

FOURTEENTH CONGRESS OF THE  
REPUBLIC OF THE PHILIPPINES  
*First Regular Session*

7 JUN 30 P1:10

SENATE  
S. B. No. 61

RECEIVED BY: 

Introduced by SENATOR EDGARDO J. ANGARA

**EXPLANATORY NOTE**

The absence of effective and orderly insolvency procedures can aggravate economic and financial crises. Without effective procedures that are applied in a consistent manner, creditors may be unable to collect on their claims, which will adversely affect the future availability of credit. Without orderly procedures, the rights of the debtors may not be adequately protected and different creditors may not be treated equitably. On the other hand, the consistent application of orderly and effective insolvency procedures plays a critical role in fostering growth and competitiveness and may also assist in the prevention and resolution of financial crises.

Insolvency proceedings in the Philippines are governed by Act No. 1956, otherwise known as the Insolvency Law, passed in 1909. It vested the courts with jurisdiction over petitions for insolvency and suspension of payments. Subsequently, Presidential Decree No 902-A ("PD 902-A"), passed in 1976 and amended in 1981, vested the Securities and Exchange Commission ("SEC") with jurisdiction over petitions for suspension of payments and rehabilitation filed by corporations, partnerships, and associations. The Securities Regulation Code, which took effect on 8 August 2000, transferred jurisdiction over petitions for suspension of payments and rehabilitation for corporations and partnerships from the SEC to the regular courts. Thereafter, the Supreme Court has released the rules of procedure for rehabilitation proceedings.

The legislative framework of our insolvency proceedings is sorely outdated. Likewise, it is inadequate and unresponsive to the modern business trends and it is generally unable to provide quick resolution of financial dilemmas. This inadequacy and unresponsiveness of the insolvency proceedings were deeply felt during the economic crisis of 1997 and 1998 when long-drawn out proceedings following corporate failures caused immense waste of resources. In some cases, the proceedings drag on to the extent of seriously threatening the survival of the subject companies.

This bill seeks to establish a more systematic framework for insolvency proceedings and provide equitable treatment to all parties involved in a financial restructuring or rehabilitation. Moreover, it seeks to maximize the chances for the survival of the company concerned by providing an ailing enterprise four different remedies, to wit: (1) fast-track rehabilitation; (2) court-supervised rehabilitation; (3) pre-negotiated rehabilitation; and (4) dissolution-liquidation.

With the aforementioned premises, approval of this bill is earnestly sought.

  
EDGARDO J. ANGARA  
Senator

7 JUN 30 P1:10

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Introduced by SENATOR EDGARDO J. ANGARA

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**AN ACT PROVIDING FOR THE REHABILITATION OR  
LIQUIDATION OF FINANCIALLY DISTRESSED ENTERPRISES**

*Be it enacted in the Senate and House of Representatives of the  
Philippines in the Congress assembled:*

**CHAPTER I - GENERAL PROVISIONS**

1  
2  
3       **SECTION 1. *Title.*** - This Act shall be known as the “Corporate  
4 **Recovery and Insolvency Act of 2007.”**

5  
6       **SECTION 2. *Declaration of Policy.*** - It is the policy of the State to  
7 encourage an insolvent juridical debtor and its creditors to collectively and  
8 realistically resolve and adjust competing claims and property rights. In  
9 furtherance thereof, the State shall ensure a timely, fair, transparent,  
10 effective and efficient rehabilitation or liquidation of an insolvent juridical  
11 debtor. The rehabilitation or liquidation shall be made with a view to  
12 ensuring or maintaining certainty and predictability in commercial affairs,  
13 shall preserve and maximize the value of the assets of the debtor, shall  
14 recognize creditor rights and respect priority of claims, and shall ensure  
15 equitable treatment of creditors who are similarly situated.

16  
17       **SECTION 3. *Nature of Proceedings.*** - The proceedings under this  
18 Act shall be *In Rem* in nature and shall be conducted in a summary and  
19 nonadversarial manner.

20  
21       **SECTION 4. *Definition of Terms.*** - As used in this Act the term:

22       (a) “**Administrative Expense**” shall refer to those reasonable and  
23       necessary expenses:

24               (i) incurred in connection with the filing of a petition under  
25               the provisions of this Act;

- 1           (ii) arising from or in connection with the conduct of the  
2           proceedings under this Act, including those incurred for  
3           the rehabilitation or liquidation of the Debtor;
- 4           (iii) incurred in the ordinary course of the business of the  
5           Debtor after the Commencement Date; or
- 6           (iv) for the payment of new loans obtained after the  
7           Commencement Date to finance the rehabilitation of the  
8           Debtor.
- 9           (v) incurred for the fees of the Rehabilitation Receiver or  
10          Liquidator and of the professionals engaged by them;
- 11          (vi) that are otherwise authorized or mandated under this  
12          Act.
- 13   (b) **"Claim"** shall refer to a right to payment or a right to an equitable  
14          remedy that results in payment by the corporation, whether  
15          arising from a debt or other type of legal obligation, whether  
16          liquidated or unliquidated, fixed or contingent, matured or  
17          unmatured, disputed or undisputed.
- 18   (c) **"Commencement Date"** shall refer to the date on which the Court  
19          issues the order referred to in SECTION 10 of this Act.
- 20   (d) **"Commencement Order"** shall refer to the order issued by the  
21          Court under SECTION 10 of this Act.
- 22   (e) **"Court"** shall refer to the court designated by the Supreme Court  
23          to hear and determine, at the first instance, the cases brought  
24          under this Act.
- 25   (f) **"Creditor"** shall refer to a natural or juridical person which has a  
26          Claim against the Debtor that arose on or before the  
27          Commencement Date.
- 28   (g) **"Date of Liquidation"** shall refer to the date on which the Court  
29          issues the order referred to in SECTION 71 of this Act.
- 30   (h) **"Debtor"** shall refer to a juridical legal entity duly organized and  
31          existing under Philippine laws, unless specifically excluded by a  
32          provision of this Act.
- 33   (i) **"Encumbered Property"** shall refer to real or personal property  
34          of the Debtor upon which a Lien attaches.
- 35   (j) **"Insolvent"** shall refer to the financial condition of a Debtor that is  
36          generally unable to pay its liabilities as they fall due in the

1 Ordinary Course of Business or that has liabilities that are greater  
2 than its assets.

3 (k) "**Lien**" shall refer to a statutory or contractual charge on real or  
4 personal property that legally entitles a Creditor to resort to said  
5 property for payment of the Claim upon which said lien attaches.

6 (l) "**Liquidation**" shall refer to the proceedings under Chapter V of  
7 this Act.

8 (m) "**Liquidation Order**" shall refer to the order issued by the Court  
9 under SECTION 71 of this Act.

10 (n) "**Liquidator**" shall refer to the natural person or juridical entity  
11 appointed as such by the Court and entrusted with such powers  
12 and duties as set forth in this Act, Provided that, if the Liquidator  
13 is a juridical entity, it must designate a natural person who  
14 possesses all the qualifications and none of the disqualifications as  
15 its representative, it being understood that the juridical entity and  
16 the representative are solidarily liable for all obligations and  
17 responsibilities of the Liquidator.

18 (o) "**Ordinary Course of Business**" shall refer to transactions  
19 consistent with both (i) the operation of the Debtor's business prior  
20 to insolvency proceedings, and (ii) ordinary business terms.

21 (p) "**Rehabilitation Receiver**" shall refer to the natural person or  
22 juridical entity appointed as such by the Court and entrusted with  
23 such powers and duties as set forth in this Act, Provided that, if  
24 the *Rehabilitation Receiver* is a juridical entity, it must designate a  
25 natural person who possesses all the qualifications and none of the  
26 disqualifications as its representative, it being understood that the  
27 juridical entity and the representative are solidarily liable for all  
28 obligations and responsibilities of the Rehabilitation Receiver,

29 (q) "**Rehabilitation Plan**" shall refer to a plan by which the financial  
30 well-being and viability of an Insolvent Debtor can be restored  
31 using various means, including, but not limited to, debt  
32 forgiveness, debt rescheduling, debt-equity conversion and sale of  
33 the business (or parts of it) as a going concern, or setting-up of new  
34 business entity as prescribed in SECTION 41 hereof.

35 (r) "**Secured Claim**" shall refer to a Claim that is secured by a Lien.

1 (s) "**Secured Creditor**" shall refer to a Creditor with a Secured  
2 Claim.

3 (t) "**Securities Market Participant**" shall refer to a broker, dealer,  
4 underwriter, transfer agent, or other juridical persons transacting  
5 securities in the capital market.

6 (u) "**Shareholder**" shall refer to a holder of shares of a corporation, or  
7 to a member of a non-stock corporation or association, or a partner  
8 in a partnership.

9 (v) "**Unsecured Claim**" shall refer to a Claim that is not secured by a  
10 Lien.

11 (w) "**Unsecured Creditor**" shall refer to a Creditor with an  
12 Unsecured Claim.

13  
14 **SECTION 5. Exclusions.** - The term Debtor does not include banks,  
15 insurance companies, pre-need companies, cooperatives and national and  
16 local government agencies or units. For purposes of this section:

17 (a) "Bank" shall refer to any duly licensed bank or quasi-bank that is  
18 potentially or actually subject to conservatorship, receivership, or  
19 Liquidation proceedings under the New Central Bank Act or  
20 successor legislation.

21 (b) "Insurance Company" shall refer to those companies that are  
22 potentially or actually subject to insolvency proceedings under the  
23 Insurance Code.

24 (c) "Pre-Need Company" refers to any corporation authorized/licensed  
25 to sell or offer to Sell Pre-Need Plans.

26 (d) "Cooperatives" shall refer to duly registered associations of persons,  
27 with a common bond of interest, who have voluntarily joined  
28 together to achieve lawful common social or economic end, making  
29 equitable contributions to the capital required and accepting a fair  
30 share of the risk and benefits of the undertaking in accordance with  
31 universally accepted cooperative principles.

32 Provided that government financial institutions other than banks and  
33 government-owned or-controlled corporations shall be covered by this Act,  
34 unless their specific charter provides otherwise.

35



1 (a) That there is no genuine issue of fact or law on the Claim/s of the  
2 petitioner/s, and that the due and demandable payments thereon  
3 have not been made for at least sixty (60) days; and

4 (b) That there is a substantial likelihood that the Debtor may be  
5 rehabilitated.

6 The petition shall include, whether as an attachment or as part of the  
7 body of the petition, a Rehabilitation Plan and the names of at least three (3)  
8 nominees to the position of Rehabilitation Receiver.

9  
10 **SECTION 9. *Action on the Petition.*** If the Court finds the Petition  
11 to be sufficient in form and substance, it shall, within five (5) working days  
12 from the filing of the petition, issue a Commencement Order. If, within the  
13 same period, the Court finds the petition deficient in form or substance, the  
14 Court may, in its discretion, give the petitioner/s a reasonable period of time  
15 within which to amend or supplement the petition, or to submit such  
16 documents as may be necessary or proper to put the petition in proper order.  
17 In such case, the five (5) working days provided above for the issuance of the  
18 Commencement Order shall be reckoned from the date of the filing of the  
19 amended or supplemental petition or the submission of such documents.

## 20 21 **B. ADMINISTRATION OF THE PROCEEDINGS**

22 **SECTION 10. *Commencement of Proceedings.*** The Rehabilitation  
23 Proceedings shall commence upon the issuance of the Commencement Order,  
24 which shall:

25 (a) Identify the Debtor, its principal business or activity/ies, and its  
26 principal place of business;

27 (b) Summarize the ground/s for the filing of the petition;

28 (c) Declare that the Debtor is under rehabilitation;

29 (d) Direct the publication of the Commencement Order in a newspaper  
30 of general circulation once a week for at least two (2) consecutive  
31 weeks, with the first publication to be made within seven (7) days  
32 from the time of its issuance;

33 (e) If the petitioner is the Debtor, direct the service by personal  
34 delivery of a copy of the Petition on each Creditor holding at least  
35 ten percent (10%) of the total liabilities of the Debtor as determined  
36 from the schedule attached to the petition within five (5) days; If

1           the petitioner/s is/are Creditor/s, direct the service by personal  
2           delivery of a copy of the petition on the Debtor within five (5) days.

3           (f) Appoint a Rehabilitation Receiver, who may or may not be from  
4           among the nominees of the petitioner/s;

5           (g) Direct all Creditors to file their Claims with the Court at least five  
6           (5) days before the initial hearing;

7           (h) Prohibit the Debtor's suppliers of goods or services from  
8           withholding supply of goods and services in the ordinary course of  
9           business for as long as the Debtor makes payments for the services  
10          or goods supplied after the issuance of the Stay Order;

11          (i) Authorize the payment of Administrative Expenses as they become  
12          due;

13          (j) Set the case for initial hearing, which shall not be more than forty  
14          (40) days from the date of filing of the petition;

15          (k) Make available copies of the petition and Rehabilitation Plan for  
16          examination and copying by any interested party.

17          (l) State that any Creditor or the Debtor, who is not the petitioner,  
18          may submit the name or nominate any other qualified person to the  
19          position of Rehabilitation Receiver at least five (5) days before the  
20          initial hearing;

21          (m) Include a Suspension or Stay Order which shall:

22               (i) Suspend all actions or proceedings, in court or otherwise, for  
23               the enforcement of Claims against the Debtor. However, the  
24               suspension order shall not apply:

25                   1. To cases already pending appeal in the Supreme Court as  
26                   at the Commencement Date; *Provided*, That, any final  
27                   and executory judgment arising from such appeal shall be  
28                   referred to the Court for appropriate action.

29                   2. To the enforcement of claims against sureties and other  
30                   persons solidarily liable with the Debtor, and third party  
31                   or accommodation mortgagors;

32                   3. To any form of action of customers or clients of a Securities  
33                   Market Participant to recover or otherwise claim moneys  
34                   and securities entrusted to the latter in the ordinary  
35                   course of the latter's business as well as any action of  
36                   such Securities Market Participant or the appropriate



1 regulatory agency or self-regulatory organization to pay or  
2 settle such claims or liabilities.

3 (ii) Suspend all actions to enforce any judgment, attachment or  
4 other provisional remedies against the Debtor;

5 (iii) Prohibit the Debtor from selling, encumbering, transferring  
6 or disposing in any manner any of its properties except in the  
7 ordinary course of business; and

8 (iv) Prohibit the Debtor from making any payment of its  
9 liabilities outstanding as of the Commencement Date except  
10 as may be provided herein.

11  
12 **SECTION 11. *Suspension or Stay Order.*** The Suspension or Stay  
13 Order shall be effective for a period of three (3) months from the date of the  
14 filing of the petition. If there is a substantial likelihood that the Debtor will  
15 be successfully rehabilitated, it may be extended for three (3) months at a  
16 time, provided, that, in no case shall the total period of extension exceed  
17 fifteen (15) months. In determining whether there is Substantial likelihood  
18 for the Debtor to be successfully rehabilitated, the Court shall ensure that  
19 the following minimum requirements are met:

20 (a) The Rehabilitation Receiver submits a report, based on preliminary  
21 evaluation, stating that the underlying assumptions and the  
22 financial goals stated in the petitioner's Rehabilitation Plan are  
23 realistic, feasible and reasonable; or, if not, there is, in any case, a  
24 substantial likelihood for the Debtor to be successfully rehabilitated  
25 because, among others, there are sufficient assets with which to  
26 rehabilitate the Debtor and there is sufficient cash flow to maintain  
27 the operations of the Debtor;

28 (b) The petition is not a sham filing intended only to delay the  
29 enforcement of the rights of the Creditors, or of a Creditor, or of any  
30 group of Creditors;

31 (c) The petition, the Rehabilitation Plan and the attachments thereto  
32 do not contain any materially false or misleading statements;

33 (d) If the petitioner is the Debtor, that the Debtor has met with its  
34 Creditor/s representing at least three-fourths (3/4) of its total  
35 obligations and made a good faith effort to reach a consensus on the  
36 Rehabilitation Plan; If the petitioner/s is a Creditor or group of

1           Creditors, That the petitioner/s has met with the Debtor and made  
2           a good faith effort to reach a consensus on the Rehabilitation Plan;  
3           and

4           (e) The Debtor has not committed acts of misrepresentation or in fraud  
5           of its Creditors, or a Creditor or a group of Creditors.

6  
7           **SECTION 12. *Action at the Initial Hearing.*** At the initial hearing,  
8           the Court shall: (a) Determine the Creditors who have made a timely and  
9           proper filing of their notice of Claims; (b) Hear and determine any objection  
10          to the qualifications or the appointment of the Rehabilitation Receiver and, if  
11          necessary, appoint a new one in accordance with SECTION 20 or SECTION  
12          24 hereof; (c) Direct the Creditors to comment on the petition and the  
13          Rehabilitation Plan, and to submit the same to the Court and to the  
14          Rehabilitation Receiver within a period of not more than twenty (20) days; (d)  
15          Direct the Rehabilitation Receiver to evaluate the financial condition of the  
16          Debtor and to prepare and submit to the Court within forty (40) days from  
17          the initial hearing the Report mentioned in Section 14 hereof.

18  
19          **SECTION 13. *Effect of Failure to File Notice of Claim.*** A Creditor  
20          whose Claim is not listed in the Schedule of Debts and Liabilities and who  
21          fails to file a notice of claim in accordance with the Commencement Order but  
22          subsequently files a belated Claim shall not be entitled to participate in the  
23          Rehabilitation proceedings but shall be entitled to receive distributions  
24          arising therefrom.

25  
26          **SECTION 14. *Report of the Rehabilitation Receiver.*** Within forty  
27          (40) days from the initial hearing, and with or without the comments of the  
28          Creditors or any of them, the Rehabilitation Receiver shall submit a Report  
29          to the Court stating his preliminary findings and recommendations on  
30          whether:

31          (a) The Debtor is insolvent and if so, the causes thereof and any  
32                  unlawful or irregular act or acts committed by directors or officers  
33                  in contemplation of the insolvency of the Debtor or which may have  
34                  contributed to the insolvency of the Debtor;

- 1 (b) The underlying assumptions, the financial goals and the procedures  
2 to accomplish such goals as stated in the petitioner's Rehabilitation  
3 Plan are realistic, feasible and reasonable;
- 4 (c) There is a substantial likelihood for the Debtor to be successfully  
5 rehabilitated;
- 6 (d) The petition should be dismissed;
- 7 (e) The Debtor should be dissolved and liquidated.

8

9 **SECTION 15. *Giving Due Course to or Dismissal of Petition, or***  
10 ***Conversion of Proceedings.*** Within ten (10) days from receipt of the Report  
11 of the Rehabilitation Receiver mentioned in SECTION 14 hereof, the Court  
12 may:

- 13 (a) Give due course to the petition upon a finding that: (i) The Debtor is  
14 Insolvent, and (ii) There is a substantial likelihood for the Debtor to  
15 be successfully rehabilitated;
- 16 (b) Dismiss the petition upon a finding that
- 17 (ii) Debtor is not Insolvent;
- 18 (iii) the petition is a sham filing intended only to delay the  
19 enforcement of the rights of the Creditors, or of a Creditor, or  
20 of any group of Creditors;
- 21 (iv) the petition, the Rehabilitation Plan and the attachments  
22 thereto contain any materially false or misleading  
23 statements; or
- 24 (v) the Debtor has committed acts of misrepresentation or in  
25 fraud of its Creditors, or a Creditor or a group of Creditors.
- 26 (c) Convert the proceedings into one for the Liquidation of the Debtor  
27 upon a finding that –
- 28 (i) the Debtor is Insolvent; and
- 29 (ii) either there is no substantial likelihood for the Debtor to be  
30 successfully rehabilitated, or, If the petitioner is the Debtor,  
31 that the Debtor has not met with its Creditor/s representing  
32 at least three-fourths (3/4) of its total liabilities and made a  
33 good faith effort to reach a consensus on the Rehabilitation  
34 Plan; or, If the petitioner/s is a Creditor or group of  
35 Creditors, that the petitioner/s has not met with the Debtor

1                   and made a good faith effort to reach a consensus on the  
2                   Rehabilitation Plan.

3  
4           **SECTION 16. *Petition Given Due Course.*** If the petition is given  
5 due course, the Court shall direct the Rehabilitation Receiver to review,  
6 revise and/or recommend action on the Rehabilitation Plan and submit the  
7 same or a new one to the Court within a period of not more than ninety (90)  
8 days.

9  
10          **SECTION 17. *Dismissal of Petition.*** If the petition is dismissed  
11 pursuant to paragraph (b) of SECTION 15, then, the Court may, in its  
12 discretion, order the petitioner to pay damages to any Creditor or to the  
13 Debtor, as the case may be, who may have been injured by the filing of the  
14 petition, to the extent of any such injury.

15  
16   **C. THE REHABILITATION RECEIVER**

17          **SECTION 18. *Qualifications of a Rehabilitation Receiver.*** The  
18 Rehabilitation Receiver shall have the following minimum qualifications: He

- 19           (a) is a citizen of the Philippines;  
20           (b) is a resident of the Philippines in the six months immediately  
21               preceding his nomination;  
22           (c) is of good moral character and with acknowledged integrity,  
23               impartiality and independence;  
24           (d) has the requisite knowledge of insolvency and other relevant  
25               commercial laws, rules and procedures, as well as the relevant  
26               training and/or experience *that may be necessary to enable him to*  
27               properly discharge the duties and obligations of a Rehabilitation  
28               Receiver.; and  
29           (e) has no conflict of interest, provided, that, such conflict of interest  
30               may be waived, expressly or impliedly, by a party who may  
31               prejudiced thereby.

32  
33          **SECTION 19. *Conflict of Interest.*** An individual shall be deemed to  
34 have a conflict of interest if he is so situated as to be presumed to be unduly  
35 influenced in the exercise of his judgment as Rehabilitation Receiver for or

1 against the Debtor or any Creditor. Without limiting the generality of the  
2 foregoing, an individual shall be deemed to have a conflict of interest if:

- 3 (a) He is a Creditor or stockholder of the Debtor;
- 4 (b) He is engaged in a line of business which competes with that of the  
5 Debtor;
- 6 (c) He is, or was, within five (5) years from the filing of the petition, a  
7 director, officer, or employee of the Debtor or any of the Creditors,  
8 or the auditor or accountant of the Debtor;
- 9 (d) He is, or was within two (2) years from the filing of the petition, an  
10 underwriter of the outstanding securities of the Debtor;
- 11 (e) He is related by consanguinity or affinity within the fourth civil  
12 degree to any individual Creditor, or to any stockholder, director,  
13 officer, employee, or underwriter of the Debtor; or
- 14 (f) He has any other direct or indirect material interest in the Debtor  
15 or any of the Creditors.

16  
17 **SECTION 20. *Appointment of the Rehabilitation Receiver.*** The  
18 Court shall initially appoint the Rehabilitation Receiver, who may or may not  
19 be from among the nominees of the petitioner. However, at the initial hearing  
20 of the petition, the Creditors and the Debtor who are not petitioners may  
21 nominate other persons to the position. The Court may retain the  
22 Rehabilitation Receiver initially appointed or appoint another who may or  
23 may not be from among those nominated.

24  
25 **SECTION 21. *Oath and Bond of the Rehabilitation Receiver.***  
26 Prior to entering upon his powers, duties and responsibilities, the  
27 Rehabilitation Receiver shall take an oath and file a bond, in such amount to  
28 be fixed by the Court, conditioned upon the faithful and proper discharge of  
29 his powers, duties and responsibilities,

30  
31 **SECTION 22. *Powers, Duties and Responsibilities of the***  
32 ***Rehabilitation Receiver.*** The Rehabilitation Receiver shall be deemed an  
33 officer of the Court with the principal duty of preserving and maximizing the  
34 value of the assets of the Debtor during the Rehabilitation Proceedings,  
35 determining the viability of the Rehabilitation of the Debtor, preparing and  
36 recommending a Rehabilitation Plan to the Court, and implementing the

1 approved Rehabilitation Plan. To this end, and without limiting the  
2 generality of the foregoing, the Rehabilitation Receiver shall have the  
3 following powers, duties and responsibilities:

- 4 (a) To verify the accuracy of the factual allegations in the petition and  
5 its annexes;
- 6 (b) To verify and correct, if necessary, the inventory of all of the assets  
7 of the Debtor, and their valuation;
- 8 (c) To verify and correct, if necessary, the schedule of debts and  
9 liabilities of the Debtor;
- 10 (d) To evaluate the validity, genuineness, and true amount of all the  
11 *Claims against the Debtor*;
- 12 (e) To take possession, custody and control, and to preserve the value  
13 of all the property of the Debtor;
- 14 (f) To sue and recover, with the approval of the Court, all amounts  
15 owed to, and all properties pertaining to the Debtor;
- 16 (g) To have access to all information necessary, proper or relevant to  
17 the operations and business of the Debtor and for its Rehabilitation;
- 18 (h) To sue and recover, with the approval of the Court, all property or  
19 money of the Debtor paid, transferred or disbursed in fraud of the  
20 Debtor or its Creditors, or which constitute undue preference of  
21 Creditor/s;
- 22 (i) To monitor the operations and the business of the Debtor to ensure  
23 that no payments or transfers of property are made other than in  
24 the ordinary course of business;
- 25 (j) With the Court's approval, to engage the services of or to employ  
26 persons or entities to assist him in the discharge of his functions;
- 27 (k) To determine the manner by which the debtor may be best  
28 rehabilitated, to review, revise and/or recommend action on the  
29 Rehabilitation Plan and submit the same or a new one to the Court  
30 for approval; and
- 31 (l) To implement the Rehabilitation Plan as approved by the Court, if  
32 so provided under the Rehabilitation Plan;
- 33 (m) To exercise such other powers as may from time to time be  
34 conferred upon him by the Court; and
- 35 (n) To submit a status report on the Rehabilitation proceedings every  
36 quarter or as may be required by the Court *motu proprio*, or upon

1 motion of any Creditor, or as may be provided, in the Rehabilitation  
2 Plan.

3  
4 **SECTION 23. *Removal of the Rehabilitation Receiver.*** The  
5 Rehabilitation Receiver may be removed at any time by the Court for cause,  
6 either *motu proprio* or upon motion by any Creditor or Creditors holding more  
7 than fifty percent (50%) of the total obligations of the Debtor.

8  
9 **SECTION 24. *Vacancy.*** In case the position of Rehabilitation  
10 Receiver is vacated for any reason whatsoever, the Court shall direct the  
11 Debtor and the Creditors to submit the name/s of their nominee/s to the  
12 position. The Court may appoint any of the qualified nominees, or any other  
13 person qualified for the position.

14  
15 **SECTION 25. *Compensation.*** The Rehabilitation Receiver and the  
16 persons and entities engaged or employed by him to assist in the discharge of  
17 his powers and duties shall be entitled to such reasonable compensation as  
18 may be determined by the Rehabilitation Court, which shall not exceed the  
19 maximum amount as may be prescribed by the Supreme Court.

20  
21 **D. DETERMINATION OF CLAIMS**

22 **SECTION 26. *Registry of Claims.*** Within twenty (20) days from his  
23 assumption into office, the Rehabilitation Receiver shall establish a  
24 preliminary registry of claims. The Rehabilitation Receiver shall make the  
25 registry available for public inspection and provide publication notice to  
26 Creditors and Shareholders on where and when they may inspect it. All  
27 claims included in the registry of claims must be duly supported by sufficient  
28 evidence.

29  
30 **SECTION 27. *Opposition or Challenge of Claims.*** Within thirty  
31 (30) days from the expiration of the period stated in the immediately  
32 preceding section, Creditors, Shareholders and other interested parties may  
33 submit a challenge to a Claim or Claims to the Court, serving a certified copy  
34 on the Rehabilitation Receiver and the Creditor holding the challenged  
35 Claim. Upon the expiration of the thirty (30) day period, the Rehabilitation

1 Receiver shall submit to the Court the registry of claims containing the  
2 undisputed claims that have not been subject to challenge.

3  
4 **SECTION 28. *Appeal.*** Any decision of the Rehabilitation Receiver  
5 regarding a Claim may be appealed to the Court.

6  
7 **E. USE, PRESERVATION AND DISPOSAL OF ASSETS AFTER**  
8 **COMMENCEMENT DATE.**

9 **SECTION 29. *Use or Disposition of Assets.*** Except as otherwise  
10 provided herein, no funds or property of the Debtor shall be used or disposed  
11 of except in the Ordinary Course of Business of the Debtor, or unless  
12 necessary to finance the Administrative Expenses of the rehabilitation  
13 proceedings.

14  
15 **SECTION 30. *Rescission or Nullity of Sale, Payment, Transfer or***  
16 ***Conveyance of Assets.*** The Court may rescind or declare as null and void  
17 any sale, payment, transfer or conveyance of the Debtor's unencumbered  
18 property or any encumbering thereof by the Debtor or its agents or  
19 representatives which are not in the ordinary course of the business of the  
20 Debtor.

21  
22 **SECTION 31. *Sale of Assets.*** The Court, upon application of the  
23 Rehabilitation Receiver, may authorize the sale of unencumbered property of  
24 the Debtor outside the ordinary course of business upon a showing that the  
25 property, by its nature or because of other circumstance, is perishable, costly  
26 to maintain, susceptible to devaluation or otherwise in jeopardy.

27  
28 **SECTION 32. *Assets of Debtor Held by Third Parties.*** Third  
29 parties who have in their possession or control property of the Debtor shall  
30 not transfer, convey, or otherwise dispose of the same to persons other than  
31 the Debtor, unless otherwise upon prior approval of the Rehabilitation  
32 Receiver. The Rehabilitation Receiver may also:

- 33 (a) Demand the surrender or the transfer of the possession or control of  
34 such property to the Rehabilitation Receiver or any other person,  
35 subject to payment of the Claims secured by any possessory Lien/s  
36 thereon;



1 (b) Allow said third parties to retain possession or control, if such an  
2 arrangement would more likely preserve or increase the value of  
3 the property in question or the total value of the assets of the  
4 Debtor; or

5 (c) Undertake any other disposition of the said property as may be  
6 beneficial for the rehabilitation of the Debtor, after notice and  
7 hearing, and approval of the Court.  
8

9 **SECTION 33. *Assets of Third Parties Held by Debtor.*** The Court  
10 may authorize the sale, transfer, conveyance or disposal of Encumbered  
11 Property of the Debtor, or property of others held by the Debtor where there  
12 is a security interest pertaining to third parties under a financial, credit or  
13 other similar transactions if, upon application of the Rehabilitation Receiver  
14 and with the consent of the affected owners of the property, or Secured  
15 Creditor/s in the case of Encumbered Property of the Debtor, and after notice  
16 and hearing, the Court determines that:

17 (a) Such sale, transfer, conveyance or disposal is necessary for the  
18 continued operation of the Debtor's business;

19 (b) The Debtor has made arrangements to provide a substitute Lien or  
20 ownership right that provides an equal level of security for the  
21 counter-party's claim or right.  
22

23 **SECTION 34. *Assets Subject to Rapid Obsolescence,***  
24 ***Depreciation, and Diminution of Value.*** Upon the application of a  
25 Secured Creditor holding a Lien against or ownership interest in property  
26 held by the Debtor that is subject to potentially rapid obsolescence,  
27 depreciation or diminution in value, the Court shall, after notice and hearing,  
28 order the Debtor or Rehabilitation Receiver to take reasonable steps  
29 necessary to prevent the depreciation. If depreciation cannot be avoided and  
30 such depreciation is jeopardizing the security or property interest of the  
31 Secured Creditor or owner, the Court shall:

32 (a) Allow the Encumbered Property to be foreclosed upon by the  
33 Secured Creditor according to the relevant agreement between the  
34 Debtor and the Secured Creditor, Provided, That, the proceeds of  
35 the sale will be distributed in accordance with the order prescribed  
36 under the rules of concurrence and preference of credits; or

1 (b) Upon motion of, or with the consent of the affected Secured  
2 Creditor, order the conveyance of a Lien against or ownership  
3 interest in substitute property of the Debtor to the Secured  
4 Creditor, *Provided*, that other Creditors holding Liens on such  
5 property, if any, do not object thereto; or

6 (c) Allow the sale or disposition of the property, *Provided*, that the sale  
7 or disposition will maximize the value of the property for the  
8 benefit of the Secured Creditor and the Debtor and the proceeds of  
9 the sale will be distributed in accordance with the order prescribed  
10 under the rules of concurrence and preference of credits.

11  
12 **F. AVOIDANCE PROCEEDINGS**

13 **SECTION 35. *Rescission or Nullity of Certain Pre-***  
14 ***Commencement Transactions.*** Any transaction occurring prior to  
15 Commencement Date entered into by the Debtor or involving its funds or  
16 assets may be rescinded or declared null and void on the ground that the  
17 same was executed with intent to defraud a Creditor or Creditors or which  
18 constitute undue preference of Creditors. Without limiting the generality of  
19 the foregoing, a disputable presumption of such design shall arise if the  
20 transaction:

21 (a) Provides unreasonably inadequate consideration to the Debtor and  
22 is executed within ninety (90) days prior to the Commencement  
23 Date;

24 (b) Involves an accelerated payment of a claim to a Creditor within  
25 ninety (90) days prior to the Commencement Date;

26 (c) Provides security or additional security executed within ninety (90)  
27 days prior to the Commencement Date;

28 (d) Involves Creditors, where a Creditor obtained, or received the  
29 benefit of, more than its *pro rata* share in the assets of the Debtor,  
30 executed at a time when the Debtor was Insolvent; or

31 (e) Is intended to defeat, delay or hinder the ability of the Creditors to  
32 collect Claims where the effect of the transaction is to put assets of  
33 the Debtor beyond the reach of Creditors or to otherwise prejudice  
34 the interests of Creditors.

1           *Provided, however,* That nothing in this section shall prevent the Court  
2 from rescinding or declaring as null and void a transaction on other grounds  
3 provided by law.

4  
5           **SECTION 36. *Actions for Rescission or Nullity.*** The Rehabilitation  
6 Receiver or, with his conformity, any Creditor, may initiate and prosecute  
7 any action to rescind, or declare null and void any transaction described in  
8 the immediately preceding paragraph. If the Rehabilitation Receiver does not  
9 consent to the filing or prosecution of such action, any Creditor may seek  
10 leave of the Court to commence said action.

## 11 12 **G. TREATMENT OF CONTRACTS**

13           **SECTION 37. *Treatment of Contracts.*** Unless cancelled by virtue of  
14 a judgment of a Court of competent jurisdiction issued prior to the issuance of  
15 the Commencement Order, or at anytime thereafter by the Court before  
16 which the rehabilitation proceedings are pending, all valid and subsisting  
17 contracts of the Debtor with Creditors and other third parties as at the  
18 Commencement Date shall continue in force,: *Provided,* That within ninety  
19 (90) days following the commencement of proceedings, the Debtor, with the  
20 consent of the Rehabilitation Receiver, shall notify each contractual counter-  
21 party of whether it is confirming the particular contract. Contractual  
22 obligations of the Debtor arising or performed during this period, and  
23 afterwards for confirmed contracts, shall be an Administrative Expense.  
24 Contracts not confirmed within the required deadline shall be considered  
25 terminated. Claims for actual damages, if any, arising as a result of the  
26 election to terminate a contract shall be considered a pre-commencement  
27 Claim against the Debtor. Nothing contained herein shall prevent the  
28 cancellation or termination of any contract of the Debtor for any ground  
29 provided by law.

## 30 31 **H. TREATMENT OF SECURED CREDITORS**

32           **SECTION 38. *No Diminution of Secured Creditor Rights.*** The  
33 issuance of the Commencement Order and the Stay Order, and any other  
34 provision of this Act, shall not be deemed in any way to diminish or impair  
35 the security or Lien of a Secured Creditor, or the value of his Lien or

1 Security, except that his right to enforce said security or Lien may be  
2 suspended during the term of the Stay Order.

3 The Court, upon motion or recommendation of the Rehabilitation  
4 Receiver, may allow a Secured Creditor to enforce his security or Lien, or  
5 foreclose upon property of the Debtor securing his/its Claim, if the said  
6 property is not necessary for the rehabilitation of the Debtor and the proceeds  
7 of the sale will be distributed in accordance with the order prescribed under  
8 the rules of concurrence and preference of credits. The Secured Creditor  
9 and/or the other Lien holders shall be admitted to the Rehabilitation  
10 Proceedings only for the balance of his Claim, if any.

11 A Secured Creditor shall enjoy preference in the payment of his Claim  
12 with respect to income or cash generated from the use, utilization,  
13 employment, application or exploitation of the Debtor's Property securing his  
14 Claim.

15  
16 **SECTION 39. *Modification or Termination of Stay Order.*** At any  
17 time during the effectivity of the Stay Order, the Court, *motu proprio* or upon  
18 motion, may terminate, modify or set conditions for the continuance of the  
19 Stay Order, or relieve a Claim from the coverage thereof, upon a showing  
20 that: (a) a Creditor does not have adequate protection over property securing  
21 its Claim, or (b) the value of a Claim secured by a Lien on property which is  
22 not necessary for Rehabilitation of the Debtor exceeds the fair market value  
23 of said property.

24 For purposes of this section, a Creditor shall be deemed to lack  
25 adequate protection if it can be shown that:

- 26 (a) The Debtor fails or refuses to honor an agreement with the Creditor  
27 to keep the property insured; or  
28 (b) The Debtor fails or refuses to take commercially reasonable steps to  
29 maintain and preserve the property; or  
30 (c) The property has depreciated since the Commencement Date to an  
31 extent that the Creditor is undersecured.

32 Upon a showing of a lack of adequate protection, the Court shall order  
33 the Debtor or the Rehabilitation Receiver to make arrangements to provide  
34 for the insurance or maintenance of the property, or to make payments or  
35 otherwise provide additional or replacement security such that the Claim is  
36 fully secured. If such arrangements are not feasible, the Court may allow the

1 Secured Creditor lacking adequate protection to enforce its security,  
2 *Provided*, that the proceeds of the sale will be distributed in accordance with  
3 the order prescribed under the rules of concurrence and preference of credits.  
4

## 5 I. LIABILITY OF DIRECTORS AND OFFICERS

6 **SECTION 40. *Liability of Directors and Officers.*** The directors  
7 and officers of a Debtor shall be liable up to double the value of the property  
8 sold, embezzled or disposed of or the amount of the transaction involved,  
9 whichever is higher, to be recovered for the benefit of the Debtor and the  
10 Creditors if they, having notice of the commencement of the proceedings or in  
11 contemplation of the proceedings, willfully commit the following acts:

12 (a) dispose or cause to be disposed of any property of the Debtor other  
13 than in the ordinary course of business or authorize or approve any  
14 transactions fraudulently or in a manner grossly disadvantageous  
15 to the Debtor and/or Creditors; or

16 (b) conceal, or authorize or approve the concealment, from the  
17 Creditors, or embezzle or misappropriate, any property of the  
18 Debtor.

19 In determining the extent of the liability of a director or an officer under this  
20 section, the Court shall consider the amount of the shareholding or equity  
21 interest of such director or officer, the degree of the involvement of such  
22 director from the transaction.  
23

## 24 J. THE REHABILITATION PLAN

25 **SECTION 41. *Contents of a Rehabilitation Plan.*** The  
26 Rehabilitation Plan shall, as a minimum:

27 (a) Specify the underlying assumptions, the financial goals and the  
28 procedures proposed to accomplish such goals;

29 (b) Compare the amounts expected to be received by the creditors  
30 under the Rehabilitation Plan with those that they will receive if  
31 Liquidation ensues within the next one hundred twenty (120) days;

32 (c) Contain information sufficient to give the various classes of  
33 Creditors a reasonable basis for determining whether supporting  
34 the Plan is in their financial interest when compared to the  
35 immediate Liquidation of the Debtor;

36 (d) Establish classes of voting Creditors;

- 1 (e) Establish sub-classes of voting Creditors if prior approval has been  
2 granted by the Court;
- 3 (f) Indicate how the Plan will be implemented;
- 4 (g) Specify the treatment of each class or sub-class described in sub-  
5 sections (b) and (c);
- 6 (h) Provide for equal treatment of all Claims within the same class or  
7 sub-class, unless a particular Creditor voluntarily agrees to less  
8 favorable treatment;
- 9 (i) Maintain the security interest of Secured Creditors and preserve  
10 the Liquidation value of the security unless such has been waived  
11 or modified voluntarily;
- 12 (j) Disclose all payments to Creditors for pre-commencement debts  
13 made during the proceedings and the justifications thereof;
- 14 (k) Describe the Disputed Claims and the provisioning of funds to  
15 account for appropriate payments should the Claim be ruled valid  
16 or its amount adjusted;
- 17 (l) Identify the Debtor's Role in the implementation of the Plan;
- 18 (m) State any Rehabilitation covenants of the Debtor, the breach of  
19 which shall be considered a material breach of the Plan;
- 20 (n) Identify those responsible for the future management of the Debtor  
21 and the supervision and implementation of the Plan, their  
22 affiliation with the Debtor, and their remuneration;
- 23 (o) Address the treatment of Claims arising after the confirmation of  
24 the Rehabilitation Plan; and
- 25 (p) Provide for the resolution of any breach of the Rehabilitation Plan  
26 by the Debtor,
- 27

28 **SECTION 42. *Consultation with Debtor and Creditors.*** If the  
29 Court gives due course to the petition, the Rehabilitation Receiver shall  
30 confer with the Debtor and all the classes of Creditors, and may consider  
31 their views and proposals, in the review, revision, or preparation of a new  
32 Rehabilitation Plan.

33

34 **SECTION 43. *Approval of Rehabilitation Plan.*** The Rehabilitation  
35 Receiver shall notify the Creditors and Shareholders that the Plan is ready  
36 for their examination. Within twenty (20) days from said notification, the

1 Rehabilitation Receiver shall convene the Creditors, either as a whole or per  
2 class, for purposes of voting on the approval of the Plan. The Plan shall be  
3 deemed rejected unless approved by all classes of Creditors whose rights are  
4 adversely modified or affected by the Plan. For purposes of this section, the  
5 Plan is deemed to have been approved by a class of Creditors if members of  
6 said class holding more than fifty percent (50%) of the total Claims of said  
7 class vote in favor of the Plan. The votes of the Creditors shall be based solely  
8 on the amount of their respective Claims based on the registry of claims  
9 submitted by the Rehabilitation Receiver pursuant to Section 27 hereof.

10 Notwithstanding the rejection of the Rehabilitation Plan, the Court  
11 may confirm the Rehabilitation Plan if all of the following circumstances are  
12 present:

13 (a) The Rehabilitation Receiver nevertheless proceeds to recommend  
14 the confirmation of the Rehabilitation Plan;

15 (b) The Shareholders or owners of the Debtor lose at least their  
16 controlling interest as a result of the Rehabilitation Plan; and

17 (c) The Rehabilitation Plan would likely provide the objecting class of  
18 Creditors with compensation which has a net present value greater  
19 than that which they would have received if under Liquidation.  
20

21 **SECTION 44. *Rejection of Rehabilitation Plan.*** If the  
22 Rehabilitation Plan is rejected, the Rehabilitation Receiver shall immediately  
23 report such fact to the Court. Upon receipt of notice of rejection, the Court  
24 shall convert the proceedings into one for the Liquidation of the Debtor.  
25

26 **SECTION 45. *Submission of Rehabilitation Plan to the Court.*** If  
27 the Rehabilitation Plan is approved, the Rehabilitation Receiver shall submit  
28 the same to the Court for confirmation. Within five (5) days from receipt of  
29 the Rehabilitation Plan, the Court shall notify the Creditors that the  
30 Rehabilitation Plan has been submitted for confirmation, that any Creditor  
31 may obtain copies of the Rehabilitation Plan, and that any Creditor may file  
32 an objection thereto.  
33

34 **SECTION 46. *Filing of Objections to Rehabilitation Plan.*** A  
35 Creditor may file an objection to the Rehabilitation Plan within twenty (20)  
36 days from receipt of notice from the Court that the Rehabilitation Plan has

1 been submitted for confirmation. Objections to a Rehabilitation Plan shall be  
2 limited to the following:

- 3 (a) The documents or data relied upon in the Rehabilitation Plan are  
4 materially false or misleading; or  
5 (b) The Rehabilitation Plan is in fact not supported by the voting  
6 Creditors.

7  
8 **SECTION 47. *Hearing on the Objections.*** If objections have been  
9 submitted during the relevant period, the Court shall issue an order setting  
10 the time and date for the hearing or hearings on the objections, If the Court  
11 finds merit in the objection, it shall order the Rehabilitation Receiver or other  
12 party to cure the defect, whenever feasible. If the Court determines that it is  
13 not feasible to cure the defect, the Court shall convert the proceedings into  
14 one for the Liquidation of the Debtor.

15  
16 **SECTION 48. *Confirmation of the Rehabilitation Plan.*** If no  
17 objections are filed within the relevant period or, if objections are filed, the  
18 Court finds them lacking in merit, or determines that the basis for the  
19 objection has been cured, the Court shall issue an order confirming the  
20 Rehabilitation Plan.

21 The Court may confirm the Rehabilitation Plan notwithstanding  
22 unresolved disputes over Claims if the Rehabilitation plan has made  
23 adequate provisions for paying such Claims.

24  
25 **SECTION 49. *Period for Confirmation of the Rehabilitation***  
26 ***Plan.*** The Court shall have a maximum period of eighteen (18) months from  
27 the date of the filing of the petition to confirm a Rehabilitation Plan. If no  
28 Rehabilitation Plan is confirmed within the said period, the proceedings shall  
29 be converted into one for the Liquidation of the Debtor.

30  
31 **SECTION 50. *Effect of Confirmation of the Rehabilitation Plan.***  
32 The confirmation of the Rehabilitation Plan by the Court shall result in the  
33 following:

- 34 (a) The Rehabilitation Plan and its provisions shall be binding upon  
35 the Debtor and all persons who may be affected by it, including the  
36 Creditors, whether or not such persons have participated in the



1 proceedings or opposed the Rehabilitation Plan or whether or not  
2 their Claims have been scheduled;

3 (b) The Debtor shall comply with the provisions of the Rehabilitation  
4 Plan and shall take all actions necessary to carry out the plan;

5 (c) Payments shall be made to the Creditors in accordance with the  
6 provisions of the Rehabilitation Plan;

7 (d) Contracts and other arrangements between the Debtor and its  
8 Creditors shall be interpreted as continuing to apply to the extent  
9 that they do not conflict with the provisions of the Rehabilitation  
10 Plan; and

11 (e) Any compromises on amounts or rescheduling of timing of  
12 payments by the Debtor shall be binding on creditors regardless of  
13 whether or not the plan is successfully implemented,  
14

15 **SECTION 51. *Tax Exemption on Reduction of Liabilities of the***  
16 ***Debtor.*** Any reduction in the Debtor's liabilities arising or resulting from a  
17 Rehabilitation Plan's approval shall not be subject to any tax.  
18

19 **SECTION 52. *Accounting Discharge of Rehabilitation Receiver.***  
20 Upon the confirmation of the Rehabilitation Plan, the Rehabilitation Receiver  
21 shall provide a final report and accounting to the Court. Unless the  
22 Rehabilitation Plan specifically requires and describes the role of the  
23 Rehabilitation Receiver after the approval of the Rehabilitation Plan, the  
24 Court shall discharge the Rehabilitation Receiver of his duties.  
25

26 **SECTION 53. *Effects of Breach or Failure of the Rehabilitation***  
27 ***Plan.*** Upon a breach of, or upon a failure of the Rehabilitation Plan, the  
28 Court, upon motion by an affected party, may:

29 (a) Issue an order directing that the breach be cured within a specified  
30 period of time, failing which the proceedings may be converted to a  
31 Liquidation;

32 (b) Issue an order converting the proceedings to a Liquidation;

33 (c) Allow the Debtor or Rehabilitation Receiver to submit amendments  
34 to the Rehabilitation Plan, the approval of which shall be governed  
35 by the same requirements for the approval of a Rehabilitation Plan  
36 under this Sub-chapter;

1 (d) Issue any other order to remedy the breach consistent with the  
2 present regulation, other applicable law, and the best interests of  
3 the Creditors;or

4 (e) Enforce the applicable provisions of the Rehabilitation Plan.  
5

### 6 CHAPTER III

#### 7 PRE-NEGOTIATED REHABILITATION

8

9 SECTION 54. *Petition by Debtor.* An Insolvent Debtor, by itself or  
10 jointly with any of its Creditors, may file a verified petition with the Court for  
11 the approval of a pre-negotiated Rehabilitation Plan which has been endorsed  
12 or approved by Creditors holding at least: two-thirds of the total obligations  
13 of the Debtor, including Secured Creditors holding more than fifty percent  
14 (50%) of the total Secured Claims of the Debtor and Unsecured Creditors  
15 holding more than fifty percent (50%) of the total Unsecured Claims of the  
16 Debtor. The petition shall include as a minimum:

17 (a) schedule of the Debtor's debts and liabilities,

18 (b) an inventory of the Debtor's assets,

19 (c) the pre-negotiated Rehabilitation Plan, including the names of at  
20 least three (3) nominees for Rehabilitation Receiver, and

21 (d) a summary of disputed Claims against the Debtor and a report on  
22 the provisioning of funds to account for appropriate payments  
23 should any such Claims be ruled valid or their amounts adjusted.  
24

25 SECTION 55. *Issuance of Order.* Within five (5) working days, and  
26 after determination that the petition is sufficient in form and substance, the  
27 Court shall issue an Order which shall:

28 (a) Identify the Debtor, its principal business or activity/ies, and its  
29 principal place of business;

30 (b) Declare the debtor is under Rehabilitation;

31 (c) Summarize the ground/s for the filing of the petition;

32 (d) Direct the publication of the Order in a newspaper of general  
33 circulation once a week for at least two (2) consecutive weeks, with  
34 the first publication to be made within seven (7) days from the time  
35 of its issuance;

- 1 (e) Direct the service by personal delivery of a copy of the petition on  
2 each Creditor who is not a petitioner holding at least ten percent  
3 (10%) of the total liabilities of the Debtor, as determined in the  
4 schedule attached to the petition, within three (3) days;
- 5 (f) State that copies of the petition and the Rehabilitation Plan are  
6 available for examination and copying by any interested party;
- 7 (g) State that Creditors and other interested parties opposing the  
8 petition or Rehabilitation Plan may file their objections or  
9 comments thereto within a period of not later than twenty days  
10 from the second publication of the Order;
- 11 (h) Appoint a Rehabilitation Receiver, if provided for in the Plan; and
- 12 (i) Include a Suspension or Stay Order as described in section 10 (m)  
13 above.
- 14

15 **SECTION 56. *Approval of the Plan.*** Within ten days from the date  
16 of the second publication of the Order, the Court shall approve the  
17 Rehabilitation Plan unless a Creditor or other interested party submits an  
18 objection to it in accordance with the next succeeding section.

19

20 **SECTION 57. *Objection to the Petition or Rehabilitation Plan.***  
21 Any Creditor or other interested party may submit to the Court an objection  
22 to the petition or the Rehabilitation Plan not later than eight days from the  
23 date of the second publication of the Order mentioned in section 55. The  
24 objections shall be limited to the following:

- 25 (a) The allegations in the petition or the Rehabilitation Plan, or the  
26 attachments thereto, are materially false or misleading;
- 27 (b) The majority of any class of Creditors do not in fact support the  
28 Rehabilitation Plan;
- 29 (c) The Rehabilitation Plan fails to accurately account for a Claim  
30 against the Debtor and the claim is not categorically declared as a  
31 contested claim; or
- 32 (d) The support of the Creditors, or any of them, was induced by fraud.

33 Copies of any objection to the petition or the Rehabilitation Plan shall  
34 be served on the Debtor, the Rehabilitation Receiver (if applicable), the  
35 Secured Creditor with the largest Claim and who supports the Rehabilitation

1 Plan, and the Unsecured Creditor with the largest Claim and who supports  
2 the Rehabilitation Plan.

3  
4 **SECTION 58. *Hearing on the Objections.*** After receipt of an  
5 objection, the Court shall set the same for hearing. The date of the hearing  
6 shall be no earlier than twenty (20) and no later than thirty (30) days from  
7 the date of the second publication of the Order mentioned in SECTION 55. If  
8 the Court finds merit in the objection, it shall direct the Debtor, when  
9 feasible, to cure the defect within a reasonable period. If the Court  
10 determines that the Debtor or Creditors supporting the Rehabilitation Plan  
11 acted in bad faith, or that the objection is noncurable, the Court may order  
12 the conversion of the proceedings into Liquidation. A finding by the Court  
13 that the objection has no substantial merit, or that the same has been cured,  
14 shall be deemed an approval of the Rehabilitation Plan.

15  
16 **SECTION 59. *Period for Approval of Rehabilitation Plan.*** The  
17 Court shall have a maximum period of sixty (60) days from the date of the  
18 filing of the petition to approve the Rehabilitation Plan. If the Court fails to  
19 act within said period, the Rehabilitation Plan shall be deemed approved.

20  
21 **SECTION 60. *Effects of Approval of the Rehabilitation Plan.***  
22 Approval of the Plan under this Chapter shall have the same legal effect as  
23 confirmation of a Rehabilitation Plan under section 50.

#### 24 25 **CHAPTER IV**

#### 26 **OUT-OF-COURT OR INFORMAL RESTRUCTURING AGREEMENTS** 27 **OR REHABILITATION PLANS**

28  
29 **SECTION 61. *Out-of-Court or Informal Restructuring***  
30 ***Agreements r Rehabilitation Plans.***- An out-of-Court or informal  
31 restructuring agreement or rehabilitation plan that meets the minimum  
32 requirements prescribed in this Chapter is hereby recognized as consistent  
33 with the objectives of this Act.

34  
35 **SECTION 62. *Minimum Requirements of Out-of-Court or***  
36 ***Informal Restructuring Agreements and Rehabilitation Plans.*** - For

1 an out-of-court or informal restructuring/workout agreement or  
2 Rehabilitation Plan to qualify under this Chapter, it must meet the following  
3 minimum requirements:

4 (a) The Debtor must agree to the out-of-court or informal  
5 restructuring/workout agreement or Rehabilitation Plan;

6 (b) It must be approved by Creditors representing at least sixty-seven  
7 (67%) of the secured obligations of the Debtor; and

8 (c) It must be approved by Creditors representing at least seventy-five  
9 percent (75%) of the unsecured obligations of the Debtor.

10 (d) It must be approved by Creditors holding at least eighty percent  
11 (80%) of the total obligations, secured and unsecured, of the Debtor.  
12

13 **SECTION 63. *Standstill Period.*** - A standstill period that may be  
14 agreed upon by the parties pending negotiation and finalization of the out-of-  
15 *Court or informal restructuring/workout agreement or Rehabilitation Plan*  
16 contemplated herein shall be effective and enforceable not only against the  
17 *contracting parties* but also against the other Creditors, provided that it is  
18 approved by Creditors representing at least seventy-five percent of the total  
19 obligations of the Debtor and the standstill period does not exceed one  
20 hundred twenty (120) days from the date of effectivity.  
21

22 **SECTION 64. *Cram Down Effect.*** - A restructuring/workout  
23 agreement or Rehabilitation Plan that is approved pursuant to a informal  
24 workout framework referred to in this Chapter shall have the same legal  
25 effect as confirmation of a Plan under section 50 hereof.  
26

27 **SECTION 65. *Amendment or Modification.*** - Any amendment of an  
28 out-of-Court restructuring/workout agreement or Rehabilitation Plan must be  
29 made in accordance with the terms of the agreement.  
30

31 **SECTION 66. *Effect of Court Action or Other Proceeding.*** - Any  
32 Court action or other proceedings arising from, or relating to, the out-of-court  
33 or informal restructuring/workout agreement or Rehabilitation Plan shall not  
34 stay its implementation, unless the relevant party is able to secure a  
35 temporary restraining order or injunctive relief from the appropriate Court.  
36

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**CHAPTER V**  
**LIQUIDATION IN INSOLVENCY**

**A. INITIATION OF PROCEEDINGS**

**SECTION 67. *Voluntary Liquidation.*** An Insolvent Debtor may apply for Liquidation by filing a petition for Liquidation with the Court. The petition shall be verified, shall establish the insolvency of the Debtor and shall contain, whether as an attachment or as part of the body of the petition:

(a) a schedule of the Debtor's debts and liabilities 'including a list of creditors with their addresses, amounts of claims and collaterals, or securities, if any;

(b) an inventory of all its assets including receivables and claims against third parties; and

(c) the names of at least three nominees to the position of Liquidator.

At any time during the pendency of Court-supervised or pre-negotiated Rehabilitation proceedings, the Debtor may also initiate Liquidation proceedings by filing a motion in the same Court where the Rehabilitation proceedings are pending to convert the Rehabilitation Proceedings into Liquidation Proceedings. The motion shall be verified, shall contain or set forth the same matters required in the preceding paragraph, and state that the Debtor is seeking immediate dissolution and termination of its corporate existence.

If the petition or the motion, as the case may be, is sufficient in form and substance, the Court shall issue a Liquidation Order mentioned in section 71 hereof.

**SECTION 68. *Involuntary Liquidation.*** Three or more Creditors the aggregate of whose Claims is at least either One Million Pesos (P1,000,000.00) or at least Twenty Five Per Cent (25%) of the subscribed capital stock or partner's contributions of the Debtor, whichever is higher, may apply for and seek the Liquidation of an Insolvent Debtor by filing a Petition for Liquidation of the Debtor with the Court. The Petition shall show that:

(a) There is no genuine issue of fact or law on the Claim/s of the petitioner/s, and that the due and demandable payments thereon have not been made for at least one hundred eighty (180) days; and

1 (b) There is no substantial likelihood that the Debtor may be  
2 rehabilitated.

3 At any time during the pendency of or after a rehabilitation Court  
4 supervised or pre-negotiated Rehabilitation proceedings, three or more  
5 Creditors whose Claims is at least either One Million Pesos  
6 (P1,000,000.00) or at least Twenty Five Per Cent (25%) of the  
7 subscribed capital or partner's contributions of the Debtor,  
8 whichever is higher, may also initiate Liquidation proceedings by filing a  
9 motion in the same Court where the Rehabilitation proceedings are pending  
10 to convert the Rehabilitation Proceedings into Liquidation Proceedings. The  
11 motion shall be verified, shall contain or set forth the same matters required  
12 in the preceding paragraph, and state that the movants are seeking the  
13 immediate Liquidation of the Debtor.

14 If the petition or motion is sufficient in form and substance, the Court  
15 shall issue an order:

16 (a) Directing the publication of the petition or motion in a newspaper of  
17 general circulation once a week for two consecutive weeks;

18 (b) Directing the Debtor and all Creditors who are not the petitioners  
19 to file their comment on the petition or motion within fifteen (15)  
20 days from the date of last publication.

21 If, after considering the comments filed, the Court determines that the  
22 petition or motion is meritorious, it shall issue the Liquidation Order  
23 mentioned in section 71 hereof.

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25 **SECTION 69. Conversion by the Court into Liquidation**  
26 **Proceedings.** During the pendency of Court-supervised or pre-negotiated  
27 Rehabilitation proceedings, the Court may order the conversion of  
28 Rehabilitation proceedings to Liquidation proceedings pursuant to (i) section  
29 15(c) of this Act, or (ii) section 44 of this Act, or (iii) section 47 of this Act, or  
30 (iv) section 49 of this Act, or (v) section 53(a) of this Act, or (vi) section 58 of  
31 this Act, or at any other time upon the recommendation of the Rehabilitation  
32 Receiver that the rehabilitation of the Debtor is not feasible. Thereupon, the  
33 Court shall issue the Liquidation Order mentioned in section 71 hereof.

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35 **SECTION 70. Powers of the Securities and Exchange**  
36 **Commission.** The provisions of this Chapter shall not affect the regulatory

1 powers of the Securities and Exchange Commission under section 6 of  
2 Presidential Decree No. 902-A, as amended, with respect to any dissolution  
3 and Liquidation proceeding initiated and heard before it.

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5 **B. THE LIQUIDATION ORDER**

6 **SECTION 71. *Liquidation Order.*** The Liquidation Order shall:

- 7 (a) Declare the Debtor Insolvent;  
8 (b) Order the Dissolution and Liquidation of the Debtor;  
9 (c) Order the Sheriff to take possession and control of all the property  
10 of the Debtor;  
11 (d) Order the publication of the petition or motion in a newspaper of  
12 general circulation once a week for two consecutive weeks;  
13 (e) Direct payments of any Claims and conveyance of any property due  
14 the Debtor to the Liquidator;  
15 (f) Prohibit payments by the Debtor and the transfer of any property  
16 by the Debtor;  
17 (g) Direct all Creditors to file their Claims with the Liquidator within  
18 the period set by the rules of procedure;  
19 (h) Authorize the payment of Administrative Expenses as they become  
20 due;  
21 (i) State that the Debtor and Creditors who are not petitioner/s may  
22 submit the names of other nominees to the position of Liquidator;  
23 and  
24 (j) Set the case for hearing for the election and appointment of the  
25 Liquidator, which date shall not be less than thirty (30) days nor  
26 more than forty-five (45) days from the date of the last publication.

27  
28 **SECTION 72. *Effects of the Liquidation Order.*** Upon the issuance  
29 of the Liquidation Order

- 30 (a) The Debtor shall be deemed dissolved and its corporate existence  
31 terminated;  
32 (b) Legal title to and control of all the assets of the Debtor shall be  
33 deemed vested in the Liquidator or, pending his election or  
34 appointment, with the Court;  
35 (c) All contracts of the Debtor shall be deemed terminated and/or  
36 breached, unless the Liquidator, within ninety (90) days from the



1 date of his assumption of office, declares otherwise and the  
2 contracting party agrees;

3 (d) No separate action for the collection of an Unsecured Claim shall be  
4 allowed. Such actions already pending will be transferred to the  
5 Liquidator for him to accept and settle or contest. If the Liquidator  
6 contests or disputes the Claim, the Court, except when the case is  
7 already on appeal. In such a case, the suit may proceed to  
8 judgment, and any final and executory judgment therein for a  
9 Claim against the Debtor shall be filed and allowed in Court.

10 (e) No foreclosure proceeding shall be allowed for a period of one  
11 hundred eighty (180) days.

12  
13 **SECTION 73. *Rights of Secured Creditors.*** The Liquidation Order  
14 shall not affect the right of a Secured Creditor to enforce his Lien in  
15 accordance with the applicable contract or law. A Secured Creditor may:

16 (a) Waive his rights under the security or Lien, prove his Claim in the  
17 Liquidation proceedings, and share in the distribution of the assets  
18 of the Debtor; or

19 (b) Maintain his rights under his security or Lien.

20 If the Secured Creditor maintains his rights under the security or Lien:

21 (a) The value of the property may be fixed in a manner agreed upon by  
22 the Creditor and the Liquidator. When the value of the property is  
23 less than the Claim it secures, the Liquidator may convey the  
24 property to the Secured Creditor and the latter will be admitted in  
25 the Liquidation proceedings as a Creditor for the balance; if its  
26 value exceeds the Claim secured, the Liquidator may convey the  
27 property to the Creditor and waive the Debtor's right of redemption  
28 upon receiving the excess from the Creditor; or

29 (b) The Liquidator may sell the property and satisfy the Secured  
30 Creditor's entire Claim from the proceeds of the sale; or

31 (c) The Secured Creditor may enforce the Lien or foreclose on the  
32 property pursuant to applicable laws.

33  
34 **C. THE LIQUIDATOR**

35 **SECTION 74. *Election of Liquidator.*** Only Creditors who have filed  
36 their Claims within the period set by the Court, and whose Claims are not

1 barred by the statute of limitations, will be allowed to vote in the election of  
2 the Liquidator. A Secured Creditor will not be allowed to vote, unless (a) he  
3 waives his security or Lien, or (b) has the value of the property subject of his  
4 security or Lien fixed by agreement with the Liquidator, and is admitted for  
5 the balance of his Claim.

6 The Creditors entitled to vote will elect the Liquidator in open Court.  
7 The nominee receiving the highest number of votes cast in terms of amount of  
8 Claims, and who is qualified pursuant to section 71 hereof, shall be appointed  
9 as the Liquidator.

10  
11 **SECTION 75. *Court-appointed Liquidator.*** The Court may appoint  
12 the Liquidator if

13 (a) on the date set for the election of the Liquidator, the Creditors do  
14 not attend;

15 (b) the Creditors who attend fail or refuse to elect a Liquidator,

16 (c) after being elected, the Liquidator fails to qualify, or

17 (d) a vacancy occurs for any reason whatsoever. In any of the cases  
18 provided herein, the Court may instead set another hearing for the  
19 election of the Liquidator.

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21 **SECTION 76. *Oath and bond of the Liquidator.*** Prior to entering  
22 upon his powers, duties and responsibilities, the Liquidator shall take an  
23 oath and file a bond, in such amount to be fixed by the Court, conditioned  
24 upon the proper and faithful discharge of his powers, duties and  
25 responsibilities.

26  
27 **SECTION 77. *Qualifications of the Liquidator.*** The Liquidator  
28 shall have the qualifications enumerated in section 18 hereof. He may be  
29 removed at any time by the Court for cause, either *motu proprio* or upon  
30 motion of any Creditor entitled to vote for the election of the Liquidator.

31  
32 **SECTION 78. *Powers, Duties, and Responsibilities of the***  
33 ***Liquidator.*** The Liquidator shall be deemed an officer of the Court with the  
34 principal duty of preserving and maximizing the value and recovering the  
35 assets of the Debtor, with the end of liquidating them and discharging to the

1 extent possible all the Claims against the Debtor. The powers, duties and  
2 responsibilities of the Liquidator shall include, but not be limited to:

- 3 (a) To sue and recover all the assets, debts, and Claims, belonging or  
4 due to the Debtor;
- 5 (b) To take possession of all the property of the Debtor except property  
6 exempt by law from execution;
- 7 (c) To sell, with the approval of the Court, any property of the Debtor  
8 which has come into his possession or control;
- 9 (d) To redeem all mortgages and pledges, and to satisfy any judgment  
10 which may be an encumbrance on any property sold by him;
- 11 (e) To settle all accounts between the Debtor and his Creditors, subject  
12 to the approval of the Court;
- 13 (f) To recover any property, or its value, fraudulently conveyed by the  
14 Debtor;
- 15 (g) To recommend to the Court the creation of a Creditor's committee  
16 which will assist him in the discharge of his functions and which  
17 shall have powers as the Court deems just, reasonable and  
18 necessary; and
- 19 (h) Upon approval of the Court, to engage such professionals as may be  
20 necessary and reasonable to assist him in the discharge of his  
21 duties.

22

23 **SECTION 79. *Compensation of the Liquidator.*** The Liquidator  
24 and the persons and entities engaged or employed by him to assist in the  
25 discharge of his powers and duties shall be entitled to such reasonable  
26 compensation as may be determined by the Liquidation Court, which shall  
27 not exceed the maximum amount as may be prescribed by the Supreme  
28 Court.

29

30 **SECTION 80. *Reporting Requirements.*** The Liquidator shall make  
31 and keep a record of all money received and all disbursements made by him  
32 or under his authority as Liquidator. He shall render a quarterly report  
33 thereof to the Court, which report shall be made available to all interested  
34 parties. The Liquidator shall also submit such reports as may be required by  
35 the Court from time to time as well a final report at the end of the  
36 Liquidation proceedings.

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**SECTION 81. *Discharge of Liquidator.*** In preparation for the final settlement of all the Claims against the Debtor, the Liquidator will notify all the Creditors, either by publication in a newspaper of general circulation or such other mode as the Court may direct or allow, that he will apply with the Court for the settlement of his account and his discharge from liability as Liquidator. The Liquidator will file a final accounting with the Court, with proof of notice to all Creditors. The accounting will be set for hearing. If the Court finds the same in order, the Court will discharge the Liquidator.

**D. DETERMINATION OF CLAIMS**

**SECTION 82. *Registry of Claims.*** Within twenty (20) days from his assumption into office, the Liquidator shall prepare a preliminary registry of Claims of Secured and Unsecured Creditors. Secured Creditors who have waived their security or Lien, or have fixed the value of the property subject of their security or Lien by agreement with the Liquidator and is admitted as a Creditor for the balance, shall be considered as Unsecured Creditors. The Rehabilitation Receiver shall make the registry available for public inspection and provide publication notice to Creditors and Shareholders on where and when they may inspect it. All Claims must be duly proven before being paid.

**SECTION 83. *Right of Set-off.*** If the Debtor and a Creditor are mutually Debtor and Creditor of each other, one debt shall be set off against the other, and only the balance, if any, shall be allowed in the Liquidation proceedings.

**SECTION 84. *Opposition or Challenge to Claims.*** Within thirty (30) days from the expiration of the period for filing of applications for recognition of Claims, Creditors, Shareholders and other interested parties may submit a challenge to a Claim or Claims to the Court, serving a certified copy on the Liquidator and the Creditor holding the challenged Claim. Upon the expiration of the thirty (30) day period, the Rehabilitation Receiver shall submit to the Court the registry of Claims containing the undisputed Claims that have not been subject to challenge. Such Claims shall become final upon

1 the filing of the register and may be subsequently set aside only on grounds  
2 of fraud, accident, mistake, or excusable neglect.

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4 **SECTION 85. *Submission of Disputed Claims to Court.*** The  
5 Liquidator shall resolve disputed Claims, and submit his findings thereon to  
6 the Court for final approval. The Liquidator may disallow Claims.

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8 **E. AVOIDANCE PROCEEDINGS**

9 **SECTION 86. *Rescission or Nullity of Certain Transactions.*** Any  
10 transaction occurring prior to the issuance of the Liquidation Order or, in  
11 case of the conversion of the Rehabilitation proceedings to Liquidation  
12 proceedings, prior to the Commencement Date, entered into by the Debtor or  
13 involving its assets may be rescinded or declared null and void on the ground  
14 that the same was executed with intent to defraud a Creditor or Creditors or  
15 which constitute undue preference of Creditors. The presumptions set forth  
16 in SECTION 35 shall apply.

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18 **SECTION 87. *Actions for Rescission or Nullity.*** The Liquidator or,  
19 with his conformity, a Creditor, may initiate and prosecute any action to  
20 rescind, or declare null and void any transaction described in the  
21 immediately preceding paragraph. If the Liquidator does not consent to the  
22 filing or prosecution of such action, any Creditor may seek leave of the Court  
23 to commence said action.

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25 **F. THE LIQUIDATION PLAN**

26 **SECTION 88. *The Liquidation Plan.*** Within three (3) months from  
27 his assumption into office, the Liquidator shall submit a Liquidation Plan to  
28 the Court. The Liquidation Plan shall, as a minimum, enumerate all the  
29 assets of the Debtor, all the Claims against the Debtor, and a schedule of  
30 Liquidation of the assets and payment of the Claims.

31  
32 **SECTION 89. *Sale of Assets in Liquidation.*** The Liquidator may  
33 sell the unencumbered assets of the Debtor and convert the same into money.  
34 The sale shall be made at public auction. However, a private sale may be  
35 allowed with the approval of the Court if: (a) the goods to be sold are of a  
36 perishable nature, or are liable to quickly deteriorate in value, or are

1 disproportionately expensive to keep or maintain, or (b) the private sale is for  
2 the best interest of the Debtor and his Creditors.

3 With the approval of the Court, unencumbered property of the Debtor  
4 may also be conveyed to a Creditor in satisfaction of his Claim, or part  
5 thereof.

6  
7 **SECTION 90. *Manner of Implementing the Liquidation Plan.***

8 The Liquidator shall implement the Liquidation Plan as approved by the  
9 Court. Payments shall be made to the Creditors only in accordance with the  
10 provisions of the Plan.

11  
12 **SECTION 91. *Concurrence and Preference of Credits.*** The

13 Liquidation Plan and its implementation shall ensure that the concurrence  
14 and preference of credits as enumerated in the Civil Code of the Philippines  
15 shall be observed, unless a preferred Creditor voluntarily waives his  
16 preferred right. For purposes of this Chapter, credits for services rendered by  
17 employees or laborers to the Debtor shall enjoy first preference under Article  
18 2244 of the Civil Code, unless the Claims constitute legal liens under Articles  
19 2241 and 2242 thereof.

20  
21 **G. LIQUIDATION OF A SECURITIES MARKET PARTICIPANT**

22 **SECTION 92. *Liquidation of a Securities Market Participant.***

23 The foregoing provisions of this Chapter shall be without prejudice to the  
24 power of a regulatory agency or self-regulatory organization to liquidate  
25 trade-related claims of clients or customers of a Securities Market  
26 Participant which, for purposes of investor protection, are hereby deemed to  
27 have absolute priority over all other Claims of whatever nature or kind  
28 insofar as trade-related assets are concerned.

29 For purposes of this section, "trade-related assets" include cash,  
30 securities, trading right and other assets owned and used by the Securities  
31 Market Participant in the ordinary course of its business.



1 whether universal or not, may acquire and hold an equity interest or  
2 investment in a Debtor or its subsidiaries when conveyed to such bank in  
3 satisfaction of debts pursuant to a Rehabilitation or Liquidation Plan  
4 approved by the Court: *Provided*, That such ownership shall be subject to the  
5 ownership limits applicable to universal banks for equity investments and:  
6 *Provided further*, That any equity investment or interest acquired or held  
7 pursuant to this section shall be disposed by the bank within a period of five  
8 (5) years or as may be prescribed by the Monetary Board.

## MISCELLANEOUS PROVISIONS

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12 **SECTION 97. *Separability Provision.*** - If any provision of this Act  
13 shall be held invalid, the remainder of this Act not otherwise affected shall  
14 remain in full force and effect.

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16 **SECTION 98. *Repealing Clause.*** All provisions of existing laws,  
17 insofar as they are inconsistent with this Act, are hereby repealed and/or  
18 amended. These include particularly Section 110 of Presidential Decree No.  
19 442, as amended, the provisions of Concurrence and Preference of Credits  
20 under the Civil Code of the Philippines, Presidential Decree No. 902-A, as  
21 amended, and Act No. 1956, as amended.

22  
23 **SECTION 99. *Effective Date.*** -This Act shall take effect fifteen (15)  
24 days after its complete publication in the Official Gazette or in at least two  
25 (2) national newspapers of general circulation.

26  
27 **SECTION 100. *Application to Pending Insolvency, Suspension of***  
28 ***Payments and Rehabilitation Cases.*** -- This Act shall govern all petitions  
29 filed after it takes effect, and also all further proceedings in insolvency,  
30 suspension of payments and rehabilitation cases then pending, except to the  
31 extent that in the opinion of the Court their application would not be feasible  
32 or would work injustice, in which event the procedures set forth in prior laws  
33 and regulations shall apply.

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35 *Approved,*