Title
Wonder Book Corporation vs. Philippine Bank of Communications: A Legal Analysis on the Denial of Corporate Rehabilitation for Insolvency

Facts
Wonder Book Corporation, engaged in the retail of books and related items, along with other members of the Limtong Group of Companies (LGC), initially petitioned for joint rehabilitation in 2004 due to financial stress. Following oppositions and the eventual withdrawal of their collective petition, Wonder Book individually filed for rehabilitation in 2006, citing high interests, decreased demand, competition, and losses from a fire incident as causes of their financial troubles. Their proposed rehabilitation plan included a 15-year loan payment term to Philippine Bank of Communications (PBCOM) with reduced interest rates and a moratorium on payments. Despite PBCOM's opposition highlighting the insufficiency and speculative nature of the plan, the Regional Trial Court (RTC) approved Wonder Book's rehabilitation plan in 2008. PBCOM's subsequent appeal to the Court of Appeals (CA) resulted in the reversal of the RTC's decision in 2009, with the CA noting Wonder Book's insolvency and the unfeasibility of rehabilitation.

Issues
1. Whether Wonder Book's petition for rehabilitation was meritorious.
2. If the conditions for a feasible and viable rehabilitation under Philippine corporate rehabilitation rules were met by Wonder Book.
3. Whether the approval of the rehabilitation plan by the RTC was proper despite Wonder Book's insolvency.

Court's Decision
The Supreme Court affirmed the CA's decision, denying Wonder Book's petition for rehabilitation. The Court clarified that:
– Rehabilitation is designed for corporations that can feasibly operate successfully post-rehabilitation. Wonder Book's financial state suggested irreversible insolvency rather than mere illiquidity.
– Wonder Book failed to present "material financial commitments" to support their rehabilitation plan, a requirement under Section 5 of the Interim Rules on Corporate Rehabilitation.
– The projected positive outcomes of Wonder Book's rehabilitation plan were based on speculative and unrealistic assumptions without substantial financial backing or a sound, workable business strategy.

Consequently, the petition was denied as Wonder Book’s insolvency and the improbability of successful rehabilitation were clearly demonstrated.

Doctrine
The case reaffirmed the doctrine that corporate rehabilitation is intended for entities that, though currently illiquid, have the potential for successful operation and solvency restoration through a realistic, viable rehabilitation plan. It emphasized that speculative financial commitments and unfeasible business plans do not satisfy the requirements for rehabilitation under Philippine law.

Class Notes
– **Insolvency vs. Illiquidity**: Insolvency refers to the incapability to pay debts as they fall due, given that total liabilities surpass total assets, precluding the possibility of rehabilitation. Illiquidity, conversely, indicates a temporary inability to meet obligations despite having sufficient assets overall.
– **Material Financial Commitments**: Essential commitments by the petitioning corporation to prove its capacity and dedication to fulfilling the rehabilitation plan. They must be realistic and based on substantive financial capability.
– **Feasibility of Rehabilitation**: A corporation’s rehabilitation plan must be practical, with a reasonable expectation of restoring solvency, based on credible financial backing and a viable business strategy. Rehabilitation is not justified if the entity’s insolvency is irreversible or if the plan merely delays inevitable liquidation.

Historical Background
This case is set against the backdrop of evolving corporate rehabilitation laws in the Philippines, reflecting the country’s efforts to balance the interests of distressed corporations with those of their creditors and stakeholders. It underscores the judiciary’s critical role in scrutinizing rehabilitation plans to ensure they are grounded in realistic expectations and genuine financial commitments, thereby protecting the broader economic environment from the adverse effects of improperly managed corporate recoveries.