



REPUBLIC OF THE PHILIPPINES  
SANDIGANBAYAN  
QUEZON CITY

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**FIFTH DIVISION**

REPUBLIC  
PHILIPPINES,

OF THE

Plaintiff,

Civil Case No. 0024

For: Reconveyance  
Reversion Accounting  
Damages

-vs-

PETER A. SABIDO, ET AL,  
Defendants.

Present:

LAGOS, J., Chairperson  
MENDOZA-ARCEGA, J.,  
and CORPUS-MAÑALAC, J.

Promulgated:

July 18, 2023 *[Signature]*

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**RESOLUTION**

**MENDOZA-ARCEGA:**

For resolution are the Motion for Reconsideration and/or Clarification, filed by Intervenor Diatagon Labor Federation (DLF), through counsel, on March 14, 2023, and the Comment of the Plaintiff, through counsel, on March 31, 2023.

In the present motion, DLF said that the Decision dated February 21, 2023, show that there was no ruling and/or disposition as to the prayer of DLF. Also, it said that the Court was convinced that the sixty percent (60%) shareholdings of LBLCI or Lianga indeed belongs to DLF. As to the issue of whether or not Sabido lawfully obtained his shareholdings in LBLCI, his father Roberto Sabido being a crony of the former President, it is their submission that the totality of evidence

*[Handwritten signatures]*

presented by plaintiff shows that indeed Sabido unlawfully obtained his shares in LBLCI, and hence, should be declared ill-gotten wealth. Furthermore, Sabido did not present evidence to refute the allegations of the plaintiff that his shares in LBLCI were unlawfully obtained. In addition, witness Diosdado Ranque of DLF personally witnessed how the former President arrived in LBLCI Compound in Lianga and instructed the workers that the Sabido Group will take over the management from the Pacific Georgia. Finally, they said that since all the circumstances were not refuted, hence they are deemed admitted. They prayed that assailed Decision be clarified, reconsidered and amended and a new one be rendered declaring that: 1) sixty percent (60%) of the shareholdings of LBLCI including all of its assets, resources, and intangibles as truly and rightfully owned and/or for the benefit of the workers and employees of LBLCI who are all members of DLF; 2) the workers and employees of LBLCI who are members of DLF entitled to be paid of their retirement benefits, separation pay, insurance premiums, cooperative shares, unpaid salaries, wages and backwages, accrued savings, vacation and sick leaves and bonuses; 3. Defendant Sabido be held accountable for the huge and anomalous transactions in LBLCI in connivance with other persons, including former officers of the PCGG resulting to the business losses and closure of LBLCI; 4) Sabido and other private defendants and some PCGG officials responsible in the downfall of LBLCI liable to DLF for actual, moral, and exemplary damages; and 5) the shares of Sabido in LBLCI be declared as ill-gotten wealth.

In its Comment, the plaintiff said that the claims of DLF were all directed against Sabido. In fact, DLF admitted that its intervention was not filed in connection with the efforts of the PCGG to recover ill-gotten wealth under Executive Orders 1 and 2. Plaintiff is not even a defendant in DLF's Complaint-in-Intervention. Since DLF has no claim against plaintiff, the latter is not a proper party to address the arguments raised by DLF in its motion.

Thus, this resolution.

#### ***Ownership of the 60% LBLCI shares***

Intervenor DLF presented the following documentary evidence in support of their claim of 60% of the shares of LBLCI:

The Stock Sale Agreement executed between Georgia-Pacific International Corporation (GPIC) and Commercial Bank and Trust Co. (CBTC) as trustee of Lianga's employees and workers, dated July 2, 1974, states that:

"WHEREAS, G-P is the owner of substantially all of the outstanding capital stock of Lianga and proposes to sell 35,432 shares (representing 60%) of such capital stock to Employees and Workers by conveying the same in trust to Trustee for the benefit to Employees and workers for the price and upon the terms and conditions hereinafter set forth and Employees and Workers desire to so purchase, such stock and trustees is willing to act as Trustee for such Employees and Workers.

NOW, THEREFORE, the parties hereto do hereby agree as follows:

1. Sale of Stock. G-P hereby agrees to sell and each of the Employees and workers agrees to purchase the number of shares of capital stock of Lianga indicated after his name of Schedule A and Schedule B hereto for the sum of U.S. \$ Ninety Dollars (\$90.00) for each share. All upon the terms and conditions hereinafter specified, and Trustees, acting for the account and, benefits of Employees and Workers, hereto agrees to accept such shares of stock as Trustee for said Employees and Workers upon the terms and conditions hereinafter provided.

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3. Payment of Stocks –Receipt of Dividends. The payment for the capital stock of Lianga shall be accomplished in the following manner:

a. It is understood and agreed by and between G-P, Employees and Workers and Trustee that all dividends upon the shares of stock sold pursuant here shall be paid to Trustee as the record owner thereof and held by Trustee and disbursed as follows:

(1) 80% of all dividends received by Trustee (together with such portion of the dividends upon the shares of stock sold pursuant to sub-paragraph 111) of this Paragraph 3A as exceed the amount necessary to maintain the Reallocation Fund referred to in such subparagraph (111) at the level of 250,000 pesos shall be paid over to G-P in the United States of America by forwarding the same to First National Bank of Oregon, Fifth and Salmon Branch, Portland, Oregon, 97204, within ten (10) days of receipt thereof by Trustee for application upon the agreed purchase price for such stock:

(11) 10% of all dividends so received by Trustee shall, within ten (10) days after receipt thereof by Trustee be paid over the respective Employees and Workers entitled thereto;

(111) of all dividends so received by Trustee shall be held in a fund known as the "Reallocation Fund" to be accumulated and maintained at the level of 250,000 pesos and to be used for the purpose in this Agreement hereinafter specified. Funds so used shall be replaced by 10% of dividends received thereafter until the Fund level reaches 250,000 pesos.

b. After ten (10) years from the date hereof any unpaid balance of the stock purchase price shall be paid in cash by Employee and Workers to Trustees."

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From the above agreement, the owner GPIC agreed to sell its sell 35,432 shares (representing 60%) of such capital stock to Employees and Workers by conveying the same in trust to Trustee for the benefit of the Employees and Workers for the price of \$90 (Ninety Dollars) per share, payable in dividends for ten years.

Another document submitted is Exhibit T, Memorandum dated November 17, 1986, from Aristedes M. Escosora, Chairperson, Fiscal Committee of LBLCI, addressed to the PCGG, shows that the employees and workers of Lianga owns 34,647 or 57.5% shares in trust with the BPI. The investigation also states that Sabido's interest and control over the said block of shares, purportedly in trust for the benefit of LBLCI employees and workers, was acquired from GPIC, the former owner, in 1982. In the same document, Escosora said that the block of shares was segregated and placed in-trust by GPIC in 1974 seemingly to circumvent the expiration of Parity Rights. This was corroborated by the continued control over LBLCI management by GPIC through an onerous management contract and specific stipulations of the Trust Agreement which voting rights were controlled by GPIC thru the Trustee-Bank. This arrangement insured perpetual control of GPIC over LBLCI, which was continued by Sabido. To explain further, Escosora said that GPIC operated a scheme through the onerous management contract between the latter and LBLCI, which provided for exorbitant management fees ranging from 20% to 50% shares of LBLCI income before income tax, plus \$150,000 (One Hundred Fifty Thousand Dollars) semi-annual fees. These terms insured that the shares placed in-trust, payment for which is contingent on earnings, remain unpaid and in their full control. This is in addition to the agreement that the Trustee shall exercise the voting rights for as long as the shares were not paid in full. As to Sabido, it divulged that he dissipated its assets in violation of existing laws at the expense of the other shareholders. Finally, Escosora mentioned that the workers accumulated claims against the company already reached P8,200,000.00 (Eight Million Two Hundred Thousand Pesos), accumulated trust fund deficiency excluded.

As proof of ownership of 60% of the shares, the employees and workers of LBLCI presented, Exhibit V, which enumerated the stockholders of LBLCI as of October 31, 1986, an entry in the LBLCI Stock and Transfer Book. It is specifically enumerated the names of the employees and their corresponding certificate numbers and number of shares in the company in the total amount of 34,647 shares.

In corroboration to their claim, DLF submitted Exhibit Y, a Letter-Reply dated October 13, 1986 sent by PCGG Fiscal Committee Chairperson Aristedes Escosora to the Chairperson of the Board of GPIC, established the claims of the employees and workers of LBLCI over the subject shares. In his (Escosora) letter, he said that after PCGG's examination of the records of the corporation, the following points indicated sufficient reasons for the workers to claim full ownership of the entire block of shares despite allegation of non-fulfillment of the terms of the agreement or the non-payment of 25,422 shares after the lapse of the ten year payment period: 1. Over the eight year period or from 1974 to 1981, GPIC exacted payment from LBLCI to more than amply cover payment from for the shares in question. It consisted of management fees, semi-annual fees starting December 31, 1974; as well as cash dividends declared during the period. For all of those, over P44,000,000.00 (Forty-Four Million Pesos) were disbursed; 2. Prior to the Stock Sale Agreement, GPIC had withdrawn in the form of cash dividends almost \$50,000,000.00 (Fifty Million Dollars), from 1972 to 1974, which rendered the stock sale price of \$90 per share out of proportion to the book value; 3. The BIR tax deficiency assessment covering P37,000,000.00 (Thirty-Seven Million

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Pesos) covering 1975 and 1976, a period under GPIC stewardship and specifically involving veneer sold to GPIC U.S.

In addition, Exhibit B, Memorandum dated September 22, 1986, of the Fiscal Committee, LBLCI addressed to the PCGG Chairperson, said that the timing of the negotiation of the Management Contract (Exhibit D) and the sale of GPIC's controlling interest in LBLCI (Stock Sale Agreement), shows the attempt of GPIC to continue its full control over the company despite the expiration of the Parity Rights in 1974. The following factors as observed by the Fiscal Committee, made the agreements grossly one-sided in favor of GPIC: 1. At the end of 1973, LBLCI shares had a book value of \$25.11 (Twenty-Five Dollars and Eleven Cents) but GPIC sold the shares to the employees at the rate of \$90.00 (Ninety Dollars) per share, a value more than three times the book value payable out of cash dividends, notwithstanding the downtrend in the profitability of the wood industry; 2. The sale of GPIC's shares carried the condition that the voting rights will remain with the trustee bank until full payment of the shares. In effect, the employees was not able to participate in the decision making and the protection of their interests; 3. Although GPIC more than recovered its investment in LBLCI, it deflated the company's retained earnings by declaring close to P50 million cash dividends covering 1972 to 1974, denying LBLCI provisions for replacements and rehabilitation. In addition, GPIC collected management fees, cash dividends received from LBLCI employees, cash dividends from remaining holdings. In total GPIC extracted P98,000,000.00 (Ninety-Eight Million Pesos) from LBLCI, while its original investment in the company was only P400,000.00 (Four Hundred Thousand Pesos); 4. GPIC misdeclared its sales in the past as evidenced by the BIR assessment for tax deficiency for 1975 to 1976 in the amount of P37,000,000.00 (Thirty-Seven Million Pesos); 5. All the schemes employed by GPIC resulted in the depletion of the company's resources.

In fact, in a letter dated September 18, 1986, sent by GPIC to the PCGG, it was categorically stated that when LBLCI was sold in 1982, GPIC was paid at the time of the closing if the sale and all obligations were fulfilled at that time. As to the question of outstanding balance to GPIC from the Stock Sale Agreement executed between GPIC and LBLCI employees and workers thru the trustee bank, LBLCI payables as of June 30, 1986, GPIC expressly said that " With regard to your request numbers 3 and 4 concerning balances still unpaid to GPIC; other stipulations outside of those contained in the contract, if any, and LBLCI payables to GPIC, if any, as of June 30, 1986, our response is that LBLI has no unpaid liabilities to GPIC." If that was the case, the ownership of the 60% shareholdings of LBLCI is already settled.

After meticulous examination of all the above evidence submitted by Intervenor DLF, the Court is convinced that the latter is the beneficial and rightful owner of the 34,647 or 60% shareholdings of LBLCI.

### ***Sabido's Liabilities and Violations***

As to the liabilities of Sabido, the DLF present the Memorandum of Cristeto O. Cimagala, Memorandum of Aristedes M. Escosora, Sworn Affidavit of

Leonardo L. Lomukso, and Order of the DENR, cancelling the Timber License Agreement of LBLCI.

The Memorandum of Atty. Cristeto O. Cimagala, addressed to Commissioner Mary Concepcion Bautista of PCGG dated July 16, 1987, enumerated the violations, obligations of Sabido as basis for judicial actions. Atty. Cimagala said that BIR records show that Sabido withheld income, sales, percentage and privilege taxes in 1975 to 1976 amounting to P36,035.05, based on the assessment in April 1981. He also received more than P4,800,000.00 (Four Million Eight Hundred Thousand Pesos) from 1983 to 1986 as management fee pursuant to illegal take-over of shares supposedly held in trust for employees by BPI. The attached Memorandum of Evidence consists of unpaid taxes, short payments of sales taxes, forestry charges, withholding taxes, privilege taxes amounting to P55,000,000.00 (Fifty-Five Million Pesos) excluding interests and penalties as per BIR assessment. There are also unremitted SSS contributions already paid by workers, diverted retirement funds, insurance funds estimated at P8,000,000.00 (Eight Million Pesos), excluding interests and penalties. The Sabido group also underpriced the price of logs resulting in the non-payment of forestry, sales, and other percentage taxes.

The Memorandum of Aristedes M. Escosora, Chairperson of the Fiscal Committee at LBLCI to Commissioner Mary Concepcion Baustita, state that the LBLCI employees and workers sought the assistance of the Commission to protect their rights, particularly the recovery of their accrued claims which have accumulated to over P10,000,000.00 (Ten Million Pesos) and that Sabido dissipates the company assets through price manipulations. Their investigation also revealed that Sabido was privy to the schemes employed by GPIC to the detriment of the employees and workers.

In the Sworn Affidavit of Leonardo L Lomukso (Exhibit YY), he said that in May 1982, he was ordered by Sabido to conduct an audit in LBLCI. During his audit he discovered that there are discrepancies in the size of logs between the tally sheets and the log register book. The size and volume of the logs in the tally sheets were consistently declared to be less than the real size and volume contained in the log register book, resulting to over-shipment. The Resident Manager, Leo C. Lee, informed him that in every delivery, there must be a 25% to 30% over-shipment, which they should not audit and account for, because the funds are need by Sabido for the upcoming elections.

Exhibit BBB, Order of the DENR regarding the Cancellation of the Timber License Agreement (TLA) No. 49-1 of the LBLCI, proves that there are violations committed by the Sabido management, the inspection of DENR show that there is a violation committed by the company relative to the marking of logs based on the provisions of MC No. 13, series of 1990. Moreover, the company failed to show any that it is exempted from the provisions of FC No. 176, s-1967. The company practice of rescaling the logs in the presence of DENR officials was irregular. It should be the DENR scalers who should scale. The DENR said that all the logs entering the logpond were supposed to have been scaled, prepared of the necessary auxiliary invoices and issued corresponding official receipts of payment prior to any log disposition such as local log sale or milling. Documents accompany the transport logs intended for local shipment such as scale sheets and Certificates of

Timber Origin are not prepared for the payment of forest charges. The company (LBLCI) admitted that the auxiliary payment of forest charges at the time the shipment is made. This practice is grossly disadvantageous to the government because the wastes incurred during the bucking operations were not accounted for in the payment of the forest charges. This practice does as observed by the DENR does not encourage the company to be more efficient in their operations. In summary, the DENR found the following violations of LBLCI: 1. Presence of approximately 5,000 pieces of dipterocarp species with an approximate volume of 10,000 cubic meters without hatchet and company marks with no documents presented to cover the logs and 2. Cutting outside approved Integrated Annual Operations Plan for 1992. After review of such findings, the LBLCI was mandated to pay all unpaid forest charges due the government as of October 6, 1992 which were initially assesses in the amount of P6,724,370.00 plus surcharges under existing regulations. They were also required to pay all forest charges due the government from December 16, 1990 to June 18, 1992 in the total amount of P1,029,818.80 plus surcharges, among others.

### ***Employees and Workers Unpaid Benefits***

Included in the Memorandum dated September 22, 1986 by the Fiscal Committee of LBLCI (Exhibit B), are the work-related claims comprising SSS premiums, group insurance premiums, deficiency in the retirement benefits amounting to P15,000,000.00 (Fifteen Million Pesos).

In support of the LBLCI claims, Atty. Cimagala under the Memorandum of Evidence dated July 16, 1987, said that there are unremitted SSS contributions already paid by the workers, diverted retirement funds, insurance funds estimated at P8,000,000.00 (Eight Million Pesos), excluding penalties and interests.

The aforementioned statement by Cimagala was validated by the Memorandum of Aristedes Escosora, wherein, the employees and workers' accrued claims were itemized: P1,600,000.00 (One Million Six Hundred Thousand Pesos) of unremitted SSS premiums; P2,900,000.00 (Two Million Nine Hundred Thousand Pesos) of the pension fund withdrawn by the management in violation of the CBA-granted retirement plan; P500,000.00 (Five Hundred Thousand Pesos) insurance premiums collected from the workers but not remitted to insurance companies; P700,000.00 (Seven Hundred Thousand Pesos) cooperative fund collection deducted from salaries but not turned over to the cooperative; and P3,500,000.00 (Three Million Five Hundred Thousand Pesos) due to retirable employees awaiting payment for retirement, in the total of P8,200,000.00 (Eight Million Two Hundred Thousand Pesos), accumulated trust fund deficiency not included. It was also noted that Sabido continued to exact and charge management fees of P312,000.00 (Three Hundred Twelve Thousand Pesos) per month, as he consistently underpriced the sale of logs for his own financial benefit.

In their respective Judicial Affidavits, Mamerto A. Umbania (Exhibit KK) and Diosdado A. Ranque (Exhibit EEE), former employees of LBLCI, testified that, after the closure of the LBLCI in 1992, the SSS contribution of the employees in the amount of P1,600,000.00 (One Million Six Hundred Thousand Pesos), retirement benefits in the amount of P3,500,000.00 (Three Million Five Hundred

Thousand Pesos), separation pay, insurance premiums in the amount of P500,000.00 (Five Hundred Thousand), cooperative shares in the amount of P700,000.00 (Seven Hundred Thousand) unpaid salaries, and wages, backwages, accrued savings, vacation and sick leaves and bonuses.

***Failure of Sabido and other parties to refute the claim of Intervenor DLF to the 60% shares of LBLCI.***

Sabido, in his Answer did not refute the claim of the employees and workers of LBLCI. He even said that 60% shares belong to the employees and workers of Lianga, held in trust by BPI. In fact, no evidence was presented by Sabido to rebut the evidence presented by DLF. The Republic as well as the other parties, did not rebut the claims of the employees and workers of DLF. The allegations and claims of DLF, not being denied by the other parties, are deemed admitted.

***Damages***

In the present motion, Intervenor DLF prayed for actual, moral, exemplary damages and cost of suit.

Upon consideration of the totality of evidence presented, the Court is convinced that defendant Sabido acted fraudulently, or in bad faith or wanton disregard of his obligation as President of LBLCI, by entering into anomalous transactions among others, resulting to the prejudice of the employees and workers of the company. In addition, employees and workers were not paid their retirement plan or separation pay, insurance premiums, cooperative shares, salaries and wages, backwages, accrued savings, vacation and sick leaves, bonus, etc. These benefits remained unpaid to date. The injury caused to the employees and workers and the closure of the business was caused by Sabido's mismanagement.

As President of LBLCI, Sabido should have been forthright with his dealings and made sure that the employees' welfare was taken cared of.

**IN VIEW OF THE FOREGOING**, the Motion for Reconsideration and/or Clarification of Intervenor Diatagon is hereby **GRANTED**.

Accordingly, the Court finds that:

1. the 60% (Sixty Percent) of the shareholdings of Lianga Bay Logging Co., Inc. (LBLCI) including all its assets, resources, and intangibles as rightfully owned and/or for the benefit of the employees and workers of LBLCI who are all members of Intervenor Diatagon Labor Federation (DLF);
2. the workers and employees of LBLCI who are members of Intervenor DLF are entitled to be paid their retirement benefits, separation pay, insurance premiums, cooperative shares, unpaid salaries, wages and



backwages, accrued savings, vacation and sick leaves and bonuses. The total amount of unpaid benefits of the employees and workers, including interests and penalties, shall be determined by the Intervenor DLF by submitting relevant and updated documents to Lianga Bay Logging Co. (LBLCI), Philippine Commission on Good Government (PCGG), and Office of the Solicitor General (OSG). The amount determined shall be submitted to an independent assessor to be nominated by all the parties involved and is subject to the approval of the Court;


3. Peter A. Sabido is liable to the Intervenor DLF for moral damages in the amount of P1,000,000.00 (One Million Pesos), exemplary damages in the amount of P1,000,000.00 (One Million Pesos), and cost of suit in the amount of P100,000.00 (One Hundred Thousand Pesos).

**SO ORDERED.**



**MARIA THERESA V. MENDOZA-ARCEGA**  
*Associate Justice*

**WE CONCUR:**



**RAFAEL R. LAGOS**  
*Chairperson*  
*Associate Justice*



**MARYANN E. CORPUS-MAÑALAC**  
*Associate Justice*