

**PACIFIC WIDE REALTY AND DEVELOPMENT CORPORATION,
PETITIONER, VS. PUERTO AZUL LAND, INC., RESPONDENT.***G.R. No. 178768. November 25, 2009*

Ponente: NACHURA, J.

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Before the Court are the consolidated petitions for review on certiorari under Rule 45 of the Rules of Court: (1) G.R. No. 180893, assailing the Decision[1] dated May 17, 2007 and the Resolution[2] dated October 30, 2007 of the Court of Appeals (CA) in CA-G.R. SP No. 92695, entitled "Export and Industry Bank v. Puerto Azul Land, Inc."; and (2) G.R. No. 178768, assailing the Decision[3] dated March 16, 2007 and the Resolution[4] dated June 29, 2007 of the CA in CA-G.R. SP No. 91996, entitled "Puerto Azul Land, Inc. v. The Regional Trial Court of Manila, Br. 24; Sheriff IV of Pasay City Virgilio F. Villar; and Pacific Wide Realty & Development Corporation (as substitute for Export and Industry Bank, Inc.)."

The Facts

In G.R. No. 180893

Puerto Azul Land, Inc. (PALI) is the owner and developer of the Puerto Azul Complex situated in Ternate, Cavite. Its business involves the development of Puerto Azul into a satellite city with residential areas, resort, tourism and retail commercial centers with recreational areas.[5] In order to finance its operations, it obtained loans from various banks, the principal amount of which amounted to Six Hundred Forty Million Two Hundred Twenty-Five Thousand Three Hundred Twenty-Four Pesos (P640,225,324.00). PALI and its accommodation mortgagors, i.e., Ternate Development Corporation (TDC), Ternate Utilities, Inc. (TUI), and Mrs. Trinidad Diaz-Enriquez, secured the loans.[6]

In the beginning, PALI's business did very well. However, it started encountering problems when the Philippine Stock Exchange rejected the listing of its shares in its initial public offering which sent a bad signal to the real estate market. This resulted in potential investors and real estate buyers shying away from the business venture. The situation was aggravated by the 1997 Asian financial crisis and the decline of the real estate market. Consequently, PALI was unable to keep up with the payment of its obligations, both current and those that were about to fall due. One of its creditors, the Export and Industry Bank[7] (EIB), later substituted by Pacific Wide Realty and Development Corporation (PWRDC), filed foreclosure proceedings on PALI's mortgaged properties. Thrust to a corner, PALI filed a petition for suspension of payments and rehabilitation,[8] accompanied by a proposed rehabilitation plan and three (3) nominees for the appointment of a rehabilitation receiver.[9]

On September 17, 2004, after finding that the petition was sufficient in form and substance, the Regional Trial Court (RTC) issued a Stay Order[10] and appointed Patrick V. Caoile as rehabilitation receiver.[11] Dissatisfied, EIB filed a motion to replace the appointed rehabilitation receiver. On January 25, 2005, the RTC denied the motion.[12]

On April, 20, 2005, the rehabilitation receiver filed his rehabilitation report and recommendation, wherein he proposed that PALI should be rehabilitated rather than be dissolved and liquidated. On June 9, 2005, PALI filed a revised rehabilitation plan.[13]

EIB and the other creditors of PALI filed their respective comments/opposition to the report/recommendations of the rehabilitation receiver. On November 2, 2005, EIB, together with another creditor of PALI, Tranche I (SPV-MC), Inc., filed an urgent motion to disqualify the appointed rehabilitation receiver. The RTC denied the motion in an Order[14] dated December 9, 2005.[15]

On December 13, 2005, the RTC rendered a Decision[16] approving PALI's petition for suspension of payments and rehabilitation. The pertinent portions of the decision read:

The rehabilitation of the petitioner, therefore, shall proceed as follows:

1. The creditors shall have, as first option, the right to be paid with real estate properties being offered by the petitioner in dacion en pago, which shall be implemented under the following terms and conditions:

a. The properties offered by the petitioner shall be appraised by three appraisers, one to be chosen by the petitioner, a second to be chosen by the bank creditors and the third to be chosen by the Receiver. The average of the appraisals of the three (3) chosen appraisers shall be the value to be applied in arriving at the dacion value of the properties. In case the dacion amount is less than the total of the secured creditor's principal obligation, the balance shall be restructured in accordance with the schedule of payments under option 2, paragraph (a). In case of excess, the same shall [be] applied in full or partial payment of the accrued interest on the obligations. The balance of the accrued interest, if any, together with the penalties shall [be] condoned.

2. Creditors who will not opt for dacion shall be paid in accordance with the restructuring of the obligations as recommended by the Receiver as follows:

a) The obligations to secured creditors will be subject to a 50% haircut of the principal, and repayment shall be semi-annually over a period of 10 years, with 3-year grace period. Accrued interests and penalties shall be condoned. Interest shall be paid at the rate of 2% p.a. for the first 5 years and 5% p.a. thereafter until the obligations are fully paid. The petitioner shall allot 50% of its cash flow available for debt service for secured creditors. Upon completion of payments to government and employee accounts, the petitioner's cash flow available for debt service shall be used until the obligations are fully paid.

b) One half (1/2) of the principal of the petitioner's unsecured loan obligations to other creditors shall be settled through non-cash offsetting arrangements, with the balance payable semi-annually over a period of 10 years, with 3-year grace period, with interest at the rate of 2% p.a. for the first 5 years and 5% p.a. from the 6th year onwards until the obligations are settled in full. Accrued interest and penalties shall be condoned.

c) Similarly, one half (1/2) of the petitioner's obligations to trade creditors shall be settled through non-cash offsetting arrangements. The cash payments shall be made semi-annually over a period of 10 years on a pari passu basis with the bank creditors, without interest, penalties and other charges of similar kind.

WHEREFORE, the rehabilitation of petitioner Puerto Azul Land, Inc. is hereby approved in accordance with the foregoing pronouncements by the Court. Subject to the following terms and conditions:

1. Immediately upon the implementation of the rehabilitation of the petitioner, the Rehabilitation Receiver shall inform the Court thereof;

2. The Rehabilitation Receiver, creditors, and the petitioner shall submit to the Court at the end of the first year of the petitioner's rehabilitation, and annually thereafter until the termination of the rehabilitation, their respective reports on the progress of the petitioner's rehabilitation, specially the petitioner's compliance with the provisions of the plan as modified by the Rehabilitation Receiver;

3. The Rehabilitation Receiver shall report to the Court any change in the assumptions used in the Rehabilitation Plan, its projections, and forecasts, that may be brought about by the settlement through dacion en pago of any of the obligations and to recommend corresponding changes, if any, in such assumptions, projections, and forecasts;

4. The rehabilitation of the petitioner is binding upon the creditors and all persons who may be affected by it, including the creditors, whether or not they have participated in the proceedings or opposed the plan or whether or not their claims have been scheduled.

The petitioner is hereby strictly enjoined to abide by the terms and conditions set forth in this Order and the provisions of the Interim Rules on Corporate Rehabilitation.

The Rehabilitation Receiver is hereby directed to perform his functions and responsibilities pursuant to Section 14 of the Interim Rules, with particular emphasis on the following:

"u) To be notified of, and to attend all meetings of the board of directors and stockholders of the debtors";

"v) To recommend any modification of an approved rehabilitation plan as he may deem appropriate";

"w) To bring to the attention of the court any material change affecting the debtor's ability to meet the obligations under the rehabilitation plan";

[x x x x]

"y) To recommend the termination of the proceedings and the dissolution of the debtor if he determines that the continuance in business of such entity is no longer feasible or profitable or no longer works to the best interest of the stockholders, parties- litigants, creditors, or the general public."

SO ORDERED.[17]

Finding the terms of the rehabilitation plan and the qualifications of the appointed rehabilitation receiver unacceptable, EIB filed with the CA a petition for review under Rule 42 of the Rules of Court. The case was entitled, "Export and Industry Bank v. Puerto Azul Land, Inc."

On May 17, 2007, the CA rendered a Decision,[18] the fallo of which reads:

WHEREFORE, in view of the forgoing, the petition for review is hereby DISMISSED. The assailed December 13, 2005 decision of the court a quo is hereby AFFIRMED in toto.[19]

EIB filed a motion for reconsideration. However, the same was denied in a Resolution[20] dated October 30, 2007.

In G.R. No. 178768

On September 21, 2004, EIB entered its appearance before the rehabilitation court and moved for the clarification of the stay order dated September 17, 2004 and/or leave to continue the extrajudicial foreclosure of the real estates owned by PALI's accommodation mortgagors. In opposition, PALI argued that the foreclosure sought would preempt the rehabilitation proceedings and would give EIB undue preference over PALI's other creditors. On November 10, 2004, the RTC issued an Order,[21] denying EIB's motion.[22]

On March 3, 2005, EIB filed an urgent motion to order PALI and/or the mortgagor TUI/rehabilitation receiver to pay all the taxes due on Transfer Certificate of Title (TCT) No. 133164. EIB claimed that the property covered by TCT No. 133164, registered in the name of TUI, was one of the properties used to secure PALI's loan from EIB. The said property was subject to a public auction by the Treasurer's Office of Pasay City for non-payment of realty taxes. Hence, EIB prayed that PALI or TUI be ordered to pay the realty taxes due on TCT No. 133164.[23]

PALI opposed the motion, arguing that the rehabilitation court's stay order stopped the enforcement of all claims, whether for money or otherwise, against a debtor, its guarantors, and its sureties not solidarily liable to the debtor; thus, TCT No. 133164 was covered by the stay order.[24]

On March 31, 2005, the RTC issued an Order,[25] the dispositive portion of which reads:

Accordingly, and as being invoked by the creditor movant, this Court hereby modifies the Stay Order of September 17, 2004, in such a manner that TCT No. 133614 which is mortgaged with creditor movant Export and Industry Bank, Inc. is now excluded from the Stay Order. As such, Export and Industry Bank, Inc. may settle the above-stated realty taxes of third party mortgagor with the local government of Pasay City. In return, and to adequately protect the creditor movant Export and Industry Bank, Inc., the latter may foreclose on TCT No. 133614.

SO ORDERED.[26]

On April 12, 2005, PALI filed an urgent motion for a status quo order, praying that the stay order be maintained and that the enforcement of the claim of Pasay City be held in abeyance pending the hearing of its motion.[27] On April 13, 2005, the RTC, so as not to render moot PALI's motion, issued an Order,[28] directing EIB to refrain from taking any steps to implement the March 31, 2005 Order. The City Treasurer of Pasay City was, likewise, directed to respect the stay order dated September 17, 2004 insofar as TCT No. 133164 was concerned, until further orders from the court.[29]

On August 16, 2005, the RTC issued an Order[30] addressing the April 12, 2005 urgent motion of PALI. In the said order, the rehabilitation court maintained its March 31, 2005 Order. The court reiterated that TCT No. 133164, under the name of TUI, was excluded from the stay order. In order to protect the interest of EIB as creditor of PALI, it may foreclose TCT No. 133164 and settle the delinquency taxes of third-party mortgagor TUI with the local government of Pasay City.

PALI filed an urgent motion to modify the Order dated August 16, 2005. The same was denied by the RTC in an Order[31] dated October 19, 2005. Aggrieved, PALI filed with the CA a petition for certiorari under Rule 65 of the Rules of Court, ascribing grave abuse of discretion on the part of the rehabilitation court in allowing the foreclosure of a mortgage constituted over the property of an accommodation mortgagor, to secure the loan obligations of a corporation seeking relief in a rehabilitation proceeding. The case was entitled, "Puerto Azul Land, Inc. v. The Regional Trial Court of Manila, Br. 24; Sheriff IV of Pasay City Virgilio F. Villar; and Export and Industry Bank, Inc."

On March 16, 2007, the CA rendered a Decision,[32] the fallo of which reads:

WHEREFORE, above premises considered, the instant Petition is GRANTED. The October 19, 2005 Order of the Regional Trial Court of Manila, Br. 24, in Civil Case No. 04-110914 is hereby declared NULL and VOID and the properties covered by TCT No. 133164 are hereby DECLARED subject to and covered by the September 17, 2004 stay order. Accordingly, Public Respondent Sheriff Virgilio F. Villar, or his substitute or equivalent, is ORDERED to immediately cease and desist from enforcing the Amended Notice of Sheriff's Sale, dated February 8, 2007, and from conducting the sale at public auction of the parcels of land covered by TCT No. 133164 on March 20, 2007 or at anytime thereafter. No costs.

SO ORDERED.[33]

EIB filed a motion for reconsideration. The CA denied the same in a Resolution[34] dated June 29, 2007.

Hence, this petition for review on certiorari under Rule 45 of the Rules of Court.

On July 27, 2009, the Court ordered the consolidation of the two petitions.

The Issues

The issues for resolution are the following: (1) whether the terms of the rehabilitation plan are unreasonable and in violation of the non-impairment clause; and (2) whether the rehabilitation court erred when it allowed the foreclosure of the accommodation mortgagee's property and excluded the same from the coverage of the stay order.

The Ruling of the Court

I

Rehabilitation^[35] contemplates a continuance of corporate life and activities in an effort to restore and reinstate the corporation to its former position of successful operation and solvency. The purpose of rehabilitation proceedings is to enable the company to gain a new lease on life and thereby allow creditors to be paid their claims from its earnings. The rehabilitation of a financially distressed corporation benefits its employees, creditors, stockholders and, in a larger sense, the general public.^[36]

Under the Rules of Procedure on Corporate Rehabilitation,^[37] "rehabilitation" is defined as the restoration of the debtor to a position of successful operation and solvency, if it is shown that its continuance of operation is economically feasible and its creditors can recover by way of the present value of payments projected in the plan, more if the corporation continues as a going concern than if it is immediately liquidated.

An indispensable requirement in the rehabilitation of a distressed corporation is the rehabilitation plan, and Section 5 of the Interim Rules of Procedure on Corporate Rehabilitation provides the requisites thereof:

SEC. 5. Rehabilitation Plan. -- The rehabilitation plan shall include (a) the desired business targets or goals and the duration and coverage of the rehabilitation; (b) the terms and conditions of such rehabilitation which shall include the manner of its implementation, giving due regard to the interests of secured creditors; (c) the material financial commitments to support the rehabilitation plan; (d) the means for the execution of the rehabilitation plan, which may include conversion of the debts or any portion thereof to equity, restructuring of the debts, dacion en pago, or sale of assets or of the controlling interest; (e) a liquidation analysis that estimates the proportion of the claims that the creditors and shareholders would receive if the debtor's properties were liquidated; and (f) such other relevant information to enable a reasonable investor to make an informed decision on the feasibility of the rehabilitation plan.

In G.R. No. 180893, the rehabilitation plan is contested on the ground that the same is unreasonable and results in the impairment of the obligations of contract. PWRDC contests the following stipulations in PALI's rehabilitation plan: fifty percent (50%) reduction of the principal obligation; condonation of the accrued and substantial interests and penalty charges; repayment over a period of ten years, with minimal interest of two percent (2%) for the first five years and five percent (5%) for the next five years until fully paid, and only upon availability of cash flow for debt service.

We find nothing onerous in the terms of PALI's rehabilitation plan. The Interim Rules on Corporate Rehabilitation provides for means of execution of the rehabilitation plan, which may include, among others, the conversion of the debts or any portion thereof to equity, restructuring of the debts, dacion en pago, or sale of assets or of the controlling interest.

The restructuring of the debts of PALI is part and parcel of its rehabilitation. Moreover, per findings of fact of the RTC and as affirmed by the CA, the restructuring of the debts of PALI would not be prejudicial to the interest of PWRDC as a secured creditor. Enlightening is the observation of the CA in this regard, viz.:

There is nothing unreasonable or onerous about the 50% reduction of the principal amount when, as found by the court *quo*, a Special Purpose Vehicle (SPV) acquired the credits of PALI from its creditors at deep discounts of as much as 85%. Meaning, PALI's creditors accepted only 15% of their credit's value. Stated otherwise, if PALI's creditors are in a position to accept 15% of their credit's value, with more reason that they should be able to accept 50% thereof as full settlement by their debtor. x x x. [38]

We also find no merit in PWRDC's contention that there is a violation of the impairment clause. Section 10, Article III of the Constitution mandates that no law impairing the obligations of contract shall be passed. This case does not involve a law or an executive issuance declaring the modification of the contract among debtor PALI, its creditors and its accommodation mortgagors. Thus, the non-impairment clause may not be invoked. Furthermore, as held in *Oposa v. Factoran, Jr.*[39] even assuming that the same may be invoked, the non-impairment clause must yield to the police power of the State. Property rights and contractual rights are not absolute. The constitutional guaranty of non-impairment of obligations is limited by the exercise of the police power of the State for the common good of the general public.

Successful rehabilitation of a distressed corporation will benefit its debtors, creditors, employees, and the economy in general. The court may approve a rehabilitation plan even over the opposition of creditors holding a majority of the total liabilities of the debtor if, in its judgment, the rehabilitation of the debtor is feasible and the opposition of the creditors is manifestly unreasonable.[40] The rehabilitation plan, once approved, is binding upon the debtor and all persons who may be affected by it, including the creditors, whether or not such persons have participated in the proceedings or have opposed the plan or whether or not their claims have been scheduled.[41]

II

On the issue of whether the rehabilitation court erred when it allowed the foreclosure by PWRDC of the property of the accommodation mortgagor and excluded the same from the coverage of the stay order, we rule in the negative.

The governing law concerning rehabilitation and suspension of actions for claims against corporations is Presidential Decree (P.D.) No. 902-A, as amended (P.D. No. 902-A). Section 6(c) of P.D. No. 902-A mandates that, upon appointment of a management committee, rehabilitation receiver, board, or body, all actions for claims against corporations, partnerships or associations under management or receivership pending before any court, tribunal, board, or body shall be suspended. Stated differently, all actions for claims against a corporation pending before any court, tribunal or board shall ipso jure be suspended in whatever stage such actions may be found.[42]

The justification for the suspension of actions or claims pending rehabilitation proceedings is to enable the management committee or rehabilitation receiver to effectively exercise its/his powers free from any judicial or extrajudicial interference that might unduly hinder or prevent the "rescue" of the debtor company. To allow such other action to continue would only add to the burden of the management committee or rehabilitation receiver, whose time, effort and resources would be wasted in defending claims against the corporation instead of being directed toward its restructuring and rehabilitation.[43]

In G.R. No. 178768, the rehabilitation court, in its Orders dated March 31, 2005 and August 16, 2005, removed TCT No. 133164 from the coverage of the stay order. The property covered by TCT No. 133164 is owned by TUI. TCT No. 133164 was mortgaged to PWRDC by TUI as an accommodation mortgagor of PALI by virtue of the Mortgage Trust Indenture (MTI) dated February 1995.

The MTI was executed among TDC, TUI and Mrs. Trinidad Diaz- Enriquez, as mortgagors; PALI, as borrower; and Urban Bank, as trustee. Under Section 4.04 thereof, the mortgagors and the borrower guaranteed to pay and

discharge on time all taxes, assessments and governmental charges levied or assessed on the collateral and immediately surrender to the trustee copies of the official receipts for such payments. It was also agreed therein that should the borrower fail to pay such uncontested taxes, assessments and charges within sixty (60) calendar days from due date thereof, the trustee, at its option, shall declare the mortgagors and the borrower in default under Section 6.01(d) of the MTI, or notify all the lenders of such failure.[44]

In excluding the property from the coverage of the stay order and allow PWRDC to foreclose on the mortgage and settle the realty tax delinquency of the property with Pasay City, the rehabilitation court used as justification Section 12, Rule 4 of the Interim Rules on Corporate Rehabilitation. The said section provides:

SEC. 12. Relief from, Modification, or Termination of Stay Order. -- The court may, on motion or motu proprio, terminate, modify, or set conditions for the continuance of the stay order, or relieve a claim from the coverage thereof upon showing that (a) any of the allegations in the petition, or any of the contents of any attachment, or the verification thereof has ceased to be true; (b) a creditor does not have adequate protection over property securing its claim; or (c) the debtor's secured obligation is more than the fair market value of the property subject of the stay and such property is not necessary for the rehabilitation of the debtor.

For purposes of this section, the creditor shall lack adequate protection if it can be shown that:

- a. the debtor fails or refusesto honor a pre-existing agreement with the creditor to keep the property insured;
- b. the debtor fails or refuses to take commercially reasonable steps to maintain the property; or
- c. the property has depreciated to an extent that the creditor is undersecured. Upon showing of a lack of adequate protection, the court shall order the rehabilitation receiver to (a) make arrangements to provide for the insurance or maintenance of the property, or (b) to make payments or otherwise provide additional or replacement security such that the obligation is fully secured. If such arrangements are not feasible, the court shall modify the stay order to allow the secured creditor lacking adequate protection to enforce its claim against the debtor; Provided, however, that the court may deny the creditor the remedies in this paragraph if such remedies would prevent the continuation of the debtor as a going concern or otherwise prevent the approval and implementation of a rehabilitation plan.

In its March 31, 2005 Order, the rehabilitation court ratiocinated that PALI violated the terms of the MTI by failing to take reasonable steps to protect the security given to PWRDC, viz.:

It is crystal clear that Ternate Utilities, Inc. being the owner of TCT No. 133614 is the one liable to pay the realty taxes to the local government of Pasay City. The petitioner [PALI], not being the owner of the subject land does not owe the local government of Pasay City in the same way [as] the local government of Pasay City is not a creditor of petitioner [PALI]. The local government of Pasay City is pursuing directly the tax obligation of Ternate Utilities, Inc. which company is not the petitioner [PALI] in this case. Hence, for all intents and purposes, the Stay Order does not cover the tax obligations of Ternate Utilities, Inc. to the local government of Pasay City.

In [petitioner PALI's] Comment, it can be gleaned that neither Ternate Utilities, Inc. nor the petitioner [PALI] has the intention of paying the real property taxes on TCT No. 133614, which inaction will naturally result in the auctioning of [the] subject land to the prejudice and damage of creditor movant being the mortgagee thereof. Likewise, it is uncontested that the failure of the petitioner or Ternate Utilities, Inc. to pay the realty property taxes violate[d] the pre-existing agreement of the petitioner [PALI] and Ternate Utilities, Inc. to the creditor movant.[45]

In the August 16, 2005 Order, the rehabilitation court reaffirmed its decision to remove TCT No. 133164 from the coverage of the stay order in order to protect the secured claim of PWRDC, viz.:

Considering that the auction sale of TCT No. 133614 by the local government of Pasay City without the Ternate Utilities, Inc., or the petitioner [PALI] redeeming or paying the corresponding due taxes and penalties totaling to P7,523,257.50 as indicated in the aforesaid Certificate of Sale of Delinquent Real Property, the interest of creditor EIB is greatly prejudiced.

Lastly, even assuming that the value of the PALI property covered by the MTI [Mortgage Trust Indenture] is indeed P1.877 Billion, however, the total claim of EIB against the petitioner [PALI] is more than P1.4 Billion Pesos (By statement of Asset attached by EIB in its Comment/Opposition to the petition for rehabilitation dated November 10, 2004) as of October 31, 2004 which total obligation is still counting as to date. Hence, not redeeming the auctioned TCT No. 133614 from the Pasay City Government definitely renders creditor EIB not possessing adequate protection over [the] property securing its claim against petitioner [PALI].[46]

Accordingly, the rehabilitation court committed no reversible error when it removed TCT No. 133164 from the coverage of the stay order. The Interim Rules of Procedure on Corporate Rehabilitation is silent on the enforcement of claims specifically against the properties of accommodation mortgagors. It only covers the suspension, during the pendency of the rehabilitation, of the enforcement of all claims against the debtor, its guarantors and sureties not solidarily liable with the mortgagor.

Furthermore, the newly adopted Rules of Procedure on Corporate Rehabilitation has a specific provision for this special arrangement among a debtor, its creditor and its accommodation mortgagor. Section 7(b), Rule 3 of the said Rules explicitly allows the foreclosure by a creditor of a property not belonging to a debtor under corporate rehabilitation, as it provides:

SEC. 7. Stay Order.-- x x x (b) staying enforcement of all claims, whether for money or otherwise and whether such enforcement is by court action or otherwise, against the debtor, its guarantors and persons not solidarily liable with the debtor; provided, that the stay order shall not cover claims against letters of credit and similar security arrangements issued by a third party to secure the payment of the debtor's obligations; provided, further, that the stay order shall not cover foreclosure by a creditor of property not belonging to a debtor under corporate rehabilitation; provided, however, that where the owner of such property sought to be foreclosed is also a guarantor or one who is not solidarily liable, said owner shall be entitled to the benefit of excussion as such guarantor[.][47]

Thus, there is no question that the action of the rehabilitation court in G.R. No. 178768 was justified.

WHEREFORE, in view of the foregoing, (1) the Decision dated May 17, 2007 and the Resolution dated October 30, 2007 of the Court of Appeals in CA-G.R. SP No. 92695 are hereby AFFIRMED; and (2) the Decision dated March 16, 2007 and the Resolution dated June 29, 2007 of the Court of Appeals in CA-G.R. SP No. 91996 are hereby SET ASIDE. The October 19, 2005 Order of the Regional Trial Court of Manila in Civil Case No. 04-110914 is hereby AFFIRMED. The property covered by TCT No. 133164 is hereby declared excluded from the coverage of the September 17, 2004 Stay Order.

No costs.

SO ORDERED.

Corona, (Chairperson), Chico-Nazario, Leonardo-De Castro,[*] and Peralta, JJ., concur.

[*] Additional member in lieu of Associate Justice Presbitero J. Velasco, Jr. per Raffle dated July 22, 2009.

[1] Penned by Associate Justice Lucenito N. Tagle, with Associate Justices Amelita G. Tolentino and Mariflor Punzalan-Castillo, concurring; rollo (G.R. No. 180893), pp. 53-65.

[2] Id. at 67-72.

[3] Penned by Associate Justice Normandie B. Pizarro, with Associate Justices Edgardo P. Cruz and Fernanda Lampas Peralta, concurring; rollo (G.R. No. 178768), pp. 51-64.

[4] Id. at 66-68.

[5] Rollo (G.R. No. 180893), p. 54.

[6] Rollo (G.R. No. 178768), p. 52.

[7] Formerly known as Urban Bank.

[8] The case filed by PALI was entitled "In the Matter of the Corporate Rehabilitation/Suspension of Payments of Puerto Azul Land, Inc.; pursuant to the Interim Rules of Procedure on Corporate Rehabilitation (A.M. No. 009-10-SC)," and docketed as Civil Case No. 04-110914.

[9] Rollo (G.R. No. 180893), p. 54.

[10] CA rollo (CA-G.R. SP No. 92695), pp. 110-113.

[11] Rollo (G.R. No. 180893), pp. 53-55.

[12] CA rollo (CA-G.R. SP No. 92695), pp. 140-141.

[13] Rollo (G.R. No. 180893), p. 55.

[14] CA rollo (CA-G.R. SP No. 92695), pp. 352-354.

[15] Rollo (G.R. No. 180893), p. 55.

[16] Penned by Judge Antonio M. Eugenio, Jr., Regional Trial Court of Manila, Branch 24; CA rollo (CA-G.R. SP No. 92695), pp. 9-22.

[17] Id. at 19-22.

[18] Supra note 1.

[19] Id. at 65.

[20] Supra note 2.

[21] CA rollo (CA-G.R. SP No. 91996), pp. 64-67.

[22] Rollo (G.R. No. 178768), p. 53.

[23] Id.

[24] Id.

[25] CA rollo (CA-G.R. SP No. 91996), pp. 82-84.

[26] Id. at 84.

[27] Rollo (G.R. No. 178768), p. 54.

[28] Id. at 93.

[29] Id.

[30] Id. at 94-96.

[31] CA rollo (CA-G.R. SP No. 91996), pp. 25-27.

[32] Supra note 3.

[33] Id. at 63.

[34] Supra note 4.

[35] The applicable rule of procedure in the instant consolidated petitions is the Interim Rules of Procedure on Corporate Rehabilitation which was adopted by the Court on December 15, 2000. However, effective January 16, 2009, unless the court orders otherwise to prevent manifest injustice, new petitions and any pending petition for rehabilitation that have not undergone the initial hearing prescribed under the Interim Rules of Procedure for Corporate Rehabilitation shall be governed by the Rules of Procedure on Corporate Rehabilitation (2008).

[36] *Negros Navigation Co., Inc. v. Court of Appeals, Special Twelfth Division*, G.R. Nos. 163156 & 166845, December 10, 2008, 573 SCRA 434, 450, citing *New Frontier Sugar Corporation v. Regional Trial Court, Branch 39, Iloilo City*, 513 SCRA 601 (2007); *Rubberworld (Phils.), Inc. v. NLRC*, 305 SCRA 721 (1999); *Ruby Industrial Corporation v. Court of Appeals*, 284 SCRA 445 (1998).

[37] A.M. NO. 00-8-10-SC.

[38] Rollo (G.R. No. 180893), p. 61.

[39] G.R. No. 101083, July 30, 1993, 224 SCRA 792.

[40] Interim Rules of Procedure on Corporate Rehabilitation, Rule 4, Sec. 23.

[41] Interim Rules of Procedure on Corporate Rehabilitation, Rule 4, Sec. 24.

[42] *Philippine Airlines, Incorporated v. Zamora*, G.R. No. 166996, February 6, 2007, 514 SCRA 585.

[43] *Negros Navigation Co., Inc. v. Court of Appeals, Special Twelfth Division*, supra note 36, at 451-452.

[44] CA rollo (CA-G.R. SP No. 91996), p. 76.

[45] Rollo (G.R. No. 178768), pp. 91-92.

[46] Id. at 95-96.

[47] Italics supplied.

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