

## Examining the Standards for the Approval of Rehabilitation Plans in Corporate Rehabilitation Proceedings

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Corporate rehabilitation or the capacity of a corporation to rehabilitate itself to continue its corporate life and activities in an effort to restore and reinstate the corporation to its former position of successful operation and solvency must meet certain standards before rehabilitation is approved. This Essay reviews those standards that are currently in place on the approval of rehabilitation plans. It also traces the development of such standards for the approval of rehabilitation plans and addresses the issue of whether other informal sources of standards exist which may guide the courts in examining rehabilitation plans. The Essay also presents a discussion on the direction that corporate rehabilitation is headed for.

The standards to be examined in this Essay include the feasibility standard, which determines when a plan is workable and has a reasonable chance of success. Another standard is the cost-benefit analysis of rehabilitation and financial sacrifice on the part of the corporation's shareholders. Also, the rehabilitation receiver, who is tasked to study the best way to rehabilitate the debtor, should recommend the approval of the rehabilitation plan.

The Essay also makes a study of jurisprudence involving corporate rehabilitation, such as *BF Homes v. Court of Appeals*, *Chua v. National Labor Relations Commission*, *Ruby Industrial v. Court of Appeals.*, *Rubberworld Philippines, Inc. v. National Labor Relations Commission*, and *Chas Realty Development Corp. v. Talavera*. Aside from those set by jurisprudence, there are other possible sources of standards for corporate rehabilitation, such as the decision of the Securities and Exchange Commission (SEC) and American Jurisprudence.

These sources can serve as a proper frame of reference for decisions on corporate rehabilitation. Aside from these sources, there are several pending bills in Congress regarding the consolidation of substantive and procedural laws on corporate rehabilitation, making it apparent the importance being placed on corporate rehabilitation in the future. Based on the analysis and discussion in the Essay, the Author believes that the Philippines must

modernize and clarify its rules for rehabilitation and insolvency. It must set clear standards and laws must be set in place to meet the needs of stakeholders who have a stake in the ailing corporation.