



Ontario Commission des
Securities valeurs mobilières
Commission de l'Ontario

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ONTARIO SECURITIES COMMISSION

Applicant

- and -

JASON CLOTH and CREATIVE WEALTH MEDIA FINANCE CORP.

Respondents

APPLICATION FOR ENFORCEMENT PROCEEDING

(Subsection 127(1) and Section 127.1 of the *Securities Act*, RSO 1990, c S.5)

A. OVERVIEW

1. This matter involves a fraud perpetrated by Ontario resident Jason Cloth and his company Creative Wealth Media Finance Corp.
2. Cloth and Creative Wealth raised hundreds of millions of dollars from investors, promising to use those funds to finance film, television and animated productions.
3. They broke those promises by diverting at least \$70 million dollars of investor funds for unauthorized purposes that were not disclosed to investors, including using new investor funds to repay existing investors. Meanwhile, the Respondents collected facilitation fees through this fraudulent scheme.
4. Eventually, the fraud became unsustainable and Creative Wealth collapsed into bankruptcy.

5. The Respondents' dishonest conduct harmed investors and undermined the integrity of the capital markets. Through this proceeding, the Ontario Securities Commission seeks to hold Cloth and Creative Wealth accountable for their misconduct and remove them from Ontario's capital markets.

B. GROUNDS

The Ontario Securities Commission (the "Commission") makes the following allegations of fact:

6. Creative Wealth Media Finance Corp. ("Creative Wealth") was a private lending business headquartered in Toronto that financed film, television, and animation productions.

7. At all relevant times, Jason Cloth, a resident of Toronto, was the sole officer, director, and directing mind of Creative Wealth. Cloth was previously registered with the Commission.

i. Cloth and Creative Wealth Raised Hundreds of Millions of Dollars from Investors

8. Cloth and Creative Wealth (together, the "Respondents") held themselves out as providing loans to film, television and animation producers for studio and independent productions in film, television, and animation ("Media Projects" or "Projects"). The Respondents raised funds for the loans from investors.

9. Between 2013 and 2022, the Respondents raised over \$500 million from over 500 investors across Ontario, the rest of Canada, and the United States.

10. For the most part, Cloth and Creative Wealth raised these funds through two types of contracts: participation agreements and secured loan commitment agreements (collectively, "Agreements").

11. In most cases, the Respondents used participation agreements to raise investor funds for a particular Media Project. Creative Wealth or one of its affiliates entered into a participation

agreement with the investor. Under the terms of the participation agreement, the investor would receive: (i) a fractional interest in the loan from Creative Wealth to the borrower; and (ii) to the extent necessary to repay the investor's fractional interest in the loan, an undivided fractional interest in the collateral. Creative Wealth charged the borrower a facilitation fee as a percentage of the loan amount.

12. Cloth and Creative Wealth also entered into secured loan commitment agreements with investors to raise funds for Projects bundled as a "Series." The terms of each Series specified a category of Projects for which funds would be used. For instance, the stated purpose of *Series B* was for secured film financing, and the stated purpose of *Series E* was to produce TV shows relating to video games. Similar to the participation agreements, Creative Wealth also charged the borrower a facilitation fee as a percentage of the loan amount.

13. The Agreements specified the total amount to be loaned to the borrower for the specified Media Project. In addition, each Agreement either restricted the use of funds to the specific Media Project for which the investment was made or, in the case of Series investments, for a category of Projects. For instance, an Agreement for a Media Project with an investor would typically state, "Proceeds of the Loan, less the Facilitation Fee, shall be used exclusively to finance the pre-production, production, post-production, and delivery of the Project."

14. Through facilitation fees on the loans, Cloth and Creative Wealth received tens of millions of dollars. Since January 2018, Cloth received at least \$31 million from Creative Wealth through payments to companies controlled by Cloth or for Cloth's benefit.

ii. Cloth and Creative Wealth's Agreements with Investors Were Fraudulent

15. In the Agreements, the Respondents made false representations and promises to investors.

These included the following:

a. Cloth and Creative Wealth raised funds that exceeded the maximum specified in Agreements

16. Although the Agreements specified the total amount to be loaned to the borrower for the specified Project, in some cases, the funds raised for that Project exceeded that total and/or exceeded the amount actually loaned to the borrower for that Project. Investors were not informed that this was happening.

17. For example:

- i. The Respondents raised approximately US\$14.7 million for the Project *The Pathway* even though the Agreement for *The Pathway* stated that the maximum amount to be raised for that project was US\$6.9 million;
- ii. The Respondents raised approximately US\$3.7 million for the Project *Leave No Trace* even though the Agreement for *Leave No Trace* stated that the maximum amount to be raised for that project was US\$2.5 million.

b. Cloth and Creative Wealth used investor funds for unauthorized and undisclosed purposes

18. The Respondents diverted at least \$70 million of investor funds for unauthorized uses that were never disclosed to investors. These included the following:

Cloth and Creative Wealth Used Investor Funds to Advance Loans to a Real Estate Development Company

19. Between 2018 and 2021, the Respondents loaned over \$50 million to a real estate development company (the “Kingston Developer”) to purportedly construct residential townhouses in Kingston, Ontario. These loans were unsecured and were extended to the Kingston Developer without any written agreement. As of late 2023, the majority of the amount Creative Wealth loaned to the Kingston Developer had not been repaid.

20. Cloth and Creative Wealth funded these loans with money raised from investors for various Media Projects, including *Series B*, *Series D* and *Series E*. Agreements with investors stated the funds raised would be used exclusively to finance a Media Project or for film financing. Cloth and Creative Wealth did not inform investors that their money would be used for any other purpose. Many investors whose funds were used for loans to the Kingston Developer were never repaid.

Cloth and Creative Wealth Used Investor Funds to Finance Media Projects Other than Those Agreed

21. The Respondents diverted investor funds they had promised to use to fund specific Media Projects and redirected them to different Media Projects. Investors were not informed that their funds had been diverted to these other Projects.

22. The Respondents, for instance, redirected investor funds purportedly raised for the *Series E*, *Bubbles Hotel*, *Hailey and the Hero Heart*, *Fables* and *Gossamer* Projects to finance other Media Projects.

Cloth and Creative Wealth Repaid Existing Investors with Funds From Other Investors

23. The Respondents used funds raised from new investors to repay existing investors. When the Respondents made Media Project loan repayments and investment “returns” to investors, they

were commonly made with new investor funds. The Respondents did not disclose to investors that their funds were being used to repay existing investors.

24. For example, funds raised from investors for the *Series D, Series E, Robin Hood, The Pathway, Leave No Trace, Bubbles Hotel, Hailey and the Hero Heart, Fables* and *National Anthem* were instead used by the Respondents to repay existing investors of other Projects.

25. Cloth and Creative Wealth also selectively prioritized certain investors when repaying loans or distributing returns to the detriment of others who invested in the same Media Projects. For instance, the Respondents prioritized repayments to select investors in the *Shadowplay* Project to encourage them to further invest in their fraudulent scheme.

iii. Creative Wealth is Bankrupt

26. On October 27, 2023, Creative Wealth commenced proposal proceedings pursuant to the *Bankruptcy Insolvency Act*. Creative Wealth filed an accompanying list of creditors totalling over \$400 million in outstanding claims.

27. On November 28, 2023, Creative Wealth was deemed to have filed an assignment in bankruptcy. A trustee of the bankrupt estate has been appointed and approved by creditors.

C. BREACHES

The Commission alleges the following breaches of Ontario securities law:

i. Breaches of Ontario Securities Laws

28. Jason Cloth and Creative Wealth Media Finance Corp. directly or indirectly engaged in or participated in acts, practices, or courses of conduct relating to securities that they knew or reasonably ought to have known perpetrated a fraud on persons or companies, contrary to section 126.1(1)(b) of the *Securities Act*, RSO 1990, c S.5 (the “Act”); and

29. Jason Cloth authorized, permitted or acquiesced in Creative Wealth's non-compliance with Ontario securities law, contrary to section 129.2 of the Act.

D. ORDERS SOUGHT

The Commission requests that the Tribunal make the following orders:

30. As against Creative Wealth:

- a. that it cease trading in any securities or derivatives permanently or for such period as is specified by the Tribunal, pursuant to paragraph 2 of subsection 127(1) of the Act;
- b. that it be prohibited from acquiring any securities permanently or for such period as is specified by the Tribunal, pursuant to paragraph 2.1 of subsection 127(1) of the Act;
- c. that any exemption contained in Ontario securities law not apply to it permanently or for such period as is specified by the Tribunal, pursuant to paragraph 3 of subsection 127(1) of the Act;
- d. that it be prohibited from becoming or acting as a registrant or promoter permanently or for such period as is specified by the Tribunal, pursuant to paragraph 8.5 of subsection 127(1) of the Act;
- e. that it pay an administrative penalty of not more than \$1 million for each failure to comply with Ontario securities law, pursuant to paragraph 9 of subsection 127(1) of the Act;
- f. that it disgorge any amounts obtained as a result of non-compliance with Ontario securities law, pursuant to paragraph 10 of subsection 127(1) of the Act;

- g. that it pay costs of the investigation and the hearing, pursuant to section 127.1 of the Act; and
 - h. such other order as the Tribunal considers appropriate in the public interest.
31. As against Cloth:
- a. that he cease trading in any securities or derivatives permanently or for such period as is specified by the Tribunal, pursuant to paragraph 2 of subsection 127(1) of the Act;
 - b. that he be prohibited from acquiring any securities permanently or for such period as is specified by the Tribunal, pursuant to paragraph 2.1 of subsection 127(1) of the Act;
 - c. that any exemption contained in Ontario securities law not apply to him permanently or for such period as is specified by the Tribunal, pursuant to paragraph 3 of subsection 127(1) of the Act;
 - d. that he be reprimanded, pursuant to paragraph 6 of subsection 127(1) of the Act;
 - e. that he resign any position he may hold as a director or officer of any issuer, pursuant to paragraph 7 of subsection 127(1) of the Act;
 - f. that he be prohibited from becoming or acting as a director or officer of any issuer permanently or for such period as is specified by the Tribunal, pursuant to paragraph 8 of subsection 127(1) of the Act;
 - g. that he resign any position he may hold as a director or officer of any registrant, pursuant to paragraph 8.1 of subsection 127(1) of the Act;

- h. that he be prohibited from becoming or acting as a director or officer of any registrant permanently or for such period as is specified by the Tribunal, pursuant to paragraph 8.2 of subsection 127(1) of the Act;
- i. that he be prohibited from becoming or acting as a registrant or promoter permanently or for such period as is specified by the Tribunal, pursuant to paragraph 8.5 of subsection 127(1) of the Act;
- j. that he pay an administrative penalty of not more than \$1 million for each failure to comply with Ontario securities law, pursuant to paragraph 9 of subsection 127(1) of the Act;
- k. that he disgorge any amounts obtained as a result of non-compliance with Ontario securities law, pursuant to paragraph 10 of subsection 127(1) of the Act;
- l. that he pay costs of the investigation and the hearing, pursuant to section 127.1 of the Act; and
- m. such other order as the Tribunal considers appropriate in the public interest.

DATED at Toronto, Ontario, this 26th day of February, 2025

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