no genuine issue as to any material fact and the moving party is entitled to a judgment as a matter of law. A "genuine issue", as distinguished from one that is fictitious, contrived and set up in bad faith, means an issue of fact that calls for the presentation of evidence.[90] Summary or accelerated judgment, therefore, is a procedural technique aimed at weeding out sham claims or defenses at an early stage of the litigation.[91] Sections 1, 2 and 4 of Rule 35 of the Rules of Court on Summary Judgment, respectively provide:

> SECTION 1. *Summary judgment for claimant*.--A party seeking to recover upon a claim, counterclaim, or cross-claim ... may, at any time after the pleading in answer thereto has been served, move with supporting affidavits, depositions or admissions for a summary judgment in his favor upon all or any part thereof.
>
> *SEC. 2. Summary judgment for defending party.*--A party against whom a claim, counterclaim or cross-claim is asserted ... is sought may, at any time, move with

supporting affidavits, depositions or admissions for a summary judgment in his favor as to all or any part thereof.

SEC. 4. *Case not fully adjudicated on motion*.--If on motion under this Rule, judgment is not rendered upon the whole case or for all the reliefs sought and a trial is necessary, the court at the hearing of the motion, by examining the pleadings and the evidence before it and by interrogating counsel shall ascertain what material facts exist without substantial controversy and what are actually and in good faith controverted. It shall thereupon make an order specifying the facts that appear without substantial controversy, including the extent to which the amount of damages or other relief is not in controversy, and directing such further proceedings in the action as are just. The facts so specified shall be deemed established, and the trial shall be conducted on the controverted facts accordingly.

Clearly, petitioner COCOFED's right to be heard had not been violated by the mere issuance of PSJ-A and PSJ-F before they can adduce their evidence.

As it were, petitioners COCOFED et al. were able to present documentary evidence in conjunction with its "Class Action Omnibus Motion" dated February 23, 2001 where they appended around four hundred (400) documents including affidavits of alleged farmers. These petitioners manifested that said documents comprise their evidence to prove the farmers' ownership of the UCPB shares, which were distributed in accordance with valid and existing laws.[92]

Lastly, COCOFED et al. even filed their own *Motion for Separate Summary Judgment*, an event reflective of their admission that there are no more factual issues left to be determined at the level of the Sandiganbayan. This act of filing a motion for summary judgment is a judicial admission against COCOFED under Section 26, Rule 130 which declares that the "act, declaration or omission of a party as to a relevant fact may be given in evidence against him."

Viewed in this light, the Court has to reject petitioners' self-serving allegations about being deprived the right to adduce evidence.

III
The right to speedy trial was not violated.

This brings to the fore the alleged violation of petitioners' right to a speedy trial and speedy disposition of the case. In support of their contention, petitioners cite *Licaros v. Sandiganbayan*,[93] where the Court dismissed the case pending before the Sandiganbayan for violation of the accused's right to a speedy trial.

It must be clarified right off that the right to a speedy disposition of case and the accused's

right to a speedy trial are distinct, albeit kindred, guarantees, the most obvious difference being that a speedy disposition of cases, as provided in Article III, Section 16 of the Constitution, obtains regardless of the nature of the case:

> Section 16. All persons shall have the right to a speedy disposition of their cases before all judicial, quasi-judicial, or administrative bodies.

In fine, the right to a speedy trial is available only to an accused and is a peculiarly criminal law concept, while the broader right to a speedy disposition of cases may be tapped in any proceedings conducted by state agencies. Thus, in *Licaros* the Court dismissed the criminal case against the accused due to the palpable transgression of his right to a speedy trial.

In the instant case, the appropriate right involved is the right to a speedy disposition of cases, the recovery of ill-gotten wealth being a civil suit.

Nonetheless, the Court has had the occasion to dismiss several cases owing to the infringement of a party's right to a speedy disposition of cases.[94] Dismissal of the case for violation of this right is the general rule. *Bernat v. The Honorable Sandiganbayan (5th Division)*[95] expounds on the extent of the right to a speedy disposition of cases as follows:

> Section 16 of Article III of the Constitution guarantees the right of all persons to a "speedy disposition of their cases." Nevertheless, this right is deemed violated only when the proceedings are attended by vexatious, capricious and oppressive delays. Moreover, the determination of whether the delays are of said nature is relative and cannot be based on a mere mathematical reckoning of time. Particular regard must be taken of the facts and circumstances peculiar to each case. As a guideline, the Court in Dela Peña v. Sandiganbayan mentioned certain factors that should be considered and balanced, namely: 1) length of delay; 2) reasons for the delay; 3) assertion or failure to assert such right by the accused; and 4) prejudice caused by the delay.
>
> ... ...
>
> While this Court recognizes the right to speedy disposition quite distinctly from the right to a speedy trial, and although this Court has always zealously espoused protection from oppressive and vexatious delays not attributable to the party involved, at the same time, we hold that a party's individual rights should not work against and preclude the people's equally important right to public justice. In the instant case, three people died as a result of the crash of the airplane that the accused was flying. It appears to us that the delay in the

> disposition of the case prejudiced not just the accused but the people as well. Since the accused has completely failed to assert his right seasonably and inasmuch as the respondent judge was not in a position to dispose of the case on the merits... we hold it proper and equitable to give the parties fair opportunity to obtain ... substantial justice in the premises.

The more recent case of *Tello v. People*[96] laid stress to the restrictive dimension to the right to speedy disposition of cases, *i.e.*, it is lost unless seasonably invoked:

> In *Bernat* ..., the Court denied petitioner's claim of denial of his right to a speedy disposition of cases considering that [he] ... chose to remain silent for eight years before complaining of the delay in the disposition of his case. The Court ruled that petitioner failed to seasonably assert his right and he merely sat and waited from the time his case was submitted for resolution. In this case, petitioner similarly failed to assert his right to a speedy disposition of his case.... He only invoked his right to a speedy disposition of cases after [his conviction].... Petitioner's silence may be considered as a waiver of his right.

An examination of the petitioners' arguments and the cited indicia of delay would reveal the absence of any allegation that petitioners moved before the Sandiganbayan for the dismissal of the case on account of vexatious, capricious and oppressive delays that attended the proceedings. Following *Tello*, petitioners are deemed to have waived their right to a speedy disposition of the case. Moreover, delays, if any, prejudiced the Republic as well. What is more, the alleged breach of the right in question was not raised below. As a matter of settled jurisprudence, but subject to equally settled exception, an issue not raised before the trial court cannot be raised for the first time on appeal.[97] The sporting idea forbidding one from pulling surprises underpins this rule. For these reasons, the instant case cannot be dismissed for the alleged violation of petitioners' right to a speedy disposition of the case.

IV
Sections 1 and 2 of P.D. No. 755, Article III, Section 5 of P.D. No. 961 and Article III, Section 5 of P.D. No. 1468, are unconstitutional.

The Court may pass upon the constitutionality of P.D. Nos. 755, 961 and 1468.

Petitioners COCOFED *et al.* and Ursua uniformly scored the Sandiganbayan for abusing its power of judicial review and wrongly encroaching into the exclusive domain of Congress when it declared certain provisions of the coconut levy laws and PCA

administrative issuances as unconstitutional.

We are not persuaded.

It is basic that courts will not delve into matters of constitutionality unless unavoidable, when the question of constitutionality is the very *lis mota* of the case, meaning, that the case cannot be legally resolved unless the constitutional issue raised is determined**.** This rule finds anchorage on the presumptive constitutionality of every enactment. Withal, to justify the nullification of a statute, there must be a clear and unequivocal breach of the Constitution. A doubtful or speculative infringement would simply not suffice.[98]

Just as basic is the precept that lower courts are not precluded from resolving, whenever warranted, constitutional questions, subject only to review by this Court.

To Us, the present controversy cannot be peremptorily resolved without going into the constitutionality of P.D. Nos. 755, 961 and 1468 in particular. For petitioners COCOFED et al. and Ballares et al. predicate their claim over the sequestered shares and necessarily their cause on laws and martial law issuances assailed by the Republic on constitutional grounds. Indeed, as aptly observed by the Solicitor General, this case is for the recovery of shares grounded on the invalidity of certain enactments, which in turn is rooted in the shares being public in character, purchased as they were by funds raised by the taxing and/or a mix of taxing and police powers of the state.[99] As may be recalled, P.D. No. 755, under the policy-declaring provision, authorized the distribution of UCPB shares of stock free to coconut farmers. On the other hand, Section 2 of P.D. No. 755, hereunder quoted below, effectively authorized the PCA to utilize portions of the CCSF to pay the financial commitment of the farmers to acquire UCPB and to deposit portions of the CCSF levies with UCPB interest free. And as there also provided, the CCSF, CIDF and like levies that PCA is authorized to collect shall be considered as non-special or fiduciary funds to be transferred to the general fund of the Government, meaning they shall be deemed private funds.

Section 2 of P.D. No. 755 reads:

> Section 2. *Financial Assistance*. -- To enable the coconut farmers to comply with their contractual obligations under the aforesaid Agreement, **the [PCA] is hereby directed to draw and utilize the collections under the [CCSF] authorized to be levied by [PD] No. 232, as amended, to pay for the financial commitments of the coconut farmers under the said agreement** and, except for [PCA's] budgetary requirements ..., all collections under the [CCSF] Levy and (50%) of the collections under the [CIDF] shall be deposited, interest free, with the said bank of the coconut farmers and such deposits shall not be withdrawn until the ... the bank has sufficient equity capital ...; and since the operations, and activities of the [PCA] are all in accord with the present social economic plans and programs of the Government, **all collections and**

> **levies which the [PCA] is authorized to levy and collect such as but not limited to the [CCS Levy] and the [CIDF] ... shall not be considered or construed, under any law or regulation, special and/or fiduciary funds and do not form part of the general funds of the national government within the contemplation of [P.D.] No. 711.** (Emphasis supplied)

A similar provision can also be found in Article III, Section 5 of P.D. No. 961 and Article III, Section 5 of P.D. No. 1468, which We shall later discuss in turn:

P.D. No. 961

> Section 5. *Exemptions.* **The Coconut Consumers Stabilization Fund and the Coconut Industry Development Fund as well as all disbursements of said funds for the benefit of the coconut farmers as herein authorized shall not be construed or interpreted, under any law or regulation, as special and/or fiduciary funds, or as part of the general funds of the national government** within the contemplation of P.D. No. 711; nor as a subsidy, donation, levy, government funded investment, or government share within the contemplation of P.D. 898, **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 <u>in their own private capacities</u>**.[100] (Emphasis Ours)

P.D. No. 1468

> Section 5. *Exemptions.* **The [CCSF] and the [CIDF] as well as all disbursement as herein authorized, shall not be construed or interpreted, under nay law or regulation, as special and/or fiduciary funds, or as part of the general funds of the national government** within the contemplation of PD 711; nor as subsidy, donation, levy government funded investment, or government share within the contemplation of PD 898, **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 <u>in their private capacities</u>**....[101] (Emphasis Ours.)

In other words, the relevant provisions of P.D. Nos. 755, as well as those of P.D. Nos. 961 and 1468, could have been the only plausible means by which close to a purported million and a half coconut farmers could have acquired the said shares of stock. It has, therefore, become necessary to determine the validity of the authorizing law, which made the stock transfer and acquisitions possible.

To reiterate, it is of crucial importance to determine the validity of P.D. Nos. 755, 961 and 1468 in light of the constitutional proscription against the use of special funds save for the

purpose it was established. Otherwise, petitioners' claim of **legitimate private ownership** over UCPB shares and indirectly over SMC shares held by UCPB's subsidiaries will have no leg to stand on, P.D. No. 755 being the only law authorizing the distribution of the SMC and UCPB shares of stock to coconut farmers, and with the aforementioned provisions actually stating and holding that the coco levy fund shall not be considered as a special - not even general - fund, but shall be owned by the farmers in their private capacities.[102]

The Sandiganbayan's ensuing ratiocination on the need to pass upon constitutional issues the Republic raised below commends itself for concurrence:

> This Court is convinced of the imperative need to pass upon the issues of constitutionality raised by Plaintiff. **The issue of constitutionality of the provisions of P.D. No. 755 and the laws related thereto goes to the very core of Plaintiff's causes of action and defenses thereto.** It will serve the best interest of justice to define this early the legal framework within which this case shall be heard and tried, taking into account the admission of the parties and the established facts, particularly those relating to the main substance of **the defense of Lobregat, COCOFED, et al. and Ballares, et al., which is anchored on the laws being assailed by Plaintiff on constitutional grounds.**
>
> ... ...
>
> The Court is also mindful that lower courts are admonished to observe a becoming modesty in examining constitutional questions, but that they are nonetheless not prevented from resolving the same whenever warranted, subject only to review by the highest tribunal (*Ynot v. Intermediate Appellate Court*).
>
> ... ...
>
> It is true that, as a general rule, the question of constitutionality must be raised at the earliest opportunity. The Honorable Supreme Court ... has clearly stated that the general rule admits of exceptions, thus:
>
> ... ...
>
> `For courts will pass upon a constitutional question only when presented before it in bona fide cases for determination, and the fact that the question has not been raised before is not a valid reason for refusing to allow it to be raised later.... It has been held that the determination of a constitutional question is necessary whenever it is essential to the decision of the case ... as where the right of a party is founded solely on a statute, the validity of which is attacked.'

In the case now before us, the allegations of the Subdivided Complaint are consistent with those in the subject Motion, and they sufficiently raise the issue of constitutionality of the provisions of laws in question. The Third Amended Complaint (Subdivided) states:

> `(ii) to legitimize a posteriori his highly anomalous and irregular use and diversion of government funds to advance his own private and commercial interests, ... Cojuangco, Jr. caused the issuance ... of PD 755 (a) declaring that the coconut levy funds shall not be considered special and fiduciary and trusts funds and do not form part of the general funds of the National Government, conveniently repealing for that purpose a series of coconut levy funds as special, fiduciary, trust and government funds....
>
> ... ...
>
> `(iv) To perpetuate his opportunity to deal with and make use the coconut levy funds to build his economic empire, Cojuangco, Jr. caused the issuance by Defendant Ferdinand E. Marcos of an unconstitutional decree (PD 1468) requiring the deposit of all coconut levy funds with UCPB, interest free, to the prejudice of the government.'

The above-quoted allegations in the Third Amended Complaint (Subdivided) already question the "legitimacy" of the exercise by former President Marcos of his legislative authority when he issued P.D. Nos. 755 and 1468. The provision of Sec. 5, Art. III of P.D. 961 is substantially similar to the provisions of the aforesaid two [PDs]. P.D. No. 755 allegedly legitimized the "highly anomalous and irregular use and diversion of government funds to advance his [defendant Cojuangco's] own private and commercial interest." The issuance of the said [PD] which has the force and effect of a law can only be assailed on constitutional grounds. The merits of the grounds adverted to in the allegations of the Third Amended Complaint (Subdivided) can only be resolved by this Court by testing the questioned [PDs], which are considered part of the laws of the land....

As early as June 20, 1989, this Court in its Resolution expressed this Court's understanding of the import of the allegations of the complaint, as follows:

> "It is likewise alleged in the Complaint that in order to legitimize the diversion of funds, defendant Ferdinand E. Marcos issued the Presidential Decrees referred to by the movants. **This is then the**

core of Plaintiff's complaint: that, insofar as the coconut levy is concerned, these decrees had been enacted as tools for the acquisition of ill-gotten wealth for specific favored individuals.

"Even if Plaintiff may not have said so effectively, the complaint in fact disputes the legitimacy, and, if one pleases, the constitutionality of such enactments....

"The issue is validly raised on the face of the complaint and defendants must respond to it."

Since ... the question of constitutionality ... may be raised even on appeal if the determination of such a question is essential to the decision of the case, we find more reason to resolve this constitutional question at this stage of the proceedings, where **the defense is grounded solely on the very laws the constitutionality of which are being questioned** and where the evidence of the defendants would seek mainly to prove their faithful and good faith compliance with the said laws and their implementing rules and regulations.[103] (Emphasis added.)

The Court's rulings in COCOFED v. PCGG and Republic v. Sandiganbayan, as law of the case, are speciously invoked.

To thwart the ruling on the constitutionality of P.D. Nos. 755, 961 and 1468, petitioners would sneak in the argument that the Court has, in three separate instances, upheld the validity, and thumbed down the Republic's challenge to the constitutionality, of said laws imposing the different coconut levies and prescribing the uses of the fund collected. The separate actions of the Court, petitioners add, would conclude the Sandiganbayan on the issue of constitutionality of said issuances, following the law-of-the-case principle. Petitioners allege:

Otherwise stated, the decision of this Honorable Court in the COCOFED Case overruling the strict public fund theory espoused by the Respondent Republic, upholding the propriety of the laws imposing the collections of the different Coconut Levies and expressly allowing COCOFED, *et al.*, to prove that the Sequestered Assets have legitimately become their private properties had become final and immutable.[104]

Petitioners are mistaken.

Yu v. Yu,[105] as effectively reiterated in *Vios v. Pantangco*,[106] defines and explains the ramifications of the law of the case principle as follows:

> Law of the case has been defined as the opinion delivered on a former appeal. It is a term applied to an established rule that when an appellate court passes on a question and remands the case to the lower court for further proceedings, the question there settled becomes the law of the case upon subsequent appeal. It means that whatever is once irrevocably established as the controlling legal rule or decision between the same parties in the same case continues to be the law of the case, ... so long as the facts on which such decision was predicated continue to be the facts of the case before the court.

Otherwise put, the principle means that questions of law that have been previously raised and disposed of in the proceedings shall be controlling in succeeding instances where the same legal question is raised, provided that the facts on which the legal issue was predicated continue to be the facts of the case before the court. Guided by this definition, the law of the case principle cannot provide petitioners any comfort. We shall explain why.

In the first instance, petitioners cite *COCOFED v. PCGG*.[107] There, respondent PCGG questioned the validity of the coconut levy laws based on the limits of the state's taxing and police power, as may be deduced from the ensuing observations of the Court:

> .... Indeed, the Solicitor General suggests quite strongly that the laws operating or purporting to convert the coconut levy funds into private funds, are a transgression of the basic limitations for the licit exercise of the state's taxing and police powers, and that certain provisions of said laws are merely clever stratagems to keep away government audit in order to facilitate misappropriation of the funds in question.
>
> The utilization and proper management of the coconut levy funds, [to acquire shares of stocks for coconut farmers and workers] raised as they were by the State's police and taxing power are certainly the concern of the Government.... The coconut levy funds are clearly affected with public interest. Until it is demonstrated satisfactorily that they have legitimately become private funds, they must *prima facie* be accounted subject to measures prescribed in EO Nos. 1, 2, and 14 to prevent their concealment, dissipation, etc....[108] [Words in bracket added.]

The issue, therefore, in *COCOFED v. PCGG* turns on the legality of the transfer of the shares of stock bought with the coconut levy funds to coconut farmers. This must be distinguished with the issues in the instant case of whether P.D. No. 755 violated Section

29, paragraph 3 of Article VI of the 1987 Constitution as well as to whether P.D. No. 755 constitutes undue delegation of legislative power. Clearly, the issues in both sets of cases are so different as to preclude the application of the law of the case rule.

The second and third instances that petitioners draw attention to refer to the rulings in *Republic v. Sandiganbayan*, where the Court by Resolution of December 13, 1994, as reiterated in another resolution dated March 26, 1996, resolved to deny the separate motions of the Republic to resolve legal questions on the character of the coconut levy funds, more particularly to declare as unconstitutional (a) coconut levies collected pursuant to various issuances as public funds and (b) Article III, Section 5 of P.D. No. 1468.

Prescinding from the foregoing considerations, petitioners would state: "Having filed at least three (3) motions ... seeking, among others, to declare certain provisions of the Coconut Levy Laws unconstitutional and having been rebuffed all three times by this Court," the Republic - and necessarily Sandiganbayan - "should have followed as [they were] legally bound by this ... Court's prior determination" on that above issue of constitutionality under the doctrine of Law of the Case.

Petitioners are wrong. The Court merely declined to pass upon the constitutionality of the coconut levy laws or some of their provisions. It did not declare that the UCPB shares acquired with the use of coconut levy funds have legitimately become private.

The coconut levy funds are in the nature of taxes and can only be used for public purpose. Consequently, they cannot be used to purchase shares of stocks to be given for free to private individuals.

Indeed, We have hitherto discussed, the coconut levy was imposed in the exercise of the State's inherent power of taxation. As We wrote in *Republic v. COCOFED*:[109]

> Indeed, **coconut levy funds partake of the nature of taxes**, which, in general, are enforced proportional contributions from persons and properties, exacted by the State by virtue of its sovereignty for the support of government and for all public needs.
>
> Based on its definition, a tax has three elements, namely: a) it is an enforced proportional contribution from persons and properties; b) it is imposed by the State by virtue of its sovereignty; and c) it is levied for the support of the government. The coconut levy funds fall squarely into these elements for the following reasons:
>
> (a) They were generated by virtue of statutory enactments imposed on the coconut farmers requiring the payment of prescribed amounts. Thus, PD No.

276, which created the Coconut Consumer[s] Stabilization Fund (CCSF), mandated the following:

> "a. A levy, initially, of P15.00 per 100 kilograms of copra resecada or its equivalent in other coconut products, shall be imposed on every first sale, in accordance with the mechanics established under RA 6260, effective at the start of business hours on August 10, 1973.
>
> "The proceeds from the levy shall be deposited with the Philippine National Bank or any other government bank to the account of the Coconut Consumers Stabilization Fund, as a separate trust fund which shall not form part of the general fund of the government."

The coco levies were further clarified in amendatory laws, specifically PD No. 961 and PD No. 1468 - in this wise:

> "The Authority (PCA) is hereby empowered to impose and collect a levy, to be known as the Coconut Consumers Stabilization Fund Levy, on every one hundred kilos of copra resecada, or its equivalent ... delivered to, and/or purchased by, copra exporters, oil millers, desiccators and other end-users of copra or its equivalent in other coconut products. **The levy shall be paid by such copra exporters, oil millers, desiccators and other end-users of copra or its equivalent in other coconut products** under such rules and regulations as the Authority may prescribe. Until otherwise prescribed by the Authority, the current levy being collected shall be continued."

Like other tax measures, they were not voluntary payments or donations by the people. They were enforced contributions exacted on pain of penal sanctions, as provided under PD No. 276:

> "3. Any person or firm who violates any provision of this Decree or the rules and regulations promulgated thereunder, shall, in addition to penalties already prescribed under existing administrative and special law, pay a fine of not less than P2,500 or more than P10,000, or suffer cancellation of licenses to operate, or both, at the discretion of the Court."

Such penalties were later amended thus: ....

(b) The coconut levies were imposed pursuant to the laws enacted by the proper legislative authorities of the State. Indeed, the CCSF was collected under PD No. 276...."

(c) They were clearly imposed for a **public purpose**. **There is absolutely no question that they were collected to advance the government's avowed policy of protecting the coconut industry.** This Court takes judicial notice of the fact that the **coconut industry** is one of the great economic pillars of our nation, and coconuts and their byproducts occupy a leading position among the country's export products....

Taxation is done not merely to raise revenues to support the government, but also to provide means for the **rehabilitation and the stabilization of a threatened industry**, which is so affected with **public interest** as to be within the police power of the State....

Even if the money is allocated for a **special purpose** and raised by special means, **it is still public in character**.... In *Cocofed v. PCGG,* the Court observed that certain agencies or enterprises "were organized and financed with revenues derived from coconut levies imposed under a succession of law of the late dictatorship ... with deposed Ferdinand Marcos and his cronies as the suspected authors and chief beneficiaries of the resulting coconut industry monopoly." The Court continued: ".... **It cannot be denied that the coconut industry is one of the major industries supporting the national economy.** It is, therefore, the State's concern to make it a strong and secure source **not only** of the livelihood of a significant segment of the population, **but also of export earnings the sustained growth of which is one of the imperatives of economic stability**.[110] (Emphasis Ours)

We have ruled time and again that taxes are imposed only for a public purpose.[111] "They cannot be used for purely private purposes or for the exclusive benefit of private persons."[112] When a law imposes taxes or levies from the public, with the intent to give undue benefit or advantage to private persons, or the promotion of private enterprises, that law cannot be said to satisfy the requirement of public purpose.[113] In *Gaston v. Republic Planters Bank*, the petitioning sugar producers, sugarcane planters and millers sought the distribution of the shares of stock of the Republic Planters Bank, alleging that they are the true beneficial owners thereof.[114] In that case, the investment, *i.e.,* the purchase of the said bank, was funded by the deduction of PhP 1.00 per picul from the sugar proceeds of the sugar producers pursuant to P.D. No. 388.[115] In ruling against the petitioners, the Court held that to rule in their favor would contravene the general principle that revenues received from the imposition of taxes or levies "cannot be used for purely private purposes or for the exclusive benefit of private persons."[116] The Court amply reasoned that the

Stabilization Fund must "be utilized for the benefit of the ***entire sugar industry, and all its components, stabilization of the domestic market including foreign market, the industry being of vital importance to the country's economy and to national interest.***"[117]

Similarly in this case, the coconut levy funds were sourced from forced exactions decreed under P.D. Nos. 232, 276 and 582, among others,[118] with the end-goal of developing the entire coconut industry.[119] Clearly, to hold therefore, even by law, that the revenues received from the imposition of the coconut levies be used purely for private purposes to be owned by private individuals in their private capacity and for their benefit, would contravene the rationale behind the imposition of taxes or levies.

Needless to stress, courts do not, as they cannot, allow by judicial fiat the conversion of special funds into a private fund for the benefit of private individuals. In the same vein, We cannot subscribe to the idea of what appears to be an indirect - if not exactly direct - conversion of special funds into private funds, *i.e.,* by using special funds to purchase shares of stocks, which in turn would be distributed for free to private individuals. Even if these private individuals belong to, or are a part of the coconut industry, the free distribution of shares of stocks purchased with special public funds to them, nevertheless cannot be justified. *The ratio in Gaston,****[120]*** as expressed below, applies *mutatis mutandis* to this case:

> The stabilization fees in question are levied by the State ... for a special purpose - that of "financing the growth and development of the sugar industry and all its components, stabilization of the domestic market including the foreign market." **The fact that the State has taken possession of moneys pursuant to law is sufficient to constitute them as state funds even though they are held for a special purpose....**
>
> ***That the fees were collected from sugar producers,[etc.], and that the funds were channeled to the purchase of shares of stock in respondent Bank do not convert the funds into a trust fund for their benefit nor make them the beneficial owners of the shares so purchased. It is but rational that the fees be collected from them since it is also they who are benefited from the expenditure of the funds derived from it.*** ....[121] (Emphasis Ours.)

In this case, the coconut levy funds were being exacted from copra exporters, oil millers, desiccators and other end-users of copra or its equivalent in other coconut products.[122] Likewise so, the funds here were channeled to the purchase of the shares of stock in UCPB. Drawing a clear parallelism between *Gaston* and this case, the fact that the coconut levy funds were collected from the persons or entities in the coconut industry, among others, does not and cannot entitle them to be beneficial owners of the subject funds - or more bluntly, owners thereof in their private capacity. Parenthetically, the said private individuals

cannot own the UCPB shares of stocks so purchased using the said special funds of the government.[123]

Coconut levy funds are special public funds of the government.

Plainly enough, the coconut levy funds are public funds. We have ruled in *Republic v. COCOFED* that the coconut levy funds are not only affected with public interest; they are *prima facie* public funds.[124] In fact, this pronouncement that the levies are government funds was admitted and recognized by respondents, COCOFED, *et al*., in G.R. No. 147062-64.[125] And more importantly, in the same decision, We clearly explained exactly what kind of government fund the coconut levies are. We were categorical in saying that coconut levies are treated as special funds by the very laws which created them:

> Finally and tellingly, the very laws governing the coconut levies recognize their public character. **Thus, the third *Whereas* clause of PD No. 276 treats them as special funds for a specific public purpose**. Furthermore, **PD No. 711 transferred to the general funds of the State all existing special and fiduciary funds including the CCSF**. On the other hand, **PD No. 1234 specifically declared the CCSF as a special fund for a special purpose, which should be treated as a *special account* in the National Treasury**.[126] (Emphasis Ours.)

If only to stress the point, P.D. No. 1234 expressly stated that coconut levies are special funds to be remitted to the Treasury in the General Fund of the State, but treated as Special Accounts:

> **Section 1.** All income and collections for **Special or Fiduciary Funds** authorized by law shall be remitted to the Treasury and treated as Special Accounts in the General Fund, **including the following**:
>
> (a) [*PCA] Development Fund, including all income derived therefrom under Sections 13 and 14 of [RA] No. 1145; Coconut Investments Fund under Section 8 of [RA] No. 6260, including earnings, profits, proceeds and interests derived therefrom; Coconut Consumers Stabilization Funds under Section 3-A of PD No. 232, as inserted by Section 3 of P.D. No. 232, as inserted by Section 2 of P.D. No. 583; and all other fees accruing to the [PCA] under the provisions of Section 19 of [RA] No. 1365, in accordance with Section 2 of P.D. No. 755 and all other income accruing to the [PCA] under existing laws*.[127] (Emphasis Ours)

Moreover, the Court, in *Gaston,* stated the observation that the character of a stabilization fund as a special fund "is emphasized by the fact that the funds are deposited in the Philippine National Bank [PNB] and not in the Philippine Treasury, moneys from which may be paid out only in pursuance of an appropriation made by law."[128] Similarly in this case, Sec.1 (a) of P.D. No. 276 states that the proceeds from the coconut levy shall be deposited with the PNB, then a government bank, or any other government bank under the account of the CCSF, ***as a separate trust fund,*** which shall not form part of the government's general fund.[129] And even assuming *arguendo* that the coconut levy funds were transferred to the general fund pursuant to P.D. No. 1234, it was with the specific directive that the same be treated as ***special accounts*** in the general fund.[130]

The coconut levy funds can only be used for the special purpose and the balance thereof should revert back to the general fund. Consequently, their subsequent reclassification as a private fund to be owned by private individuals in their private capacities under P.D. Nos. 755, 961 and 1468 are unconstitutional.

To recapitulate, Article VI, Section 29 (3) of the 1987 Constitution, restating a general principle on taxation, enjoins the disbursement of a special fund in accordance with the special purpose for which it was collected, the balance, if there be any, after the purpose has been fulfilled or is no longer forthcoming, to be transferred to the general funds of the government, thus:

> Section 29(3)....
>
> (3) **All money collected on any tax levied for a special purpose shall be treated as a special fund and paid out for such purpose only**. If the purpose for which a special fund was created has been fulfilled or abandoned, the balance, if any, shall be transferred to the general funds of the Government. (Emphasis Ours)

Correlatively, Section 2 of P.D. No. 755 clearly states that:

> Section 2. *Financial Assistance.* To enable the coconut farmers to comply with their contractual obligations under the aforesaid Agreement, the [PCA] is hereby directed to draw and utilize the collections under the **Coconut Consumers Stabilization Fund [CCSF]** authorized to be levied by [P.D.] 232,

as amended, to pay for the financial commitments of the coconut farmers under the said agreement.... and the Coconut Industry Development Fund as prescribed by Presidential Decree No. 582 **shall not be considered or construed, under any law or regulation, special and/or fiduciary funds and do not form part of the general funds of the national government** within the contemplation of Presidential Decree No. 711. (Emphasis Ours)

Likewise, as discussed *supra,* Article III, Section 5 of both P.D. Nos. 961 and 1468 provides that the CCSF shall not be construed by any law as a special and/or trust fund, the stated intention being that actual ownership of the said fund shall pertain to coconut farmers in their private capacities.[131] Thus, in order to determine whether the relevant provisions of P.D. Nos. 755, 961 and 1468 complied with Article VI, Section 29 (3) of the 1987 Constitution, a look at the public policy or the purpose for which the CCSF levy was imposed is necessary.

The CCSF was established by virtue of P.D. No. 276 wherein it is stated that:

WHEREAS, an escalating crisis brought about by an abnormal situation in the world market for fats and oils has resulted in supply and price dislocations **in the domestic market** for coconut-based goods, and has **created hardships for consumers** thereof;

WHEREAS, the **representatives of the coconut industry** ... have proposed the implementation of an industry-financed stabilization scheme which will permit socialized pricing of coconut-based commodities;

WHEREAS, it is the policy of the State to promote the welfare and economic well-being **of the consuming public**;

....

1. In addition to its powers granted under [P.D.] No. 232, the [PCA] is hereby authorized to formulate and immediately implement a stabilization scheme for coconut-based consumer goods, along the following general guidelines:

(a) ....The proceeds of the levy shall be deposited with the Philippine National Bank or any other government bank to the account of the CCSF as a separate trust fund....

(b) The Fund shall be **utilized to subsidize the sale of coconut-based products** at prices set by the Price Control Council....:

....

As couched, P.D. No. 276 created and exacted the CCSF "to advance the government's avowed policy of protecting the coconut industry."[132] Evidently, the CCSF was originally set up as a special fund to support consumer purchases of coconut products. To put it a bit differently, the protection of the entire coconut industry, and even more importantly, for the consuming public provides the rationale for the creation of the coconut levy fund. There can be no quibbling then that the foregoing provisions of P.D. No. 276 intended the fund created and set up therein not especially for the coconut farmers but for the entire coconut industry, albeit the improvement of the industry would doubtless redound to the benefit of the farmers. Upon the foregoing perspective, the following provisions of P.D. Nos. 755, 961 and 1468 insofar as they declared, as the case may be, that: "[the coconut levy] fund and the disbursements thereof [shall be] authorized for the benefit of the coconut farmers and shall be owned by them in their private capacities;"[133] or the coconut levy fund shall not be construed by any law to be a special and/or fiduciary fund, and do not therefore form part of the general fund of the national government later on;[134] or the UCPB shares acquired using the coconut levy fund shall be distributed to the coconut farmers for free,[135] violated the special public purpose for which the CCSF was established.

In sum, not only were the challenged presidential issuances unconstitutional for decreeing the distribution of the shares of stock for free to the coconut farmers and, therefore, negating the public purpose declared by P.D. No. 276, *i.e.,* to stabilize the price of edible oil[136] and to protect the coconut industry.[137] They likewise reclassified, nay treated, the coconut levy fund as *private fund* to be disbursed and/or invested for the benefit of *private individuals* in their *private capacities*, contrary to the original purpose for which the fund was created. To compound the situation, the offending provisions effectively removed the coconut levy fund away from the cavil of public funds which normally can be paid out only pursuant to an appropriation made by law.[138] The conversion of public funds into private assets was illegally allowed, in fact mandated, by these provisions. Clearly therefore, the pertinent provisions of P.D. Nos. 755, 961 and 1468 are unconstitutional for violating Article VI, Section 29 (3) of the Constitution. In this context, the distribution by PCA of the UCPB shares purchased by means of the coconut levy fund - a special fund of the government - to the coconut farmers, is therefore void.

We quote with approval the Sandiganbayan's reasons for declaring the provisions of P.D. Nos. 755, 961 and 1468 as unconstitutional:

> It is now settled, in view of the ruling in *Republic v. COCOFED*, *et al*., *supra*, that "Coconut levy funds are raised with the use of the police and taxing powers of the State;" that "they are levies imposed by the State for the benefit of the coconut industry and its farmers" and that "they were clearly imposed for a public purpose." This public purpose is explained in the said case, as follows:

.... c) They were clearly imposed for a public purpose. There is absolutely no question that they were colleted to advance the government's avowed policy of protecting the coconut industry....

"Taxation is done not merely to raise revenues to support the government, but also to provide means for the rehabilitation and the stabilization of a threatened industry, which is so affected with public interest as to be within the police power of the State, as held in Caltex Philippines v. COA and Osmeña v. Orbos.

... ...

The avowed public purpose for the disbursement of the CCSF is contained in the perambulatory clauses and Section 1 of P.D. No. 755. The imperativeness of enunciating the public purpose of the expenditure of funds raised through taxation is underscored in the case of Pascual v. The Secretary of Public Works and Communications, *et al*, supra, which held:

"As regards the legal feasibility of appropriating public funds for a private purpose the principle according to Ruling Case Law, is this:

`It is a general rule that the legislature is without power to appropriate public revenue for anything but a public purpose ... it is the essential character of the direct object of the expenditure which must determine its validity as justifying a tax, and not the magnitude of the interests to be affected nor the degree to which the general advantage of the community, and thus the public welfare may be ultimately benefited by their promotion. Incidental advantage to the public or to the state, which results from the promotion of private interests and the prosperity of private enterprises or business, does not justify their aid by the use of public money.' 25 R.L.C. pp. 398-400)

"The rule is set forth in Corpus Juris Secundum in the following language:

... ...

`The test of the constitutionality of a statute requiring the use of public funds is whether the statute is designed to promote the public interests, as opposed to the furtherance of the advantage of individuals, although each advantage to individuals might incidentally serve the public....' (81 C.J.S. p. 1147)

> "Needless to say, this Court is fully in accord with the foregoing views.... Besides, reflecting as they do, the established jurisprudence in the United States, after whose constitutional system ours has been patterned, said views and jurisprudence are, likewise, part and parcel of our own constitutional law."

> The gift of funds raised by the exercise of the taxing powers of the State which were converted into shares of stock in a private corporation, slated for free distribution to the coconut farmers, can only be accorded constitutional sanction if it will directly serve the public purpose declared by law....[139]

Section 1 of P.D. No. 755, as well as PCA Administrative Order No. 1, Series of 1975 (PCA AO 1), and Resolution No. 074-75, are invalid delegations of legislative power.

Petitioners argue that the anti-graft court erred in declaring Section 1 of PD 755, PCA Administrative Order No. 1 and PCA Resolution No. 074-78 constitutionally infirm by reason of alleged but unproven and unsubstantiated flaws in their implementation. Additionally, they explain that said court erred in concluding that Section 1 of PD No. 755 constitutes an undue delegation of legislative power insofar as it authorizes the PCA to promulgate rules and regulations governing the distribution of the UCPB shares to the farmers.

These propositions are meritless.

The assailed PSJ-A noted the operational distribution nightmare faced by PCA and the mode of distribution of UCPB shares set in motion by that agency left much room for diversion. Wrote the Sandiganbayan:

> The actual distribution of the bank shares was admittedly an enormous operational problem which resulted in the failure of the intended beneficiaries to receive their shares of stocks in the bank, as shown by the rules and regulations, issued by the PCA, without adequate guidelines being provided to it by P.D. No. 755. PCA Administrative Order No. 1, Series of 1975 (August 20, 1975), "Rules and Regulations Governing the Distribution of Shares of Stock of the Bank Authorized to be Acquired Pursuant to PCA Board Resolution No. 246-75", quoted hereunder discloses how the undistributed shares of stocks due to anonymous coconut farmers or payors of the coconut levy fees were authorized

to be distributed to existing shareholders of the Bank:

> "Section 9. Fractional and Undistributed Shares - Fractional shares and shares which remain undistributed ... shall be distributed to all the coconut farmers who have qualified and received equity in the Bank and shall be apportioned among them, as far as practicable, in proportion to their equity in relation to the number of undistributed equity and such further rules and regulations as may hereafter be promulgated.'

The foregoing PCA issuance was further amended by Resolution No. 074-78, still citing the same problem of distribution of the bank shares....:

... ...

Thus, when 51,200,806 shares in the bank remained undistributed, the PCA deemed it proper to give a "bonanza" to coconut farmers who already got their bank shares, by giving them an additional share for each share owned by them and by converting their fractional shares into full shares. The rest of the shares were then transferred to a private organization, the COCOFED, for distribution to those determined to be "bona fide coconut farmers" who had "not received shares of stock of the Bank." ....

The PCA thus assumed, due to lack of adequate guidelines set by P.D. No. 755, **that it had complete authority to define who are the coconut farmers and to decide as to who among the coconut farmers shall be given the gift of bank shares;** how many shares shall be given to them, and what basis it shall use to determine the amount of shares to be distributed for free to the coconut farmers. In other words, P.D. No. 755 fails the completeness test which renders it constitutionally infirm.

Regarding the second requisite of standard, it is settled that legislative standard need not be expressed....

We observed, however, that the PCA [AO] No. 1, Series of 1975 and PCA Rules and Regulations 074-78, did not take into consideration the accomplishment of the public purpose or the national standard/policy of P.D. No. 755 which is directly to accelerate the development and growth of the coconut industry and as a consequence thereof, to make the coconut farmers "participants in and beneficiaries" of such growth and development. The said PCA issuances did nothing more than provide guidelines as to whom the UCPB shares were to be distributed and how many bank shares shall be allotted to the beneficiaries. There was no mention of how the distributed shares shall be used to achieve exclusively or at least directly or primarily the aim or public purpose enunciated

by P.D. No. 755. The numerical or quantitative distribution of shares contemplated by the PCA regulations which is a condition for the validly of said administrative issuances. **There was a reversal of priorities. The narrow private interests prevailed over the laudable objectives of the law...**. However, under the May 25, 1975 agreement implemented by the PCA issuances, the PCA acquired only 64.98% of the shares of the bank and even the shares covering the said 64.98% were later on transferred to non-coconut farmers."

The distribution for free of the shares of stock of the CIIF Companies is tainted with the above-mentioned constitutional infirmities of the PCA administrative issuances. In view of the foregoing, we cannot consider the provision of P.D. No. 961 and P.D. No. 1468 and the implementing regulations issued by the PCA as valid legal basis to hold that assets acquired with public funds have legitimately become private properties." [140] (Emphasis added.)

P.D. No. 755 involves an invalid delegation of legislative power, a concept discussed in *Soriano v. Laguardia*,[141] citing the following excerpts from *Edu v. Ericta*:

It is a fundamental ... that Congress may not delegate its legislative power.... What cannot be delegated is the authority ... to make laws and to alter and repeal them; the test is the completeness of the statute in all its term and provisions when it leaves the hands of the legislature. To determine whether or not there is an undue delegation of legislative power, the inquiry must be directed to the scope and definiteness of the measure enacted. **The legislature does not abdicate its functions when it describes what job must be done, who is to do it, and what is the scope of his authority....**

To avoid the taint of unlawful delegation, there must be a standard, which implies at the very least that the legislature itself determines matters of principle and lays down fundamental policy. Otherwise, the charge of complete abdication may be hard to repel. **A standard thus defines legislative policy, marks its limits, maps out its boundaries and specifies the public agency to apply it. It indicates the circumstances under which the legislative command is to be effected.** It is the criterion by which legislative purpose may be carried out. Thereafter, the executive or administrative office designated may in pursuance of the above guidelines promulgate supplemental rules and regulations.[142] (Emphasis supplied)

Jurisprudence is consistent as regards the two tests, which must be complied with to determine the existence of a valid delegation of legislative power. In *Abakada Guro Party List, et al. v. Purisima*,[143] We reiterated the discussion, to wit:

> Two tests determine the validity of delegation of legislative power: (1) the completeness test and (2) the sufficient standard test. A law is complete when it **sets forth therein the policy to be executed, carried out or implemented** by the delegate. It lays down a sufficient standard when it provides **adequate guidelines or limitations in the law to map out the boundaries of the delegate's authority and prevent the delegation from running riot. To be sufficient, the standard must specify the limits of the delegate's authority, announce the legislative policy and identify the conditions under which it is to be implemented**.

In the instant case, the requisite standards or criteria are absent in P.D. No. 755. As may be noted, the decree authorizes the PCA to distribute to coconut farmers, for free, the shares of stocks of UCPB and to pay from the CCSF levy the financial commitments of the coconut farmers under the Agreement for the acquisition of such bank. Yet, the decree does not even state who are to be considered as coconut farmers. Would, say, one who plants a single coconut tree be already considered a coconut farmer and, therefore, entitled to own UCPB shares? If so, how many shares shall be given to him? The definition of a coconut farmer and the basis as to the number of shares a farmer is entitled to receive for free are important variables to be determined by law and cannot be left to the discretion of the implementing agency.

Moreover, P.D. No. 755 did not identify or delineate any clear condition as to how the disposition of the UCPB shares or their conversion into private ownership will redound to the advancement of the national policy declared under it. To recall, P.D. No. 755 seeks to "accelerate the growth and development of the coconut industry and achieve a vertical integration thereof so that coconut farmers will become participants in, and beneficiaries of, such growth and development."[144] The Sandiganbayan is correct in its observation and ruling that the said law gratuitously gave away public funds to private individuals, and converted them exclusively into private property without any restriction as to its use that would reflect the avowed national policy or public purpose. Conversely, the private individuals to whom the UCPB shares were transferred are free to dispose of them by sale or any other mode from the moment of their acquisition. In fact and true enough, the Sandiganbayan categorically stated in its Order dated March 11, 2003,[145] that out of the 72.2% shares and increased capital stock of the FUB (later UCPB) allegedly covered by the May 25, 1975 Agreement,[146] entirely paid for by PCA, 7.22% were given to Cojuangco and the remaining 64.98%, which were originally held by PCA for the benefit of the coconut farmers, were later sold or transferred to non-coconut farmers.[147] Even the proposed rewording of the factual allegations of Lobregat, COCOFED, *et al.* and Ballares, *et al*., reveals that indeed, P.D. No. 755 did not provide for any guideline, standard, condition or restriction by which the said shares shall be distributed to the coconut farmers that would ensure that the same will be undertaken to accelerate the

growth and development of the coconut industry pursuant to its national policy. The proposed rewording of admissions reads:

> There were shares forming part of the aforementioned 64.98% which were, after their distribution, for free, to the coconut farmers as required by P.D. No. 755, sold or transferred respectively by individual coconut farmers who were then the registered stockholders of those UCPB shares to non-coconut farmers.[148]

Clearly, P.D. No. 755, insofar as it grants PCA a veritable *carte blanche* to distribute to coconut farmers UCPB shares at the level it may determine, as well as the full disposition of such shares to private individuals in their private capacity without any conditions or restrictions that would advance the law's national policy or public purpose, present a case of undue delegation of legislative power. As such, there is even no need to discuss the validity of the administrative orders and resolutions of PCA implementing P.D. No. 755. Water cannot rise higher than its source.

Even so, PCA AO 1 and PCA Resolution No. 078-74, are in themselves, infirm under the undue delegation of legislative powers. Particularly, Section 9 of PCA AO I provides:

> SECTION 9. Fractional and Undistributed Shares - Fractional shares and shares which remain undistributed as a consequence of the failure of the coconut farmers to register their COCOFUND receipts or the destruction of the COCOFUND receipts or the registration of COCOFUND receipts in the name of an unqualified individual, after the final distribution is made on the basis of the consolidated IBM registration Report as of March 31, 1976 shall be distributed to all the coconut farmers who have qualified and received equity in the Bank and shall be appointed among them, as far as practicable, in proportion to their equity in relation to the number of undistributed equity and such further rules and regulations as may hereafter be promulgated.

The foregoing provision directs and authorizes the distribution of fractional and undistributed shares as a consequence of the failure of the coconut farmers with Coco Fund receipts to register them, even without a clear mandate or instruction on the same in any pertinent existing law. PCA Resolution No. 078-74 had a similar provision, albeit providing more detailed information. The said Resolution identified 51,200,806 shares of the bank that remained undistributed and PCA devised its own rules as to how these undistributed and fractional shares shall be disposed of, notwithstanding the dearth as to the standards or parameters in the laws which it sought to implement.

Eventually, what happened was that, as correctly pointed out by the Sandiganbayan, the PCA gave a "bonanza" to supposed coconut farmers who already got their bank shares, by giving them extra shares according to the rules established - on its own - by the PCA under

PCA AO 1 and Resolution No. 078-74. Because of the lack of adequate guidelines under P.D. No. 755 as to how the shares were supposed to be distributed to the coconut farmers, the PCA thus assumed that it could decide for itself how these shares will be distributed. This obviously paved the way to playing favorites, if not allowing outright shenanigans. In this regard, this poser raised in the Court's February 16, 1993 Resolution in G.R. No. 96073 is as relevant then as it is now: "*How is it that shares of stocks in such entities which was organized and financed by revenues derived from coconut levy funds which were imbued with public interest ended up in private hands who are not farmers or beneficiaries; and whether or not the holders of said stock, who in one way or another had had some part in the collection, administration, disbursement or other disposition of the coconut levy funds were qualified to acquire stock in the corporations formed and operated from these funds*." [149]

Likewise, the said PCA issuances did not take note of the national policy or public purpose for which the coconut levy funds were imposed under P.D. No. 755, *i.e.* the acceleration of the growth and development of the entire coconut industry, and the achievement of a vertical integration thereof that could make the coconut farmers participants in, and beneficiaries of, such growth and development.[150] Instead, the PCA prioritized the coconut farmers themselves by fully disposing of the bank shares, totally disregarding the national policy for which the funds were created. This is clearly an undue delegation of legislative powers.

With this pronouncement, there is hardly any need to establish that the sequestered assets are ill-gotten wealth. The documentary evidence, the P.D.s and Agreements, prove that the transfer of the shares to the more than one million of supposed coconut farmers was tainted with illegality.

Article III, Section 5 of P.D. No. 961 and Article III, Section 5 of P.D. No. 1468 violate Article IX (D) (2) of the 1987 Constitution.

Article III, Section 5 of P.D. No. 961 explicitly takes away the coconut levy funds from the coffer of the public funds, or, to be precise, privatized revenues derived from the coco levy. Particularly, the aforesaid Section 5 provides:

> Section 5. *Exemptions.* The Coconut Consumers Stabilization Fund and the Coconut Industry Development fund as well as all disbursements of said funds for the benefit of the coconut farmers as herein authorized ***shall not be construed or interpreted, under any law or regulation, as special and/or fiduciary funds, or as part of the general funds of the national government within the contemplation of P.D. No. 711; nor as a subsidy, donation, levy, government funded investment, or government share within the***

contemplation of P.D. 898 the intention being that said Fund and the disbursements thereof as herein authorized for the benefit of the coconut farmers shall be owned in their own private capacity.[151] (Emphasis Ours)

The same provision is carried over in Article III, Section 5 of P.D. No. 1468, the *Revised Coconut Industry Code*:

These identical provisions of P.D. Nos. 961 and 1468 likewise violate Article IX (D), Section 2(1) of the Constitution, defining the powers and functions of the Commission on Audit ("COA") as a constitutional commission:

> Sec. 2. (1) ***The Commission on Audit shall have the power, authority, and duty to examine, audit, and settle all accounts pertaining to the revenue and receipts of, and expenditures or uses of funds and property, owned or held in trust by, or pertaining to, the Government, or any of its subdivisions, agencies, or instrumentalities***, including government-owned and controlled corporations with original charters, and on a post-audit basis: (a) constitutional bodies, commissions and offices that have been granted fiscal autonomy under this Constitution; (b) autonomous state colleges and universities; (c) other government-owned or controlled corporations and their subsidiaries;.[152] (Emphasis Ours)

A similar provision was likewise previously found in Article XII (D), Section 2 (1) of the 1973 Constitution, thus:

> Section 2. The Commission on Audit shall have the following powers and functions:
>
> (1) ***Examine, audit, and settle, in accordance with law and regulations, all accounts pertaining to the revenues and receipts of, and expenditures or uses of funds and property, owned or held in trust by, or pertaining to, the Government, or any of its subdivisions, agencies, or instrumentalities,*** including government-owned and controlled corporations; keep the general accounts of the government and, for such period as may be provided by law, preserve the vouchers pertaining thereto; and promulgate accounting and auditing rules and regulations including those for the prevention of irregular, unnecessary, excessive, or extravagant expenditures or use of funds and property.[153] (Emphasis Ours)

The Constitution, by express provision, vests the COA with the responsibility for State audit.[154] As an independent supreme State auditor, its audit jurisdiction cannot be undermined by any law. Indeed, under Article IX (D), Section 3 of the 1987 Constitution, "[n]o law shall be passed exempting any entity of the Government or its subsidiary in any guise whatever, or ***any investment of public funds***, from the jurisdiction of the Commission on Audit."[155] Following the mandate of the COA and the parameters set forth by the foregoing provisions, it is clear that it has jurisdiction over the coconut levy funds, being special public funds. Conversely, the COA has the power, authority and duty to examine, audit and settle all accounts pertaining to the coconut levy funds and, consequently, to the UCPB shares purchased using the said funds. However, declaring the said funds as partaking the nature of private funds, ergo subject to private appropriation, removes them from the coffer of the public funds of the government, and consequently renders them impervious to the COA audit jurisdiction. Clearly, the pertinent provisions of P.D. Nos. 961 and 1468 divest the COA of its constitutionally-mandated function and undermine its constitutional independence.

The assailed purchase of UCPB shares of stocks using the coconut levy funds presents a classic example of an investment of public funds. The conversion of these special public funds into private funds by allowing private individuals to own them in their private capacities is something else. It effectively deprives the COA of its constitutionally-invested power to audit and settle such accounts. The conversion of the said shares purchased using special public funds into pure and exclusive private ownership has taken, or will completely take away the said funds from the boundaries with which the COA has jurisdiction. Obviously, the COA is without audit jurisdiction over the receipt or disbursement of private property. Accordingly, Article III, Section 5 of both P.D. Nos. 961 and 1468 must be struck down for being unconstitutional, be they assayed against Section 2(1), Article XII (D) of the 1973 Constitution or its counterpart provision in the 1987 Constitution.

The Court, however, takes note of the dispositive portion of PSJ-A, which states that:[156]

... ...

> 2. Section 2 of P.D. No. 755 which mandated that the coconut levy funds shall not be considered special and/or fiduciary funds nor part of the general funds of the national government **and similar provisions of Sec. 3, Art. III, P.D. 961 and Sec. 5, Art. III, P.D. 1468** contravene the provisions of the Constitution, particularly, Art. IX (D), Sec. 2; and Article VI, Sec. 29 (3). (Emphasis Ours)

... ...

However, a careful reading of the discussion in PSJ-A reveals that it is Section 5 of Article III of P.D. No. 961 and not Section 3 of said decree, which is at issue, and which was

therefore held to be contrary to the Constitution. The dispositive portion of the said PSJ should therefore be corrected to reflect the proper provision that was declared as unconstitutional, which is Section 5 of Article III of P.D. No. 961 and not Section 3 thereof.

V
The CIIF Companies and the CIIF Block of SMC shares are public funds/assets

From the foregoing discussions, it is fairly established that the coconut levy funds are special public funds. Consequently, any property purchased by means of the coconut levy funds should likewise be treated as public funds or public property, subject to burdens and restrictions attached by law to such property.

In this case, the 6 CIIF Oil Mills were acquired by the UCPB using coconut levy funds.[157] On the other hand, the 14 CIIF holding companies are wholly owned subsidiaries of the CIIF Oil Mills.[158] Conversely, these companies were acquired using or whose capitalization comes from the coconut levy funds. However, as in the case of UCPB, UCPB itself distributed a part of its investments in the CIIF oil mills to coconut farmers, and retained a part thereof as administrator.[159] The portion distributed to the supposed coconut farmers followed the procedure outlined in PCA Resolution No. 033-78.[160] And as the administrator of the CIIF holding companies, the UCPB authorized the acquisition of the SMC shares.[161] In fact, these companies were formed or organized solely for the purpose of holding the SMC shares.[162] As found by the Sandiganbayan, the 14 CIIF holding companies used borrowed funds from the UCPB to acquire the SMC shares in the aggregate amount of P1.656 Billion.[163]

Since the CIIF companies and the CIIF block of SMC shares were acquired using coconut levy funds - funds, which have been established to be public in character - it goes without saying that these acquired corporations and assets ought to be regarded and treated as government assets. Being government properties, they are accordingly owned by the Government, for the coconut industry pursuant to currently existing laws.[164]

It may be conceded hypothetically, as COCOFED *et al.* urge, that the 14 CIIF holding companies acquired the SMC shares in question using advances from the CIIF companies and from UCPB loans. But there can be no gainsaying that the same advances and UCPB loans are public in character, constituting as they do assets of the 14 holding companies, which in turn are wholly-owned subsidiaries of the 6 CIIF Oil Mills. And these oil mills were organized, capitalized and/or financed using coconut levy funds. In net effect, the CIIF block of SMC shares are simply the fruits of the coconut levy funds acquired at the expense of the coconut industry. In *Republic v. COCOFED*,[165] the *en banc* Court, speaking through Justice (later Chief Justice) Artemio Panganiban, stated: "*Because the*

subject UCPB shares were acquired with government funds, the government becomes their prima facie beneficial and true owner." By parity of reasoning, the adverted block of SMC shares, acquired as they were with government funds, belong to the government as, at the very least, their beneficial and true owner.

We thus affirm the decision of the Sandiganbayan on this point. But as We have earlier discussed, reiterating our holding in *Republic v. COCOFED,* the State's avowed policy or purpose in creating the coconut levy fund is for the development of the entire coconut industry, which is one of the major industries that promotes sustained economic stability, and not merely the livelihood of a significant segment of the population.[166] Accordingly, We sustain the ruling of the Sandiganbayan in CC No. 0033-F that the CIIF companies and the CIIF block of SMC shares are public funds necessary owned by the Government. We, however, modify the same in the following wise: These shares shall belong to the Government, which shall be used only for the benefit of the coconut farmers and for the development of the coconut industry.

Sandiganbayan did not err in ruling that PCA (AO) No. 1, Series of 1975 and PCA rules and regulations 074-78 did not comply with the national standard or policy of P.D. No. 755.

According to the petitioners, the Sandiganbayan has identified the national policy sought to be enhanced by and expressed under Section 1 in relation to Section 2 of P.D. No. 755. Yet, so petitioners argue, that court, with grave abuse of discretion, disregarded such policy and thereafter, ruled that Section 1 in relation to Section 2 of P.D. No. 755 is unconstitutional as the decree failed to promote the purpose for which it was enacted in the first place.

We are not persuaded. The relevant assailed portion of PSJ-A states:

> We observe, however, that the PCA [AO] No. 1, Series of 1975 and PCA Rules and Regulations 074-78, did not take into consideration the accomplishment of the public purpose or the national standard/policy of P.D. No. 755 which is directly to accelerate the development and growth of the coconut industry and as a consequence thereof, to make the coconut farmers "participants in and beneficiaries" of such growth and development....

It is a basic legal precept that courts do not look into the wisdom of the laws passed. The principle of separation of powers demands this hands-off attitude from the judiciary. *Saguiguit v. People*[167] teaches why:

> ... [W]hat the petitioner asks is for the Court to delve into the policy behind or

> wisdom of a statute, ... which, under the doctrine of separation of powers, it cannot do,.... Even with the best of motives, the Court can only interpret and apply the law and cannot, despite doubts about its wisdom, amend or repeal it. Courts of justice have no right to encroach on the prerogatives of lawmakers, as long as it has not been shown that they have acted with grave abuse of discretion. And while the judiciary may interpret laws and evaluate them for constitutional soundness and to strike them down if they are proven to be infirm, this solemn power and duty do not include the discretion to correct by reading into the law what is not written therein.

We reproduce the policy-declaring provision of P.D. No. 755, thus:

> Section 1. *Declaration of National Policy*. -- It is hereby declared that the policy of the State is to provide readily available credit facilities to the coconut farmers at preferential rates; that this policy can be ... efficiently realized by the implementation of the "**Agreement for the Acquisition of a Commercial Bank for the benefit of the Coconut Farmers"** executed by the [PCA], **the terms of which "Agreement" are hereby incorporated by reference**; and that the [PCA] is hereby authorized to distribute, for free, the shares of stock of the bank it acquired to the coconut farmers under such rules and regulations it may promulgate.

P.D. No. 755 having stated in no uncertain terms that the national policy of providing cheap credit facilities to coconut farmers shall be achieved with the acquisition of a commercial bank, the Court is without discretion to rule on the wisdom of such an undertaking. It is abundantly clear, however, that the Sandiganbayan did not look into the policy behind, or the wisdom of, P.D. No. 755. In context, it did no more than to inquire whether the purpose defined in P.D. No. 755 and for which the coco levy fund was established would be carried out, obviously having in mind the (a) dictum that the power to tax should only be exercised for a public purpose and (b) command of Section 29, paragraph 3 of Article VI of the 1987 Constitution that:

> (3) All money collected on any tax levied for a special purpose shall be treated as a special fund and **paid out for such purpose only**. If the purpose for which a special fund was created has been fulfilled or abandoned, the balance, if any, shall be transferred to the general funds of the Government. (Emphasis supplied)

For the above reason, the above-assailed action of the Sandiganbayan was well within the scope of its sound discretion and mandate.

Moreover, petitioners impute on the anti-graft court the commission of grave abuse of discretion for going into the validity of and in declaring the coco levy laws as unconstitutional, when there were still factual issues to be resolved in a full blown trial as directed by this Court.[168]

Petitioners COCOFED and the farmer representatives miss the point. They acknowledged that their alleged ownership of the sequestered shares in UCPB and SMC is predicated on the coco levy decrees. Thus, the legality and propriety of their ownership of these valuable assets are directly related to and must be assayed against the constitutionality of those presidential decrees. This is a primordial issue, which must be determined to address the validity of the rest of petitioners' claims of ownership. Verily, the Sandiganbayan did not commit grave abuse of discretion, a phrase which, in the abstract, denotes the idea of capricious or whimsical exercise of judgment or the exercise of power in an arbitrary or despotic manner by reason of passion or personal hostility as to be equivalent to having acted without jurisdiction.[169]

The Operative Fact Doctrine does not apply

Petitioners assert that the Sandiganbayan's refusal to recognize the vested rights purportedly created under the coconut levy laws constitutes taking of private property without due process of law. They reason out that to accord retroactive application to a declaration of unconstitutionality would be unfair inasmuch as such approach would penalize the farmers who merely obeyed then valid laws.

This contention is specious.

In *Yap v. Thenamaris Ship's Management*,[170] the Operative Fact Doctrine was discussed in that:

> As a general rule, an unconstitutional act is not a law; it confers no rights; it imposes no duties; it affords no protection; it creates no office; it is inoperative as if it has not been passed at all. The general rule is supported by Article 7 of the Civil Code, which provides:
>
> > Art. 7. Laws are repealed only by subsequent ones, and their violation or non-observance shall not be excused by disuse or custom or practice to the contrary.
>
> The doctrine of operative fact serves as an exception to the aforementioned general rule. In Planters Products, Inc. v. Fertiphil Corporation, we held:

> ***The doctrine of operative fact, as an exception to the general rule, only applies as a matter of equity and fair play.*** It nullifies the effects of an unconstitutional law by recognizing that the existence of a statute prior to a determination of unconstitutionality is an operative fact and may have consequences which cannot always be ignored. The past cannot always be erased by a new judicial declaration.
>
> The doctrine is applicable when a declaration of unconstitutionality will impose an undue burden on those who have relied on the invalid law. Thus, it was applied to a criminal case when a declaration of unconstitutionality would put the accused in double jeopardy or would put in limbo the acts done by a municipality in reliance upon a law creating it.[171]

In that case, this Court further held that the Operative Fact Doctrine will not be applied as an exception when to rule otherwise would be **iniquitous** and would send a wrong signal that an act may be justified when based on an unconstitutional provision of law.[172]

The Court had the following disquisition on the concept of the Operative Fact Doctrine in the case of *Chavez v. National Housing Authority*:[173]

> The "operative fact" doctrine is embodied in *De Agbayani v. Court of Appeals*, wherein it is stated that a legislative or executive act, prior to its being declared as unconstitutional by the courts, is valid and must be complied with, thus:
>
> > As the new Civil Code puts it: "When the courts declare a law to be inconsistent with the Constitution, the former shall be void and the latter shall govern. Administrative or executive acts, orders and regulations shall be valid only when they are not contrary to the laws of the Constitution." It is understandable why it should be so, the Constitution being supreme and paramount. Any legislative or executive act contrary to its terms cannot survive.
> >
> > Such a view has support in logic and possesses the merit of simplicity. It may not however be sufficiently realistic. It does not admit of doubt that prior to the declaration of nullity such challenged legislative or executive act must have been in force and had to be complied with. This is so as until after the judiciary, in an appropriate case, declares its invalidity, it is entitled to obedience and respect. Parties may have acted under it and may have changed their positions. What could be more fitting than that in a subsequent

> litigation regard be had to what has been done while such legislative or executive act was in operation and presumed to be valid in all respects. It is now accepted as a doctrine that prior to its being nullified, its existence as a fact must be reckoned with. This is merely to reflect awareness that precisely because the judiciary is the governmental organ which has the final say on whether or not a legislative or executive measure is valid, a period of time may have elapsed before it can exercise the power of judicial review that may lead to a declaration of nullity. It would be to deprive the law of its quality of fairness and justice then, if there be no recognition of what had transpired prior to such adjudication.
>
> In the language of an American Supreme Court decision: "The actual existence of a statute, prior to such a determination [of unconstitutionality], is an operative fact and may have consequences which cannot justly be ignored. The past cannot always be erased by a new judicial declaration. The effect of the subsequent ruling as to invalidity may have to be considered in various aspects, with respect to particular relations, individual and corporate, and particular conduct, private and official." This language has been quoted with approval in a resolution in Araneta v. Hill and the decision in Manila Motor Co., Inc. v. Flores. An even more recent instance is the opinion of Justice Zaldivar speaking for the Court in Fernandez v. Cuerva and Co. (Emphasis supplied.)

The principle was further explicated in the case of *Rieta v. People of the Philippines*, thus:

> In similar situations in the past this Court had taken the pragmatic and realistic course set forth in *Chicot County Drainage District vs. Baxter Bank* to wit:
>
> > The courts below have proceeded on the theory that the Act of Congress, having been found to be unconstitutional, was not a law; that it was inoperative, conferring no rights and imposing no duties, and hence affording no basis for the challenged decree.... It is quite clear, however, that such broad statements as to the effect of a determination of unconstitutionality must be taken with qualifications. The actual existence of a statute, prior to [the determination of its invalidity], is an operative fact and may have consequences which cannot justly be ignored. The past cannot always be erased by a

> new judicial declaration. The effect of the subsequent ruling as to invalidity may have to be considered in various aspects -with respect to particular conduct, private and official. Questions of rights claimed to have become vested, of status, of prior determinations deemed to have finality and acted upon accordingly, of public policy in the light of the nature both of the statute and of its previous application, demand examination. These questions are among the most difficult of those which have engaged the attention of courts, state and federal, and it is manifest from numerous decisions that an all-inclusive statement of a principle of absolute retroactive invalidity cannot be justified.

Moreover, the Court ruled in *Chavez* that:

> Furthermore, when petitioner filed the instant case against respondents on August 5, 2004, the JVAs were already terminated by virtue of the MOA between the NHA and RBI. The respondents had no reason to think that their agreements were unconstitutional or even questionable, as in fact, the concurrent acts of the executive department lent validity to the implementation of the Project. The SMDRP agreements have produced vested rights in favor of the slum dwellers, the buyers of reclaimed land who were issued titles over said land, and the agencies and investors who made investments in the project or who bought SMPPCs. These properties and rights cannot be disturbed or questioned after the passage of around ten (10) years from the start of the SMDRP implementation. Evidently, the "operative fact" principle has set in. The titles to the lands in the hands of the buyers can no longer be invalidated. [174]

In the case at bar, the Court rules that the dictates of justice, fairness and equity do not support the claim of the alleged farmer-owners that their ownership of the UCPB shares should be respected. Our reasons:

1. Said farmers or alleged claimants do not have any legal right to own the UCPB shares distributed to them. It was not successfully refuted that said claimants were issued receipts under R.A. 6260 for the payment of the levy that went into the Coconut Investment Fund (CIF) upon which shares in the "Coconut Investment Company" will be issued. The Court upholds the finding of the Sandiganbayan that said investment company is a different corporate entity from the United Coconut Planters Bank. This was in fact admitted by petitioners during the April 17, 2001 oral arguments in G.R. Nos. 147062-64.[175]

The payments under R.A. 6260 cannot be equated with the payments under P.D. No. 276, the first having been made as contributions to the Coconut Investment Fund while the payments under P.D. No. 276 constituted the Coconut Consumers Stabilization Fund ("CCSF"). R.A. 6260 reads:

> Section 2. Declaration of Policy. It is hereby declared to be the national policy to accelerate the development of the coconut industry through the provision of adequate medium and long-term financing for capital investment in the industry, by instituting a Coconut Investment fund capitalized and administered by coconut farmers through a Coconut Investment Company.[176]

P.D. No. 276 provides:

> 1. In addition to its powers granted under Presidential Decree No. 232, the Philippine Coconut Authority is hereby authorized to formulate and immediately implement a stabilization scheme for coconut-based consumer goods, along the following general guidelines:
>
> (a) ....
>
> The proceeds from the levy shall be deposited with the Philippine National Bank or any other government bank to the account of the Coconut Consumers Stabilization Fund, as a separate trust fund which shall not form part of the general fund of the government.
>
> (b) The Fund shall be utilized to subsidize the sale of coconut-based products at prices set by the Price Control Council, under rules and regulations to be promulgated by the Philippine Consumers Stabilization Committee....[177]

The PCA, via Resolution No. 045-75 dated May 21, 1975, clarified the distinction between the CIF levy payments under R.A. 6260 and the CCSF levy paid pursuant to P.D. 276, thusly:

> It must be remembered that the receipts issued under R.A. No. 6260 were to be registered in exchange for shares of stock in the Coconut Investment Company (CIC), which obviously is a different corporate entity from UCPB. This fact was admitted by petitioners during the April 17, 2001 oral arguments in G.R. Nos. 147062-64.

In fact, while the CIF levy payments claimed to have been paid by petitioners were meant for the CIC, the distribution of UCPB stock certificates to the coconut farmers, if at all, were meant for the payors of the CCSF in proportion to the coconut farmer's CCSF contributions pursuant to PCA Resolution No. 045-75 dated May 21, 1975:

> RESOLVED, FURTHER, That the amount of ONE HUNDRED FIFTY MILLION (P150,000,000.00) PESOS be appropriated and set aside from available funds of the PCA to be utilized in payment for the shares of stock of such existing commercial bank and that the Treasurer be instructed to disburse the said amount accordingly.
>
> ... ...
>
> RESOLVED, FINALLY, That ... be directed to organize a team which shall prepare a list of coconut farmers who have paid the levy and contributed to the [CCSF] and to prepare a stock distribution plan to the end that the aforesaid coconut farmers shall receive certificates of stock of such commercial bank in proportion to their contributions to the Fund.
>
> Unfortunately, the said resolution was never complied with in the distribution of the so-called "farmers" UCPB shares.

The payments therefore under R.A. 6260 are not the same as those under P.D. No. 276. The amounts of CIF contributions under R.A. 6260 which were collected starting 1971 are undeniably different from the CCSF levy under P.D. No. 276, which were collected starting 1973. The two (2) groups of claimants differ not only in identity but also in the levy paid, the amount of produce and the time the government started the collection.

Thus, petitioners and the alleged farmers claiming them pursuant to R.A. 6260 do not have any legal basis to own the UCPB shares distributed to them, **assuming for a moment** the legal feasibility of transferring these shares paid from the R.A. 6260 levy to private individuals.

2. To grant all the UCPB shares to petitioners and its alleged members would be iniquitous and prejudicial to the remaining 4.6 million farmers who have not received any UCPB shares when in fact they also made payments to either the CIF or the CCSF but did not receive any receipt or who was not able to register their receipts or misplaced them.

Section 1 of P.D. No. 755 which was declared unconstitutional cannot be considered to be the legal basis for the transfer of the supposed private ownership of the UCPB shares to petitioners who allegedly paid the same under R.A. 6260. The Solicitor General is correct

in concluding that such unauthorized grant to petitioners constitutes illegal deprivation of property without due process of law. Due process of law would mean that the distribution of the UCPB shares should be made only to farmers who have paid the contribution to the CCSF pursuant to P.D. No. 276, and not to those who paid pursuant to R.A. 6260. What would have been the appropriate distribution scheme was violated by Section 1 of P.D. No. 755 when it required that the UCPB shares should be distributed to coconut farmers without distinction - in fact, giving the PCA limitless power and free hand, to determine who these farmers are, or would be.

We cannot sanction the award of the UCPB shares to petitioners who appear to represent only 1.4 million members without any legal basis to the extreme prejudice of the other 4.6 million coconut farmers (Executive Order No. 747 fixed the number of coconut farmers at 6 million in 1981). Indeed, petitioners constitute only a small percentage of the coconut farmers in the Philippines. Thus, the Sandiganbayan correctly declared that the UCPB shares are government assets in trust for the coconut farmers, which would be more beneficial to all the coconut farmers instead of a very few dubious claimants;

3. The Sandiganbayan made the finding that due to enormous operational problems and administrative complications, the intended beneficiaries of the UCPB shares were not able to receive the shares due to them. To reiterate what the anti-graft court said:

> The actual distribution of the bank shares was admittedly an enormous operational problem which resulted in the failure of the intended beneficiaries to receive their shares of stocks in the bank, as shown by the rules and regulations, issued by the PCA, without adequate guidelines being provided to it by P.D. No. 755. PCA Administrative Order No. 1, Series of 1975 (August 20, 1975), "Rules and Regulations Governing the Distribution of Shares of Stock of the Bank Authorized to be Acquired Pursuant to PCA Board Resolution No. 246-75", quoted hereunder discloses how the undistributed shares of stocks due to anonymous coconut farmers or payors of the coconut levy fees were authorized to be distributed to existing shareholders of the Bank:
>
> > "Section 9. Fractional and Undistributed Shares - Fractional shares and shares which remain undistributed as a consequence of the failure of the coconut farmers to register their COCOFUND receipts or the destruction of the COCOFUND receipts or the registration of the COCOFUND receipts in the name of an unqualified individual, after the final distribution is made on the basis of the consolidated IBM registration Report as of March 31, 1976 shall be distributed to all the coconut farmers who have qualified and received equity in the Bank and shall be apportioned among them, as far as practicable, in proportion to their equity in relation to the number of undistributed equity and such further rules and regulations as may hereafter be promulgated.'

The foregoing PCA issuance was further amended by Resolution No. 074-78, still citing the same problem of distribution of the bank shares. This latter Resolution is quoted as follows:

RESOLUTION NO. 074-78

AMENDMENT OF ADMINISTRATIVE ORDER
NO. 1, SERIES OF 1975, GOVERNING THE
DISTRIBUTION OF SHARES

WHEREAS, pursuant to PCA Board Resolution No. 246-75, the total par value of the shares of stock of the Bank purchased by the PCA for the benefit of the coconut farmers is P85,773,600.00 with a par value of P1.00 per share or equivalent to 85,773.600 shares;

WHEREAS, out of the 85,773,600 shares, a total of 34,572,794 shares have already been distributed in accordance with Administrative Order No. 1, Series of 1975, to wit:

First Distribution -	12,573,059
Second Distribution -	10,841,409
Third Distribution -	11,158,326
	34,572,794

"WHEREAS, there is, therefore, a total of 51,200,806 shares still available for distribution among the coconut farmers;

WHEREAS, it was determined by the PCA Board, in consonance with the policy of the state on the integration of the coconut industry, that the Bank shares must be widely distributed as possible among the coconut farmers, for which purpose a national census of coconut farmers was made through the Philippine Coconut Producers Federation (COCOFED);

WHEREAS, to implement such determination of the PCA Board, there is a need to accordingly amend Administrative Order No. 1, Series of 1975;

NOW, THEREFORE, BE IT RESOLVED, AS IT IS HEREBY RESOLVED, that the remaining 51,200,806 shares of stock of the Bank authorized to be acquired pursuant to the PCA Board Resolution No. 246-75 dated July 25, 1975 be distributed as follows:

(1) All the coconut farmers who have received their shares in the equity of the Bank on the basis of Section 8 of Administrative Order No. 1, Series of 1975, shall receive additional share for each share presently owned by them;

(2) Fractional shares shall be completed into full shares, and such full shares shall be distributed among the coconut farmers who qualified for the corresponding fractional shares;

(3) The balance of the shares, after deducting those to be distributed in accordance with (1) and (2) above, shall be transferred to COCOFED for distribution, immediately after completion of the national census of coconut farmers prescribed under Resolution No. 033-78 of the PCA Board, to all those who are determined by the PCA Board to be bona fide coconut farmers and have not received shares of stock of the Bank. The shares shall be equally determined among them on the basis of per capita.

RESOLVED, FURTHER, That the rules and regulations under Administrative Order No. 1, Series of 1975, which are inconsistent with this Administrative Order be, as they are hereby, repealed and/or amended accordingly."

Thus, when 51,200,806 shares in the bank remained undistributed, the PCA deemed it proper to give a "bonanza" to coconut farmers who already got their bank shares, by giving them an additional share for each share owned by them and by converting their fractional shares into full shares. The rest of the shares were then transferred to a private organization, the COCOFED, for distribution to those determined to be "bona fide coconut farmers" who had "not received shares of stock of the Bank." The distribution to the latter was made on the basis of "per capita", meaning without regard to the COCOFUND receipts. The PCA considered itself free to disregard the said receipts in the distribution of the shares although they were considered by the May 25, 1975 Agreement between the PCA and defendant Cojuangco (par. [8] of said Agreement) and by Sections 1, 3, 4, 6 and 9, PCA Administrative Order No. 1, Series of 1975 as the basis for the distribution of shares.

The PCA thus assumed, due to lack of adequate guidelines set by P.D. No. 755, that it had complete authority to define who are the coconut farmers and to decide as to who among the coconut farmers shall be given the gift of bank shares; how many shares shall be given to them, and what basis it shall use to determine the amount of shares to be distributed for free to the coconut farmers. In other words, P.D. No. 755 fails the completeness test which renders it constitutionally infirm.

Due to numerous flaws in the distribution of the UCPB shares by PCA, it would be best for the interest of all coconut farmers to revert the ownership of the UCBP shares to the government for the entire coconut industry, which includes the farmers;

4. The Court also takes judicial cognizance of the fact that a number, if not all, of the coconut farmers who sold copra did not get the receipts for the payment of the coconut levy for the reason that the copra they produced were bought by traders or middlemen who in turn sold the same to the coconut mills. The reality on the ground is that it was these traders who got the receipts and the corresponding UCPB shares. In addition, some uninformed coconut farmers who actually got the COCOFUND receipts, not appreciating the importance and value of said receipts, have already sold said receipts to non-coconut farmers, thereby depriving them of the benefits under the coconut levy laws. Ergo, the coconut farmers are the ones who will not be benefited by the distribution of the UCPB shares contrary to the policy behind the coconut levy laws. The nullification of the distribution of the UCPB shares and their transfer to the government for the coconut industry will, therefore, ensure that the benefits to be deprived from the UCPB shares will actually accrue to the intended beneficiaries - the genuine coconut farmers.

From the foregoing, it is highly inappropriate to apply the operative fact doctrine to the UCPB shares. Public funds, which were supposedly given utmost safeguard, were haphazardly distributed to private individuals based on statutory provisions that are found to be constitutionally infirm on not only one but on a variety of grounds. Worse still, the recipients of the UCPB shares may not actually be the intended beneficiaries of said benefit. Clearly, applying the Operative Fact Doctrine would not only be iniquitous but would also serve injustice to the Government, to the coconut industry, and to the people, who, whether willingly or unwillingly, contributed to the public funds, and therefore expect that their Government would take utmost care of them and that they would be used no less, than for public purpose.

We clarify that PSJ-A is subject of another petition for review interposed by Eduardo Cojuangco, Jr., in G.R. No. 180705 entitled, *Eduardo M. Cojuangco, Jr. v. Republic of the Philippines*, which shall be decided separately by this Court. Said petition should accordingly not be affected by this Decision save for determinatively legal issues directly addressed herein.

WHEREFORE, the petitions in G.R. Nos. 177857-58 and 178793 are hereby **DENIED.** The Partial Summary Judgment dated July 11, 2003 in Civil Case No. 0033-A as reiterated with modification in Resolution dated June 5, 2007, as well as the Partial Summary Judgment dated May 7, 2004 in Civil Case No. 0033-F, which was effectively amended in Resolution dated May 11, 2007, are **AFFIRMED with modification**, only with respect to those issues subject of the petitions in G.R. Nos. 177857-58 and 178193. However, the issues raised in G.R. No. 180705 in relation to Partial Summary Judgment dated July 11, 2003 and Resolution dated June 5, 2007 in Civil Case No. 0033-A, shall be decided by this Court in a separate decision.

The Partial Summary Judgment in Civil Case No. 0033-A dated July 11, 2003, is hereby **MODIFIED,** and shall read as follows:

WHEREFORE, in view of the foregoing, We rule as follows:

SUMMARY OF THE COURT'S RULING.

A. Re: CLASS ACTION MOTION FOR A SEPARATE SUMMARY JUDGMENT dated April 11, 2001 filed by Defendant Maria Clara L. Lobregat, COCOFED, *et al.,* and Ballares, *et al.*

The Class Action Motion for Separate Summary Judgment dated April 11, 2001 filed by defendant Maria Clara L. Lobregat, COCOFED, et al. and Ballares, et al., is hereby DENIED for lack of merit.

B. Re: MOTION FOR PARTIAL SUMMARY JUDGMENT (RE: COCOFED, *ET AL.* AND BALLARES, *ET AL.)* dated April 22, 2002 filed by Plaintiff.

1. a. The portion of Section 1 of P.D. No. 755, which reads:

> ...and that the Philippine Coconut Authority is hereby authorized to distribute, for free, the shares of stock of the bank it acquired to the coconut farmers under such rules and regulations it may promulgate.

taken in relation to Section 2 of the same P.D., is unconstitutional: (i) for having allowed the use of the CCSF to benefit directly private interest by the outright and unconditional grant of absolute ownership of the FUB/UCPB shares paid for by PCA entirely with the CCSF to the undefined "coconut farmers", which negated or circumvented the national policy or public purpose declared by P.D. No. 755 to accelerate the growth and development of the coconut industry and achieve its vertical integration; and (ii) for having unduly delegated legislative power to the PCA.

b. The implementing regulations issued by PCA, namely, Administrative Order No. 1, Series of 1975 and Resolution No. 074-78 are likewise invalid for their failure to see to it that the distribution of shares serve exclusively or at least primarily or directly the aforementioned public purpose or national policy declared by P.D. No. 755.

2. Section 2 of P.D. No. 755 which mandated that the coconut levy funds

shall not be considered special and/or fiduciary funds nor part of the general funds of the national government and similar provisions of Sec. 5, Art. III, P.D. No. 961 and Sec. 5, Art. III, P.D. No. 1468 contravene the provisions of the Constitution, particularly, Art. IX (D), Sec. 2; and Article VI, Sec. 29 (3).

3. Lobregat, COCOFED, *et al.* and Ballares, *et al.* have not legally and validly obtained title of ownership over the subject UCPB shares by virtue of P.D. No. 755, the Agreement dated May 25, 1975 between the PCA and defendant Cojuangco, and PCA implementing rules, namely, Adm. Order No. 1, s. 1975 and Resolution No. 074-78.

4. The so-called "Farmers' UCPB shares" covered by 64.98% of the UCPB shares of stock, which formed part of the 72.2% of the shares of stock of the former FUB and now of the UCPB, the entire consideration of which was charged by PCA to the CCSF, are hereby declared conclusively owned by, the Plaintiff Republic of the Philippines.

... ...

So ordered.

The Partial Summary Judgment in Civil Case No. 0033-F dated May 7, 2004, is hereby **MODIFIED**, and shall read as follows:

WHEREFORE, the Motion for Execution of Partial summary judgment (re: CIIF Block of Smc Shares of Stock) dated August 8, 2005 of the plaintiff is hereby denied for lack of merit. However, this Court orders the severance of this particular claim of Plaintiff. The Partial Summary Judgment dated May 7, 2004 is now considered a separate final and appealable judgment with respect to the said CIIF Block of SMC shares of stock.

The Partial Summary Judgment rendered on May 7, 2004 is modified by deleting the last paragraph of the dispositive portion, which will now read, as follows:

Wherefore, in view of the foregoing, we hold that:

The Motion for Partial Summary Judgment (Re: Defendants CIIF Companies, 14 Holding Companies and Cocofed, et al) filed by Plaintiff is hereby **GRANTED. Accordingly, the CIIF Companies, namely:**

1. Southern Luzon Coconut Oil Mills (SOLCOM);
2. Cagayan de Oro Oil Co., Inc. (CAGOIL);
3. Iligan Coconut Industries, Inc. (ILICOCO);
4. San Pablo Manufacturing Corp. (SPMC);
5. Granexport Manufacturing Corp. (GRANEX); and
6. Legaspi Oil Co., Inc. (LEGOIL),

As well as the 14 Holding Companies, namely:

1. Soriano Shares, Inc.;
2. ACS Investors, Inc.;
3. Roxas Shares, Inc.;
4. Arc Investors; Inc.;
5. Toda Holdings, Inc.;
6. AP Holdings, Inc.;
7. Fernandez Holdings, Inc.;
8. SMC Officers Corps, Inc.;
9. Te Deum Resources, Inc.;
10. Anglo Ventures, Inc.;
11. Randy Allied Ventures, Inc.;
12. Rock Steel Resources, Inc.;
13. Valhalla Properties Ltd., Inc.; and
14. First Meridian Development, Inc.

AND THE CIIF BLOCK OF SAN MIGUEL CORPORATION (SMC) SHARES OF STOCK TOTALING 33,133,266 SHARES AS OF 1983 TOGETHER WITH ALL DIVIDENDS DECLARED, PAID AND ISSUED THEREON AS WELL AS ANY INCREMENTS THERETO ARISING FROM, BUT NOT LIMITED TO, EXERCISE OF PRE-EMPTIVE RIGHTS ARE DECLARED OWNED BY THE GOVERNMENT TO BE USED ONLY FOR THE BENEFIT OF ALL COCONUT FARMERS AND FOR THE DEVELOPMENT OF THE COCONUT INDUSTRY, AND ORDERED RECONVEYED TO THE GOVERNMENT.

The Court affirms the Resolutions issued by the Sandiganbayan on June 5, 2007 in civil case no. 0033-A and ON May 11, 2007 in civil case No. 0033-F, that there is no more necessity of further trial with respect to the issue of ownership of (1) the sequestered UCPB shares, (2) the CIIF block of SMC shares, and (3) the CIIF companies. as they have finally been ADJUDICATED in the AFOREMENTIONED PARTIAL SUMMARY JUDGMENTS DATED jULY 11, 2003 AND mAY 7, 2004.

SO ORDERED.

Costs against petitioners COCOFED, et al. in G.R. Nos. 177857-58 and Danila S. Ursua in G.R. No. 178193.

WE CONCUR:

Corona, C.J., Bersamin, Del Castillo, Abad, Villarama, Jr., Perez, Mendoza, Sereno, Reyes, and *Perlas-Bernabe, JJ.*, concur.

Carpio,[*] *J.*, no part, I am a petitioner in related case with same issue G.R. 147064 & 147811

Leonardo-De Castro, and *Peralta, JJ.,* no part.

Brion, J., on official leave.

---

[1] Per the Affidavit of Atty. Arturo Liquete, then PCA Board Secretary, Lobregat was a member of the PCA Board for the most part from 1970 to 1985; *rollo* (G.R. No. 180705), p. 804.

[2] G.R. No. 96073, January 23, 1995, 240 SCRA 376.

[3] Southern Luzon Coconut Oil Mills, Cagayan de Oro Oil Co. Inc., Iligan Coconut Industries, San Pablo Manufacturing Corp, Granexport Manufacturing Corp., & Legaspi Oil Co., Inc.

[4] Composed of Soriano Shares, ASC Investors, ARC Investors, Roxas Shares, Toda Holdings, AP Holdings, Fernandez Holdings, SMC Officers Corps., Te Deum Resources, and Anglo Ventures, Randy Allied Ventures, Rock Steel Resources, Valhalla Properties Ltd., and First Meridian Development, all names ending with the suffix "Corp." or "Inc."

[5] Aside from being coconut farmers, petitioners del Rosario and Espina represent themselves as Directors of COCOFED and the ultimate beneficial owners of CIIF companies.

[6] Penned by Associate Justice Teresita Leonardo-De Castro (now a member of this Court), concurred in by Associate Justices Diosdado M. Peralta (now also a member of this Court) and Francisco H. Villaruz, Jr.; *rollo* (G.R. Nos. 177857-58), pp. 205-287.

[7] Id. at 289-327.

[8] Id. at 329-39.

[9] Id. at 341-405.

[10] Id. at 407-25.

[11] Id. at 427-42.

[12] Dated September 2, 2009, id. at 2127-49.

[13] *See* PSJ-A.

[14] On July 19, 2011, petitioner Eduardo M. Cojuangco, Jr. also filed a Motion to Deconsolidate G.R. No. 180705 from G.R. Nos. 177857-58 and 178193.

[15] **Section 8.** *The Coconut Investment Fund.* There shall be levied on the coconut farmer a sum ... which shall be converted into shares of stock of the [CIC] upon its incorporation.... For every fifty-five centavos (P0.55) so collected, fifty centavos (P0.50) shall be set aside to constitute a special fund, to be known as the **Coconut Investment Fund**, which shall be used exclusively to pay the subscription by the Philippine Government for and in behalf of the coconut farmers to the capital stock of said Company: *Provided*, ... *Provided*, *further*, That the ... (PHILCOA) shall, in consultation with [COCOFED] ... prescribe and promulgate the necessary rules, regulations and procedures for the collection of such levy and issuance of the corresponding receipts.... (Emphasis added.)

[16] *COCOFED v. PCGG*, G.R. No. 75713, October 2, 1989, 178 SCRA 236.

[17] R.A. 6260, Sec. 9.

[18] *Republic v. Sandiganbayan*, G.R. No. 118661, January 22, 2007; not to be confused with an earlier cited case of the same title.

[19] Per P.D. No. 623, 3 board seats of the PCA 7-man board were reserved to those recommended by COCOFED.

[20] For example: Article III, Sec. 2(c) of the Coconut Industry Code (P.D. No. 961) allows the use of the CCSF levy to finance the development and operating expenses of COCOFED inclusive of its projects; Art. II, Sec. 3(k) of the same Code empowers the PCA to collect a fee from desiccating factory to defray its operating expenses.

[21] *Republic v. COCOFED*, G.R. Nos. 14062-64, December 14, 2001, 372 SCRA 462.

[22] P.D. No. 276, Sec. 1(b).

[23] P.D. No. 711 is entitled: "Abolishing all Existing Special and Fiduciary Funds and Transferring to the General Fund the Operations and Funding of all Special and Fiduciary Funds."

[24] Vital Legal Documents, Vol. 69, pp. 90-95.

[25] *Republic v. Sandiganbayan*, G.R. No. 118661, January 22, 2007, 512 SCRA 25.

[26] A total of 33.1 million shares; *Republic v. Sandiganbayan*, supra.

[27] Annex "G" to Petition in G.R. No. 180705; *rollo*, pp. 459-463.

[28] No particular day was indicated, although the special power of attorney granted to Atty. Edgardo Angara by Cojuangco for the former to sign the Agreement was dated May 25, 1975.

[29] Annex "I" to Petition in G.R. No. 180705, *rollo*, pp. 466-76.

[30] Represented by Lobregat.

[31] Albeit not mentioned in the first contract document, the notion of an "option" was adverted to in the SPA in favor of Mr. Angara and in the second contract document between PCA and Cojuangco.

[32] On May 30, 1975, FUB issued Stock Certificate Nos. 745 and 746 covering 124,080 and 5,880 shares), respectively, in the name of "[PCA] for the benefit of the coconut farmers of the Philippines"; *Republic v. Sandiganbayan*, supra note 25.

[33] PSJ-A, p. 4.

[34] *Republic v. COCOFED*, G.R. Nos. 147062-64, December 14, 2001, 372 SCRA 462, 477

[35] *Republic v. Sandiganbayan*, G.R. No. 118661, January 22, 2007, 512 SCRA 25.

[36] The validity and propriety of these processes were sustained by the Court in *BASECO v. PCGG*, No. L-75885, May 27, 1987, 150 SCRA 181.

[37] Per the Sandiganbayan's Resolution of October 1, 1991.

[38] The Complaints in CC 0033-A and CC 0033-F contain common allegations, as shall be detailed later.

[39] *Rollo* (G.R. Nos. 177857-58), p. 216.

[40] Reported in 372 SCRA 2001.

[41] Named as defendants were Cojuangco, Ferdinand and Imelda Marcos, Lobregat, Enrile, Urusa, Jose Eleazar, Jr. and Herminigildo Zayco; *rollo* (G.R. No. 180705), pp. 481-00.

[42] Class Action Petition for Review, pp. 38-41; *Rollo* (G.R. Nos.177857-58), pp. 51-54.

[43] Ursua's Petition for Review, pp. 11-14; *Rollo* (G.R. No. 178193), pp. 26-29.

[44] In its pertinent parts, PCA A.O. No. 1 reads:

Section 1. Eligible Coconut Farmers. - All coconut farmers ... who have paid to the [CIF] and registered their COCOFUND receipts ... and registered the same with the [PCA] ... shall be entitled to a proportionate share of the equity in the Bank, subject to the terms and conditions herein provided.

... ...

SECTION. 3 Eligible COCOFUND Receipts.- All COCOFUND receipts issued by the PCA from the effectivity of R.A.6260 up to June 30, 1975 shall be considered eligible for registration by the coconut farmers for purposes of qualifying them to participate in the equity in the Bank.

SECTION 4, Registered COCOFUND Receipts - All COCOFUND receipts eligible under Section 3 hereof and which are registered ... on or before December 31, 1975 shall be qualified for equity participation in the Bank.

... ...

SECTION 7- Additional Period of Registration- To enable all qualified farmers to participate in the sharing of the equity in the Bank, the period of registration ... shall be extended up to March 31, 1976, thereafter any unregistered COCOFUND receipts can no longer qualify for registration for purposes of these rules and regulations.

[45] COCOFED et al.'s Petition, *rollo* (G.R. Nos. 177857-58), pp. 52-53.

[46] The list was not adduced; in March 2001, the Republic filed a *Motion Ad Cautelam for Leave to Present Additional Evidence* which COCOFED opposed.

[47] Supra note 34.

[48] *Rollo* (G.R. Nos. 177857-58), pp. 830-871.

[49] *See* PSJ-A, p. 2.

[50] *Rollo* (G.R. No.180705), pp. 956-961.

[51] Supra note 7.

[52] Supra note 34.

[53] The Answer-In-Intervention of COCOFED et al., reads in part as follows:

"1.2. The more than one million COCOFED members are the registered owners and/or the beneficial owners of all, or at least not less than ... (51%) of the capital stock of the CIIF Companies. The CIIF Companies have wholly owned subsidiaries described as the 14 CIIF Holding Companies. These 14 ... are the registered owners of SMC shares. As such, COCOFED et al., and the COCOFED members are the ultimate beneficial owners of SMC shares."

"1.3. The individual COCOFED members ... are filing and prosecuting this INTERVENTION in their capacities as: .... ; b) Coconut farmers/producers who registered receipts that were issued in their favor by the [PCA] as required by Rep. Act No. 6260 (hereinafter referred to as COCOFUND Receipt Law) for themselves and for and on behalf of the more than one million coconut farmers who are similarly situated...."

[54] Section 9. Investment For the Benefit of the Coconut Farmers. Notwithstanding any law to the contrary notwithstanding, the bank acquired ... under PD 755 is hereby given full power and authority to make investments in the form of shares of stock in corporations engaged ... activities ... relating to the coconut and other palm oils industry....

[55] Section 10. Distribution to Coconut Farmers. The investment made by the bank as authorized under Section 9 hereof shall all be equitably distributed, for free, by the bank to the coconut farmers...."

[56] OSG's Comment, pp. 33-34; *rollo* (G.R. Nos. 177857-58), pp. 688-689.

[57] The MOTION FOR JUDGMENT ON THE PLEADINGS AND/OR FOR PARTIAL SUMMARY JUDGMENT (Re: Defendants CIIF Companies, 14 Holding Companies and COCOFED, et al.) dated July 12, 2002 filed by plaintiff Republic of the Philippines involves the Twenty-Seven Percent Coconut Industry Investment Fund (CIIF) Block of San Miguel Corporation (SMC) shares of stock. As culled from the records of this case, the following are the admitted facts or the facts that appear without substantial controversy:

1. The above-mentioned 27% Block of SMC Shares are registered in the names of fourteen (14) holding companies listed hereunder:

... ...

3. The CIIF is an accumulation of a portion of the Coconut Consumers Stabilization Fund (CCSF) and the Coconut Industry Development Fund (CIDF), which is mandated by Section 2(d) and Section 9 and 10, Article III, Presidential Decrees (P.D.) No. 961 and No. 1468 to be utilized by the United Coconut Planters Bank (UCPB) for investment in the form of shares of stock in corporations organized for the purpose of engaging in the establishment and the operation of industries and commercial activities and other allied business undertakings relating to coconut and other palm oils industry in all its aspects. The corporations, including their subsidiaries or affiliates wherein the CIIF has been invested are referred to as CIIF companies.

4. The investments made by UCPB in CIIF companies are required by the said Decrees to be equitably distributed for free by the said bank to the coconut farmers except such portion of the investment which it may consider necessary to retain to insure continuity and adequacy of financing of the particular endeavor.

5. Through PCA Resolution No. 130-77 dated July 19, 1977 (Exh. 337-Farmer), the Philippine Coconut Authority (PCA), after having ascertained that the CCSF collections are more than sufficient to finance the primary purposes for which the CCSF is to be utilized, ordered as follows: "all unexpected appropriations from out of the CCSF Collections as of this date shall constitute the initial funds of the Coconut Industry Investment Fund (CIIF), and that the Acting Administrator of the Philippine Coconut Authority is hereby directed to deliver to the United Coconut Planters Bank all such unexpended sums."

6. **The UCPB acquired controlling interests in the CIIF Oil Mills mentioned in paragraph 2 above using the CIIF.**

7. The UCPB as trustee for the CIIF and in compliance with P.D. 1468, prescribed the equitable distribution for free to the coconut farmers of the shares of the CIIF Companies and the measures that would afford the widest distribution of the investment among coconut farmers. (Excerpts of Minutes of the UCPB Board of Directors Meeting held on November 17, 1981) (Exh. 346-Farmer).

8. The UCPB distributed a part of the investments made in such companies to the identified coconut farmers and retained part as administrator of the CIIF. The said identified coconut farmers and the UCPB for the benefit of the coconut farmers are the registered controlling stockholders of the outstanding capital stock of the defendants CIIF Oil Mills listed in paragraph 2 above.

9. **In 1983, the UCPB, as administrator of the CIIF, authorized SOLCOM, CAGOIL, ILICOCO, GRANEX and LEGOIL to acquire 33,133,266 shares of stock of San Miguel Corporation (SMC).**

10. To hold the SMC Shares, defendants 14 Holding Companies were incorporated under the Corporation Code as follows: ....

11. **All the outstanding capital stock of defendants 14 Holding Companies are owned by defendants CIIF Oil Mills in the following proportion**: ....

12. The terms and conditions for the purchase of the CIIF Block of SMC Shares were contained in a written agreement entered into between defendant Eduardo M. Cojuangco, Jr. and late Don Andres Soriano, Jr. To finance the acquisition of the CIIF Block of SMC shares, the parent CIIF Companies extended cash advances to the 14 Holding Companies. The 14 CIIF Holding Companies also used its incorporating equity and borrowed funds from UCPB.

13. The purported farmer-affidavits submitted by defendants COCOFED, et al. in Civil Cases No. 0033-A, B and F uniformly allege*, mutatis mutandis*, as basis of their claim for the CIIF Block of SMC Shares, that:

a. they are allegedly coconut farmers who supposedly sold coconut products;

b. in the supposed sale thereof, they allegedly received COCOFUND receipts pursuant to RA No. 6260;

c. they allegedly registered the said COCOFUND receipts; and

d. by virtue thereof, and under RA No. 6260, PD Nos. 961 and 1468, they are allegedly entitled to ownership of the CIIF Companies, and ultimately the CIIF Block of SMC Shares.

However, defendants COCOFED, et al. claim in their opposition to the subject motion that the payors of the CIF under R.A. No. 6260 were the same payors of the CCSF and CIDF, that shares of stock of the UCPB were also distributed to those who did not register any COCOFUND Receipt; and that their claim over the CIIF Block of SMC Shares is based on the express mandate of laws and their implementing rules and regulations.

14. In particular, the COCOFED, et al. claim that the COCOFED members are the

registered owners and/or beneficial owner of all, or at least not less than ... (51%) of the capital stock of the CIIF companies, which have wholly owned subsidiaries described as the 14 holding companies. These 14 holding companies are the registered owners of the CIIF Block of SMC Shares. Accordingly, COCOFED, et al. claim that they and the COCOFED members are the ultimate beneficial owners of the said share. (Record, Vol. III, pp. 526-527 and pp. 138-539).

15. The ... COCOFED, is a private non-stock, non-profit corporation which was recognized ... as the national association of coconut producers with the largest number of membership.

16. The identification of the coconut farmers and distribution of the shares of stock of the CIIF companies for free to the so identified coconut farmers followed the same procedure laid down by PCA Administration Order No. 1, series of 1975 and PCA Resolution No. 074-78 dated June 7, 1978.

17. Defendant Eduardo M. Cojuangco, Jr. disclaims any interest in the 27% CIIF Block of SMC Shares.

The plaintiff and the defendants are hereby directed to submit their comment on the foregoing list of admitted facts or facts that appear without substantial controversy within ten (10) days from receipt hereof.

[58] *Rollo* (G.R. No. 180705), pp. 404-05.

[59] Supra note 10.

[60] Supra note 8.

[61] *Rollo* (G.R. Nos. 177857-58), pp. 501-516.

[62] Supra note 11.

[63] The paragraph in PSJ-F which the May 11, 2007 Resolution deleted reads: "Let a trial of this Civil Case proceed with respect to the issue which has not bee disposed in this [PSA-F] including the determination of whether the CIIF Block of SMC shares adjudged to be owned by the Government represents 27% of the issued and outstanding capital stock of the Government according to plaintiff or to 31% of said capital stock according to COCOFED, et al. and Banares, et al."

[64] *Rollo* (G.R. Nos. 177857-58), pp. 35-40.

[65] *Rollo* (G.R. No. 178193), pp. 18-20.

[66] No. L-19557, March 31, 1964, 10 SCRA 637.

[67] *Rollo* (G.R. Nos. 177857-58), p. 86.

[68] G.R. No. 78750, April 20, 1990, 184 SCRA 449, 460.

[69] 1 Regalado, Remedial Law Compendium 11 (6th revised ed., 1997).

[70] Id. at 271.

[71] No. L-28975, February 27, 1976, 69 SCRA 456.

[72] G.R. No. 156264, September 30, 2004, 439 SCRA 667, 672-73.

[73] *See* PSJ-F, pp. 5-9.

[74] *San Miguel Corporation v. Sandiganbayan*, G.R. Nos. 104637-38, September 14, 2000, 340 SCRA 289.

[75] Section 1.

[76] *Meralco v. Ortañez*, 119 Phil. 911 (1964).

[77] G.R. No. 78750, April 20, 1990, 184 SCRA 449.

[78] No. L-21450, April 15, 1968, 23 SCRA 30.

[79] See *Pascual v. Robles*, G.R. No. 182645, December 15, 2010, 638 SCRA 712, 719.

[80] G.R. No. 141423, November 15, 2000, 344 SCRA 838.

[81] G.R. No. 75713, October 2, 1989, 178 SCRA 237, 250-252.

[82] Black's Law Dictionary 1050 (6^{th} ed., 1990).

[83] Webster's Third New International Dictionary (1981 ed.).

[84] 66 C.J.S. 600.

[85] Agpalo, Statutory Construction 259 (4th ed., 1998).

[86] Their close relatives, subordinates, business associates, dummies, agents or nominees.

[87] *Yuchengco v. Sandiganbayan*, G.R. No. 149802, January 20, 2006, 479 SCRA 1.

[88] No. L-77663, April 12, 1988, 159 SCRA 556, 574.

[89] Separate concurring opinion in PSJ-A of Associate Justice Villaruz; *rollo* (G.R. No. 180705), p. 271.

[90] *PNB v. Noah's Ark Sugar Refinery*, G.R. No. 107243, September 1, 1993, 226 SCRA 36.

[91] *Carcon Development Corp. v. Court of Appeals*, G.R. No. 88218, December 19, 1989, 180 SCRA 348.

[92] *Republic v. COCOFED, et al.*, TSN, April 17, 2001, p. 198.

[93] G.R. No. 145851, November 22, 2001, 370 SCRA 394.

[94] *Enriquez v. Office of the Ombudsman*, G.R. Nos. 174902-06, February 15, 2008, 545 SCRA 618; *Lopez, Jr. v. Office of the Ombudsman*, G.R. No. 140529, September 6, 2001, 364 SCRA 569; *Roque v. Office of the Ombudsman*, G.R. No. 129978, May 12, 1999, 307 SCRA 104; *Duterte v. Sandiganbayan*, G.R. No. 130191, April 27, 1998, 289 SCRA 721; *Tatad v. Sandiganbayan*, Nos. L-72335-39, March 21, 1988, 159 SCRA 70.

[95] G.R. No. 158018, May 20, 2004, 428 SCRA 787, 789-790.

[96] G.R. No. 165781, June 5, 2009, 588 SCRA 519, 527-528.

[97] *Heirs of Bernardo Ulep v. Ducat*, G.R. No. 159284, January 27, 2009, 577 SCRA 6, 19.

[98] *Garcia v. Executive Secretary*, G.R. No. 157584, April 2, 2009, 583 SCRA 119, 138-39.

[99] Sur-Rejoinder, p. 17, *rollo* (G.R. Nos. 177857-58), p. 846.

[100] An Act to Codify the Laws Dealing with the Development of the Coconut and other Palm Oil Industry and for other Purposes [Presidential Decree No 961], art. III, § 5.

[101] Presidential Decree No. 1468, Art. III, Sec. 5.

[102] P.D. No. 755, Sec. 2; P.D. No. 961, Art. III, Sec. 5; P.D. No. 1468, Art. III, Sec. 5.

[103] *Rollo* (G.R. Nos. 177857-58), pp. 33-37, 237-241.

[104] Id. at 136.

[105] G.R. No. 164915, March 10, 2006, 484 SCRA 485, 497.

[106] G.R. No. 163103, February 6, 2009, 578 SCRA 129, 143.

[107] Supra note 16.

[108] Id. at 252.

[109] *Republic v. COCOFED*, G.R. No. 147062-64, December 14, 2001, 372 SCRA 462, 482-84.

[110] *Republic v. COCOFED*, G.R. No. 147062-64, December 14, 2001, 372 SCRA 462, 482-84.

[111] *Planters Products, Inc. v. Fertiphil Corporation*, G.R. No. 166006, March 14, 2008, 548 SCRA 485, 510.

[112] Id.; *Pascual v. Secretary of Public Works and Communications*, 110 Phil. 331 (1960).

[113] Id. at 511.

[114] *Gaston v. Republic Planters Bank*, No. L-77194, March 15, 1988, 158 SCRA 626, 628-629.

[115] Id. at 629.

[116] Id. at 634.

[117] Id.

[118] Creating a Philippine Coconut Authority [P.D. No. 232], June 30, 1973; Establishing a

Coconut Consumers Stabilization Fund [P.D. No. 276], August 20, 1973; Further Amending Presidential Decree No. 232, As Amended [P.D. No. 582], November 14, 1974.

[119] *Republic v. COCOFED*, G.R. No. 147062-64, December 14, 2001, 372 SCRA 462, 482-84.

[120] No. L-77194, March 15, 1988, 158 SCRA 626, 633-634; cited in *Republic v. COCOFED*, G.R. Nos. 147062-64, December 14, 2001, 372 SCRA 462, 485-86.

[121] *Gaston v. Republic Planters Bank*, No. L-77194, March 15, 1988, 158 SCRA 626, 633-34; cited in *Republic v. COCOFED*, G.R. Nos. 147062-64, December 14, 2001, 372 SCRA 462, 485-86.

[122] *Republic v. COCOFED*, G.R. Nos. 147062-64, December 14, 2001, 372 SCRA 462, 483; citing P.D. No. 961, 1976, Art. III, § 1; P.D. No. 1468, 1978, Art. III, § 1.

[123] *See infra* discussion, coconut levy fund as special fund of the government.

[124] *Republic v. COCOFED*, G.R. No. 147062-64, December 14, 2001, 372 SCRA 462, 491.

[125] Id. at 488.

[126] Id. at 490.

[127] Instituting a Procedure for the Management of Special and Fiduciary Funds Earmarked or Administered by Departments, Bureaus, Offices and Agencies of the National Government, including Government-Owned or Controlled Corporations [P.D. No. 1234], 1977, § 1 (a).

[128] *Gaston v. Republic Planters Bank*, G.R. No. L-77194, March 15, 1988, 158 SCRA 626, 633.

[129] P.D. No. 276, § 1 (a).

[130] P.D. No. 1234, § 1 (a).

[131] P.D. No. 961, Art. III, § 5; P.D. No. 1468, Art. III, § 5.

[132] *Republic v. COCOFED*, G.R. Nos. 147062-64, December 14, 2001, 372 SCRA 462, 484.

[133] P.D. No. 961, Art. III, § 5; P.D. No. 1468, Art. III, § 5.

[134] P.D. No. 775, § 2; P.D. No. 961, Art. III, § 5; P.D. No. 1468, Art. III, § 5.

[135] P.D. No. 775, § 1.

[136] Supra note 118.

[137] Supra note 119.

[138] Constitution, Art. VI, § 29 (1).

[139] *Rollo* (G.R. No. 177857-58), pp. 144-148, 799-803.

[140] Id. at 62-64.

[141] G.R. No. 164785, April 29, 2009, 587 SCRA 79, 117-18.

[142] No. L-32096, October 24, 1970, 35 SCRA 481, 496-497.

[143] G.R. No. 166715, August 14, 2008, 562 SCRA 251, 277.

[144] P.D. No. 755, whereas clause.

[145] Supra note 50.

[146] *See infra* discussion Part III, Civil Case No. 0033-A.

[147] PSJ-A, pp. 51-52.

[148] PSJ-A, pp. 52, *citing* Comment of Defendant Maria Clara L. Lobregat, Movants COCOFED, et al., and Movants Ballares, et al. (Re: Order of March 11, 2003), p. 16.

[149] See Separate Opinion of Justice Vitug in *Republic v. COCOFED*, supra note 34.

[150] P.D. 755, whereas clause.

[151] P.D. No. 961, Art. III, § 5.

[152] Constitution, Art. IX (D), § 2 (1).

[153] 1973 Constitution, Art. XII (D), § 2 (1).

[154] *Mamaril v. Domingo*, G.R. No. 100284, October 13, 1993, 227 SCRA 206.

[155] Constitution, Art. IX (D), § 3. (Emphasis Ours.)

[156] PSJ-A, pp. 55 & 81.

[157] *Rollo,* G.R. Nos. 177857-58, pp. 504 & 524; PSJ-F, po, 37 & 57.

[158] Id. at 504 & 513; PSJ-F, pp. 37 & 46.

[159] Id. at 504 & 515; PSJ-F, pp. 37 & 48.

[160] Id. at 510; PSJ-F, p. 43.

[161] Id. at 505 & 515; PSJ-F, pp. 38 & 48.

[162] Id. at 476 & 515; PSJ-F, pp. 8 & 48.

[163] Id. at 515-16; PSJ-F, pp. 48-49.

[164] Supra note 114.

[165] Supra note 34, at 491.

[166] Id. at 482-484.

[167] G.R. No. 144054, June 30, 2006, 484 SCRA 128, 134.

[168] *Rollo* (G.R. Nos. 177857-58), p. 156.

[169] *Julie's Franchise Corp. v. Ruiz*, G.R. No. 180988, August 28, 2009, 597 SCRA 463, 471.

[170] G.R. No. 179532, May 30, 2011.

[171] *Yap v. Thenamaris Ship's Management*, G.R. No. 179532, May 30, 2011. (Emphasis Ours)

[172] See e.g. *Yap v. Thenamaris Ship's Management*, G.R. No. 179532, May 30, 2011.

[173] G.R. No. 164527, August 15, 2007, 530 SCRA 235.

[174] Id. at 336.

[175] *Rollo* (G.R. Nos. 147062-64), TSN, April 17, 2001, p. 169.

[176] R.A. No. 6260, § 2.

[177] P.D. No. 276, § 1 (a) & (b).
