Republic of the Philippines
Department of Finance
Securities and Exchange Commission
COMMISSION EN BANC

AUSLAND CEBU CONSTRUCTION, INC.,
Appellant,

-versus-

COMPANY REGISTRATION AND MONITORING DEPARTMENT and MR. AYAR FARHAN,
Appellees.
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SEC En Banc Case No. 11-22-511
For: Violation of Right to Inspection and/or Reproduction of Corporate Records

Promulgated: **28 October 2025**

DECISION

Before the Commission *En Banc* is the *Appeal Memorandum* dated 02 November 2022 (the *"Appeal"*) filed by AUSLAND CEBU CONSTRUCTION INC., assailing the Order dated 31 May 2022 (the "Assailed Order") issued by the Company Registration and Monitoring Department (CRMD), which allowed the inspection of corporate books and records by Mr. Ayar Jawi Farhan, the dispositive portion of which reads:

> **WHEREFORE**, in view of the foregoing, AUSLAND CEBU CONSTRUCTION INC., is hereby ordered to allow the complainant to inspect and/or reproduce the corporate records as enumerated in his demand letter, but not to include records from the time his stocks were declared delinquent, within thirty (30) days from receipt of this Order.

The Assailed Order was affirmed by the CRMD in its Resolution dated 26 August 2022 (the "Assailed Resolution").

PARTIES

AUSLAND CEBU CONSTRUCTION INC. (the "Appellant" or "Ausland") is a corporation duly organized and existing under Philippine laws having been issued a Certificate of Incorporation with SEC Registration No. CS201717834. Its principal place of business is at the 2nd Floor LBR Bldg., Englis, V. Rama Avenue, Barangay Guadalupe, Cebu City.

Appellee Mr. Ayar Jawi Farhan ("Mr. Farhan") is of legal age, and a resident of Unit 815 Le Mirage de Malate 2126 A. Mabini Street, Malate, Manila. He holds office at Unit 303, Dona Mercedes Bldg. 584 San Andres St., Malate Manila.

Appellee CRMD is an Operating Department of the Securities and Exchange Commission headed by Director Gerardo F. Del Rosario.

RELEVANT FACTS

On 30 July 2020, Appellant received a letter from Mr. Farhan who requested to be allowed to inspect and reproduce the corporate books and records of Ausland.[1]

On 7 October 2020, the Board of Directors (the "Board") of Appellant made a call for the payment of the unpaid subscription of Mr. Farhan, who was given until 8 November 2020 to fully settle the same.[2] Mr. Farhan opposed this action of the Board.[3]

On 7 December 2020, Mr. Farhan again requested to inspect the corporate books of Appellant, which request was reiterated by his counsel on 17 December 2020.[4]

On 9 December 2020, the shares of stock held by Mr. Farhan were declared delinquent after the latter failed to pay the balance of his subscription within the thirty (30) day period which has already lapsed.[5]

In its letter dated 18 December 2020, Appellant informed Mr. Farhan of the denial of his request on the ground that he was already declared as a delinquent stockholder who is not entitled to exercise the right to inspect.[6]

On 15 January 2021, after complying the notice and publication requirements, the delinquent shares of Mr. Farhan were sold at public auction.[7]

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[1] *Appeal*, Page 2, Par. 4.
[2] *Ibid.*
[3] *Comment*, Page 4, Pars. 3 and 4
[4] Appeal, Pages 2 and 3, Par. 6; See *Comment*, Page 4, Par. 6 and Page 5, Par. 1.
[5] *Ibid.* Page 2, Par. 5; *Comment* Page 4, Par. 5.
[6] *Ibid.*
[7] *Id.* Page 3, Par. 2.

Consequent to the denial of his request to be allowed to inspect the corporate books and records of Appellant, Mr. Farhan filed a *Complaint* with the CRMD on 27 January 2021, therein praying for the issuance of an order directing the inspection and reproduction of the requested documents.[8]

In its *Answer*, Appellant averred that it gave Mr. Farhan time to inspect its corporate books sometime in November 2020 but he never showed up. Appellant further averred that Mr. Farhan's unpaid subscriptions have already been sold in a public auction consequent to his failure to fully pay for the same. He is thus not entitled to exercise the right to inspect and reproduce its books and records.[9]

Finding merit in the *Complaint*, the CRMD issued the Assailed Order directing Appellant to allow Mr. Farhan to inspect and/or reproduce its corporate books and records.[10] The *Motion for Reconsideration* filed by Appellant, who argued that Mr. Farhan has no right to inspect corporate books and records as he was no longer a shareholder thereof, was denied by the CRMD.[11]

Hence, the instant *Appeal*.

In its *Appeal*, Ausland prayed for the reversal of the Assailed Order, arguing that the CRMD committed reversible error in allowing the inspection of its corporate books and records by Mr. Farhan who was no longer a stockholder at the time of the filing of his Complaint. Ausland is also of the position that the CRMD erred in not dismissing Mr. Farhan's *Complaint* which allegedly violated the rule on forum shopping. Lastly, Ausland questioned the Commission's assumption of jurisdiction to hear the *Complaint* for inspection of corporate records which, according to Ausland, is a power that was already transferred to the Special Commercial Courts by virtue of R.A. 8799.

In his *Comment*[12], Mr. Farhan prayed for the denial of the *Appeal* arguing that he was a stockholder of record at the time of his first demand for inspection and reproduction of Appellant's corporate books and records, and maintained that the CRMD has the authority to hear and pass upon the matter/issue presented in the Complaint.

[8] *Id.* Page 3, Par. 3. See *Comment.*
[9] *Id.* See Annex "A", pp. 2 and 3.
[10] *Id.* Page 3, Par. 4.
[11] *Id.* Page 4, Par. 5. See *Comment*, Page 5, Par. 4.
[12] Filed on 17 January 2023.

ISSUE

Whether the CRMD committed reversible error in directing Appellant to allow the inspection of its corporate books and records of Ausland by Mr. Farhan.

RULING

We find the *Appeal* bereft of merit.

Preliminarily, We will dispose of the jurisdictional and procedural issues raised by the Appellant who claimed that the Complaint is dismissible as: (a) the Commission has no jurisdiction over actions seeking the exercise of the right to inspect and reproduce corporate books and records; and (b) it violated the rule against forum shopping.

In support of its jurisdictional challenge, Appellant argued that issue(s) involving inspection of corporate books and records partake of an intra-corporate controversy which, under Section 1 (a) 5 of Rule 1 of the Interim Rules of Procedure for Intra-Corporate Controversies[13] (the "Interim Rules"), is within the jurisdiction of the Regional Trial Courts.

We do not agree with Appellant.

Section 1 in relation to Section 5, Rule 1 of the Interim Rules provides that civil cases involving inspection of corporate books are under the jurisdiction of the proper Regional Trial Courts (RTC).

Section 73 of the RCC, however, expressly grants the Commission the power and authority to investigate and direct, through an order, the inspection or reproduction by a director, trustee, stockholder or member, of corporate books and records, thus:

> If the corporation denies or does not act on a demand for inspection and/or reproduction, the aggrieved party may report such denial or inaction to the Commission Within five (5) days from receipt of such report, **the Commission shall conduct a summary investigation and issue an order directing the inspection or reproduction of the requested records.** (Emphasis supplied)

[13] A.M. No. 01-2-04-SC, March 13, 2001.

Is Section 1 in relation to Section 5, Rule 1 of the Interim Rules contrary to, or inconsistent with Section 73 of the RCC such that the latter resulted in the repeal of the former pursuant to Section 187[14] of the RCC? We answer in the negative.

Under Section 74 of Batas Pambansa Blg. 68 (the "Corporation Code"), an officer or agent of the corporation who refuses to allow any director, trustees, stockholder or member of a corporation to inspect/reproduce its books and records can be held liable for damages. An action for damages is essentially a civil case that is within the exclusive jurisdiction of the regular courts.[15] This is the civil case (partaking as it were of an intra-corporate dispute) that Section 1 in relation to Section 5, Rule 1 of the Interim Rules covered as properly cognizable by the RTC.

Section 73 of the RCC adopted the wording of Section 74 of the Corporation Code which sanctions an action for damages against an officer or agent of the corporation who refuses to allow any director, trustees, stockholder or member of a corporation to inspect/reproduce its books and records. This shows a legislative intent of retaining with the RTC the jurisdiction over the civil actions for damages brought against officers of agents who violated Section 73 of the RCC, which is consistent with Section 1 in relation to Section 5, Rule 1 of the Interim Rules.

Prescinding from the foregoing, the grant to the Commission of the power and authority to take cognizance of, investigate and direct the inspection or reproduction of corporate books and records can only refer to an administrative action for violation of Section 73 of the RCC. In other words, under Section 73 of the RCC, the Commission can direct the inspection/reproduction of corporate records in an administrative action filed with it; while the RTC can award damages in the civil case filed before it, without prejudice to the imposition of the criminal liability provided under Section 161 of the RCC which is also within the jurisdiction of the RTC to determine and pass upon.

Section 1 of Memorandum Circular No. 25, series of 2020[16] (Guidelines in the Filing, Investigation and Resolution of Complaints for

[14] "Batas Pambansa Blg. 68, otherwise known as "The Corporation Code of the Philippines", is hereby repealed. Any law, presidential decree or issuance, executive order, letter of instruction, administrative order, rule or regulation contrary to or inconsistent with any provision of this Act is hereby repealed or modified accordingly."

[15] Batas Pambansa Blg. 129, as amended by R.A. No. 7691.

[16] "SECTION 1. *Who may file a Verified Complaint; Filing fee.* – **An aggrieved party may file a report, in the form of a Verified Complaint, with the Company registration and Monitoring Department**

Violation of the Right to Inspect and/or Reproduce Corporate Records) now specifically provides that the Commission, through the CRMD or any of its Extension Office, has primary jurisdiction over (administrative) actions involving violations of the right to inspect/reproduce corporate records under Section 73 of the RCC.

Thus, We find that the CRMD did not commit reversible error in taking cognizance of, and in passing upon the issue on Appellant's alleged violation of Section 73 of the RCC.

Anent the procedural issue on Mr. Farhan's violation of the rule on forum shopping *i.e.* his filing of a complaint with the CRMD and the RTC which allegedly presented similar issues, and prayed for similar reliefs *i.e.* to declare Appellant to have violated his right to inspect corporate records,[17] this Commission finds the same to be without merit.

There is forum shopping when a party repetitively avails of several judicial remedies in different courts, simultaneously or successively, all substantially founded on the same transactions and the same essential facts and circumstances, and all raising substantially the same issues, either pending in or already resolved adversely by some other court.[18] In our jurisdiction, forum shopping is considered an abhorrent and deplorable practice because of the vexation that its perpetrators bring to the courts (including administrative bodies exercising quasi-judicial functions) and party-litigants, and the possibility of such perpetrators securing conflicting decisions by different courts on the same issues.[19]

("CRMD") or any of the Extension Offices of the Securities and Exchange Commission ("Commission"), if a corporation, or any of its officers or agents, denies or does not act on a demand for inspection and/or reproduction of corporate records. For the purpose of docketing, a filing fee of ten Thousand One Hundred Thirty Pesos (P10,130.00), inclusive of legal research fee (LRF) and Documentary Stamp Tax (DST), shall be paid." (Emphasis supplied)

[17] Appeal, pp. 8 and 9.

[18] Fontana Development Corp. v. Vukasinovic, G.R. No. 222424, September 21, 2016 [J. Velasco, Jr., *Third Division*].

[19] Meanwhile, in *Dy v. Mandy Commodities Co., Inc.*, the Court discussed the purpose of the rule on forum shopping:

> "Forum shopping is a deplorable practice of litigants consisting of resorting to two different *fora* for the purpose of obtaining the same relief, to increase the chances of obtaining a favorable judgment. What is pivotal to the determination of whether forum shopping exists or not is the vexation caused to the courts and the party-litigants by a person who asks appellate courts and/or administrative entities to rule on the same related causes and/or to grant the same or substantially the same relief, in the process creating the possibility of conflicting decisions by the different courts or *fora* upon the same issues.
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> The grave evil sought to be avoided by the rule against forum shopping is the rendition by two competent tribunals of two separate and contradictory decisions. Unscrupulous party litigants, taking advantage of a variety of competent tribunals, may repeatedly try their luck in several different *fora* until a favorable result is reached. To avoid the resultant confusion,

Thus, Section 3-3, Rule III, Part III of the 2016 Rules sanctions the dismissal of a complaint/petition with prejudice, if the person filing the same is found to have willfully violated the rule against forum shopping.

In the *Sotto v. Palicte,* the Supreme Court laid down the test in determining whether forum shopping exists, thus:

> **The test to determine the existence of forum shopping is whether the elements of *litis pendentia* are present, or whether a final judgment in one case amounts to res judicata in the other.** Thus, **there is forum shopping when the following elements are present,** namely: (a) identity of parties, or at least such parties as represent the same interests in both actions; (b) **identity of rights asserted and reliefs prayed for, the relief being founded on the same facts**; and (c) the identity of the two preceding particulars, such that any judgment rendered in the other action will, regardless of which party is successful, amounts to res judicata in the action under consideration.[20] (Emphasis supplied)

We have examined the complaints which Mr. Farhan filed with the CRMD and the RTC, and We find Appellant's allegation that Mr. Farhan is guilty of forum shopping to be without merit. Not only are the parties in the Complaints different, the rights/interests claimed, as well as the reliefs sought therein are likewise starkly different. The Complaint filed with the CRMD is an administrative action of a person claiming to be a stockholder who seeks to exercise his right to inspect/reproduce corporate records. The Complaint with the RTC, on the other hand, is a civil case for damages filed against Appellant who allegedly denied Mr. Farhan's right to inspect/reproduce corporate records. Verily, the CRMD did not commit reversible error in not dismissing the Complaint for alleged forum shopping.

Coming now to the substantive issue presented in the *Appeal*, this Commission finds that the CRMD did not commit reversible error in allowing the qualified inspection of Appellant's corporate records by Mr. Farhan.

The right to inspect corporate records is rooted in common law

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this Court adheres strictly to the rules against forum shopping, and any violation of these rules results in the dismissal of a case." (Quiambao v. Sumbilla, G.R. No.192901, February 1, 2023 [Per J. Gaerlan, *Third Division*]).

[20] G.R. No. 159691, February 17, 2014 [Per J. Bersamin, *First Division*].

which dates back to the 1700s.[21] While the legal title to the assets and properties of the corporation is lodged with it being a separate legal entity, stockholders/members are nevertheless granted the right to inspect, in their capacity as the ultimate beneficial owners thereof. This right facilitates effective information-gathering which enables stockholders/members to know how their corporation is being managed and its assets utilized. The common law origin of the right to inspect was recognized by the US Supreme Court in the case of *Guthrie v. Harkness*[22], which ruled that *"the right of inspection rests upon the proposition that those in charge of the corporation are merely the agents of the stockholders who are the real owners of the property."*

The right to inspect is important as it enables and assures the board of timely access to accurate and relevant corporate information, which is crucial in the proper performance of their policy and decision-making functions. The right to inspect equally guarantees the availability of relevant corporate information which is important for the shareholders/members to track the corporation's performance; assess its financial health; actively participate in meetings and vote on matters that require their assent; make informed investment decisions;[23] exercise their right to influence;[24] and decide on available options and/or the proper action to take, including a proxy fight to replace the incumbent management.[25]

Section 73 of the RCC provides for the right to inspect and/or reproduce corporate books and records, and lays down the conditions and requirements, among others, for the valid exercise thereof. The provision, in part, states that:

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[21] Robin Hui Huang and Randall Thomas, The Law and Practice of Shareholder Inspection Rights: A Comparative Analysis of the United States and China. Vanderbilt Journal of Transnational Law, Vol. 53.
[22] 199 U.S. 148 (1905). Accessed at: https://supreme.justia.com/cases/federal/us/199/148/ on 29 April 2024 at 1:30 p.m.
[23] "The grant of legal personality to a corporation is conditioned on its compliance with certain obligations. Among these are its fiduciary responsibilities to its stockholders. Providing stockholders with access to information is a fundamental basis for their intelligent participation in the governance of the corporation as a business organization that they partially own. The law is agnostic with respect to the amount of shares required. Generally, each individual stockholder should be given reasonable access so that he or she can assess or share his or her assessment of the management of the corporation with other stockholders. The separate legal personality of a corporation is not so absolutely separate that it divorces itself from its responsibility to its constituent owners." [Philippine Associate Smelting and Refining Corporation v. Pablito Lim et. al., G.R. No. 172948, October 5, 2016 [Per J. Leonen, *Second Division*]).
[24] The G20/OECD Principles of Corporate Governance were adopted by the Commission in complying with its mandate under the RCC.
[25] Robin Hui Huang and Randall Thomas., *The Law and Practice of Shareholder Inspection Rights: A Comparative Analysis of the United States and China*. Vanderbilt Journal of Transnational Law., Vol. 53, Article 5 (3 May 2020).

> **Corporate records, regardless of the form in which they are stored, shall be open to inspection by any director, trustee, stockholder or member of the corporation** in person or by a representative at reasonable hours on business days, and a demand in writing may be made by such director, trustee or stockholder at their expense, for copies of such records or excerpts from said records. The inspecting or reproducing party shall remain bound by confidentiality rules under prevailing laws, such as the rules on trade secrets or processes under Republic Act No. 8293, otherwise known as the "Intellectual Property Code of the Philippines", as amended, Republic Act No. 10173, otherwise known as the "Data Privacy Act of 2012", Republic Act No. 8799, otherwise known as "The Securities Regulation Code", and the Rules of Court.
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> A requesting party who is not a stockholder or member of record, or is a competitor, director, officer, controlling stockholder or otherwise represents the interests of a competitor shall have no right to inspect or demand reproduction of corporate records. (Emphasis supplied)

The afore-quoted provision enumerates the persons who are entitled to exercise the right to vote *i.e.* a director, trustee, stockholder or member of a corporation. This enumeration is exclusive considering that the same provision categorically denies the exercise of such right to a person who is not a director, trustee, stockholder or member of a corporation. In *Gokongwei, Jr. v. SEC*,[26] the Supreme Court explained that the grant to shareholders/members of the right to inspect is anchored on their ownership of and/or interest in the corporate properties/assets, to wit:

> **The stockholder's right of inspection of the corporation's books and records is based upon their ownership of the assets and property of the corporation. It is, therefore, an incident of ownership of the corporate property, whether this ownership or interest be termed an equitable ownership, a beneficial ownership, or a ownership. This right is predicated upon the necessity of self-protection.** It is generally held by majority of the courts that where the right is granted by statute to the stockholder, **it is given to him as such and must be exercised by him with respect to his interest as a stockholder and for some purpose germane thereto or in the interest of the corporation.** (Emphasis supplied)

As recognized owners and/or interest-holders of corporations, stockholders/members can inspect corporate books and records as a matter of right, and are not required to prove mismanagement or an

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[26] G.R. No. L-45911 April 11, 1979 [Per J. Antonio, *En Banc*]. See also Puno v. Puno Enterprises, Inc. (G.R. No. 177066, September 11, 2009 [Per J. Nachura, *Third Division*]) which reiterated the doctrine in Gokongwei, Jr. vs SEC.

existing corporate dispute.[27] The law accords good faith on the part of stockholders/members who are invoking/exercising the right to inspect, and does not require that they disclose their motive(s) or purpose(s) as a condition precedent for their access to corporate books and records. The doctrinal pronouncement in *Philippine Associated Smelting and Refining Corporation v. Pablito Lim et. al.*[28] is instructive, to wit:

> **In general, however, officers and directors have no legal authority to close the office doors against shareholders for whom they are only agents, and withhold from them the right to inspect the books which furnishes the most effective method of gaining information which the law has provided, on mere doubt or suspicion as to the motives of the shareholder**. While there is some conflict of authority, when an inspection by a shareholder is contested, the burden is usually held to be upon the corporation to establish a probability that the applicant is attempting to gain inspection for a purpose not connected with his interests as a shareholder, or that his purpose is otherwise improper. The burden is not upon the petitioner to show the propriety of his examination or that the refusal by the officers or directors was wrongful, except under statutory provisions. (Emphasis supplied)

Thus, in the absence of any showing that the requesting director, trustee, stockholder, or member has acted in bad faith, or has improperly used any document/information obtained from a previous inspection, such director, trustee, stockholder, or member must be allowed to inspect or reproduce corporate books and records on the first request. In this regard, Section 73 of the RCC expressly grants the Commission the authority to issue an order directing the inspection or reproduction of books and records if the corporation, or its directors/officers denies the request, or fails to act on the same. This is without prejudice to other liabilities which the corporation and/or the concerned directors/officers may incur resulting from their violation of the right to inspect.

In the instant case, the records show that on 30 July 2020, Mr. Farhan requested from Appellant to be allowed to inspect and reproduce certain corporate documents.[29] Mr. Farhan was a stockholder of

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[27] Neither could the petitioner arbitrarily deny the respondent's right to inspect the corporate books and records on the basis that her inspection would be used for a doubtful or dubious reason. Under Section 74, third paragraph, of the *Corporation Code*, the only time when the demand to examine and copy the corporation's records and minutes could be refused is when the corporation puts up as a defense to any action that "the person demanding" had *"improperly used any information secured through any prior examination of the records or minutes of such corporation or of any other corporation, or was not acting in good faith or for a legitimate purpose in making his demand."* (Teleray Investment and Development Corporation vs Yulo., G.R. No. 160924, August 5, 2015 [Per J. Bersamin, *First Division*]).

[28] G.R. No. 172948. October 5, 2016 [Per J. Leonen, *Second Division*].

[29] *Supra*. Footnote 1.

Appellant when he made such request. On 7 December 2020, Mr. Farhan, still a stockholder of Appellant, reiterated his previous request to be allowed to inspect and reproduce Appellant's books and records.[30] However, instead of allowing Mr. Farhan to inspect and reproduce the requested documents, Appellant's Board responded to his first request by exacting payment of his unpaid subscription.[31] This was followed by a series of corporate acts carried out by the Board that eventually resulted in the removal of Mr. Farhan as a stockholder of Appellant on 15 January 2021.

Given the foregoing factual antecedents, We find and so hold that Mr. Farhan, a stockholder of Appellant, had the right to inspect and reproduce the books and records of the latter the day following 30 July 2020, or after he communicated to the Appellant his written demand. Under Section 73 of the RCC, Appellant was duty-bound to open its books and records to Mr. Farhan after it was informed of the latter's demand. Mr. Farhan's reiteration of his demand to inspect and reproduce on 7 December 2020 shows that Appellant, for no apparent reason, has denied or failed to act on his earlier demand made on 30 October 2020. This warranted the issuance of an order directing the inspection and reproduction of the requested documents.

The reckoning date in determining if a director, trustee, stockholder or member is legally entitled to inspect corporate books and records is the date when he/she makes a demand to inspect the same. If on such date, the requestor is a director, trustee, stockholder or member in the books of the corporation, and in the absence of any showing that any of the grounds prohibiting the exercise of the right to inspect is present, such director, trustee, stockholder or member should be allowed to inspect as a matter of right because he is entitled to be informed of the operations and affairs of the corporation, and/or to protect his interest therein. The grant to the Commission of authority to direct the inspection and reproduction of corporate books and records[32] is intended to ensure that stockholders/members, especially the minority, will not be unduly deprived of their right to inspect.

Accordingly, a person who made a demand to inspect or reproduce books and records while still a stockholder/member should be allowed

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[30] *Supra*. Footnote 4.
[31] *Supra*. Footnote 3.
[32] "If the corporation denies or does not act on a demand for inspection and/or reproduction, the aggrieved party may report such denial or inaction to the Commission Within five (5) days from receipt of such report, the Commission shall conduct a summary investigation and issue an order directing the inspection or reproduction of the requested records." (Section 73, RCC).

to exercise the right to inspect even if he/she subsequently ceases to become one. However, considering that what the law protects is a stockholder/member's actual ownership or interest in the corporation, access by a person who has ceased to be a stockholder/member should be limited to the documents/information obtaining at the time when he/she was still a stockholder/member. This is especially relevant in a reality where corporations wield the power and resources to exclude, and even get rid of the stockholders/members who questions or dissents to management decisions and plans. The statutory recognition and protection of the right to inspect implement the principles of corporate governance[33] which the RCC expressly mandates[34] for the protection of the minority, by ensuring, among others, full transparency and accountability in corporate affairs.

We therefore do not agree with the position of the Appellant that Mr. Farhan, its incorporator and previous stockholder, can no longer institute and prosecute an action for violation of his right to inspect after he ceased to be such, because the subsequent sale of his shares did not negate the fact that prior to such sale, he owned such shares and had the right to protect his interests therein. Appellant's position, if sustained, will sanction the denial of the right to inspect by a stockholder of the books and records obtaining while he/she still held shares of the corporation, on the basis of a convenient excuse that he/she has subsequently ceased to become such. This is clearly not the intent of the law. Thus, for as long as the inspection/reproduction will be limited to the period when the requesting person was still a stockholder/member of the corporation, the right to inspect should be sustained and allowed.

Considering the absence of any evidence showing that Mr. Farhan was in bad faith, or has improperly used any corporate document or information that he previously obtained from Appellant, We thus agree, and sustain the ruling of the CRMD that Mr. Farhan's exercise of his right to inspect should be allowed, but should be limited to corporate records obtaining on the day prior to Appellant's declaration of the shares under his name as delinquent.[35]

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[33] See Part II (The Rights and Equitable Treatment of Shareholders and Key Ownership Functions) G20/OECD Principles of Corporate Governance.

[34] Section 179(d), RCC.

[35] "**Section 70.** *Effect of Delinquency.* - No delinquent stock shall be voted for, be entitled to vote, or be represented at any stockholder's meeting, nor shall the holder thereof be entitled to any of the rights of a stockholder except the right to dividends in accordance with the provisions of this Code, until and unless payment is made by the holder of such delinquent stock for the amount due on the distribution with accrued interest, and the costs and expenses of advertisement, if any."

WHEREFORE, premises considered, the instant *Appeal Memorandum* is hereby **DENIED** for lack of merit. The Assailed Order of the Company Registration and Monitoring Department is hereby **AFFIRMED**.

SO ORDERED.

Makati City, Philippines.

FRANCISCO ED. LIM
Chairperson

JAVEY PAUL D. FRANCISCO
Commissioner

KARLO S. BELLO
Commissioner

MCJILL BRYANT T. FERNANDEZ
Commissioner

ROGELIO V. QUEVEDO*
Commissioner

*On official business