

District of: Ontario
Division No. 09 - Mississauga
Court No. 32-3056681
Estate No. 32-3056681

**IN THE MATTER OF THE BANKRUPTCY OF
THE LION'S SHARE GROUP INC.
OF THE COMMUNITY OF FREELTON,
IN THE DISTRICT OF FLAMBOROUGH,
OF THE CITY OF HAMILTON,
IN THE PROVINCE OF ONTARIO**

TRUSTEE'S PRELIMINARY REPORT

Trustee: The Fuller Landau Group Inc.

PURPOSE OF MEETING

Section 102(5) of the *Bankruptcy and Insolvency Act* (“**BIA**”) sets out the purposes of the first meeting of creditors being:

- (a) to consider the affairs of the bankrupt;
- (b) to affirm the appointment of the Trustee or substitute another in place thereof;
- (c) to appoint inspectors; and
- (d) to give such directions to the Trustee as the creditors may see fit with reference to the administration of the estate.

SECTION A – INTRODUCTION AND BACKGROUND

The Lion's Share Group Inc. (“**LS**” or the “**Company**”) is a corporation incorporated pursuant to the *Canada Business Corporations Act*, with its registered office located at 16 Noble Kirk Drive, Freelton, ON L2R 1K0. LS is privately owned real estate investment and consulting company. LS's operations consisted principally of the issuance of unsecured promissory notes to individuals and corporations (the “**LS Lenders**”) to generate funds, which it then used to advance loans by way of, for the most part, unsecured promissory notes to corporate entities and individuals (the “**LS Borrowers**”).

On January 23, 2024, a significant LS Borrower group, Balboa Inc., DSPLN Inc., Happy Gilmore Inc., Interlude Inc., Multiville Inc., The Pink Flamingo Inc., Hometown Housing Inc., The Mulligan Inc., Horses In The Back Inc., Neat Nests Inc. and Joint Captain Real Estate Inc. (collectively, “**Balboa**”) commenced proceedings under the *Companies' Creditors Arrangement Act* (the “**CCAA**” and the “**LS CCAA Borrowers**”)

After the commencement of the CCAA proceedings, many of LS's borrowers who are not LS CCAA Borrowers (the “**Non-CCAA Borrowers**”) nevertheless ceased paying monthly interest to LS. LS attributed this largely to the negative press resulting from the Balboa CCAA proceedings. The result of both events was that LS was unable to make interest payments to the LS Lenders or repay loans that had matured or were the subject of demands for repayment and statements of claim.

As a result, on March 16, 2024 LS filed with the Official Receiver a Notice of Intention to Make a Proposal (“**NOI**”), pursuant to subsection 50.4(1) of the *Bankruptcy and Insolvency Act*, R.S.C. 1985, c. B-3, as amended (the “**BIA**”). On March 18, 2024, Office of the Superintendent of Bankruptcy (Canada) confirmed the filing. The Fuller Landau Group Inc. (“**Fuller**”) was named as proposal trustee (in such capacity the “**Proposal Trustee**”) under the NOI.

Further, with the consent of LS, it was contemplated that an additional proceeding would be brought forward by the Proposal Trustee for possession and control by Fuller of LS’s assets for the benefit of LS’s creditors. LS agreed that this was the best course of action to maximize recoveries from the LS Borrowers as well as provide comfort to the LS Lenders that the Property was being administered by a court appointed officer. Accordingly, pursuant to an Application by the Proposal Trustee an order was sought and issued whereby the NOI proceedings were terminated, LS was deemed to have assigned itself into bankruptcy and Fuller was appointed as receiver of LS.

In early 2024, LS employed approximately 14 full time, part time and independent contract individuals who either resigned or were terminated, except for Ms. Claire Drage and two independent contractors.

SECTION B – THE BANKRUPT ESTATE

The assets described below are being administered by the Receiver in the receivership proceeding.

SECTION C - ASSETS

The Company’s Statement of Affairs (the “**SOA**”) discloses the following assets:

- **Account Receivable – \$153,853.10**
Represents an amount advanced to Windrose Capital Inc, to fund the start-up and some operating costs of Windrose Mortgage Trust.

In addition, the SOA reflects a value of \$1 for the amounts due from LS Borrowers-this is because of the uncertainty surrounding estimated recoveries.

The Company’s records reflect the following principal amounts as due from LS Borrowers:

Due from Balboa: \$43,292,614

Due from non-Balboa LS Borrowers: \$30,722,288

- **Deposits in financial institutions – \$ 63,597.81**

Represents funds in bank accounts.

- **Other property - \$5,000**

Represents an investment of 500 shares in Windrose Mortgage Trust.

SECTION D – SECURED AND PRIORITY CLAIMS.

The Trustee is not aware of any Secured or other claims that would rank in priority to the claims of the Unsecured Promissory Noteholders.

SECTION E – CONSERVATORY AND PROTECTIVE MEASURES

The Receiver has taken possession of the books and records it requires to complete its duties and obligations and will provide access to the Trustee as necessary to complete its statutory obligations.

SECTION F - PROVABLE CLAIMS

The Trustee is aware of the following claims as of 1:00 pm on April 19, 2024:

	<u>Declared Per SOA</u>	<u>Filed to Date</u>
	\$	\$
Secured	-	-
Unsecured	<u>89,417,888.80</u>	<u>16,559,498.83</u>
Total	<u>89,417,888.80</u>	<u>16,559,498.83</u>

SECTION G - LEGAL PROCEEDINGS, PREFERENCES AND TRANSACTIONS AT UNDERVALUE

No legal proceedings have been commenced by the Trustee. As part of its statutory duties, the Trustee will conduct a review for preferences and transfers at undervalue by reviewing the Company’s bank statements and records for the year preceding the Filing Date. Further the receiver may undertake certain additional investigative activities. The Trustee will advise the Inspector(s), once appointed, and/or creditors should it become aware of any transaction(s) which require further investigation.

SECTION H - ANTICIPATED REALIZATION AND PROJECTED DISTRIBUTION

As noted above, the proceeds of realization from the Company’s assets will be distributed in the receivership proceeding. Accordingly, no distributions are expected to be available for unsecured creditors in the bankruptcy proceeding.

SECTION I – OTHER MATTERS

N/A

Dated at Toronto, Ontario, this day of April 2024

The Fuller Landau Group Inc.

Licensed Insolvency Trustee of the Estate of
The Lion’s Share Group Inc.

Per:

Gary Abrahamson

