

Title:

****Aderito Z. Yujuico and Bonifacio C. Sumbilla vs. Cezar T. Quiambao and Eric C. Pilapil****

Facts:

****Background and Initial Actions:****

- Strategic Alliance Development Corporation (STRADEC) is a domestic business and investment corporation. In an annual stockholder's meeting on March 1, 2004, Aderito Z. Yujuico was elected as president and chairman, replacing Cezar T. Quiambao. Bonifacio C. Sumbilla was appointed treasurer, and Joselito John G. Blando was named corporate secretary, replacing Eric C. Pilapil.
- Yujuico demanded Quiambao to turn over corporate records, but Quiambao refused. The records were in the custody of Giovanni T. Casanova, the accountant.
- Blando demanded Pilapil turnover the stock and transfer book on June 21, 2004. Pilapil refused.

****Movement of Stock and Transfer Book:****

- Pilapil suggested depositing the book in a safety deposit box at Equitable-Pel Bank, accessible only with both himself and Blando present.
- On June 30, 2004, Quiambao and Pilapil withdrew the book and moved it to Stradcom Corporation. Blando was pressured to make entries, and subsequent demands by Blando for the book were refused.

****Filings and Procedural Posture:****

- On August 12, 2005, Yujuico and Sumbilla filed a criminal complaint against Quiambao, Pilapil, and Casanova for violating Section 74 in relation to Section 144 of the Corporation Code.
- After preliminary investigation, the Office of the City Prosecutor (OCP) of Pasig City found probable cause against Quiambao and Pilapil but absolved Casanova.
- Two informations were filed in the Metropolitan Trial Court (MeTC): one for removing the stock book (Criminal Case No. 89723) and another for refusing access (Criminal Case No. 89724).

****Urgent Omnibus Motion:****

- On January 18, 2006, Quiambao and Pilapil filed an Urgent Omnibus Motion questioning the probable cause and seeking to defer arrest warrants.
- MeTC dismissed Criminal Case No. 89723 on May 8, 2006, as it found no offense was charged under Section 74.

****Certiorari Petition:****

- Respondents filed a certiorari petition in the Regional Trial Court (RTC) of Pasig City. A TRO was issued on November 16, 2006.
- On June 4, 2007, RTC granted the petition and dismissed Criminal Case No. 89724, finding no probable cause and noting contradictions in the petitioners' submissions.

Issues:

1. ****Whether refusing inspection of the stock and transfer book is a punishable offense under Section 74 in relation to Section 144 of the Corporation Code.****
2. ****Whether there was probable cause to sustain Criminal Case No. 89724 for refusing access to corporate records and the stock and transfer book.****

Court's Decision:

1. ****Refusal to Inspect Punishable:****

- The Supreme Court held that the refusal to allow inspection of the stock and transfer book is indeed punishable under Section 74(4) in relation to Section 144. The RTC's conclusion that it wasn't punishable was incorrect.

2. ****No Probable Cause for Criminal Case No. 89724:****

- Despite the above, the Supreme Court affirmed the dismissal of Criminal Case No. 89724. The evidence did not support that the respondents were acting on behalf of STRADEC but rather suggested they were merely outgoing officers who had not turned over records.
- Petitioners' assertions did not align with the requirements under Section 74(2) and (4) of the Corporation Code since they sought to enforce a proprietary right rather than a right to inspect.

Doctrine:

- ****Corporate Record Inspection****: Any refusal to allow inspection of corporate records, including the stock and transfer book, when done violating Section 74(4) of the Corporation Code, falls within the purview of Section 144 and is punishable.

Class Notes:

- ****Elements of Offense under Section 74 and 144****:

1. ****Corporate Records****: Corporations must keep specific records accessible to stockholders.
2. ****Inspection Rights****: Stockholders have the right to inspect and copy excerpts at reasonable times.

3. **Refusal**: Refusal to allow inspection is subject to fines or imprisonment.
4. **Acting on Behalf**: Non-compliant individuals must be acting on behalf of the corporation.

- **Relevant Statutes**:

- **Corporation Code, Section 74**: Details on record-keeping and stockholder inspection rights.
- **Corporation Code, Section 144**: General penal provision, prescribing penalties for violations.

Historical Background:

- This case is pivotal in understanding corporate governance and the enforcement of stockholder rights in the Philippines. It discusses the legal responsibilities of corporate officers and the penal consequences for obstructing stockholder rights to corporate transparency.