

FIRST DIVISION

[G.R. No. 160924, August 05, 2015]

**TERELAY INVESTMENT AND DEVELOPMENT CORPORATION,
PETITIONER, VS. CECILIA TERESITA J. YULO, RESPONDENT.**

D E C I S I O N

BERSAMIN, J.:

In its desire to block the inspection of its corporate books by a stockholder holding a very insignificant shareholding, the petitioner now seeks to set aside the judgment promulgated on September 12, 2003,^[1] whereby the Court of Appeals (CA) affirmed the decision rendered on March 22, 2002 by the Regional Trial Court, Branch 142, in Makati City (RTC) allowing the inspection, and ordering it to pay attorney's fees of P50,000.00 to the stockholder.^[2]

With the CA having denied the petitioner's motion for reconsideration and motion for oral argument through the resolution promulgated on November 28, 2003,^[3] such denial is also the subject of this appeal.

Antecedents

The CA recited the following antecedents:

Asserting her right as a stockholder, Cecilia Teresita Yulo wrote a letter, dated September 14, 1999, addressed to Terelay Investment and Development Corporation (TERELAY) requesting that she be allowed to examine its books and records on September 17, 1999 at 1:30 o'clock in the afternoon at the latter's office on the 25th floor, Citibank Tower, Makati City. In its reply-letter, dated September 15, 1999, TERELAY denied the request for inspection and instead demanded that she show proof that she was a bona fide stockholder.

On September 16, 1999, Cecilia Yulo again sent another letter clarifying that her request for examination of the corporate records was for the purpose of inquiring into the financial condition of TERELAY and the conduct of its affairs by the principal officers. The following day, Cecilia Yulo received a faxed letter from TERELAY's counsel advising her not to continue with the inspection in order to avoid trouble.

On October 11, 1999, Cecilia Yulo filed with the Securities and Exchange Commission (SEC), a Petition for Issuance of a Writ of Mandamus with prayer for Damages against TERELAY, docketed as SEC Case No. 10-99-6433. In her petition, she prayed that judgment be rendered ordering TERELAY to allow her to inspect its corporate records, books of account and other financial records; to pay her actual damages representing

attorney's fees and litigation expenses of not less than One Hundred Thousand Pesos (P100,000.00); to pay her exemplary damages; and to pay the costs of the suit On May 16, 2000, in the preliminary conference held before the SEC Hearing Officer, the parties agreed on the following:

1. Petitioner Cecilia Teresita Yulo is registered as a stockholder in the corporation's stock and transfer book subject to the qualification in the Answer, and
2. Petitioner had informed the respondent, through demand letter, of her desire to inspect the records of the corporation, but the same was denied by the respondent.

Thereafter, the parties stipulated that the ISSUES to be resolved are the following:

1. Whether or not petitioner has the right to inspect and examine TERELAY's corporate records, books of account and other financial records pursuant to Section 74 of the Corporation Code of the Philippines;
2. Whether or not petitioner as stockholder and director of TERELAY has been unduly deprived of her right to inspect and examine TERELAY's corporate records, books of accounts and other financial records in clear contravention of law, which warrants her claim for damages;
3. Whether or not Atty. Reynaldo G. Geronimo and/or the principal officers, Ma. Antonia Yulo Loyzaga and Teresa J. Yulo of respondent corporation are indispensable parties and hence, should be impleaded as respondents;
4. As a prejudicial question, whether or not petitioner is a stockholder of respondent corporation and such being the issue, whether this issue should be threshed out in the probate of the will of the late Luis A. Yulo and settlement of estate now pending with the Regional Trial Court of Manila;
5. Assuming petitioner is a stockholder, whether or not petitioner's mere desire to inquire into the financial condition of respondent corporation and conduct of the affairs of the corporation is a just and sufficient ground for inspection of the corporate records.^[4]

Following the enactment of Republic Act No. 8799 (*The Securities Regulation Code*), the case was transferred from the Securities and Exchange Commission to the RTC.

On March 22, 2002, the RTC rendered its judgment,^[5] ruling thusly:

Accordingly, petitioner's application for inspection of corporate records is granted pursuant to Rule 7 of the Interim Rules in relation to Section 74 and 75 of the Corporation Code. Defendant, through its officers, is ordered to allow inspection of corporate books and records at reasonable

hours on business days and/or furnish petitioner copies thereof all at her expense. In this connection, plaintiff is ordered to deposit to the Court the amount of P1,000.00 to cover the estimated cost of the manpower necessary to produce the books and records and the cost of copying.

Respondent is further ordered to pay petitioner attorney's fees in the amount of P50,000.00

SO ORDERED.^[6]

On September 12, 2003, the CA affirmed the RTC.^[7]

The petitioner sought reconsideration, and moved for the holding of oral arguments thereon, but the CA denied the motion on November 28, 2003.^[8]

Issues

In this appeal, the petitioner insists that the CA committed serious error: (a) in holding that the respondent was a stockholder entitled to inspect its books and records, and allowing her to inspect its corporate records despite her shareholding being a measly .001% interest; (b) in declaring that the RTC had the jurisdiction to determine whether or not she was a stockholder; (c) in ruling that it did not adduce sufficient proof showing that she was in bad faith or had an ulterior motive in demanding inspection of the records; (d) in finding that her purpose for the inspection, which was to inquire into its financial condition and into the conduct of its affairs by its principal officers, was a valid ground to examine the corporate records; (e) in holding that her petition for *mandamus* was not premature; (f) in not resolving whether or not its principal officers should be impleaded as indispensable parties; and (g) in not setting aside the award of attorney's fees in the amount of P50,000.00.^[9]

In her comment,^[10] the respondent counters that the law does not require substantial shareholding before she can exercise her right of inspection as a stockholder; that the issue of the nullity of the donation in her favor of the shareholding was irrelevant because it was the subscription to the shares that granted the statutory and common rights to stockholders; that the RTC, sitting as a corporate court, was the proper court to declare that she was a stockholder; that she has just and sufficient grounds to inspect its corporate records; that its officers are not indispensable parties; that her petition for *mandamus* was not premature; and that the CA correctly upheld the RTC's order to pay attorney's fees to her.

Ruling of the Court

We deny the petition for review on *certiorari*.

To start with, it is fundamental that a petition for review on *certiorari* should raise only questions of law.^[11] In that regard, the findings of fact of the trial court, as affirmed by the appellate court, are final and conclusive, and cannot be reviewed on appeal by the Court as long as such findings are supported by the records, or are based on substantial evidence. In other words, it is not the function of the Court to analyze or weigh all over again the evidence or the factual premises supportive of

the lower courts' determinations.

Even when the Court has to review the factual premises, it has consistently held that the findings of the appellate and the trial courts are accorded great weight, if not binding effect, unless the most compelling and cogent reasons exist to revisit such findings.^[12] Among the compelling and cogent reasons are the following,^[13] namely: (a) when the findings are grounded entirely on speculation, surmises, or conjectures; (b) when the inference made is manifestly mistaken, absurd, or impossible; (c) when there is grave abuse of discretion; (d) when the judgment is based on a misapprehension of facts; (e) when the findings of facts are conflicting; (f) when the CA, in making its findings, went beyond the issues of the case, or its findings are contrary to the admissions of both the appellant and the appellee; (g) when the CA's findings are contrary to those by the trial court; (h) when the findings are conclusions without citation of specific evidence on which they are based; (i) when the facts set forth in the petition as well as in the petitioner's main and reply briefs are not disputed by the respondent; (j) when the findings of fact are premised on the supposed absence of evidence and contradicted by the evidence on record; or (k) when the CA manifestly overlooked certain relevant facts not disputed by the parties, which, if properly considered, would justify a different conclusion.

However, the Court has determined from its review in this appeal that the CA correctly disposed of the legal and factual matters and issues presented by the parties. This appeal is not, therefore, under any of the aforecited exceptions.

The Court now adopts with approval the cogent observations of the CA on the matters and issues raised by the petitioner, as follows:

Regarding the issue of jurisdiction, TERELAY avers that it is not within the jurisdiction of the trial court to determine whether or not petitioner-appellee is its stockholder. It contends that a petition for the probate of the will of Cecilia's father, the late Luis A. Yulo, and the settlement of his estate was filed with the Regional Trial Court of Manila. The inventory of the estate includes the five (5) shares which Cecilia is claiming. Being a court of limited jurisdiction, the court *a quo* could not decide whether or not Luis A. Yulo donated five (5) shares to Cecilia during his lifetime. The position of TERELAY is untenable. As correctly pointed out by Cecilia Yulo, the main issue in this case is the question of whether or not she is a stockholder and therefore, has the right to inspect the corporate books and records. We agree with the ruling of the trial court that the determination of this issue is within the competence of the Regional Trial Court, acting as a special court for intra-corporate controversies, and not in the proceeding for the settlement of the estate of the late Luis Yulo.

On the matter of exhaustion of administrative remedies, TERELAY asserts that the petition for mandamus filed by Cecilia Yulo was premature because she failed to exhaust all available remedies before filing the instant petition. The Court disagrees. A writ of mandamus is a remedy provided by law where despite the stockholder's request for record inspection, the corporation still refuses to allow the stockholder the right to inspect. In the instant case, Cecilia Yulo, through counsel, sent a letter request, dated September 14, 1999, for inspection of corporate

records, books of accounts and other financial records, but the same was denied by TERELAY through counsel, in its reply-letter, dated September 15, 1999. Appellee Yulo sent another letter, dated September 16, 1999, reiterating the same request but the same was again denied by TERELAY in a reply-letter dated September 17, 1999. Clearly then, appellee Yulo's right is not pre-mature and may be enforced by a writ of mandamus.

On the contention that there was no stipulation that Cecilia Yulo was registered as a stockholder, TERELAY asserts that the trial court was misled into believing that there was a stipulation or admission that Cecilia Yulo is a registered stockholder in its stock and transfer book. According to TERELAY, the admission or stipulation was that she was registered in the Articles of Incorporation is separate and distinct from being so in the stock and transfer book. TERELAY's argument cannot be sustained. A careful review of the records would show that in the Preliminary Conference Order, dated May 16, 2000, of the SEC Hearing Officer, both parties represented by their respective counsels, agreed on the fact that petitioner-appellee was "registered as a stockholder in respondent-appellant's stock and transfer book subject to the qualifications in the Answer." The records failed to disclose any objection by TERELAY. Neither did TERELAY raise this matter in the SEC hearing held on August 7, 2000 as one of the issues to be determined and resolved.

TERELAY further points out that her name as incorporator, stockholder and director in the Articles of Incorporation and Amendments were unsigned; that she did not pay for the five (5) shares appearing in the Amended Articles of Incorporation and General Information Sheet of TERELAY; that she did not subscribe to the shares; that she has neither been in possession of nor seen the certificate of stock covering the five (5) shares of stock; that the donation of the five (5) shares claimed by her was null and void for failure to comply with the requisites of a donation under Art. 748 of the Civil Code; and that there was no acceptance of the donation by her as donee. TERELAY further contends that Cecilia Yulo's purpose in inspecting the books was to inquire into its financial condition and the conduct of its affairs by the principal officers which are not sufficient and valid reasons. Therefore, the presumption of good faith cannot be accorded her.

TERELAY's position has no merit. The records disclose that the corporate documents submitted, which include the Articles of Incorporation and the Amended Articles of Incorporation, as well as the General Information Sheets and the Quarterly Reports all bear the signatures of the proper parties and their authorized custodians. The signature of appellee under the name Cecilia J. Yulo appears in the Articles of Incorporation of TERELAY. Likewise, her signatures under the name Cecilia Y. Blancaflor appear in the Amended Articles of Incorporation where she signed as Director and Corporate Secretary of TERELAY. The General Information Sheets from December 31, 1977 up to February 20, 2002 all exhibited that she was recognized as director and corporate secretary, and that she had subscribed to five (5) shares of stock. The quarterly reports do not show otherwise.