

MCPI CORPORATION / DATINGBAYAN AGRO-INDUSTRIAL CORPORATION, PETITIONERS-APPELLEES, VS. [] OPAL PORTFOLIO INVESTMENTS (SPV-AMC), INC., CREDITOR-APPELLANT.

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HERNANDO, J:

Before this Court is a Petition for Review under Rule 43 of the Rules of Court pursuant to AM No. 04-9-07-SC dated September 14, 2004, filed by Opal Portfolio Investments (SPV-AMC), Inc. (Opal) challenging the Decision[1] dated March 12, 2004 of the Regional Trial Court (RTC), Branch 11, of Cebu City, approving the Proposed/Revised Financial Rehabilitation Plan of MCPI Corporation and Dating Bayan Agro-Industrial Corporation.

The Antecedents:

MCPI Corporation (MCPI) is engaged in the business of manufacturing, processing, selling and exporting carrageenan, a product extracted from seaweeds. On the other hand, Dating Bayan Agro-Industrial Corporation (Dating Bayan) is a sister company and subsidiary of MCPI where both corporations have interlocking directors and stockholders.

In pursuit of its business growth, MCPI procured several loans from local banks and lending institutions, one of which was the Philippine National Bank (PNB). Unfortunately, MCPI experienced serious business reverses and was unable to manage the repayment of its loan obligations. Thus, on March 27, 2003, MCPI and Dating Bayan filed a Petition[2] for Corporate Rehabilitation with the court a quo, docketed as SRC Case No. 031-CEB. Dating Bayan is joined in the petition since it is committed to support MCPI's rehabilitation, it having executed several corporate sureties and mortgages to secure MCPI's loan obligations. In fact, most of Dating Bayan's real and personal properties are among those mortgaged to MCPI's creditors, PNB in particular.

On April 15, 2003, the court a quo issued an Order[3] in favor of MCPI and Dating Bayan thereby staying the enforcement of all claims against it. Consequently, MCPI and Dating Bayan were prohibited from making payments to its creditors and disposing of its properties.

On November 28, 2003, the trial court issued an Order[4] referring the instant case to a Rehabilitation Receiver. Thereafter, on February 11, 2004, Rehabilitation Receiver Meriam G. Balagtas filed a Motion[5] praying for the approval of the Proposed/Revised Rehabilitation Plan of MCPI and Dating Bayan.

On March 12, 2004, the RTC granted the Rehabilitation Receiver's Motion, to wit:[6]

WHEREFORE, in view of all the foregoing premises, judgment is hereby rendered in this case by this Court approving the Revised Proposed Financial Rehabilitation Plan of petitioners. Accordingly, in consonance with the said rehabilitation plan, this Court decrees as follows:

1. The outstanding principal balance of the petitioners' take-out loans with PNB as of December 31, 2003 should have been P41,205,500.00. However, considering that petitioners used the amount of P44,000,250.00 in the revised plan as balance of the principal adopting the peso amount generated by the second dollar to peso

conversion, the latter amount should be followed.

2. The outstanding principal balance of the export revolving credit line with PNB as of December 31, 2003 shall be P39, 797, 052.00;

3. The outstanding balance of the capitalized interest and charges with PNB as of December 31, 2003 shall be P29, 050, 485.51;

4. The outstanding balance of the SCB loan is hereby determined as P14, 170, 202.00 as of December 31, 2003;

5. The outstanding balance of the DCB loan is hereby determined as P6, 134, 258.00 as of December 31, 2003;

6. Interest and penalties, not otherwise capitalized, are hereby condoned.

7. The residual or remaining balance of petitioner MCPI's loans with PNB, SCB and DCB shall be restructured for a period of ten (10) years together with interests of 9% per annum, pursuant to the Revised Proposed Financial Rehabilitation Plan.

8. The residual or remaining balance of petitioner MCPI's loans with PNB shall continue to be secured by the mortgages of real properties and chattels which presently are still subsisting in favor of said bank.

9. There shall be no payment of dividends by the petitioners or payments of advances from stockholders until they have fully paid all their loan obligations.

10. The rehabilitation plan shall commence this year 2004.

Aggrieved, Opal Portfolio Investments, Inc. (Opal) filed a Joint Manifestation and Motion for Substitution of Parties.[7] Opal claims that it is the assignee of the rights and interest of PNB over the debts owed by MCPI to the latter. Originally, PNB sold its rights and interest over the accounts demandable from MCPI to Golden Dragon Star Equities, Inc., who, in turn, assigned all its rights to Opal. Thus, Opal asserts that it should be substituted for PNB as the appellant in the instant case.

In its Appellant's Brief,[8] Opal stresses that the rehabilitation of MCPI is not proper since it could no longer be rehabilitated. Moreover, Opal maintains that the trial court erred in approving MCPI's rehabilitation plan because it fails to give due regard to the interest of its creditors. Furthermore, Opal claims that the Rehabilitation Petition violated Section 3, Rule 3 of the Interim Rules of Procedure on Corporate Rehabilitation. Likewise, the petition was defective in form and substance. Lastly, Opal points out that the petition is teeming with substantial misrepresentations and inaccuracies.

On the other hand, MCPI and Dating Bayan, in their Appellees' Brief,[9] contend that Opal is raising issues for the first time on appeal. Neither the viability of MCPI's business nor the potential for its rehabilitation had been questioned before the court a quo. Moreover, the specifics, details, figures and projections in the Revised Proposed Financial Rehabilitation Plan was never disputed before the trial court. Hence, MCPI and Dating Bayan assert that Opal is estopped from raising these issues during appeal.

In any event, MCPI and Dating Bayan stress that MCPI can be rehabilitated since PNB would not have granted them loan and credit accommodations if it was not convinced that MCPI's business was viable. Both MCPI and Dating Bayan claim that one of the reasons for their business slump was PNB's incorrect and bloated calculation of their indebtedness.

In reply, Opal reiterates the impossibility of MCPI to be rehabilitated. Opal asserts that MCPI failed to comply with its proposed Rehabilitation Plan and make payments to its creditors for more that eight years now. Moreover,

Opal claims that the appointed Rehabilitation Receiver admitted MCPI's inability to comply with the Rehabilitation Plan and even moved for the reduction of the interest rate from 9% to 3%.

On January 7, 2013, since the records of the case were already complete, the case was submitted for decision. However, on March 14, 2014, this Court found it prudent to revert the case back to completion stage since there is an impending procedural issue that needs to be threshed out, clarified and settled.[10] In view of the fact that the instant case involves corporate rehabilitation, the proper mode of appeal should have been by way of a Petition for Review under Rule 43 of the Rules of Court pursuant to AM No. 04-9-07-SC dated September 14, 2004 and not through an ordinary appeal. Thus, a hearing was called to settle the matter as it would determine whether this case would remain docketed as a civil case or redocketed as a special proceeding.

After hearing, this Court rendered a Resolution[11] dated June 3, 2014 treating the instant case as an appeal pursuant to Par. 4(2) of AM No. 04-9-07-SC. Opal's Joint Manifestation and Motion for Substitution of Parties was also granted thereby declaring it as the party appellant in lieu of PNB. Moreover, the parties were required to submit their respective Position Papers on the issue of whether the instant case has been rendered moot by virtue of the pre-termination of the rehabilitation plan by the court a quo and eventually the lapse of the rehabilitation plan on March 2014.

On November 21, 2014, the Position Papers of the respective parties were noted and admitted. The Judicial Records Section was also directed to re-docket the instant case from civil to special proceedings. Thus, CA-G.R. CEB-CV No. 00997 is now docketed as CA-G.R. CEB- SP No. 08902.

The Issues:

The main issue here is whether or not the instant case has been rendered moot by virtue of the pre-termination of the rehabilitation proceedings by the court a quo and eventually the lapse of the period for rehabilitation on March 2014.

The Court's Ruling

We hold to dismiss the petition for being moot.

In *Osmeña III v. Social Security System of the Philippines*,[12] the Supreme Court defined a moot and academic case or issue as follows:

A case or issue is considered moot and academic when it ceases to present a justiciable controversy by virtue of supervening events, so that an adjudication of the case or a declaration on the issue would be of no practical value or use. In such instance, there is no actual substantial relief which a petitioner would be entitled to, and which would be negated by the dismissal of the petition. Courts generally decline jurisdiction over such case or dismiss it on the ground of mootness — save when, among others, a compelling constitutional issue raised requires the formulation of controlling principles to guide the bench, the bar and the public; or when the case is capable of repetition yet evading judicial review.

Indubitably, any declaration upholding or overturning the assailed March 12, 2004 Decision of the trial court, which approved the Proposed/Revised Rehabilitation Plan of MCPI and Dating Bayan, would be entirely useless. There is no longer any purpose in determining whether the court a quo erred in approving the rehabilitation plan since the court pre-terminated the assailed rehabilitation proceedings in its August 27, 2013 Order. In effect, the trial court had already set aside its assailed March 12, 2004 Decision which, apparently, Opal fervently seeks to nullify.

Along the same vein, the ten-year period within which MCPI should have complied with its Proposed/Revised Financial Rehabilitation Plan had long expired. Consequently, the corporate rehabilitation of MCPI has been put

into naught by reason of the expiry of the period given by the trial court. Thus, the relief sought by Opal, which is to discontinue MCPI's rehabilitation, has already been satisfied. Hence, no practical relief can be granted to the disputants by resolving the instant petition.

All told, it is unnecessary to indulge in academic discussion of a case presenting a moot question as a judgment thereon cannot have any practical legal effect or, in the nature of things, cannot be enforced.[13] Here, the correctness of the trial court's approval of the Proposed/Revised Rehabilitation Plan of MCPI and Dating Bayan no longer pose a justiciable controversy because of the pre-termination of the rehabilitation proceedings by the trial court and the lapse of the period for rehabilitation. Verily, the resolution of said issue has been mooted by the foregoing supervening events and would certainly not offer an actual substantial relief to the parties.

WHEREFORE, in view of all the foregoing considerations, the Court DISMISSES the petition on the ground that the same has become moot and academic.

SO ORDERED.

Quijano-Padilla, and Azcarraga-Jacob, JJ., concur.

[*] Formerly CA-G.R. CEB-CV No. 00997.

[**] In substitution for the Philippine National Bank per this Court's Resolution dated June 3, 2014, Rollo, pp. 633-634.

[1] Penned by Hon. Isaias P. Dicdican, Rollo, pp. 123-135.

[2] Rollo, pp. 48-75.

[3] Rollo, pp. 76-77.

[4] Rollo, pp. 99-102.

[5] Rollo, pp. 103-106.

[6] Rollo, p. 135.

[7] Rollo, pp. 30-34.

[8] Rollo, pp. 160-208.

[9] Rollo, pp. 524-578.

[10] Rollo, pp. 619-622.

[11] Rollo, pp. 633-634

[12] G.R. No. 165272, September 13, 2007.

[13] Gerardo O. Lanuza, Jr. v. Ma. Vivian Yuchengco, et. al., G.R. No. 157033, March 28, 2005.

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