

LAND BANK OF THE PHILIPPINES, PETITIONER, VS. FASTECH SYNERGY PHILIPPINES, INC. (FORMERLY FIRST ASIA SYSTEM TECHNOLOGY, INC.), FASTECH MICROASSEMBLY & TEST, INC., FASTECH ELECTR...

G.R. No. 206150. August 09, 2017

Ponente: LEONEN, J.

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LEONEN, J.:

Courts will not render judgment on a moot and academic case unless any of the following circumstances exists: "(1) [g]rave constitutional violations; (2) [e]xceptional character of the case; (3) [p]aramount public interest; (4) [t]he case presents an opportunity to guide the bench, the bar, and the public; or (5) [t]he case is capable of repetition yet evading review." [1]

This is a Petition for Review on Certiorari [2] under Rule 45 of the 1997 Rules of Civil Procedure, praying that the Court of Appeals September 28, 2012 Decision [3] and March 5, 2013 Resolution [4] be modified to consider the concerns raised by Land Bank of the Philippines (petitioner). [5] These concerns pertain to the rehabilitation of respondents Fastech Synergy Philippines, Inc. (Fastech Synergy), [6] Fastech Microassembly & Test, Inc. (Fastech Microassembly), Fastech Electronique, Inc. (Fastech Electronique), and Fastech Properties, Inc. (Fastech Properties) (collectively, Fastech Corporations). In its September 28, 2012 Decision, the Court of Appeals set aside the December 9, 2011 Resolution [7] of Branch 149, Regional Trial Court, Makati City (Rehabilitation Court), which dismissed respondents' Joint Petition for corporate rehabilitation (Rehabilitation Petition). [8] In this Decision, the Court of Appeals approved respondents' Rehabilitation Plan, which was attached to their Rehabilitation Petition filed under Republic Act No. 10142, [9] on April 8, 2011, [10] and remanded the case back to the Rehabilitation Court. [11]

The Fastech Corporations claimed that they filed a joint petition since they have common managers, assets, and creditors. [12] Due to financial losses, their assets would not be enough to pay their peso and dollar debts from the following creditors:

Creditors

Peso debts

Dollar debts

- Planters Development Bank (Planters Bank)

P55,175.00

N/A

- Penta Capita], Investment Corporation (Penta Capital)

P10,260,00.00

US\$1,638,669.00

- Union Bank of the Philippines (UnionBank)

P9,000,000.00

US\$370,000.00

- Bank of the Philippine Islands (BPI)

P54,653,431.00

N/A

- Land Bank of the Philippines (Landbank)

N/A

US\$340,000.00

TOTAL:

P73,968,606.00

US\$2,348,669,00[13]

They prayed for the approval of their Rehabilitation Plan, which they submitted together with their Rehabilitation Petition. The terms and conditions of the Rehabilitation Plan provided for a two (2)-year grace period for the payment of the Fastech Corporations' outstanding loans and a waiver of accumulated interests and penalties. Likewise, they indicated a 12-year period from the end of the grace period for the payment of interests accrued during the grace period. Finally, they stipulated an interest of four percent (4%) per annum for real estate-secured creditors and two percent (2%) per annum for chattel mortgage-secured creditors.[14]

On April 19, 2011, the Rehabilitation Court acted on the Rehabilitation Petition by issuing a Commencement Order with Stay Order. It appointed Atty. Rosario Bernaldo (Atty. Bernaldo) as Rehabilitation Receiver.[15]

On May 18, 2011, the Rehabilitation Petition was heard and the Rehabilitation Court eventually gave it due course to it. The creditors—Planters Bank, UnionBank, BPI, and Landbank—later filed their respective Notices of Claims and Comments.[16]

After the Fastech Corporations' presentation of their Rehabilitation Plan to Atty. Bernaldo and their creditors, the Rehabilitation Court issued its June 22, 2011 Order requiring them to submit a revised rehabilitation plan. The Fastech Corporations submitted their Revised Rehabilitation Plan and their creditors filed their respective

comments and oppositions to it.[17]

In the meantime, Atty. Bernaldo submitted her Preliminary Report and opined that the Fastech Corporations' original Rehabilitation Plan was viable.[18] She stated that the Fastech Corporations "may be successfully rehabilitated, considering the sufficiency of their assets to cover their liabilities and the underlying assumptions, financial projections and procedures to accomplish said goals in their Rehabilitation Plan." [19]

External auditors of the Fastech Corporations gave comments on the financial statements.[20] They issued qualified audit opinions on the 2008 financial statements of Fastech Microassembly and Fastech Electronique but noted that these companies were unable to prove financial support from their respective major stockholders.[21] However, the auditors were unable to provide opinions on Fastech Synergy's and Fastech Properties' 2008 financial statements due to insufficient audit evidence.[22] Finally, they were also unable to give audit opinions on the 2009 financial statements of the Fastech Corporations for lack of appropriate audit evidence.[23]

The Rehabilitation Court directed the Fastech Corporations to submit their Reply on the comments and oppositions presented by their creditors, to which they complied with on September 30, 2011.[24]

On December 9, 2011, the Rehabilitation Court issued a Resolution[25] dismissing the Rehabilitation Petition based on the following:

- The Singapore Stock Exchange has already deleted one of the petitioners. Yet, petitioners did not even bother to explain and/or inform this court the status of such deletion; or the steps being taken by the petitioners to resolve the incident.

It must be noted here, then and now, that listed corporations in the stock exchange has an easy access to the public for their contributions to the capital built up to finance corporate business transactions including CAPEX and working capital. Thus, the public is always a very good source of money for business ventures of corporations. Petitioners had lost such good source of cheap money.

- Petitioners miserably failed to overcome the unqualified adverse opinions of their external auditors. Petitioners did not explain what had happened to those adverse observations of the auditors. Thus, petitioners submitted before this court unreliable financial statements amounting to non-compliance of the basic requirements of the Law and the Rules for rehabilitation purposes.

- Petitioners denied this court of its fair determination of the feasibility of the submitted rehabilitation plan by withholding from this court its basic assumptions of its rehabilitation plan.

- Petitioners miserably failed to demonstrate before this court that they will have a better future business financial results [sic] of operation after their failures to meet the various restructuring plans they have secured from these creditors' banks.

- The new way of doing business, i.e. niche manner of manufacturing its products or customers built design and needs, will be experimental, hence it will be completely and entirely dependent upon the number of customers petitioners may have. There is a great deal of competition in the petitioners' field of business, hence such new business venture becomes unreliable and uncertain. Thus, the possibility of success is quite uncertain, hence it is not feasible. There is [sic] no historical reliable facts and figures for this court to begin with for evaluation and study! [26]

The Rehabilitation Court noted that there were no credible bases to determine if the Fastech Corporations could be rehabilitated since they failed to submit the bases for their positive financial projections due to confidentiality.[27] The dispositive portion of its December 9, 2011 Resolution read:

WHEREFORE, premises considered, the petition is hereby DISMISSED for unreliable facts and figures

submitted for evaluation and study by this court, hence this court could not arrive at the feasibility that petitioners could be rehabilitated. Thus, the petition is being DISMISSED for reason that its attachments, i.e. the financial statements and balance sheets of the petitioners contained materially false and misleading facts and figures. (Section 25, (b), (3) of R.A. No. 10142).

Moreover, considering that the facts and figures submitted by petitioners are unreliable and not credible, this court could not also declare that petitioners be placed under liquidation.

SO ORDERED.[28]

The Fastech Corporations elevated the case before the Court of Appeals by filing a Petition for Review[29] under Rule 43 of the 1997 Rules of Civil Procedure. The case was docketed as CA-G.R. SP No. 122836. The Fastech Corporations prayed that a Writ of Preliminary Injunction and/or a Temporary Restraining Order be issued.[30] They argued that their rehabilitation was feasible and that the Rehabilitation Court erred in ruling that they "[would] not have a better future due to their failures to meet various restructuring plans." [31]

On January 24, 2012, the Court of Appeals issued a Temporary Restraining Order to prevent the case from being moot and academic considering the Ex Parte Petition for Issuance of a Writ of Possession filed by Planters Bank over the properties of the Fastech Corporations.[32] A Writ of Preliminary Injunction was issued by the Court of Appeals on March 22, 2012.[33]

On April 30, 2012, Atty. Bernaldo filed her Manifestation before the Court of Appeals.[34] She maintained that the Fastech Corporations' rehabilitation was viable as "the financial projections and procedures set forth to accomplish the goals in their Rehabilitation Plan [were] attainable." [35]

On September 28, 2012, the Court of Appeals issued a Decision,[36] granting the Fastech Corporations' Petition for Review, which it found to have "serve[d] the purpose of corporate rehabilitation." [37] The rehabilitation would allow the continued employment of its more than 100 employees and would assure payment to creditors, which would all equally participate in the Fastech Corporations' rehabilitation. Further, stockholders would benefit in the long run if the Rehabilitation Plan was successful. Finally, the general public would likewise gain considering that the Fastech Corporations would open the Philippine market to new opportunities.[38]

The Court of Appeals ruled that the Rehabilitation Court erred in disregarding the opinion of Atty. Bernaldo that the Fastech Corporations "may be successfully rehabilitated." [39] The Rehabilitation Court "failed to distinguish the difference between an adverse or negative opinion and a disclaimer or when an auditor [could not] formulate an opinion with exactitude for lack of sufficient data." [40]

The dispositive portion of the Court of Appeals September 28, 2012 Decision read:

WHEREFORE, the instant petition is GRANTED. The assailed issuance is REVERSED and SET ASIDE. The Joint Petition in SP Case No. M-7130 is REINSTATED and the Rehabilitation Plan attached thereto is APPROVED. Respondent Planters Development Bank is permanently ENJOINED from effecting the foreclosure of [the Fastech Corporations'] property during the pendency of the implementation of the Rehabilitation Plan.

The petition is REMANDED to the Regional Trial Court, National Capital Judicial Region, Br. 149, Makati City, for its supervision in the implementation of the Rehabilitation Plan.

SO ORDERED.[41] (Emphasis in the original)

Landbank and Planters Bank separately moved for reconsideration. Landbank argued that the Rehabilitation Plan should not have been approved since it would not benefit the Fastech Corporations' creditors, while Planters Bank

averred that the rehabilitation of the Fastech Corporations could no longer be obtained.[42]

On March 5, 2013, the Court of Appeals issued a Resolution[43] denying both motions. It added that Atty. Bernaldo's Manifestation bolstered its finding that the rehabilitation was possible if "implemented in accordance with the Rehabilitation Plan." [44]

On April 18, 2013, Planters Bank and its successor-in-interest, Philippine Asset Growth Two, Inc. (PAGTI), filed a Petition for Review before this Court. This Petition assailed the September 28, 2012 Decision and March 5, 2013 Resolution of the Court of Appeals. The case, docketed as G.R. No. 206528, was entitled Philippine Asset Growth Two, Inc. (Successor-In-Interest of Planters Development Bank) and Planters Development Bank v. Fastech Synergy Philippines, Inc. (Formerly First Asia System Technology, Inc.), Fastech Microassembly & Test, Inc., Fastech Electronique, Inc., and Fastech Properties, Inc.[45]

On April 25, 2013, Landbank also filed a Petition for Review before this Court against the Fastech Corporations. Petitioner likewise assails the September 28, 2012 Decision and March 5, 2013 Resolution of the Court of Appeals.[46] It questions the correctness of the Court of Appeals' application of Republic Act No. 10142 without considering the issues put forward by the creditors, petitioner included.[47]

Petitioner argues that respondents' creditors raised valid issues that should be addressed before declaring that rehabilitation was viable.[48] It maintains that it does not agree with the period of the repayment plan, which could take almost 20 years, or with the waiver of interest and penalties incurred prior to the filing of rehabilitation.[49]

Petitioner points out that the Rehabilitation Receiver's opinion is subjective and possibly partial in favor of rehabilitation.[50] There are also some concerns which are beyond the Rehabilitation Receiver's competence and must be directly addressed by respondents to show petitioner that they are sincere in gaining the benefits of rehabilitation and are "not simply hiding behind its protective mantle to evade [their] obligations." [51]

Petitioner prays that the assailed Decision and Resolution of the Court of Appeals be modified to take its concerns into account.[52]

On October 7, 2013, respondents filed their Comment.[53] They counter that petitioner raised questions of fact, which could not be entertained by this Court. The resolution of petitioner's concerns would involve an examination of the records and evidence of the case.[54] Further, petitioner did not object to respondents' rehabilitation. Its opposition is merely on the stipulations in the Rehabilitation Plan.[55]

On February 3, 2014, petitioner filed its Reply.[56] It reiterates that the approval of the Rehabilitation Plan, without resolving the issues it has raised, "violates the very essence and policy behind the enactment of the [Financial Rehabilitation Plan and Insolvency Act]." Thus, the question on the correctness of the rehabilitation's approval is not a question of fact but of law.

On March 12, 2014, this Court issued a Resolution,[57] giving due course to the petition and requiring the parties to file their respective memoranda.

Petitioner submitted its Memorandum[58] on May 19, 2014, while respondents submitted their Memorandum[59] on May 29, 2014. Both Memoranda contained a rehash of their arguments in their previous pleadings.

On January 4, 2016, respondents filed their Manifestation and Update[60] regarding their compliance with the September 28, 2012 Decision of the Court of Appeals. They report that "[i]n accordance with the Rehabilitation Plan, [respondents] had made four (4) quarterly payments with a total amount of Thirty Five Million Four Hundred Eighty Four Thousand Three Hundred Eighteen and Thirty Two Centavos (Php 35,484,318.32)." [61]

The payment consisted of both principal and interest payments. They also paid their non-bank creditors. These show that the approved Rehabilitation Plan is viable.[62]

On April 1, 2016, respondents filed another Manifestation and Update,[63] attaching in it the Compliance[64] submitted by Atty. Bernaldo. Respondents emphasize the conclusion of Atty. Bernaldo that respondents "generally performed better than the projections in the approved rehabilitation plan." [65]

On November 25, 2016, PAGTI and Planters Bank filed their Manifestation,[66] stating that this Court already issued a Decision on June 28, 2016 in G.R. No. 206528. This Court granted PAGTI and Planters Bank's petition and reversed the September 28, 2012 Decision and March 5, 2013 Resolution of the Court of Appeals in CA-G.R. SP No. 122836.[67]

On June 16, 2017, PAGTI and Planters Bank filed another Manifestation,[68] stating that this Court's June 28, 2016 Decision in G.R. No. 206528 became final and executory on March 17, 2017.[69]

Thus, this Court resolves the issue of whether the Court of Appeals erred in approving the Rehabilitation Plan of respondents.

The sole issue raised by petitioner has already been ruled upon by this Court. One (1) of the issues resolved in G.R. No. 206528 was whether the rehabilitation of respondents was feasible. This Court found that rehabilitation was not possible and thoroughly explained:

....

II.

Rehabilitation is statutorily defined under Republic Act No. 10142, otherwise known as the "Financial Rehabilitation and Insolvency Act of 2010" (FRIA), as follows:

Section 4. Definition of Terms. — As used in this Act, the term:

....

(gg)

Rehabilitation shall refer to the restoration of the debtor to a condition 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 debtor continues as a going concern than if it is immediately liquidated. (Emphasis supplied)

Case law explains that corporate rehabilitation 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 being to enable the company to gain a new lease on life and allow its creditors to be paid their claims out of its earnings. Thus, the basic issues in rehabilitation proceedings concern the viability and desirability of continuing the business operations of the distressed corporation, all with a view of effectively restoring it to a state of solvency or to its former healthy financial condition through the adoption of a rehabilitation plan.

III.

In the present case, however, the Rehabilitation Plan failed to comply with the minimum requirements, i.e.: (a) material financial commitments to support the rehabilitation plan; and (b) a proper liquidation analysis, under Section 18, Rule 3 of the 2008 Rules of Procedure on Corporate Rehabilitation 80 (Rules), which Rules were in force at the time respondents' rehabilitation petition was filed on April 8, 2011:

Section 18. 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 such as, but not limited, to the non-impairment of their security liens or interests; (c) the material financial commitments to support the rehabilitation plan; (d) the means for the execution of the rehabilitation plan, which may include debt to equity conversion, restructuring of the debts, dacion en pago or sale or exchange or any disposition of assets or of the interest of shareholders, partners or members; (e) a liquidation analysis setting out for each creditor that the present value of payments it would receive under the plan is more than that which it would receive if the assets of the debtor were sold by a liquidator within a six-month period from the estimated date of filing of the petition; and (f) such other relevant information to enable a reasonable investor to make an informed decision on the feasibility of the rehabilitation plan. (Emphases supplied)

The Court expounds.

**A. Lack of Material Financial Commitment
to Support the Rehabilitation Plan.**

A material financial commitment becomes significant in gauging the resolve, determination, earnestness, and good faith of the distressed corporation in financing the proposed rehabilitation plan. This commitment may include the voluntary undertakings of the stockholders or the would-be investors of the debtor-corporation indicating their readiness, willingness, and ability to contribute funds or property to guarantee the continued successful operation of the debtor-corporation during the period of rehabilitation.

In this case, respondents' Chief Operating Officer, Primo D. Mateo, Jr., in his executed Affidavit of General Financial Condition dated April 8, 2011, averred that respondents will not require the infusion of additional capital as he, instead, proposed to have all accrued penalties, charges, and interests waived, and a reduced interest rate prospectively applied to all respondents' obligations, in addition to the implementation of a two (2)-year grace period. Thus, there appears to be no concrete plan to build on respondents' beleaguered financial position through substantial investments as the plan for rehabilitation appears to be pegged merely on financial reprieves. Anathema to the true purpose of rehabilitation, a distressed corporation cannot be restored to its former position of successful operation and regain solvency by the sole strategy of delaying payments/waiving accrued interests and penalties at the expense of the creditors.

The Court also notes that while respondents have substantial total assets, a large portion of the assets of Fastech Synergy and Fastech Properties is comprised of noncurrent assets, such as advances to affiliates which include Fastech Microassembly, and investment properties which form part of the common assets of Fastech Properties, Fastech Electronique, and Fastech Microassembly. Moreover, while there is a claim that unnamed customers have made investments by way of consigning production equipment, and advancing money to fund procurement of various equipment intended to increase production capacity, this can hardly be construed as a material financial commitment which would inspire confidence that the rehabilitation would turn out to be successful. Case law holds that nothing short of legally binding investment commitment/s from third parties is required to qualify as a material financial commitment. Here, no such binding investment was presented.

B. Lack of Liquidation Analysis.

Respondents likewise failed to include any liquidation analysis in their Rehabilitation Plan. The total liquidation assets and the estimated liquidation return to the creditors, as well as the fair market value vis-a-vis the forced liquidation value of the fixed assets were not shown. As such, the Court could not ascertain if the petitioning debtor's creditors can recover by way of the present value of payments projected in the plan, more if the debtor continues as a going concern than if it is immediately liquidated. This is a crucial factor in a corporate

rehabilitation case, which the CA, unfortunately, failed to address.

C. Effect of Non-Compliance.

The failure of the Rehabilitation Plan to state any material financial commitment to support rehabilitation, as well as to include a liquidation analysis, renders the CA's considerations for approving the same, i.e., that: (a) respondents would be able to meet their obligations to their creditors within their operating cash profits and other assets without disrupting their business operations; (b) the Rehabilitation Receiver's opinion carries great weight; and (c) rehabilitation will be beneficial for respondents' creditors, employees, stockholders, and the economy, as actually unsubstantiated, and hence, insufficient to decree the feasibility of respondents' rehabilitation. It is well to emphasize that the remedy of rehabilitation should be denied to corporations that do not qualify under the Rules. Neither should it be allowed to corporations whose sole purpose is to delay the enforcement of any of the rights of the creditors.

Even if the Court were to set aside the failure of the Rehabilitation Plan to comply with the fundamental requisites of material financial commitment to support the rehabilitation and an accompanying liquidation analysis, a review of the financial documents presented by respondents fails to convince the Court of the feasibility of the proposed plan.

IV.

The test in evaluating the economic feasibility of the plan was laid down in *Bank of the Philippine Islands v. Sarabia Manor Hotel Corporation (Bank of the Philippine Islands)*, to wit;

In order to determine the feasibility of a proposed rehabilitation plan, it is imperative that a thorough examination and analysis of the distressed corporation's financial data must be conducted. If the results of such examination and analysis show that there is a real opportunity to rehabilitate the corporation in view of the assumptions made and financial goals stated in the proposed rehabilitation plan, then it may be said that a rehabilitation is feasible. In this accord, the rehabilitation court should not hesitate to allow the corporation to operate as an on-going concern, albeit under the terms and conditions stated in the approved rehabilitation plan. On the other hand, if the results of the financial examination and analysis clearly indicate that there lies no reasonable probability that the distressed corporation could be revived and that liquidation would, in fact, better subserve the interests of its stakeholders, then it may be said that a rehabilitation would not be feasible. In such case, the rehabilitation court may convert the proceedings into one for liquidation.

In the recent case of *Viva Shipping Lines, Inc. v. Keppel Philippines Mining, Inc.*, the Court took note of the characteristics of an economically feasible rehabilitation plan as opposed to an infeasible rehabilitation plan:

Professor Stephanie V. Gomez of the University of the Philippines College of Law suggests specific characteristics of an economically feasible rehabilitation plan:

- a. The debtor has assets that can generate more cash if used in its daily operations than if sold.
- b. Liquidity issues can be addressed by a practicable business plan that will generate enough cash to sustain daily operations.
- c. The debtor has a definite source of financing for the proper and full implementation of a Rehabilitation Plan that is anchored on realistic assumptions and goals.

These requirements put emphasis on liquidity: the cash flow that the distressed corporation will obtain from rehabilitating its assets and operations. A corporation's assets may be more than its current liabilities, but some assets may be in the form of land or capital equipment, such as machinery or vessels. Rehabilitation sees to it that

these assets generate more value if used efficiently rather than if liquidated.

On the other hand, this court enumerated the characteristics of a rehabilitation plan that is infeasible:

- (a)
the absence of a sound and workable business plan;
- (b)
baseless and unexplained assumptions, targets and goals;
- (c)
speculative capital infusion or complete lack thereof for the execution of the business plan;
- (d)
cash flow cannot sustain daily operations; and
- (e)
negative net worth and the assets are near full depreciation or fully depreciated.

In addition to the tests of economic feasibility, Professor Stephanie V. Gomez also suggests that the Financial and Rehabilitation and Insolvency Act of 2010 emphasizes on rehabilitation that provides for better present value recovery for its creditors.

Present value recovery acknowledges that, in order to pave way for rehabilitation, the creditor will not be paid by the debtor when the credit falls due. The court may order a suspension of payments to set a rehabilitation plan in motion; in the meantime, the creditor remains unpaid. By the time the creditor is paid, the financial and economic conditions will have been changed. Money paid in the past has a different value in the future. It is unfair if the creditor merely receives the face value of the debt. Present value of the credit takes into account the interest that the amount of money would have earned if the creditor were paid on time.

Trial courts must ensure that the projected cash flow from a business' rehabilitation plan allows for the closest present value recovery for its creditors. If the projected cash flow is realistic and allows the corporation to meet all its obligations, then courts should favor rehabilitation over liquidation. However, if the projected cash flow is unrealistic, then courts should consider converting the proceedings into that for liquidation to protect the creditors.

A perusal of the 2009 audited financial statements shows that respondents' cash operating position was not even enough to meet their maturing obligations. Notably, their current assets were materially lower than their current liabilities, and consisted mostly of advances to related parties in the case of Fastech Microassembly, Fastech Electronique, and Fastech Properties. Moreover, the independent auditors recognized the absence of available historical or reliable market information to support the assumptions made by the management to determine the recoverable amount (value in use) of respondents' properties and equipment.

On the other hand, respondents' unaudited financial statements for the year 2010, and the months of February and March 2011 were unaccompanied by any notes or explanation on how the figures were arrived at. Besides, respondents' cash operating position remained insufficient to meet their maturing obligations as their current assets are still substantially lower than their current liabilities. The Court also notes the RTC-Makati's observation that respondents added new accounts and/or deleted/omitted certain accounts, but failed to explain or justify the same.

Verily, respondents' Rehabilitation Plan should have shown that they have enough serviceable assets to be able to continue its business operation. In fact, as opposed to this objective, the revised Rehabilitation Plan still requires "front load Capex spending" to replace common equipment and facility equipment to ensure sustainability of capacity and capacity robustness, thus, further sacrificing respondents' cash flow. In addition, the Court is hard-pressed to see the effects of the outcome of the streamlining of respondents' manufacturing operations on the carrying value of their existing properties and equipment.

In fine, the Rehabilitation Plan and the financial documents submitted in support thereof fail to show the feasibility of rehabilitating respondents' business.

V.

The CA's reliance on the expertise of the court-appointed Rehabilitation Receiver, who opined that respondents' rehabilitation is viable, in order to justify its finding that the financial statements submitted were reliable, overlooks the fact that the determination of the validity and the approval of the rehabilitation plan is not the responsibility of the rehabilitation receiver, but remains the function of the court. The rehabilitation receiver's duty prior to the court's approval of the plan is to study the best way to rehabilitate the debtor, and to ensure that the value of the debtor's properties is reasonably maintained; and after approval, to implement the rehabilitation plan. Notwithstanding the credentials of the court-appointed rehabilitation receiver, the duty to determine the feasibility of the rehabilitation of the debtor rests with the court. While the court may consider the receiver's report favorably recommending the debtor's rehabilitation, it is not bound thereby if, in its judgment, the debtor's rehabilitation is not feasible.

The purpose of rehabilitation proceedings is not only to enable the company to gain a new lease on life, but also to allow creditors to be paid their claims from its earnings when so rehabilitated. Hence, the remedy must be accorded only after a judicious regard of all stakeholders' interests; it is not a one-sided tool that may be graciously invoked to escape every position of distress. Thus, the remedy of rehabilitation should be denied to corporations whose insolvency appears to be irreversible and whose sole purpose is to delay the enforcement of any of the rights of the creditors, which is rendered obvious by: (a) the absence of a sound and workable business plan; (b) baseless and unexplained assumptions, targets, and goals; and (c) speculative capital infusion or complete lack thereof for the execution of the business plan, as in this case.

VI.

In view of all the foregoing, the Court is therefore constrained to grant the instant petition, notwithstanding the preliminary technical error as above-discussed. A distressed corporation should not be rehabilitated when the results of the financial examination and analysis clearly indicate that there lies no reasonable probability that it may be revived, to the detriment of its numerous stakeholders which include not only the corporation's creditors but also the public at large. In *Bank of the Philippine Islands*;

Recognizing the volatile nature of every business, the rules on corporate rehabilitation have been crafted in order to give companies sufficient leeway to deal with debilitating financial predicaments in the hope of restoring or reaching a sustainable operating form if only to best accommodate the various interests of all its stakeholders, may it be the corporation's stockholders, its creditors, and even the general public.

Thus, the higher interest of substantial justice will be better subserved by the reversal of the CA Decision. Since the rehabilitation petition should not have been granted in the first place, it is of no moment that the Rehabilitation Plan is currently under implementation. While payments in accordance with the Rehabilitation Plan were already made, the same were only possible because of the financial reprieves and protracted payment schedule accorded

to respondents, which, as above-intimated, only works at the expense of the creditors and ultimately, do not meet the true purpose of rehabilitation.[70] (Emphasis in the original, citations omitted)

The dispositive portion of the June 28, 2016 Decision in G.R. No. 206528 read:

WHEREFORE, the petition is GRANTED. The Decision dated September 28, 2012 and the Resolution dated March 5, 2013 of the Court of Appeals in CA-G.R. SP No. 122836 are hereby REVERSED and SET ASIDE. Accordingly, the Joint Petition for corporate rehabilitation filed by respondents Fastech Synergy Philippines, Inc. (formerly First Asia System Technology, Inc.), Fastech Microassembly & Test, Inc., Fastech Electronique, Inc., and Fastech Properties, Inc., before the Regional Trial Court of Makati City, Branch 149 in SP Case No. M-7130 is DISMISSED.

SO ORDERED.[71]

This Court arrived at the above conclusion after a careful scrutiny of the case records. The decision is comprehensive enough that to rule on the issue raised by petitioner will be futile and is a waste of this Court's time and resources. Moreover, petitioner did not advance any other issue that could have been resolved by this Court. Therefore, with the promulgation of the June 28, 2016 Decision in G.R. No. 206528, the present case has been rendered moot and academic.

In *Timbol v. Commission on Elections*: [72]

A case is moot and academic if it "ceases to present a justiciable controversy because of supervening events so that a declaration thereon would be of no practical use or value." When a case is moot and academic, this court generally declines jurisdiction over it.

There are recognized exceptions to this rule. This court has taken cognizance of moot and academic cases when:

(1) there was a grave violation of the Constitution; (2) the case involved a situation of exceptional character and was of paramount public interest; (3) the issues raised required the formulation of controlling principles to guide the Bench, the Bar and the public; and (4) the case was capable of repetition yet evading review.[73] (Citations omitted)

In *Republic v. Moldex Realty, Inc.*: [74]

A case becomes moot and academic when, by virtue of supervening events, the conflicting issue that may be resolved by the court ceases to exist. There is no longer any justiciable controversy that may be resolved by the court. This court refuses to render advisory opinions and resolve issues that would provide no practical use or value. Thus, courts generally "decline jurisdiction over such case or dismiss it on ground of mootness." [75]

This Court is generally constrained to rule upon moot and academic cases since "[our] power of judicial review is limited to actual cases and controversies" [76] under Article VIII, Section 1 of the Constitution; thus:

ARTICLE VIII

Judicial Department

SECTION 1. The judicial power shall be vested in one Supreme Court and in such lower courts as may be established by law.

Judicial power includes the duty of the courts of justice to settle actual controversies involving rights which are legally demandable and enforceable, and to determine whether or not there has been a grave abuse of discretion amounting to lack or excess of jurisdiction on the part of any branch or instrumentality of the Government.

An actual case or controversy exists "when the case presents conflicting or opposite legal rights that may be resolved by the court in a judicial proceeding." [77] Courts will not decide a case unless there is "a real and substantial controversy admitting of specific relief." [78]

WHEREFORE, the Petition for Review is DENIED for being moot and academic.

SO ORDERED.

Carpio, (Chairperson), Peralta, Mendoza, and Martires, JJ., concur.

[1] Republic v. Moldex Realty, Inc., G.R. No. 171041, February 10, 2016, 783 SCRA 414, 423 [Per J. Leonen, Second Division].

[2] Rollo, pp. 11-29.

[3] Id. at 30-53. The Decision, docketed as CA-G.R. SP No. 122836, was penned by Associate Justice Normandie B. Pizarro and concurred in by Associate Justices Hakim S. Abdulwahid and Rodil V. Zalameda of the Special Former Fourth Division, Court of Appeals, Manila.

[4] Id. at 61-63. The Resolution was penned by Associate Justice Normandie B. Pizarro and concurred in by Associate Justices Hakim S. Abdulwahid and Rodil V. Zalameda of the Former Special Former Fourth Division, Court of Appeals, Manila.

[5] Id. at 24-25.

[6] Id. at 30. Fastech Synergy Philippines, Inc. was formerly known as First Asia System Technology, Inc.

[7] Id. at 54-60. The Resolution was penned by Presiding Judge Cesar O. Untalan of Branch 149, Regional Trial Court, Makati City.

[8] Id. at 60.

[9] The Financial Rehabilitation and Insolvency Act (FRIA) of 2010.

[10] Rollo, p. 31.

[11] Id. at 52-53.

[12] Id. at 31-32.

[13] Id. at 32.

[14] Philippine Asset Growth Two, Inc., et al. v. Fastech Synergy Philippines, Inc., et al., G.R. No. 206528, June 28, 2016, < <http://sc.judiciary.gov.ph/pdf/web/viewer.html?file=/jurisprudence/2016/june2016/206528.pdf> > 2-3 [Per J. Perlas-Bernabe, First Division].

[15] Rollo, p. 33. Philippine Asset Growth Two, Inc., et al. v. Fastech Synergy Philippines, Inc., et al., G.R. No. 206528, June 28, 2016, < <http://sc.judiciary.gov.ph/pdf/web/viewer.html?file=/jurisprudence/2016/june2016/206528.pdf> > <iphilippine asset="" growth="" two,="" inc.,="" et="" al.="" v.="" fastech="" synergy="" philippines,="" al.,="" 3 [Per J. Perlas-Bernabe, First Division].

[16] Rollo, p. 33.

[17] Id. at 34.

[18] Id.

[19] Philippine Asset Growth Two, Inc., et al. v. Fastech Synergy Philippines, Inc., et al., G.R. No. 206528, June 28, 2016, < <http://sc.judiciary.gov.ph/pdf/web/viewer.html?file=/jurisprudence/2016/june2016/206528.pdf> > 3 [Per J. Perlas-Bernabe, First Division].

[20] Rollo, pp. 56-59. The external auditors were from Manabat Sanagustin & Co., CPAs.

[21] Id. at 57.

[22] Id. at 56-58.

[23] Id.

[24] Id. at 34.

[25] Id. at 54-60.

[26] Id. at 59-60.

[27] Id. at 59. Philippine Asset Growth Two, Inc., et al. v. Fastech Synergy Philippines, Inc., et al., G.R. No. 206528, June 28, 2016, < <http://sc.judiciary.gov.ph/pdf/web/viewer.html?file=/jurisprudence/2016/june2016/206528.pdf> > 4 [Per J. Perlas-Bernabe, First Division].

[28] Id. at 60.

[29] Id. at 213-296.

[30] Id. at 35. Philippine Asset Growth Two, Inc., et al. v. Fastech Synergy Philippines, Inc., et al., G.R. No. 206528, June 28, 2016, < <http://sc.judiciary.gov.ph/pdf/web/viewer.html?file=/jurisprudence/2016/june2016/206528.pdf> > 4 [Per J. Perlas-Bernabe, First Division].

[31] Rollo, pp. 37-38.

[32] Id. at 35.

[33] Id. at 35-36. Philippine Asset Growth Two, Inc., et al. v. Fastech Synergy Philippines, Inc., et al., G.R. No. 206528, June 28, 2016, < <http://sc.judiciary.gov.ph/pdf/web/viewer.html?file=/jurisprudence/2016/june2016/206528.pdf> > 4 [Per J. Perlas-Bernabe, First Division].

[34] Id. at 36. Philippine Asset Growth Two, Inc., et al. v. Fastech Synergy Philippines, Inc., et al., G.R. No. 206528, June 28, 2016, < <http://sc.judiciary.gov.ph/pdf/web/viewer.html?file=/jurisprudence/2016/june2016/206528.pdf> > 4 [Per J. Perlas-Bernabe, First Division].

[35] Philippine Asset Growth Two, Inc., et al. v. Fastech Synergy Philippines, Inc., et al., G.R. No. 206528, June 28, 2016, < <http://sc.judiciary.gov.ph/pdf/web/viewer.html?file=/jurisprudence/2016/june2016/206528.pdf> > 4 [Per J. Perlas-Bernabe, First Division].

[36] Rollo, pp. 30-53.

[37] Id. at 42.

[38] Id. at 42-43.

[39] Philippine Asset Growth Two, Inc., et al. v. Fastech Synergy Philippines, Inc., et al., G.R. No. 206528, June 28, 2016, < <http://sc.judiciary.gov.ph/pdf/web/viewer.html?file=/jurisprudence/2016/june2016/206528.pdf> > 4-5 [Per J. Perlas-Bernabe, First Division].

[40] Id. at 5.

[41] Rollo, pp. 52-53.

[42] Id. at 62.

[43] Id. at 61-63.

[44] Id. at 62.

[45] G.R. No. 206528, June 28, 2016, < <http://sc.judiciary.gov.ph/pdf/web/viewer.html?file=/jurisprudence/2016/june2016/206528.pdf> > 1 [Per J. Perlas-Bernabe, First Division].

[46] Rollo, pp. 11-12.

[47] Id. at 17.

[48] Id. at 21.

[49] Id. at 21-22.

[50] Id. at 21.

[51] Id. at 23.

[52] Id. at 24.

[53] Id. at 131-141.

[54] Id. at 132-134.

[55] Id. at 134.

[56] Id. at 149-153.

[57] Id. at 155-156.

[58] Id. at 159-173.

[59] Id. at 177-207.

[60] Id. at 327-330.

[61] Id. at 328.

[62] Id.

[63] Id. at 392-395.

[64] Id. at 396-403.

[65] Id. at 398.

[66] Id. at 409-415.

[67] Id. at 411.

[68] Id. at 441-446.

[69] Id. at 443, PAGTI and Planters Bank's Manifestation dated May 31, 2017, and 451-452, Entry of Judgment.

[70] Philippine Asset Growth Two, Inc., et al. v. Fastech Synergy Philippines, Inc., et al., G.R. No. 206528, June 28, 2016, < <http://sc.judiciary.gov.ph/pdf/web/viewer.html?file=/jurisprudence/2016/june2016/206528.pdf> > 8-16 [Per J. Perlas-Bernabe, First Division].

[71] Id. at 17.

[72] 754 Phil. 578 (2015) [Per J. Leonen, En Banc].

[73] Id. at 584-585.

[74] G.R. No. 171041, February 10, 2016, 783 SCRA 414 [Per. J. Leonen, Second Division].

[75] Id. at 422.

[76] Id. at 421.

[77] Id.

[78] David v. Macapagal-Arroyo, 522 Phil. 705, 753 (2006) [Per J. Sandoval-Gutierrez, En Banc].

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