

### Title: The Securities and Exchange Commission (SEC) vs. CJH Development Corporation and CJH Suites Corporation

### Facts:

The case involves the Securities and Exchange Commission (SEC), led by Chairperson Teresita J. Herbosa and her team, as petitioners, against CJH Development Corporation (CJHDC) and its wholly-owned subsidiary, CJH Suites Corporation (CJHSC), as respondents. The essence of the controversy began when CJHDC engaged in a lease agreement with the Bases Conversion and Development Authority (BCDA) for a property in Baguio City to develop it into a tourism complex, which included constructing condominium-hotels (condotels) named “The Manor” and “The Suites”. CJHDC and CJHSC offered these condotels to the public through two schemes: straight purchase or a “leaseback”/“money-back” arrangement.

Upon learning about these arrangements, BCDA suspected that these were essentially investment contracts, unregistered as securities as required by law, and requested the SEC to investigate. The SEC’s Enforcement and Prosecution Department (EPD) conducted an investigation, which led to the SEC’s issuance of a Cease and Desist Order (CDO) against CJHDC and CJHSC for offering unregistered securities.

The respondents challenged the CDO at the Court of Appeals (CA), which granted their petition, setting aside the CDO and making permanent a preliminary injunction against its enforcement. The SEC, unsettled by the CA’s decision, filed the present petition for review on certiorari with the Supreme Court.

### Issues:

1. Whether the Court of Appeals erred in not dismissing the appeal against the SEC’s interlocutory CDO.
2. Whether the CA erred in nullifying the CDO and dismissing SEC-CDO Case No. 05-12-006 without considering that the SEC has primary jurisdiction over the matter.
3. Whether the sale of “The Manor” and “The Suites” units under “leaseback” or “money-back” scheme constitutes unregistered securities in violation of the Securities Regulation Code.

### Court’s Decision:

The Supreme Court granted the petition, reversing and setting aside the CA's decision and reinstating the SEC's CDO. It ruled that the CDO was an interlocutory order not subject to appeal and highlighted that the respondents failed to exhaust administrative remedies available within the SEC. The Supreme Court emphasized that the SEC has primary jurisdiction to determine whether the arrangement involves investment contracts considered as securities under the law.

### ### Doctrine:

The decision reiterates the doctrines of exhaustion of administrative remedies and primary jurisdiction, asserting that legal recourse through courts should only be sought after all administrative avenues have been pursued and that matters requiring specialized administrative expertise should be handled by the appropriate agency, in this case, the SEC.

### ### Class Notes:

- **\*\*Exhaustion of Administrative Remedies\*\***: Before seeking judicial intervention, all administrative procedures must be utilized.
- **\*\*Primary Jurisdiction\*\***: Courts should defer cases requiring specific regulatory expertise to the relevant agency.
- **\*\*Securities Regulation Code (Republic Act No. 8799)\*\***: Investment contracts are considered securities and must be registered with the SEC.
- **\*\*Cease and Desist Order (CDO)\*\***: A provisional remedy that the SEC can issue without prior hearing if there's prima facie evidence of securities law violation.

### ### Historical Background:

The development reflects the SEC's vigilance in regulating the securities market and its determination to ensure compliance with the Securities Regulation Code, especially in innovative investment schemes like "leaseback" arrangements in the real estate sector.