



Republic of the Philippines  
Supreme Court  
Manila

SPECIAL FIRST DIVISION

NOTICE

Sirs/Mesdames:

*Please take notice that the Court, First Division, issued a Resolution dated **March 2, 2022** which reads as follows:*

**“G.R. No. 253375 (*Margarita R. Lopez v. Cypress Gardens Condominium Corporation*).** – Before the Court is Margarita R. Lopez’ (petitioner) Motion for Reconsideration<sup>1</sup> of the Court’s January 19, 2021 Resolution<sup>2</sup> denying the Petition for Review on *Certiorari* for failure to sufficiently show that the Court of Appeals (CA) committed a reversible error in the challenged February 17, 2020 Decision<sup>3</sup> and August 20, 2020 Resolution<sup>4</sup> in CA-G.R. SP No. 151733 that will warrant the exercise by this Court of its discretionary appellate jurisdiction.

To recall, the petition stemmed from a civil case filed by Cypress Gardens Condominium Corporation (respondent) against Goldcrest Realty Corporation (Goldcrest) for unpaid association dues, utility bills, special assessment, and other charges on the penthouse unit owned by Goldcrest. The case was filed on April 13, 2005 before the Regional Trial Court (RTC) of Makati City. Records disclose that Goldcrest’s certificate of registration was already revoked by the Securities and Exchange Commission (SEC) on July 2, 2003 for non-compliance with corporate reportorial requirements.<sup>5</sup> Such revocation nonetheless was not raised as a defense or even as an issue before the

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<sup>1</sup> *Rollo*, pp. 432-464.

<sup>2</sup> *Id.* at 422-430.

<sup>3</sup> *Id.* at 52-64; penned by Associate Justice Gabriel T. Robeniol, with Associate Justices Edwin D. Sorongon and Walter S. Ong, concurring.

<sup>4</sup> *Id.* at 65-67.

<sup>5</sup> *Id.* at 422.

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RTC by Goldcrest. Rather, Goldcrest actively participated in the proceedings before the RTC, Branch 147, and even pursued, albeit unsuccessfully, an appeal before the CA.<sup>6</sup>

Ultimately, the RTC Decision dated October 23, 2012 in favor of respondent attained finality. Respondent then moved for execution of the RTC Decision. Petitioner, claiming to be the president and stockholder of Goldcrest, opposed execution contending that respondent can only file its claim in the liquidation proceedings because Goldcrest had already been dissolved. Otherwise, the Trust Fund Doctrine would be violated.<sup>7</sup>

On March 31, 2017, the RTC granted respondent's motion for the issuance of a writ of execution. The RTC also held that petitioner had no personality to intervene in the case and assuming she had, intervention can no longer be allowed, for the RTC Decision had already attained finality.<sup>8</sup>

Aggrieved, petitioner filed a petition for *certiorari* before the CA imputing grave abuse of discretion to the RTC in denying her intervention and granting the execution of the RTC Decision.<sup>9</sup>

On February 17, 2020, the CA promulgated the assailed Decision dismissing the petition and ruling, among others, that: (1) execution is mandatory for final and executory judgments; (2) the absence of Goldcrest liquidation proceedings does not foreclose the execution of the RTC Decision; and (3) petitioner failed to sufficiently show her authority, either as an agent or authorized trustee of Goldcrest to oppose the execution of the RTC Decision.<sup>10</sup> Petitioner moved for reconsideration, but no avail.<sup>11</sup>

Petitioner then elevated the CA Decision and Resolution before this Court *via* a Rule 45 petition, which this Court denied outright in the January 19, 2021 Resolution.<sup>12</sup>

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<sup>6</sup> Id. at 231, 425, and 434.

<sup>7</sup> Id. at 423.

<sup>8</sup> Id.

<sup>9</sup> Id. at 424.

<sup>10</sup> Id. at 57-64.

<sup>11</sup> Id. at 65-67.

<sup>12</sup> Id. at 422-430.

In her Motion for Reconsideration,<sup>13</sup> petitioner insists that: (1) she has the legal personality to intervene in and oppose the execution proceedings before the RTC, being a stockholder and President of Goldcrest; (2) respondent's claims must first be proved and approved by a "liquidation" court before they can be settled; (3) the rule on separate corporate personality does not apply where the corporation has ceased to exist; and (4) invocation of the Trust Fund Doctrine is proper in the instant case.<sup>14</sup>

**The Court resolves to deny petitioner's motion.**

At the onset, petitioner's arguments in her motion for reconsideration are mere rehash of her assertions in the petition which were already considered by the Court.

Further, contrary to petitioner's firm stance, court intervention is not always necessary and mandatory in corporate liquidation. In *Yu v. Yukayguan*,<sup>15</sup> this Court held:

x x x [L]iquidation is a necessary consequence of the dissolution of a corporation. It is specifically governed by Section 122 of the Corporation Code, which reads:

SEC. 122. *Corporate liquidation.* – Every corporation whose charter expires by its own limitation or is annulled by forfeiture or otherwise, or whose corporate existence for other purposes is terminated in any other manner, shall nevertheless be continued as a body corporate for three (3) years after the time when it would have been so dissolved, for the purpose of prosecuting and defending suits by or against it and enabling it to settle and close its affairs, to dispose of and convey its property and to distribute its assets, but not for the purpose of continuing the business for which it was established.

At any time during said three (3) years, said corporation is authorized and empowered to convey all of its property to trustees for the benefit of stockholders, members, creditors, and other persons in interest. From and after any such conveyance by the corporation of its property in trust for the benefit of its stockholders, members, creditors and others in interest, all interest

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<sup>13</sup> Id. at 432-464.

<sup>14</sup> Id. at 435-462.

<sup>15</sup> 607 Phil. 581 (2009).

which the corporation had in the property terminates, the legal interest vests in the trustees, and the beneficial interest in the stockholders, members, creditors or other persons in interest.

Upon winding up of the corporate affairs, any asset distributable to any creditor or stockholder or member who is unknown or cannot be found shall be escheated to the city or municipality where such assets are located.

Except by decrease of capital stock and as otherwise allowed by this Code, no corporation shall distribute any of its assets or property except upon lawful dissolution and after payment of all its debts and liabilities.

Following the voluntary or involuntary dissolution of a corporation, **liquidation is the process of settling the affairs of said corporation, which consists of adjusting the debts and claims, that is, of collecting all that is due the corporation, the settlement and adjustment of claims against it and the payment of its just debts.** More particularly, it entails the following:

**Winding up the affairs of the corporation means the collection of all assets, the payment of all its creditors, and the distribution of the remaining assets, if any among the stockholders thereof in accordance with their contracts, or if there be no special contract, on the basis of their respective interests. The manner of liquidation or winding up may be provided for in the corporate by-laws and this would prevail unless it is inconsistent with law.**

**It may be undertaken by the corporation itself, through its Board of Directors; or by trustees to whom all corporate assets are conveyed for liquidation; or by a receiver appointed by the SEC upon its decree dissolving the corporation.**<sup>16</sup>  
(Emphases and underscorings supplied, citations omitted)

Clearly, liquidation may be undertaken even without judicial proceedings. It may also enlighten petitioner to note that except for the first part of its opening paragraph, Section 139<sup>17</sup> of Republic Act

<sup>16</sup> Id. at 607-608.

<sup>17</sup> **Section 139. Corporate Liquidation.** - Except for banks, which shall be covered by the applicable provisions of Republic Act No. 7653, otherwise known as "The New Central Bank Act", as amended, and Republic Act No. 3591, otherwise known as the Philippine Deposit Insurance Corporation Charter, as amended, every corporation

(R.A.) No. 11232 or the Revised Corporation Code is substantially a reproduction of Section 122 of Batas Pambansa (BP) Blg. 68 or the old Corporation Code on corporate liquidation. Hence, petitioner's argument that Section 122 BP Blg. 68, and not Section 119 of the R.A. No. 11232, governs the liquidation of Goldcrest is beside the point – liquidation of Goldcrest's remaining assets before a "liquidation court" is not a requisite for the execution of the final and executory judgment in favor of respondent. To reiterate, payment of Goldcrest's judgment debt is actually part of its liquidation.

The cases<sup>18</sup> cited by petitioner in her Motion for Reconsideration do not apply in this case simply because court-supervised liquidation in said cases resulted from a petition for suspension of payments for rehabilitation purposes, initially filed by the debtor corporations, which was eventually converted into liquidation proceedings upon determination that corporate rehabilitation was no longer feasible.

Here, there was not even an allegation of any pending court proceedings involving Goldcrest's liquidation. Neither was there any assertion that Goldcrest has other preferred creditors that would be prejudiced by the execution of the RTC Decision, or that Goldcrest has no remaining corporate assets for the satisfaction of respondent's

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whose charter expires pursuant to its article of incorporation is annulled by forfeiture, or whose corporate existence is terminated in any other manner, shall nevertheless remain as a body corporate for three (3) years after the effective date of dissolution, for the purpose of prosecuting and defending suits by or against it and enabling it to settle and close its affairs, dispose of and convey its property, and distribute its assets, but not for the purpose of continuing the business for which it was established.

At any time during said three (3) years, the corporation is authorized and empowered to convey all of its property to trustees for the benefit of stockholders, members, creditors, and other persons in interest. After any such conveyance by the corporation of its property in trust for the benefit of its stockholders, members, creditors and others in interest, all interest which the corporation had in the property terminates, the legal interest vests in the trustees, and the beneficial interest in the stockholders, members, creditors or other persons-in-interest.

Except as otherwise provided for in Section 93 and 94 of this Code, upon the winding up of corporate affairs, any asset distributable to any creditor or stockholder or member who is unknown or cannot be found shall be escheated in favor of the national government.

Except by decrease of capital stock and as otherwise allowed by this Code, no corporation shall distribute any of its assets or property except upon lawful dissolution and after payment of all its debts and liabilities.

<sup>18</sup> *Majority Stockholders of Ruby Industrial Corporation v. Lim*, 665 Phil. 600 (2011) and *Consuelo Metal Corporation v. Planters Development Bank*, 578 Phil. 431 (2008); *rollo*, pp. 440-447.

judgment award. Thus, the Court finds no valid reason that will prevent or stay the execution of the RTC Decision.

More importantly, records show that notwithstanding its dissolution in 2003, Goldcrest actively defended the case against it before the RTC through its "Board of Directors."<sup>19</sup> Evidently, Goldcrest had a functioning corporate body insofar as said civil case is concerned

In *Reburiano v. Court of Appeals*,<sup>20</sup> the Court explained:

x x x [I]n *Gelano vs. Court of Appeals*<sup>21</sup> x x x, this Court held:

However, a corporation that has a pending action and which cannot be terminated within the three-year period after its dissolution is authorized under Sec. 78 [now §122] of the Corporation Law to convey all its property to trustees to enable it to prosecute and defend suits by or against the corporation beyond the three-year period. **Although private respondent did not appoint any trustee, yet the counsel who prosecuted and defended the interest of the corporation in the instant case and who in fact appeared in behalf of the corporation may be considered a trustee of the corporation at least with respect to the matter in litigation only. Said counsel had been handling the case when the same was pending before the trial court until it was appealed before the Court of Appeals and finally to this Court. We therefore hold that there was substantial compliance with Sec. 78 [now §122] of the Corporation Law and such private respondent Insular Sawmill, Inc. could still continue prosecuting the present case even beyond the period of three (3) years from the time of dissolution.**

x x x [T]he trustee may commence a suit which can proceed to final judgment even beyond the three-year period. No reason can be conceived why a suit already commenced by the corporation itself during its existence, not by a mere trustee who, by fiction, merely continues the legal personality of the

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<sup>19</sup> *Rollo*, p. 231.

<sup>20</sup> 361 Phil. 294 (1999).

<sup>21</sup> 190 Phil. 814 (1981).

dissolved corporation should not be accorded similar treatment allowed — to proceed to final judgment and execution thereof.

In the *Gelano* case, the counsel of the dissolved corporation was considered a trustee. In the later case of *Clemente v. Court of Appeals*,<sup>22</sup> we held that **the board of directors may be permitted to complete the corporate liquidation by continuing as "trustees" by legal implication.**<sup>23</sup> (Emphases supplied, other citations omitted)

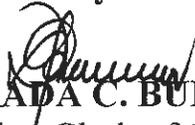
Absent any showing that the Board of Directors who represented and defended Goldcrest in the civil case filed by respondent could no longer be convened or constituted, or that petitioner was authorized by such Board of Directors to now act for and on behalf of Goldcrest either as agent or trustee, petitioner is not a proper and real party-in-interest in the execution proceedings before the RTC.

Finally, petitioner's invocation of the Trust Fund Doctrine is misplaced. Suffice it to state that distribution of corporate assets to the shareholders is proper only after corporate creditors have been paid and there are remaining corporate assets after such payment.<sup>24</sup> Indeed, creditors of a corporation are preferred over the stockholders in the distribution of corporate assets. There can be no distribution of assets among the stockholders without first paying corporate creditors.<sup>25</sup>

**WHEREFORE**, premises considered, petitioner's motion for reconsideration is **DENIED with finality**. No further pleadings shall be entertained.

**SO ORDERED."**

**By authority of the Court:**

  
**LIBRADA C. BUENA**  
Division Clerk of Court

by:

**MARIA TERESA B. SIBULO**  
Deputy Division Clerk of Court 

<sup>22</sup> 312 Phil. 823 (1995).

<sup>23</sup> *Reburiano v. Court of Appeals*, supra at 306-307.

<sup>24</sup> Sec. 139 of R.A. No. 11232, formerly Sec. 122 of BP Blg. 68.

<sup>25</sup> *Boman Environment Development Corp. v. Court of Appeals*, 249 Phil. 495, 504-505 (1988).

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