

PRESIDENTIAL COMMISSION ON GOOD GOVERNMENT, PETITIONER, VS. SILANGAN INVESTORS AND MANAGERS, INC. AND SANDIGANBAYAN, RESPONDENTS.

G.R. Nos. 167055-56. March 25, 2010

Ponente: CARPIO, ACTING CJ.

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CARPIO, ACTING CJ.:

The Case

G.R. Nos. 167055 and 167056 involve a petition for certiorari and prohibition under Rule 65 of the Rules of Court. The petition[1] challenges the 21 June 2004 Resolution[2] and 23 December 2004 Joint Resolution[3] of the Sandiganbayan, Third Division, in Civil Case Nos. 0126 and 0127. The Sandiganbayan ordered the Land Bank of the Philippines (Land Bank), Commission on Audit Branch, Commonwealth Avenue, Quezon City, to release to Silangan Investors and Managers, Inc. (Silangan) its cash dividends, with interest, declared by Oceanic Wireless Network, Inc. (Oceanic). Fifteen percent of the total amount shall be paid to M.M. Lazaro & Associates as contingent fee.

G.R. No. 170673 is a petition for certiorari and prohibition under Rule 65 of the Rules of Court. The petition[4] challenges the 7 July[5] and 25 October[6] 2005 Resolutions of the Sandiganbayan, Third Division, in Civil Case No. 0127. The Sandiganbayan ordered the Land Bank to release to Polygon Investors and Managers, Inc. (Polygon) its cash dividends, with interest, declared by Oceanic.

In its 22 March 2006 Resolution,[7] the Court consolidated G.R. No. 170673 with G.R. Nos. 167055 and 167056.

The Facts

Silangan and Polygon owned 25,429 (39.999%) and 12,700 (19.977%) shares of stock, respectively, in Oceanic.

On 11 April 1986, the Presidential Commission on Good Government (PCGG) issued a writ[8] of sequestration against Roberto S. Benedicto (Benedicto), Jose L. Africa (Jose), Victor A. Africa (Victor), and Alfredo L. Africa, stating:

The Presidential Commission on Good Government by authority of the President of the Philippines, hereby orders the sequestration of the shares which belong to or are owned or controlled by ROBERTO S. BENEDICTO, JOSE L. AFRICA, VICTOR A. AFRICA AND ALFREDO L. AFRICA in the following business entities, including whatever emoluments or benefits may be due the said shares in:

1. Philippine Overseas Telecommunications Corp.
2. Philippine Communications Satellite Corp.
3. Eastern Telecommunications Phils.
4. Domestic Satellite Corporation
5. Oceanic Wireless Network, Inc.
6. Philippine Consultancy Systems, Inc.
7. Premiere Building Administration Corp.

8. All Subsidiaries Organizations emanating from the above-named Corporations
9. All other business enterprises or entities in which the above-named individuals directly or in directly [sic] own or hold any form of interest.[9] (Emphasis supplied)

On 27 July 1987, PCGG filed before the Sandiganbayan a complaint[10] for reconveyance, accounting and damages against Jose, Manuel H. Nieto, Jr. (Nieto, Jr.), Ferdinand E. Marcos, Imelda R. Marcos, Ferdinand R. Marcos, Jr., Benedicto, Juan Ponce Enrile, and Potenciano Ilusorio. The case was docketed as Civil Case No. 0009.

On 15 June 1988, PCGG issued writs[11] of sequestration against Aerocom Investors and Managers, Inc. (Aerocom) and Polygon, stating, "By virtue of the authority vested in the Commission, the above-named [companies are] hereby placed under sequestration, together with all of the shares of stock, office premises, records, documents, assets and other properties thereof." [12]

By virtue of the writs of sequestration, PCGG sequestered majority of Oceanic's shares of stock and took over its management. PCGG voted the shares of stock registered in the names of Silangan and Polygon, reorganized the board of directors, elected its own set of officers, and declared cash dividends.

On 3 November 1990, Benedicto and PCGG entered into a compromise agreement,[13] stating:

NOW, THEREFORE, for and in consideration of the foregoing premises, parties hereunto agree as they hereby agree to execute the following reciprocal cessions and concessions:

I. Property Cessions by BENEDICTO To The Government:

a) Cession to the Government by BENEDICTO and/or of his group-controlled corporations/businesses of their shareholdings/dividends/deposits Indicated In Annex "A" hereof.

x x x x

CESSION TO THE GOVERNMENT:

I. PHILIPPINE ASSETS:

x x x x

- Oceanic Wireless Network, Inc.
51% of the equity belonging to
Benedicto/and or [sic] his companies
P1,014.00/share book value 13,538,765.00 M.[14]

On 29 July 1991, PCGG filed before the Sandiganbayan a complaint[15] for injunction and damages against Victor, Jose, Nieto, Jr., and Juan De Ocampo, praying:

WHEREFORE, it is respectfully prayed that this Honorable Court:

1. Immediately issue a Temporary Restraining Order enjoining the defendants and all persons acting for them from interfering with the work and functions and business transactions of [Oceanic's] present PCGG-installed Board and Management; until proper proceedings are filed by defendants and finally decided, resolving the legitimacy of the present PCGG-installed Board and Management, the defendants and their agents should be restrained from representing themselves as supposed [Oceanic] Directors or officers, or from acting as such, likewise stopping defendants from further sending to [Oceanic's] clients, suppliers, depository banks, and other entities, letters or demands.[16]

The case was docketed as Civil Case No. 0126.

On 1 August 1991, Jose, Nieto, Jr., Andres L. Africa, Aerocom, Polygon, Belgor Investment, Inc., and Silangan filed before the Sandiganbayan a petition[17] for certiorari and prohibition under Rule 65 of the Rules of Court against PCGG. For this purpose, Silangan engaged the services of M.M. Lazaro & Associates and agreed to pay 15% of the total amount it may recover as contingent fee. The case was docketed as Civil Case No. 0127. The Sandiganbayan jointly heard Civil Case Nos. 0126 and 0127.

In its 7 March 1994 Order,[18] the Sandiganbayan issued a writ of execution of the 3 November 1990 compromise agreement, stating:

Acting on the motion of counsel for the plaintiff, the parties being cognizant of the fact that partial execution of the Compromise Agreement had already been implemented, it appearing that the judgment on a compromise in respect to defendant former Ambassador Roberto Benedicto has become final and executory, let a writ of execution issue as prayed for.[19]

In its 25 April 1994 Decision,[20] the Sandiganbayan held that (1) the 15 June 1988 writs of sequestration were void because the PCGG failed to commence judicial action within the required six-month period; (2) the 11 April 1986 writ of sequestration was void because it was signed by only one commissioner; and (3) the acts of PCGG in managing Oceanic were void. The dispositive portion of the Decision reads:

WHEREFORE, judgment is hereby rendered as follows:

(1) Declaring as null and void the PCGG writs of sequestration, dated June 15, 1988 against Aerocom Investors & Managers, Inc., Polygon Investors & Managers, Inc., Silangan Investors & Managers, Inc. and Belgor Investments, Inc. for the reason that the said writs of sequestration were deemed automatically lifted for failure of the PCGG to commence the necessary judicial action against the said corporations within the required six-month period pursuant to Section 26 of Article XVIII of the 1987 Constitution.

(2) Declaring as null and void the order of sequestration, dated April 11, 1986, relative to the [Oceanic] shares owned by Jose L. Africa and Victor A. Africa on the ground that the said order of sequestration was signed only by PCGG Commissioner Mary Concepcion Bautista in violation of Section 3 of the Rules & Regulations of the PCGG requiring the signatures of at least two Commissioners on such order of sequestration.

(3) Declaring as null and void the acts and conduct of PCGG, its agents, nominees and representatives in reorganizing and taking over the Board of Directors and management of [Oceanic].[21]

PCGG filed a motion for reconsideration, which was denied by the Sandiganbayan in its 30 March 1995 Resolution.

In its 31 July 1998 Order,[22] the Sandiganbayan placed the cash dividends declared by Oceanic in custodia legis. The Sandiganbayan ordered PCGG to "convey or transmit to this Court such [Oceanic] Cash dividends together with the accrued interest thereto, if any, for immediate placement in custodial legis." [23]

PCGG filed before the Court a petition for review on certiorari under Rule 45 of the Rules of Court, challenging the Sandiganbayan's 25 April 1994 Decision. In Presidential Commission on Good Government v. Sandiganbayan,[24] the Court affirmed the Sandiganbayan's Decision. The Court held that:

We find the writ of sequestration issued against [Oceanic] not valid because the suit in Civil Case No. 0009 against Manuel H. Nieto and Jose L. Africa as shareholders in [Oceanic] is not a suit against [Oceanic]. This Court has held that "failure to implead these corporations as defendants and merely annexing a list of such corporations to the complaints is a violation of their right to due process for it would in effect be disregarding their distinct and separate personality without a hearing."

Furthermore, PCGG issued the writs of sequestration on August 3, 1988, which was beyond the period set by

the Constitution.

x x x x

The sequestration orders issued against respondents shall be deemed automatically lifted due to the failure of PCGG to commence the proper judicial action or to implead the respondents therein within the period prescribed by Article XVIII, Section 26 of the 1987 Constitution.

x x x x

The Fallo

WHEREFORE, the petitions are hereby DENIED. The decision and resolution of the Sandiganbayan are hereby AFFIRMED.[25]

PCGG filed a motion for reconsideration, which was denied by the Court. Presidential Commission became final and executory and was entered in the Book of Entries of Judgments on 19 February 2003.

On 10 April 2003, Victor filed before the Sandiganbayan a motion[26] for issuance of writ of execution to implement the 25 April 1994 Decision. On 15 April 2003, Nieto, Jr., Aerocom, Silangan, Jose, and Oceanic filed a motion adopting Victor's motion for issuance of writ of execution. On 30 September 2003, the Sandiganbayan issued the writ, which was implemented.

Silangan filed before the Sandiganbayan an omnibus motion,[27] dated 6 February 2004, praying for the release of its cash dividends, with interest, declared by Oceanic:

WHEREFORE, it is respectfully prayed of this Honorable Court that an order be issued as follows:

x x x x

2) DIRECTING the release in favor of, and payment to SILANGAN of the cash dividends declared by [Oceanic], including the interests thereof, and deposited/placed in escrow by authority of this Honorable Court with the PNB, Land Bank, Bureau of Treasury or any other banking institution, in the aggregate sum of P54,337,852.61, less the amount equivalent to FIFTEEN (15%) PERCENT thereof as contingent fee to be paid directly to the undersigned counsel, with the express conformity of SILANGAN.[28]

PCGG filed a comment,[29] dated 26 February 2004, to Silangan's 6 February 2004 omnibus motion, stating:

- While PCGG does not have any objections to the release of the dividends to the private individuals and corporations, as well as their payment of whatever attorney's fees may have been agreed upon between them and their lawyers, PCGG however would invite the attention of the Honorable Court to the fact that it is also entitled to its share of the dividends and interest due thereon;
- In the Compromise Agreement entered into by and between the REPUBLIC/PCGG and Roberto S. Benedicto on November 3, 1990, the latter ceded to the government "51% of the equity belonging to Benedicto and/or his companies" in [Oceanic]. x x x
- While Roberto S. Benedicto owns only 115 shares in [Oceanic], his companies which are identified as Belgor Investments, Inc. and Silangan Investors & Managers, Inc. own 12,600 and 25,429 shares respectively or a total equity of 38,134 shares of stock.
- Thus, by virtue of the compromise agreement, the REPUBLIC/PCGG is entitled to receive 51% of the cash dividends and interests due on the ceded shares of Roberto S. Benedicto and his two companies.
- Also, to the extent that FIFTY-ONE PERCENT (51%) of the dividends and interests due to Belgor and Silangan are owned by the REPUBLIC, to that same extent must they be excluded from any computation of

attorney's fees due to any lawyer of the other parties, since said lawyers could not have represented the interests of the REPUBLIC.[30]

In response to PCGG's 26 February 2004 comment, Silangan filed a motion,[31] dated 1 June 2004, for the release of the uncontested 49% of the cash dividends, with interest, declared by Oceanic.

Polygon filed before the Sandiganbayan a motion,[32] dated 12 July 2004, for the release of its cash dividends, with interest, declared by Oceanic.

Civil Case No. 0009 was transferred from the Fourth Division to the Third Division of the Sandiganbayan.

The Sandiganbayan's Ruling

In its 21 June 2004 Resolution, the Sandiganbayan granted Silangan's 1 June 2004 motion and released the uncontested 49% of the cash dividends, with interest, declared by Oceanic. The Sandiganbayan held that:

Since the PCGG interposed no objection to the release of 49% of the dividends and interest due to Silangan, hence, the instant motion.

When the motion at bar was called for hearing on June 4, 2004 at 2:00 o'clock in the afternoon, Atty. Jose de Veyra for the PCGG maintained the same position of the PCGG that it has no objection to the release of the 49% cash dividends including the interest declared by [Oceanic] in favor of the movant Silangan Investors and Managers, Inc.

PREMISES CONSIDERED, the Court GRANTS the motion and orders the Land Bank, COA Branch, Commonwealth Avenue, Quezon City to release and pay to Silangan Investors and Managers, Inc. the amount equivalent to 49% of the cash dividends including interest thereon declared by [Oceanic] due to Silangan Investors and Managers, Inc. and deposited in the Escrow accounts of Civil Case No. 0009, entitled "Republic versus Africa, et al.," with the said Bank, 15% of which shall be given directly to M.M. Lazaro and Associates thru Atty. Manuel M. Lazaro, as contingent attorney's fees, subject to the payment of Clerk's Commission for the care and custody of the said sum of money pursuant to the schedule of legal fees issued by the Supreme Court effective June 15, 2000, the same shall form part of the Judiciary Development Funds.[33]

PCGG filed a motion[34] for reconsideration, dated 7 July 2004, raising as issues that:

I.

In releasing the cash dividends due Silangan Investors & Managers, Inc. even if only 49% thereof, the Honorable Court exceeded its jurisdiction considering that the whole equity of Silangan in [Oceanic] is being claimed by the government in Civil Case No. 0009;

II.

It is not for the Honorable Court to rule on the issue of attorney's fees as there was no issue or claim in these cases raised by the parties.[35]

In its 23 December 2004 Joint Resolution, the Sandiganbayan denied PCGG's 7 July 2004 motion for reconsideration and granted Silangan's 6 February 2004 omnibus motion. The Sandiganbayan held that:

In the instant PCGG's Motion for Reconsideration, the PCGG claims that not only 51% but 100% of 25,249 shares of Silangan in [Oceanic] is being claimed by the Government. The same has no basis. It was the 51% equity of Roberto S. Benedicto in Silangan that was ceded by the latter to the Government.

The 51% equity of Roberto S. Benedicto is in Silangan and not in [Oceanic]. By virtue thereof, the Government took over from Roberto S. Benedicto and became one of the stockholders of Silangan owning 51% shares of stock. The government became a stockholder of [Oceanic] only to the extent of the 115 shares

of stocks [sic] of Roberto S. Benedicto in [Oceanic].

Only the stockholders of [Oceanic] are entitled to the cash dividends declared by the said corporation. Silangan, being one of the stockholders of [Oceanic] is entitled to the cash dividends due to its [sic] equivalent to 40% of the total cash dividends or in the amount of P54,337,852.61.

Clearly, the Government's claim on the cash dividends declared by [Oceanic] in favor of Silangan is pre-mature. The government will only be entitled to cash dividends received by Silangan from [Oceanic] only if Silangan will declare cash dividends to its stockholders, the Government being just one of its stockholders.

It was Silangan, as a corporation with separate and distinct personality from its stockholders that engaged the services of M.M. Lazaro and Associates with attorney's fees on a contingent basis of 20%, which was reduced to 15% of whatever amount that maybe recovered or collected by Silangan.

It was the law firm M.M. Lazaro and Associates which filed Civil Case No. 0127, entitled "Jose L. Africa, et al. vs. PCGG, et al." for Certiorari and Prohibition with Preliminary Injunction and Restraining Order on August 1, 1991. It was by reason of this case that the writs of sequestration against [Oceanic], Silangan and other majority stockholders of [Oceanic] were lifted and set aside. The writs of sequestration having been lifted, [Oceanic] declared cash dividends to its stockholders. Considering that the Omnibus Motion praying for the payment of attorney's fees of M.M. Lazaro and Associates is with the conformity of Silangan thru [sic] its President Manuel H. Nieto, Jr., the Court may act on it and grants the same in the interest of justice.

The Motion for Reconsideration dated July 7, 2004 filed by the PCGG, which is intertwined with the instant Omnibus Motion is for the same reasons, denied.

PREMISES CONSIDERED,

1. The PCGG's Motion for Reconsideration is DENIED for lack of merit.
2. The Silangan's Omnibus Motion is hereby GRANTED.

The Land Bank of the Philippines, COA Branch, Commonwealth Avenue, Quezon City is ordered to release and pay to Silangan Investors and Managers, Inc. the entire cash dividends, including interest earned in the amount of P54,337,852.61, declared by [Oceanic] due to Silangan Investors and Managers, Inc. and deposited in the Escrow accounts of Civil Case No. 0009 entitled, "Republic of the Philippines vs. Jose L. Africa, et al.", with the said Bank. The 15% of which, with the conformity of the Silangan Investors and Managers, Inc. shall be given to M.M. Lazaro and Associates thru Atty. Manuel M. Lazaro, as his contingent attorney's fees.[36]

In its 7 July 2005 Resolution, the Sandiganbayan granted Polygon's 12 July 2004 motion. The Sandiganbayan held that:

The sequestration of the [Oceanic] shares of Polygon Aerocom, Silangan, Belgor, Jose L. Africa and Victor A. Africa were [sic] declared null and void in the decision issued in this case dated April 25, 1994 x x x.

On September 21, 2001, the Supreme Court affirmed in toto the Sandiganbayan decision dated April 25, 1994 which lifted among others the sequestration against Polygon et al. On February 19, 2003, the Supreme Court issued the corresponding Entry of Judgment which states that as of February 21, 2002, the aforesaid decision has become final and executory. Thus, the Sandiganbayan issued a writ of execution dated September 30, 2003 to implement its decision dated April 25, 1994, as affirmed by the Supreme Court. The writ of execution was implemented and the records and documents and management of [Oceanic] were turned over to the new management of Africa-Nieto group.

Thus, the release of dividends including the interest earned declared by [Oceanic] and due to Polygon Investors and Managers, Inc. is in order.

PREMISES CONSIDERED, the Court grants the Motion and orders the Land Bank of the Philippines, COA Branch, Commonwealth Avenue, Quezon City to release and pay to Polygon Investors and Managers, Inc. the amount of P25,786,357.59 equivalent to 19.977% of the total dividends declared by [Oceanic] for Class "A" shares, together with accrued interest.[37]

PCGG filed a motion[38] for reconsideration, dated 20 July 2005, raising as issue that "the dividends sought to be released by Polygon are held in custodia legis by the Sandiganbayan (Fourth Division) in favor of whoever will eventually be held the rightful owner thereof in the principal case, Civil Case No. 0009." [39]

In its 25 October 2005 Resolution, the Sandiganbayan denied PCGG's 20 July 2005 motion for reconsideration. The Sandiganbayan held that, "Since Polygon is not sequestered, its shares are not sequestered too, and its dividends which follow the principal are not also sequestered, Polygon is entitled to receive its share on [sic] the dividends declared by [Oceanic] to its Class "A" shareholders in the amount of P25,786,357.59." [40]

Hence, the present petitions.

The Issues

PCGG raises as issues that the Sandiganbayan committed grave abuse of discretion when it ordered the release of the cash dividends, with interest, to Silangan and Polygon because (1) the cash dividends were under custodia legis, and (2) the acts of PCGG in managing Oceanic -- including the declaration of cash dividends -- were void.

The Court's Ruling

The petitions are unmeritorious.

PCGG claims that the Sandiganbayan committed grave abuse of discretion when it ordered the release of the cash dividends, with interest, to Silangan and Polygon because the cash dividends are under custodia legis. PCGG states that, "The Order dated July 31, 1998 of the Sandiganbayan (Fourth Division), specifically placing the cash dividends in custodia legis, prevents respondent Court from acquiring jurisdiction over the subject cash dividends for purposes of distribution." [41]

The Court is not impressed. In petitions for certiorari under Rule 65 of the Rules of Court, petitioner must show that respondent tribunal acted with grave abuse of discretion. In *Angara v. Fedman Development Corporation*, [42] the Court held that:

Certiorari under Rule 65 is a remedy narrow in scope and inflexible in character. It is not a general utility tool in the legal workshop. It offers only a limited form of review. Its principal function is to keep an inferior tribunal within its jurisdiction. It can be invoked only for an error of jurisdiction, that is, one where the act complained of was issued by the court, officer or a quasi-judicial body without or in excess of jurisdiction, or with grave abuse of discretion which is tantamount to lack or excess of jurisdiction. [43]

In *Garcia, Jr. v. Court of Appeals*, [44] the Court defined grave abuse of discretion:

Grave abuse of discretion is defined as such capricious or whimsical exercise of judgment equivalent to lack of jurisdiction. The abuse of discretion must be so patent and gross as to amount to an evasion of a positive duty or a virtual refusal to perform a duty enjoined by law, or to act at all in contemplation of law as where the power is exercised in an arbitrary and despotic manner by reason of passion or hostility. [45]

PCGG failed to show that the Sandiganbayan acted with grave abuse of discretion. The Resolutions ordering the release to Silangan and Polygon of their Oceanic cash dividends, with interest, were grounded on sound legal and factual bases: (1) PCGG agreed to the release to Silangan of 49% of its cash dividends, with interest; (2) Benedicto ceded to the government his 51% equity in Silangan, not Oceanic; (3) Silangan, being a stockholder of

Oceanic, was entitled to the cash dividends declared by the company; (4) Silangan engaged the services of M.M. Lazaro & Associates and agreed to pay 15% of the total amount it may recover as contingent fee; (5) in its 25 April 1994 Decision, the Sandiganbayan declared void PCGG's sequestration of the Oceanic shares of stock in the names of Polygon, Aerocom, Silangan, Belgor, Jose and Victor -- Silangan and Polygon were not sequestered; (6) In Presidential Commission, the Court affirmed the Sandiganbayan's 25 April 1994 Decision; (7) Presidential Commission became final and executory and was entered in the Book of Entries of Judgments; (8) the Sandiganbayan issued a writ of execution, dated 30 September 2003, to implement the 25 April 1994 Decision; and (9) the 30 September 2003 writ of execution was implemented.

Silangan and Polygon are entitled to their Oceanic cash dividends, with interest, because they are not sequestered or impleaded in Civil Case No. 0009. In *PCGG v. Sandiganbayan*,^[46] the Court affirmed the Resolutions of the Sandiganbayan ordering the release to Aerocom of its cash dividends because Aerocom was not sequestered or impleaded in Civil Case No. 0009. The Court stated:

During the pendency of Civil Case No. 0044, Aerocom filed on July 5, 1995 a Manifestation and Motion praying that the Sandiganbayan direct the PCGG to release and distribute the dividends pertaining to the shares of Aerocom in all corporations where it owns shares of stock. x x x

The Sandiganbayan in its Resolution promulgated on January 31, 1996 acted favorably on Aerocom's Manifestation and Motion and thus ordered the PCGG to release the dividends pertaining to Aerocom except the dividends on the sequestered shares of stock registered in the names of Manuel Nieto and Jose Africa in POTC, ETPI and Aerocom x x x.

After a motion for reconsideration thereof was denied by the Sandiganbayan per Resolution promulgated on May 7, 1996, the PCGG filed the present petition for certiorari on August 16, 1996 assailing the Sandiganbayan order for the release of the dividends as having been issued with grave abuse of discretion. x x x

The petition must fail.

x x x x

x x x A writ of sequestration x x x runs the risk of being struck down as invalid if and when the twin requirements of issuance and service are not satisfied within the deadline.

Such is the fate of the subject writ of sequestration, unfortunately. Whether the 18-month period expired on July 26, 1988 (as claimed by Aerocom, in line with the computation of time under Article 13 of the Civil Code and the ruling in "*National Marketing Corp. v. Tecson*," 29 SCRA 70) or on August 2, 1988 (the PCGG's position), the fact remains that service of the writ on Aerocom on August 3, 1988 was made beyond these dates. x x x

x x x The PCGG cannot justify its failure, as found by the Sandiganbayan, to file the corresponding judicial action against Aerocom within the six (6)-month period as provided for under the same constitutional provision in focus (Section 26, Article XVIII, second paragraph) by the fact that Aerocom was mentioned in the complaint of the PCGG in Civil Case No. 0009 (the Nieto, Africa, et al. case) and in Annex "A" thereof notwithstanding that Aerocom was not impleaded as party-defendant, and on the argument that the filing of Civil Case No. 0009 against the "Nieto, Africa, et al. group" is enough compliance with the "judicial action" requirement. x x x

There is no existing sequestration to talk about in this case, as the writ issued against Aerocom, to repeat, is invalid for reasons hereinbefore stated. Ergo, the suit in Civil Case No. 0009 against Mr. Nieto and Mr. Africa as shareholders in Aerocom is not and cannot ipso facto be a suit against the unimpleaded Aerocom itself without violating the fundamental principle that a corporation has a legal personality distinct and separate from

its stockholders. Such is the ruling laid down in *PCGG v. Interco* reiterated anew in a case of more recent vintage -- *Republic v. Sandiganbayan, Sipalay Trading Corp. and Allied Banking Corp.* where this Court, speaking through Mr. Justice Ricardo J. Francisco, hewed to the lone dissent of Mr. Justice Teodoro R. Padilla in the very same *Republic v. Sandiganbayan* case herein invoked by the PCGG, to wit:

"x x x failure to implead these corporations as defendants and merely annexing a list of such corporations to the complaints is a violation of their right to due process for it would in effect be disregarding their distinct and separate personality without a hearing.

"In cases where stocks of a corporation were allegedly the fruits of ill-gotten wealth, it should be remembered that in most of these cases the stocks involved constitute a substantial if not controlling interest in the corporations. The basic tenets of fair play demand that these corporations be impleaded as defendants since a judgment in favor of the government will undoubtedly substantially and decisively affect the corporations as distinct entities. The judgment could strip them of everything without being previously heard as they are not parties to the action in which judgment is rendered.

"x x x. Holding that the 'corresponding judicial action or proceeding' contemplated by the Constitution is any action concerning or involving the corporation under sequestration is oversimplifying the solution, the result of which is antagonistic to the principles of justice and fair play.

"x x x the actions contemplated by the Constitution should be those which include the corporation not as a mere annex to the complaint but as defendant. This is the minimum requirement of the due process guarantee. Short of being impleaded, the corporation has no standing in the judicial action. It cannot adequately defend itself. It may not even be heard.[47] (Emphasis supplied)

PCGG claims that the Sandiganbayan committed grave abuse of discretion when it ordered the release of the cash dividends, with interest, to Silangan and Polygon because the acts of PCGG in managing Oceanic -- including the declaration of cash dividends -- were void. PCGG states that:

In *PCGG, et al. v. Sandiganbayan, et al.*, 365 SCRA 538, 549 (2001), this Honorable Court affirmed respondent Court's declaration that all actions of the PCGG-constituted [Oceanic] Board are null and void. Such actions include the aforesaid declaration of dividends. Therefore, private [respondents have] no legal basis to claim the dividends.[48]

The Court is not impressed. Again, PCGG failed to show that the Sandiganbayan acted with grave abuse of discretion. The Sandiganbayan correctly held that Silangan and Polygon were entitled to their Oceanic cash dividends, with interest, because the declaration of cash dividends was valid. PCGG declared the cash dividends before the Sandiganbayan's 25 April 1994 Decision came out. At that time, the 11 April 1986 and 15 June 1988 writs of sequestration were presumed valid.

In *Republic of the Philippines v. Sandiganbayan*,[49] the Court held that PCGG's act of voting the shares of stock in the names of Victor, Aerocom and Polygon was valid because, at that time, the shares of stock were presumed to have been validly sequestered. The Court stated:

FINALLY, the question on the validity of the PCGG's voting the Class "A" shares to increase the authorized capital stock of ETPI.

In his petition in G.R. No. 147214, Africa faults the Sandiganbayan for failing to acknowledge, in its Resolution of February 16, 2001, the Decisions of this Court declaring that his shares in ETPI and those of AEROCOM and POLYGON (Polygon Investors & Managers, Inc.) were not sequestered. Hence, so he contends, they, and not the PCGG, should have been allowed to vote their respective shares during the meeting.

x x x [T]hat this Court rendered decisions holding that the shares of Africa, AEROCOM and POLYGON are not or no longer sequestered is of little consequence since the decisions were promulgated after the Sandiganbayan issued its resolution granting the PCGG authority to call and hold the stockholders meeting to increase the authorized capital stock. At that time, the shares were presumed to have been regularly sequestered.[50] (Emphasis supplied)

WHEREFORE, the petitions are DISMISSED. The Court AFFIRMS the 21 June 2004 Resolution and 23 December 2004 Joint Resolution of the Sandiganbayan, Third Division, in Civil Case Nos. 0126 and 0127, and the 7 July 2005 and 25 October 2005 Resolutions of the Sandiganbayan, Third Division, in Civil Case No. 0127.

SO ORDERED.

Brion, Del Castillo, Abad, and Perez, JJ., concur.

[1] Rollo (G.R. Nos. 167055-56), pp. 18-64.

[2] Id. at 7-9. Penned by Associate Justice Godofredo L. Legaspi, with Associate Justices Raoul V. Victorino and Norberto Y. Germaldez, concurring.

[3] Id. at 10-16.

[4] Rollo (G.R. No. 170673), pp. 23-63.

[5] Id. at 9-15. Penned by Associate Justice Godofredo L. Legaspi, with Associate Justices Efren N. De La Cruz and Norberto Y. Germaldez, concurring.

[6] Id. at 18-19.

[7] Id. at 349.

[8] Rollo (G.R. Nos. 167055-56), p. 79.

[9] Id.

[10] Id. at 82-106.

[11] Id. at 80-81.

[12] Id.

[13] Id. at 112-122.

[14] Id. at 114-119.

[15] Id. at 124-133.

[16] Id. at 132.

[17] Id. at 156-190.

[18] Id. at 123.

[19] Id.

[20] Id. at 224-246. Penned by Associate Justice Sabino R. De Leon, Jr., with Associate Justices Regino Hermosisima, Jr. and Cipriano A. Del Rosario, concurring.

- [21] Id. at 242-243.
- [22] Rollo (G.R. No. 170673), p. 184.
- [23] Id.
- [24] 418 Phil. 8 (2001).
- [25] Id. at 19-20.
- [26] Rollo (G.R. No. 170673), pp. 295-299.
- [27] Rollo (G.R. Nos. 167055-56), pp. 257-266.
- [28] Id. at 264.
- [29] Id. at 267-270.
- [30] Id. at 267-268.
- [31] Id. at 313-316.
- [32] Rollo (G.R. No. 170673), pp. 203-204.
- [33] Rollo (G.R. Nos. 167055-56), pp. 8-9.
- [34] Id. at 317-323.
- [35] Id. at 317-318.
- [36] Id. at 13-15.
- [37] Rollo (G.R. No. 170673), pp. 12-14.
- [38] Id. at 227-243.
- [39] Id. at 240.
- [40] Id. at 19.
- [41] Rollo (G.R. Nos. 167055-56), pp. 51-52.
- [42] 483 Phil. 495 (2004).
- [43] Id. at 505.
- [44] G.R. No. 185132, 24 April 2009, 586 SCRA 799.
- [45] Id. at 812-813.
- [46] 353 Phil. 80 (1998).
- [47] Id. at 85-92.
- [48] Rollo (G.R. Nos. 167055-56), pp. 55-56.
- [49] 450 Phil. 98 (2003).
- [50] Id. at 142-143.

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