SIOCHI FISHERY ENTERPRISES, INC., JUN-JUN FISHING CORPORATION, DEDE FISHING CORPORATION, BLUE CREST AQUA-FARMS, INC., AND ILOILO PROPERTY VENTURES, INC., PETITIONERS, VS. BANK O...

G.R. No. 193872. October 19, 2011

Ponente: CARPIO, J.

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CARPIO, J.:

The Case

This is a petition[1] for review on certiorari under Rule 45 of the Rules of Court. The petition challenges the 20 October 2009 Decision[2] and 22 September 2010 Resolution[3] of the Court of Appeals in CA-G.R. SP No. 93278. The Court of Appeals set aside the 9 January 2006 Order[4] of the Regional Trial Court (RTC), National Capital Judicial Region, Malabon City, Branch 74, in Sec. Corp. Case No. S4-03-MN.

The Facts

Petitioners Siochi Fishery Enterprises, Inc., Jun-Jun Fishing Corporation, Dede Fishing Corporation, Blue Crest Aqua-Farms, Inc. and Iloilo Property Ventures, Inc. (petitioners) are domestic corporations of the Siochi family. Petitioners are engaged in various businesses and have interlocking stockholders and directors. Their principal office is located at 31 Don B. Bautista Boulevard, Dampalit, Malabon City.

In the course of their business, petitioners borrowed from respondent Bank of the Philippine Islands (BPI) and from Ayala Life Assurance, Inc. As of 30 June 2004, petitioners' total obligation amounted to P85,362,262.05.

On 15 July 2004, petitioners filed with the RTC a petition[5] for corporate rehabilitation. Petitioners prayed that the RTC (1) issue a stay order; (2) declare petitioners in a state of suspension of payments; (3) approve petitioners' proposed rehabilitation plan; and (4) appoint a rehabilitation receiver.

RTC's Ruling

In its 26 July 2004 Order,[6] the RTC (1) stayed enforcement of all claims against petitioners; (2) prohibited petitioners from disposing their properties, except in the ordinary course of business; (3) prohibited petitioners from paying their obligations; (4) prohibited petitioners' suppliers from withholding supply of goods and services; and (5) appointed Atty. Cesar C. Cruz (Atty. Cruz) as rehabilitation receiver.

BPI filed with the RTC a comment to the 26 July 2004 Order. BPI alleged, among others, that (1) the RTC had no jurisdicttion over Blue Crest Aqua-Farms, Inc. and Iloilo Property Ventures, Inc.; (2) petitioners submitted only one affidavit of general financial condition for all five corporations; (3) the market values of petitioners' real properties were unsubstantiated and inconsistent; (4) the photocopies of the Transfer Certificates of Title were incomplete; (5) the interest rate had already been reduced to 12%; (6) typhoons were not an excuse to default on payments; (7) the Asian financial crisis and the peso devaluation did not affect petitioners; (8) petitioners' total

liability should have been lowered from P79,848,920.23 to P70,135,649.50; (9) petitioners had no sufficient cash flow to pay their debts; (10) the rehabilitation plan was unfeasible and prejudicial to BPI; and (11) petitioners did not present a liquidation analysis.

In his 14 December 2004 motion,[7] Atty. Cruz prayed that the RTC issue an order directing petitioners and their creditors to attend a meeting. In its 18 Januray 2005 Order,[8] the RTC denied the motion.

In its 9 January 2006 Order,[9] the RTC approved petitioners' rehabilitation plan. The RTC held:

> Jurisdiction over the instant petition has been acquired upon the publication of the stay order which serves as the notice of the commencement of the proceedings x x x. In the instant petition, all the petitioning corporations have, as admitted also by BPI, interlocking directors which means that the said directors are all members of the "Siochi" family. In addition thereto, three (3) of the petitioning corporations x x x hold their respective principal offices in Malabon City. In line therefore with the settled policy of avoiding multiplicity of suits, the Court finds it proper to include Blue Crest Aqua-Farms, Inc. and Iloilo Property Ventures in the instant petition. x x x
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> x x x x
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> Based on the Consolidated Schedule of Debts and Liabilities x x x the total principal liability of the petitioners is Seventy Nine Million, Eight Hundred Forty Eight [sic] Nine Hundred Twenty and 23/100 (P79,848,920.23) Pesos. On the other hand, the petitioning corporations own properties among which are titled lands located in Malabon City, Navotas, Obando, Bulacan and Iloilo Province with an estimated value of Three Hundred Ninety Three Million Nine Hundred Twenty Two Thousand and 00/100 (P393,922,000.00) Pesos, as appraised by the Philippine Appraisal Co., Inc. x x x. Accordingly, the petitioning corporations could still be considered net worthy, capable of being rehabilitated.
>
> As regards the rehabilitation plan, the Court, contrary to BPI and ALAI's stand, finds the same feasible, and viable. A moratorium period of five (5) years on the payment of its loans/obligations will enable said petitioners to generate additional capital/funds to continue its [sic] business operations. This is in line with the petitioners' intention to source fund from its [sic] internal operations, the growth of which is expected to favorably expand. To achieve this goal, an extension period for the payment of petitioners' obligations is just and proper. This is precisely the main reason why petitioners filed the instant petition as corporate rehabilitation can, in one way, be effected by suspension of payments of obligation for a certain period. Thereafter, payment of their loan/obligations could be ably resumed.
>
> Further, petitioners, thru its [sic] President, is [sic] in the process of negotiating with prospective investors to put up additional capital and diversifying its [sic] operation and, if still necessary, funds can still be generated from the real estate properties of the petitioners mentioned in Exhibit "I" whose value has not been exposed to the limit of their loan value. Aside from the repayment plan in an amount of Php3,241,514.83 per quarter beginning the 1[st] quarter of the 6[th] year up to ten years thereafter, petitioners are open to negotiations with their creditors, to enter into dacion en pago and/or sales of assets as means of payment.
>
> The sale of petitioners' assets, as claimed by BPI, in order to pay off their matured obligation/s with it and not the suspension of payments is, as the Court sees, not a solution because this would mean a forced sale of their assets at a much lower price thereby adding significant loss in the value of the petitioner's [sic] assets, making said petitioners insolvent rather than giving it [sic] a chance to rehabilitate their business operations.
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> The success therefore of the rehabilitation plan largely depends on its ability to reduce its debt obligations to a manageable level by the suspension of payments of obligations. This scheme enables the petitioners to restore their profitability and solvency and maintain it [sic] as an on-going business, to the benefit not only of the stockholders and investors but to BPI and ALAI as petitioners' creditors.[10]

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BPI appealed the RTC's 9 January 2006 Order to the Court of Appeals.

The Court of Appeals' Ruling

In its 20 October 2009 Decision, the Court of Appeals set aside the RTC's 9 January 2006 Order. The Court of Appeals held:

> In the case at bar, the proceeding before the court a quo was rife with procedural infirmities. Under the Interim Rules, the court is directed to summarily hear the parties on any matter relating to the petition as well as any comment and/or opposition filed in connection therewith. Accordingly, the creditor or any interested party is required to file a verified opposition to or comment on the petition for rehabilitation so as to aid the court in making an informed and rational decision as to whether or not the petition for rehabilitation should be given due course. Pursuant thereto, petitioner filed its Oppositions and Comments wherein it raised the following significant issues, among others, viz: that the court a quo has no jurisdiction over Blue Crest Aqua-Farms, Inc. and Iloilo Property Ventures, Inc.; that the Consolidated Schedule of Debts and Liabilities is misleading; that respondent corporations have no sufficient cash flow to repay their debts; that the proposal in the Rehabilitation Plan does not ensure actual loan repayment nor respondent corporations' recovery; that the proposed repayment period thereunder is grossly disadvantageous; and that respondent corporations are undercapitalized. Instead of discussing these issues, the court a quo merely confined the hearing on the issue of jurisdiction. It should be pointed out that while the Interim Rules direct the court to summarily hear the parties, it [sic] do not authorize the court to disregard the comment and/or opposition filed by the parties, especially when there are material issues raised therein, as in the present case. The rules itself [sic] mandate a just, expeditious and inexpensive determination of cases. Certainly, disregarding the arguments raised by petitioner would not result in a just determination of the case.
>
> The most glaring procedural infirmity committed by the court a quo, however, is its failure to refer respondent corporations' petition for rehabilitation and Rehabilitation Plan to the rehabilitation receiver despite the explicit and clear mandate of the Interim Rules that if the court is satisfied that there is merit in the petition, it shall give due course to the petition and "immediately" refer the same and its annexes to the rehabilitation receiver x x x.
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> x x x x
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> We have likewise observed that the court a quo made an unwarranted procedural shortcut as its finding that there was merit in respondent corporations' petition for rehabilitation was made in the same Order approving their Rehabilitation Plan. The court a quo's propensity in ignoring the procedure laid down in the Interim Rules can also be seen in its failure to issue an Order directing respondent corporations and their creditors to attend a meeting notwithstanding the Manifestation and Motion filed by the rehabilitation receiver for this purpose. Further, the court a quo ignored the patent defect in the allegations in the petition for rehabilitation. A perusal of the records reveals that out of the five (5) respondent corporations, it is only Iloilo Property Ventures, Inc. which has a threat or demand from Ayala Life Assurance, Inc. x x x. However, in their respective Affidavits of General Financial Condition, respondent corporations uniformly alleged that petitioner and Ayala Life Assurance, Inc. "will initiate legal actions including foreclosure proceedings to enforce collection of the obligations." Interestingly, Blue Crest Aqua-Farms, Inc. alleged the same in its Affidavit of General Financial Condition even as petitioner and Ayala Life Assurance, Inc. were not listed among its creditors in its Schedule of Debts and Liabilities. In actuality, Blue Crest Aqua-Farms, Inc. does not even qualify as a financially distressed corporation as it has no threats/demands for the enforcement of claims and its cash on hand and in bank is sufficient to pay its financial obligations. x x x
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> x x x x
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> In cases where the creditors oppose the approval of the rehabilitation plan, the court may only approve the same upon the concurrence of two conditions -- one, that the rehabilitation of the debtor is feasible and two,

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that the opposition of the creditors is manifestly unreasonable. x x x

In the present case, the court a quo found the rehabilitation of respondent corporations feasible and viable on the basis of the following circumstances: (1) that the real properties they own have an estimated value of P393,922,000.00 x x x as opposed to their consolidated debts and liabilities in the amount of P79,848,920.23; and (2) that the moratorium period of five (5) years on the payment of its [sic] loans/obligations will enable respondent corporations to generate additional capital/funds to continue its [sic] business operations from the expected growth of its [sic] internal operations, from negotiations with prospective investors, and from their real properties whose value has not been exposed to the limit of their loan value. However, the court a quo's conclusion that respondent corporations' rehabilitation is feasible and viable is not supported by their financial condition, commitments and proposed measures for rehabilitation/recovery.

With respect to the Appraisal Report, it bears to stress that the same was commissioned by respondent corporations and petitioner was not afforded the opportunity to contest the same. Also, it is extant from the records that some of the properties included therein do not belong to respondent corporations but to their officers, namely, Ferdinand Siochi, Mario Siochi, Jr., Gerald Siochi and Jose Patrick Siochi. Thus, these properties should not be considered as part of respondent corporations' assets as their officers have a separate personality from the corporation itself. x x x

As to respondent corporations' financial condition, the same is reflected in their respective Affidavits of General Financial Condition and Consolidated Cash Flow Statement. In their respective Affidavits of General Financial Condition x x x, the average annual income and average annual net loss for the past three (3) years prior to the filing of the petition for rehabilitation are: (1) income of P4,781,833.21 and loss of P2,079,499.80 -- Siochi Fishery Enterprises, Inc., (2) income of P65,254.48 and loss of P1,081,921.15 -- Jun-Jun Fishing Corporation, (3) income of P34,633.36 and loss of P1,051,300.03 -- Dede Fishing Corporation. A scrutiny of their Consolidated Cash Flow Statement for the past three (3) months prior to the filing of the petition shows that respondent corporations' cash balance is P2,839,921.70 while an examination of respondent corporations' cash flow for three (3) months after the filing of the petition shows that their cash inflow amounts to P4,788,230.59 and their cash outflow is pegged at P1,574,976.76, thereby leaving a cash balance of P3,213,253.83.

On the other hand, an examination of the Consolidated Schedule of Debts and Liabilities shows that the total claim of petitioner is P30,445,608.73 while that of Ayala Life Assurance, Inc. is P44,038,428.54 or an aggregate amount of P74,484,037.27. x x x

Given these facts, it can readily be seen that respondent corporations are in dire financial condition. Their Affidavits of General Financial Condition show that Jun-Jun Fishing Corporation and Dede Fishing Corporation had bigger average annual net loss than average annual income for the past three (3) years prior to the filing of the petition for rehabilitation. x x x It must be noted that their Consolidated Cash Flow Statement and the cash balance reflected reflected therein incorporates the amount belonging to Blue Crest Aqua-Farms, Inc. which should have been excluded from the petition. Even with the inclusion of Blue Crest's money, respondent corporations' cash balance is still insufficient to service their debts. Therefore, the feasibility and viability of their rehabilitation would have to depend on their financial commitments to support the Rehabilitation Plan, as well as the proposed measures for rehabilitation/recovery, which are reflected in their Rehabilitation Plan.

x x x x

At this juncture, it must be emphasized that the debtor's material financial commitments are of critical value in gauging the sincerity of its intention in the projected rehabilitation as these signify the debtor's resolve to financially support the rehabilitation plan. Corollarily, respondent corporations' material financial commitments were stated in this manner:

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> "1. The petitioners intend to source fund from its internal operations, the growth of which is expected to favorably expand.
>
> 2. The president is currently negotiating with prospective investors to put up additional fresh capital and diversifying its operation.
>
> 3. The real estate properties of petitioner [sic] have not been exposed to the limit of their loan value and if necessary funds can still be sourced from them to ensure working fund/capital for petitioners' operations."

Notably, in concluding that the moratorium period of five (5) years on the payment of its [sic] loans/obligations will enable respondent corporations to generate additional capital/funds from their internal operations, prospective investors, and their properties which had not been exposed to the limit of their loan value, the court a quo heavily relied on the above-quoted commitments. However, these hardly qualify as a concrete undertaking on the part of respondent corporations to financially support their Rehabilitation Plan.

Firstly, the sourcing of funds from their internal operations is based on a mere expectancy. Respondent corporations did not even allege in their Rehabilitation Plan their operational plan or definite management which would bring about growth and expansion in their internal operations. x x x In fact, petitioner correctly contends that inspite of the supposed modernization program on the 5[th] year of the rehabilitation period, the sales projection of respondent corporations was constantly pegged at 5%.

Secondly, respondent corporations failed to give the specific details regarding their prospective investors who will supposedly put up additional fresh capital. This should have been considered by the court a quo considering that in their respective Affidavits of General Financial Condition, respondent corporations uniformly answered that none, so far, has expressed interest in investing new money into respondent corporations' business.

x x x x

Noticeably, some of respondent corporations' subscribed capital stock remained unpaid and their respective boards of directors failed to take concrete steps to compel the shareholders to pay their subscribed capital stock in full or to order the conversion of their debts to equity or to offer the remaining shares of stock from their authorized capital stock for subscription. x x x [P]etitioner correctly pointed out that the proposed rehabilitation is deemed to succeed in only one thing: to extend the loan repayment term and does not ensure actual loan repayment nor business recovery of the petitioners.

Thirdly, by stating that their real estate properties have not been exposed to the limit of their loan values, respondent corporations are implying that they will use the mortgaged properties as collaterals to secure another loan. This hardly constitutes a material financial commitment as the real properties x x x referred to by respondent corporations were already mortgaged to petitioner and Ayala Life Assurance, Inc. Respondent corporations had no right to assume that petitioner and Ayala Life Assurance, Inc., who have a superior lien over these properties, would allow them to obtain another loan from a new creditor secured by the aforementioned properties. In the same vein, respondent corporations may not compel petitioner and Ayala Life Assurance, Inc. to grant them a new loan with the same properties as collaterals so as to enable them to obtain their full loanable value. x x x

x x x x

In this case, there was nothing in the records that would show that the rehabilitation receiver recommended the approval of the Rehabilitation Plan or that the shareholders or owners of the debtor will lose their controlling interest as a result thereof. Also, there was no showing that the plan would likely provide petitioner with compensation greater than that which it would have received if the assets of respondent corporations were sold by a liquidator within a three-month period. Ergo, petitioner's opposition to the Rehabilitation Plan is not manifestly

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unreasonable.

x x x x

In the case at bar, the interest of herein petitioner should be protected and preserved as it is engaged in the banking business which is imbued with public interest. x x x

x x x x

Similarly, the reduction of interest on these loans from 12% to 8% is unwarranted as it is not the province of the court a quo to relieve respondent corporations from the obligations they had voluntarily assumed. x x x The rule is that the parties to a loan agreement have been given wide latitude to agree on any interest rate and an interest of 12% per annum is deemed fair and reasonable.[11]

Petitioners filed a motion for reconsideration. In its 22 September 2010 Resolution, the Court of Appeals denied the motion. Hence, the present petition.

Issue

Petitioners raise as issue that the Court of Appeals erred in setting aside the RTC's 9 January 2006 Order because "it is within [the RTC's] discretion to disregard the procedural formalities," and "the lower court has x x x factual basis in [sic] its finding that [petitioners] are capable of rehabilitated [sic]."

The Court's Ruling

The petition is unmeritorious.

Petitioners claim that the Interim Rules of Procedure are construed liberally; thus, the RTC may disregard the Rules. The Court disagrees. Indeed, the Rules are construed liberally. However, this does not mean that courts may disregard the Rules. In North Bulacan Corporation v. Philippine Bank of Communications,[12] the Court held that, "These rules are to be construed liberally to obtain for the parties a just, expeditious, and inexpensive disposition of the case. The parties may not, however, invoke such liberality if it will result in the utter disregard of the rules."[13]

In New Frontier Sugar Corporation v. Regional Trial Court, Branch 39, Iloilo City,[14] the Court enumerated the basic procedure in corporate rehabilitation cases. The Court held:

> As provided in the Interim Rules, the basic procedure is as follows:
>
> (1) The petition is filed with the appropriate Regional Trial Court;
>
> (2) If the petition is found to be sufficient in form and substance, the trial court shall issue a Stay Order, which shall provide, among others, for the appointment of a Rehabilitation Receiver; the fixing of the initial hearing on the petition; a directive to the petitioner to publish the Order in a newspaper of general circulation in the Philippines once a week for two (2) consecutive weeks; and a directive to all creditors and all interested parties (including the Securities and Exchange Commission) to file and serve on the debtor a verified comment on or opposition to the petition, with supporting affidavits and documents[;]
>
> (3) Publication of the Stay Order;
>
> (4) Initial hearing on any matter relating to the petition or on any comment and/or opposition filed in connection therewith. If the trial court is satisfied that there is merit in the petition, it shall give due course to the petition;

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> (5) Referral for evaluation of the rehabilitation plan to the rehabilitation receiver who shall submit his recommendations to the court;
>
> (6) Modifications or revisions of the rehabilitation plan as necessary;
>
> (7) Submission of final rehabilitation plan to the trial court for approval;
>
> Approval/disapproval of rehabilitation plan by the trial court[.][15] (Emphasis supplied)

In the present case, the RTC hastily approved the rehabilitation plan in the same order giving due course to the petition. The RTC confined the initial hearing to the issue of jurisdiction and failed to address other more important matters relating to the petition and comment. The RTC also failed to refer for evaluation the rehabilitation plan to the rehabilitation receiver. Thus, the rehabilitation receiver was unable to submit his recommendations and make modifications or revisions to the rehabilitation plan as necessary. Moreover, the RTC denied the rehabilitation receiver's motion to issue an order directing petitioners and their creditors to attend a meeting. In its 20 October 2009 Decision, the Court of Appeals found:

> The most glaring procedural infirmity committed by the court a quo, however, is its failure to refer respondent corporations' petition for rehabilitation and Rehabilitation Plan to the rehabilitation receiver despite the explicit and clear mandate of the Interim Rules that if the court is satisfied that there is merit in the petition, it shall give due course to the petition and "immediately" refer the same and its annexes to the rehabilitation receiver x x x.
>
> It is discernible from the foregoing that there are serious matters which should be determined before rehabilitation may be had. For this reason, the Interim Rules required the appointment of a rehabilitation receiver simultaneously with the issuance of the Stay Order and prescribed the following qualifications -- expertise and acumen to manage and operate a business similar in size and complexity to that of the debtor, knowledge in management, finance, and rehabilitation of distressed companies, and general familiarity with the rights of creditors in rehabilitation, etc. to further emphasize the significance of the role of the rehabilitation receiver in rehabilitation proceedings, the Interim Rules directed the rehabilitation receiver to evaluate the rehabilitation plan and submit his recommendations to the court. In fact, his recommendation bears much weight as it is one of the factors which must be considered by the court if it were to approve the rehabilitation plan. More importantly, it must be emphasized that the purpose of the law in directing the appointment of receivers is to protect the interests of the corporate investors and creditors. Thus, the court a quo committed serious error when it failed to refer the petition for rehabilitation and its annexes to the appointed receiver.
>
> We have likewise observed that the court a quo made an unwarranted procedural shortcut as its finding that there was merit in respondent corporations' petition for rehabilitation was made in the same Order approving their Rehabilitation Plan.[16]

As an officer of the court and an expert, the rehabilitation receiver plays an important role in corporate rehabilitation proceedings. In Pryce Corporation v. Court of Appeals,[17] the Court held that, "the purpose of the law in directing the appointment of receivers is to protect the interests of the corporate investors and creditors."[18] Section 14 of the Interim Rules of Procedure on Corporate Rehabilitation enumerates the powers and functions of the rehabilitation receiver: (1) verify the accuracy of the petition, including its annexes such as the schedule of debts and liabilities and the inventory of assets submitted in support of the petition; (2) accept and incorporate, when justified, amendments to the schedule of debts and liabilities; (3) recommend to the court the disallowance of claims and rejection of amendments to the schedule of debts and liabilities that lack sufficient proof and justification; (4) submit to the court and make available for review by the creditors a revised schedule of debts and liabilities; (5) investigate the acts, conduct, properties, liabilities, and financial condition of the

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debtor, the operation of its business and the desirability of the continuance thereof, and any other matter relevant to the proceedings or to the formulation of a rehabilitation plan; (6) examine under oath the directors and officers of the debtor and any other witnesses that he may deem appropriate; (7) make available to the creditors documents and notices necessary for them to follow and participate in the proceedings; (8) report to the court any fact ascertained by him pertaining to the causes of the debtor's problems, fraud, preferences, dispositions, encumbrances, misconduct, mismanagement, and irregularities committed by the stockholders, directors, management, or any other person; (9) employ such person or persons such as lawyers, accountants, appraisers, and staff as are necessary in performing his functions and duties as rehabilitation receiver; (10) monitor the operations of the debtor and to immediately report to the court any material adverse change in the debtor's business; (11) evaluate the existing assets and liabilities, earnings and operations of the debtor; (12) determine and recommend to the court the best way to salvage and protect the interests of the creditors, stockholders, and the general public; (13) study the rehabilitation plan proposed by the debtor or any rehabilitation plan submitted during the proceedings, together with any comments made thereon; (14) prohibit and report to the court any encumbrance, transfer, or disposition of the debtor's property outside of the ordinary course of business or what is allowed by the court; (15) prohibit and report to the court any payments outside of the ordinary course of business; (16) have unlimited access to the debtor's employees, premises, books, records, and financial documents during business hours; (17) inspect, copy, photocopy, or photograph any document, paper, book, account, or letter, whether in the possession of the debtor or other persons; (18) gain entry into any property for the purpose of inspecting, measuring, surveying, or photographing it or any designated relevant object or operation thereon; (19) take possession, control, and custody of the debtor's assets; (20) notify the parties and the court as to contracts that the debtor has decided to continue to perform or breach; (21) be notified of, and to attend all meetings of the board of directors and stockholders of the debtor; (22) recommend any modification of an approved rehabilitation plan as he may deem appropriate; (23) bring to the attention of the court any material change affecting the debtor's ability to meet the obligations under the rehabilitation plan; (24) recommend the appointment of a management committee in the cases provided for under Presidential Decree No. 902-A, as amended; (25) 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; and (26) apply to the court for any order or directive that he may deem necessary or desirable to aid him in the exercise of his powers.

The rehabilitation plan is an indispensable requirement in corporate rehabilitation proceedings.[19] Section 5 of the Rules enumerates the essential requisites of a 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. (Emphasis supplied)

The Court notes that petitioners failed to include a liquidation analysis in their rehabilitation plan.

Petitioners claim that the RTC had factual basis in giving due course to the petition for corporate rehabilitation, and in approving the rehabilitation plan. The Court disagrees. In its 9 January 2006 Order, the RTC stated:

> Based on the Consolidated Schedule of Debts and Liabilities x x x the total principal liability of the petitioners

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> is Seventy Nine Million, Eight Hundred Forty Eight [sic] Nine Hundred Twenty and 23/100 (P79,848,920.23) Pesos. On the other hand, the petitioning corporations own properties among which are titled lands located in Malabon City, Navotas, Obando, Bulacan and Iloilo Province with an estimated value of Three Hundred Ninety Three Million Nine Hundred Twenty Two Thousand and 00/100 (P393,922,000.00) Pesos, as appraised by the Philippine Appraisal Co., Inc. x x x. Accordingly, the petitioning corporations could still be considered net worthy, capable of being rehabilitated.
>
> As regards the rehabilitation plan, the Court, contrary to BPI and ALAI's stand, finds the same feasible, and viable. A moratorium period of five (5) years on the payment of its loans/obligations will enable said petitioners to generate additional capital/funds to continue its [sic] business operations. This is in line with the petitioners' intention to source fund from its [sic] internal operations, the growth of which is expected to favorably expand. x x x
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> Further, petitioners, thru its [sic] President, is [sic] in the process of negotiating with prospective investors to put up additional capital and diversifying its [sic] operation and, if still necessary, funds can still be generated from the real estate properties of the petitioners mentioned in Exhibit "I" whose value has not been exposed to the limit of their loan value.[20]

The Court notes that, contrary to the factual finding of the RTC, petitioners do not own all of the properties with a total estimated value of P393,922,000. Some of the properties are owned by Ferdinand, Gerald and Jose Patrick Siochi, and Mario Siochi, Jr., not by petitioners. A corporation has a legal personality distinct from its stockholders and directors. In Santos v. National Labor Relations Commission,[21] the Court held that, "A corporation is a juridical entity with legal personality separate and distinct from those acting for and in its behalf and, in general, from the people comprising it."[22] In its 20 October 2009 Decision, the Court of Appeals found:

> With respect to the Appraisal Report, it bears to stress that the same was commissioned by respondent corporations and petitioner was not afforded the opportunity to contest the same. Also, it is extant from the records that some of the properties included therein do not belong to respondent corporations but to their officers, namely, Ferdinand Siochi, Mario Siochi, Jr., Gerald Siochi and Jose Patrick Siochi. Thus, these properties should not be considered as part of respondent corporations' assets as their officers have a separate personality from the corporation itself. In turn, this renders doubtful their declaration in their Rehabilitation Plan that they have "sufficient collaterals to back-up their bank loans."[23] (Emphasis supplied)

The Court of Appeals also found:

> Firstly, the sourcing of funds from their internal operations is based on a mere expectancy. Respondent corporations did not even allege in their Rehabilitation Plan their operational plan or definite management which would bring about growth and expansion in their internal operations. In their Consolidated Cash Flow Statement for the 15-year reahibilitation period, respondent corporations allocated a fund of P30 million for a modernization program. But they did not sufficiently describe and adequately explain as to how the alleged modernization program would translate to a growth in or expansion of their internal operations. In fact, petitioner correctly contends that inspite of the supposed modernization program on the 5[th] year of the rehabilitation period, the sales projection of respondent corporations was constantly pegged at 5%.
>
> Secondly, respondent corporations failed to give the specific details regarding their prospective investors who will supposedly put up additional fresh capital. This should have been considered by the court a quo considering that in their respective Affidavits of General Financial Condition, respondent corporations uniformly answered that none, so far, has expressed interest in investing new money into respondent corporations' business.[24]

Incidentally, since the time of filing on 15 July 2004 of the petition for corporate rehabilitation, there has been no showing that petitioners' situation has improved or that they have complied faithfully with the terms of the

rehabilitation plan.

WHEREFORE, the Court DENIES the petition and AFFIRMS the 20 October 2009 Decision and 22 September 2010 Resolution of the Court of Appeals in CA-G.R. SP No. 93278.

SO ORDERED.

Brion, Sereno, Reyes, and Perlas-Bernabe,[*] JJ., concur.

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[*] Designated Acting Member per Special Order No. 1114 dated 3 October 2011.

[1] Rollo, pp. 10-42.

[2] Id. at 51-75. Penned by Associate Justice Ramon M. Bato, Jr., with Associate Justices Noel G. Tijam and Priscilla J. Baltazar-Padilla concurring.

[3] Id. at 93-94.

[4] Id. at 146-149. Penned by Judge Leonardo L. Leonida.

[5] Id. at 101-108.

[6] Id. at 121-124.

[7] Id. at 141-143.

[8] Id. at 144.

[9] Id. at 146-149.

[10] Id. at 147-148.

[11] Id. at 60-74.

[12] G.R. No. 183140, 2 August 2010, 626 SCRA 260.

[13] Id. at 263.

[14] G.R. No. 165001, 31 January 2007, 513 SCRA 601.

[15] Id. at 608-609.

[16] Rollo, pp. 60-62.

[17] G.R. No. 172302, 4 February 2008, 543 SCRA 657.

[18] Id. at 664.

[19] Pacific Wide Realty and Development Corporation v. Puerto Azul Land, Inc., G.R. Nos. 178768 and 180893, 25 November 2009, 605 SCRA 503, 515.

[20] Rollo, pp. 147-148.

[21] 325 Phil. 145 (1996).

[22] Id. at 156.

[23] Rollo, p. 64.

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[24] Id. at 67.

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