



Ontario
Securities
Commission

Commission des
valeurs mobilières
de l'Ontario

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**IN THE MATTER OF
JIUBIN FENG and CIM INTERNATIONAL GROUP INC.**

STATEMENT OF ALLEGATIONS
(Section 127 and 127.1 of the *Securities Act*, R.S.O. 1990, c S.5)

A. OVERVIEW

1. Issuers and individuals who flagrantly disregard representations made to investors about the use of their funds violate investors' trust and expose investors to risks not contemplated by them. This proceeding involves a reporting issuer and its directing mind who raised capital from investors and then fraudulently disregarded the representations made to investors about how their funds would be used. When an investment is solicited from the public for a specific purpose, investors' funds must be used for that purpose.

2. Between December 2017 and November 2018 (the **Material Time**), CIM International Group Inc. (**CIM**) and its directing mind, Jiubin aka "Jerry" Feng (**Feng**), defrauded 36 investors (the **Investors**) from Ontario, Hong Kong and the United Kingdom by using their funds for purposes other than what the Investors were told. During the Material Time, CIM raised \$10 million (the **Proceeds**) from the Investors through a private placement of three-year debentures (the **Offering**). Feng, who was a real estate developer, and CIM told the Investors that CIM would loan the Proceeds (the **Proceeds Loan**) to Bayview Creek (CIM) LP (**Bayview Creek LP**), part of a real estate project controlled by Feng, to finance the development of townhouses at 10747 Bayview Avenue in Richmond Hill, Ontario (the **Bayview Creek Project**).

3. CIM did make the Proceeds Loan to Bayview Creek LP. However, without the Investors' knowledge or approval, Feng diverted at least \$3.39 million of the Proceeds to other real estate projects controlled by him (each a **Feng Project**) or back to CIM. These diverted funds were principally used to service debts of other Feng Projects or were used by CIM to pay its operating expenses and/or to make investments in or loans to other Feng Projects.

4. Other than in one instance, CIM has not repaid or is unlikely to repay the Investors the principal of their investments. CIM's securities have been subject to a cease trade order (**CTO**) since June 22, 2020.

B. FACTS

5. Staff of the Enforcement Branch (**Enforcement Staff**) of the Ontario Securities Commission (the **Commission**) make the following allegations of fact:

6. Feng, his family, and his business associates (the **Feng Group**) took control of CIM by obtaining approximately 86% of CIM's shares through a reverse take-over (**RTO**) in April 2016. During the Material Time, Feng was an indirect shareholder in CIM, served as Chairman of its Board of Directors and as its CEO and was also the president of CIM for a brief period.

7. CIM's only significant business activity since the RTO has been making investments in or loans to Feng Projects. At all relevant times, Feng controlled all aspects of CIM's investing and lending activities with respect to the Feng Projects.

8. Throughout 2017, Feng and CIM contemplated raising money from the public through a private placement to provide funds to Feng Projects. The Feng Projects were all indebted through mortgages, private debts or a combination of the two and regularly needed cash to meet their obligations.

Feng and CIM Solicit Investments and Tell Investors Their Funds are for the Bayview Creek Project

9. Feng and CIM began soliciting investments in December 2017. CIM issued a press release on December 6, 2017 announcing that it would seek to raise funds through a placement of secured debentures that would bear interest at a rate of 13.5% per year. CIM announced it would use the proceeds to make an interest-bearing loan to Bayview Creek LP and that the interest from Bayview Creek LP would "provide additional interest coverage" that would be available to CIM to repay potential investors.

10. Feng and other CIM representatives met with prospective investors commencing in December 2017. Many prospective investors were provided with CIM marketing materials that

touted CIM's trustworthiness and integrity. Feng and CIM represented in meetings and/or in the marketing materials that the Investors' funds would be used to finance the Bayview Creek Project. The marketing materials described the Bayview Creek Project as involving the construction of 226 townhouses in two phases with on-site infrastructure work and construction on phase one to begin in the fall of 2018.

11. CIM's board of directors, including Feng, approved the Offering on January 2, 2018 and February 1, 2018. Between February and August 2018, CIM raised the Proceeds in tranches. All of the Investors executed subscription agreements with CIM which stated that the Proceeds would be loaned by CIM to Bayview Creek LP "to finance the Bayview Creek [Project] located at 10747 Bayview Avenue, Richmond Hill, Ontario".

CIM Loans the Proceeds of the Offering to Bayview Creek LP

12. CIM made the Proceeds Loan to Bayview Creek LP in tranches between February 7, 2018 and August 8, 2018. Bayview Creek LP issued debenture certificates signed by Feng to CIM to reflect the Proceeds Loan.

13. The Proceeds Loan bore interest at a rate of 20% per year payable semi-annually. Bayview Creek LP did in fact pay such interest to CIM through the first half of 2019.

Feng and CIM Divert the Proceeds to CIM and to Other Feng Projects

14. Despite the representations made by Feng and CIM to the Investors about the use of the Proceeds, Bayview Creek LP did not use all of the Proceeds to finance the Bayview Creek Project. In fact, at least \$3.39 million of the Investors' funds were (i) loaned back to CIM by Bayview Creek LP to cover CIM's operating expenses or for CIM to invest in or loan to other Feng Projects, or (ii) were transferred directly by Bayview Creek LP to other Feng Projects.

15. Feng was aware of and directed the diversion and misuse of the Proceeds. Feng was the directing mind of CIM at all relevant times, as noted above. Feng was also the directing mind of Bayview Creek LP and the Bayview Creek Project. Feng beneficially owned 52% of the Bayview Creek Project through his interest in Bayview Creek LP, owned 100% of the general partner of Bayview Creek LP, and had signing authority over Bayview Creek LP's bank account.

16. The other Feng Projects that received the Investors' funds from Bayview Creek LP and/or CIM included a real estate project on a 1,126-acre site near the town of Port McNicoll (the **Port McNicoll Project**), a real estate project at 3000-3020 Kennedy Road in Toronto (the **Valleyview Project**), a real estate project at 6910 and 6950 Highway 7, Markham (the **Hwy 7 Project**), and the Victoria Harbour Golf and Country Club (**VHGCC**) in Victoria Harbour. Feng was the sole owner of the general partner of the Bayview Creek Project, the Port McNicoll Project and the Valleyview Project, respectively. In addition, since March 23, 2017, Feng has been a director and president of CIM International Development Inc. (the **Project Manager**), which was the management company for each Feng Project. Feng became the sole owner of the Project Manager on or around May 31, 2018.

17. These Feng Projects used the Investors' funds to repay principal and interest on their outstanding debts.

18. Feng and CIM's conduct as described above constitutes fraud.

CIM and Bayview Creek LP Offset their Indebtedness

19. The Investors are unlikely to be paid their principal and interest owing on their investments as a result of simultaneous borrowing between CIM and Bayview Creek LP and the offsetting of these debts by Feng.

20. CIM began borrowing funds from Bayview Creek LP shortly after the RTO occurred. CIM continued to borrow funds from Bayview Creek LP in 2017 and 2018, even while CIM undertook the Offering and made the Proceeds Loan to Bayview Creek LP.

21. By June 30, 2019, CIM's debt to Bayview Creek LP was nearly as large as Bayview Creek LP's debt to CIM, and Feng caused CIM and Bayview Creek LP to offset their indebtedness to each other.

22. This offset of debts correspondingly reduced Bayview Creek LP's interest obligations to CIM. Without the interest payments from Bayview Creek LP on the Proceeds Loan, CIM was unable to pay interest to the Investors and it has defaulted on interest payments owing to the Investors since December 16, 2019.

23. CIM reported current assets of \$5,184 and revenue of \$115,461 on its audited financial statements for the year ended December 31, 2019, the last period for which audited financial statements were filed.

C. BREACHES OF ONTARIO SECURITIES LAW AND CONDUCT CONTRARY TO THE PUBLIC INTEREST

24. Enforcement Staff allege the following breaches of Ontario securities law and conduct contrary to the public interest:

25. By telling the Investors that their funds would be used to finance the Bayview Creek Project, and then using at least \$3.39 million of the Proceeds to pay CIM's operating expenses or finance other Feng Projects, Feng and CIM exposed the Investors to risks that were not disclosed to them, put the Investors' pecuniary interests at risk and, in most cases, caused actual losses to the Investors.

26. In doing so, Feng and CIM engaged or participated in an act, practice or course of conduct relating to securities that they knew or reasonably ought to have known perpetrated a fraud on any person or company, contrary to subsection 126.1(1)(b) of the *Securities Act*, RSO 1990, c S.5 (the **Act**).

27. Feng authorized, permitted or acquiesced in the contravention of subsection 126.1(1)(b) of the Act by CIM described above and is deemed to have failed to comply with Ontario securities law pursuant to section 129.2 of the Act.

28. In addition to constituting a breach of subsection 126.1(1)(b) of the Act, Feng and CIM's conduct described above violates the fundamental purposes and principles of the Act as set out in sections 1.1 and 2.1 of the Act and is conduct contrary to the public interest. Specifically, it was contrary to the public interest for Feng and CIM to communicate to the Investors that their funds would be used to finance the Bayview Creek Project, and then to divert at least \$3.39 million of their funds to CIM and other Feng Projects as such conduct exposed the Investors to fraudulent practices.

D. ORDER SOUGHT

29. Enforcement Staff request that the Commission make the following orders:

- a) that Feng and CIM cease trading in any securities or derivatives permanently or for such period as is specified by the Commission under paragraph (2) of subsection 127(1) of the Act;
- b) that trading in any securities or derivatives of CIM cease permanently or for such period as specified by the Commission under paragraph (2) of subsection 127(1) of the Act;
- c) that the Respondents be prohibited from acquiring any securities permanently or for the period specified by the Commission under paragraph (2.1) of subsection 127(1) of the Act;
- d) that any exemption contained in Ontario securities law do not apply to the Respondents permanently or for such period as is specified by the Commission under paragraph (3) of subsection 127(1) of the Act;
- e) that the Respondents be reprimanded under paragraph (6) of subsection 127(1) of the Act;
- f) that Feng resign any position he may hold as director or officer of any issuer under paragraph (7) of subsection 127(1) of the Act;
- g) that Feng be prohibited from acting as a director or officer of any issuer permanently, or for such period as is specified by the Commission under paragraph (8) of subsection 127(1) of the Act;
- h) that Feng resign any position he may hold as a director or officer of any registrant under paragraph (8.1) of subsection 127(1) of the Act;
- i) that Feng be prohibited from acting as a director or officer of any registrant permanently or for such period as is specified by the Commission under paragraph (8.2) of subsection 127(1) of the Act;

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

30. Enforcement Staff reserve the right to amend these allegations and to make such further and other allegations as Enforcement Staff may advise and the Commission may permit.

DATED this 19th day of July, 2021

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