

Title: Terelay Investment and Development Corporation v. Cecilia Teresita J. Yulo

Facts:

1. Cecilia Teresita J. Yulo, a stockholder of Terelay Investment and Development Corporation (TERELAY), requested to inspect the corporate books and records on September 14, 1999.
2. TERELAY responded on September 15, 1999, denying the request and demanding proof of stockholder status.
3. On September 16, 1999, Yulo reiterated her request, stating her purpose was to inquire into TERELAY's financial condition and the conduct of its affairs.
4. TERELAY's counsel advised her against continuing with the inspection on September 17, 1999.
5. Yulo filed a petition for a writ of mandamus with the Securities and Exchange Commission (SEC) on October 11, 1999, to compel TERELAY to allow the inspection and to seek damages.
6. In the preliminary conference on May 16, 2000, the parties stipulated that Yulo was a registered stockholder and she sought inspection of the corporate records.
7. Pursuant to Republic Act No. 8799, the case was transferred to the Regional Trial Court of Makati City (RTC).
8. The RTC ruled on March 22, 2002, in favor of Yulo, allowing the inspection under Section 74 and 75 of the Corporation Code and awarding attorney's fees of PHP 50,000.
9. TERELAY appealed to the Court of Appeals (CA), which upheld the RTC's decision on September 12, 2003.
10. TERELAY's motion for reconsideration and oral arguments was denied by the CA on November 28, 2003.

Issues:

1. Whether Yulo is a legitimate stockholder entitled to inspect TERELAY's books and records.
2. Whether the RTC had jurisdiction to determine Yulo's stockholder status.
3. Whether Yulo's purpose for inspection was legitimate and sufficient under the law.
4. Whether Yulo's petition for mandamus was premature due to non-exhaustion of administrative remedies.
5. Whether the RTC correctly awarded attorney's fees to Yulo.
6. Whether TERELAY's principal officers were indispensable parties to the case.
7. Whether the CA correctly upheld the RTC's decision regarding the right of inspection despite Yulo's negligible shareholding.

Court's Decision:

1. **Stockholder Status:** The Supreme Court upheld Yulo's status as a stockholder, stating she presented sufficient evidence, including corporate documents such as Articles of Incorporation and stock and transfer books showing her registration as a stockholder. The burden was on TERELAY to prove otherwise, which it failed to do.
2. **Jurisdiction:** The Supreme Court confirmed the RTC's jurisdiction to decide on Yulo's stockholder status, rejecting TERELAY's claim that the issue should be resolved in the probate court handling the estate of Yulo's father.
3. **Legitimate Purpose:** The Court ruled that Yulo had a legitimate purpose for inspecting TERELAY's books and records, as her intent to inquire into the financial condition and management of the corporation was valid under Section 74 and 75 of the Corporation Code.
4. **Prematurity of Petition:** The Court found Yulo's petition for mandamus was not premature. She made formal requests which were refused by TERELAY, justifying the issuance of the writ to enforce her statutory right.
5. **Attorney's Fees:** The Supreme Court agreed with the award of attorney's fees, highlighting that Yulo was compelled to litigate to enforce her right to inspection.
6. **Indispensable Parties:** The Court saw no necessity to discuss further the inclusion of TERELAY's principal officers as respondents since it found sufficient basis to rule on Yulo's stockholder rights.
7. **Insignificant Shareholding:** The Court emphasized that the right to inspect corporate records is a statutory right granted to all stockholders regardless of the amount of shares held, rejecting TERELAY's argument based on Yulo's insignificant shareholding.

Doctrine:

1. **\*\*Right of Inspection\*\*:** All stockholders, regardless of the amount of shareholding, have the statutory right to inspect corporate books and records under Section 74 and 75 of the Corporation Code, which include the company's financial statements.
2. **\*\*Burden of Proof\*\*:** The corporation must prove improper motive or bad faith on the part of the stockholder seeking inspection, not simply refuse the request on vague suspicions.

Class Notes:

1. **\*\*Stockholder Rights\*\*:** Section 74 and 75 of the Corporation Code allow stockholders to inspect corporate records and financial statements.
2. **\*\*Mandamus\*\*:** A writ of mandamus is proper to enforce the right of inspection when denied.
3. **\*\*Jurisdiction for Intra-Corporate Controversies\*\*:** RTCs designated as special courts have jurisdiction over issues pertaining to stockholder rights.

4. **Attorney's Fees**: Reasonable attorney's fees may be awarded when a stockholder is compelled to litigate for enforcement of their statutory rights.
5. **Insignificant Shareholding**: The right to inspection is not dependent on the size of one's shareholding.

Historical Background:

This case demonstrates the enforcement of stockholder rights within the corporate governance framework in the Philippines, reflecting the judiciary's role in safeguarding such rights against corporate management's arbitrary actions. It reinforces the principles of transparency in corporate activities and the accountability of corporate officers to the shareholders, regardless of the size of their holdings.