

ONTARIO SECURITIES COMMISSION

Applicant

– and –

CLAIRE AMANDA DRAGE

Respondent

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 concerns a fraud in the real estate sector involving Claire Amanda Drage (**Drage**) and two companies under her ownership and control: The Lion's Share Group Inc. (**Lion's Share Group**) and The Windrose Group Inc. (**Windrose Group**). Prior to their bankruptcy in 2024, Lion's Share Group and Windrose Group's operations consisted principally of raising funds for Ontario real estate developers through the issuance or brokering of unsecured promissory notes, which are securities. However, in the promotion of these promissory notes, Drage and her two companies made statements to investors which they knew or ought to have known were false and misleading contrary to s. 126(1)(b) of the *Securities Act*, RSO 1990, c S.5 (the **Act**).

2. By no later than 2021, Drage, Lion's Share Group and Windrose Group knew or ought to have known about the borrowers' significant liquidity issues and overleveraging. Despite this, they did not disclose these issues or the corresponding risks to investors. On the contrary, Drage and her companies falsely portrayed the borrowers of the promissory notes as financially successful, not overleveraged and likely to repay their debts.

3. Drage, Lion's Share Group, and Windrose Group continued to issue or broker promissory notes from Ontario investors up to February 2024 when they knew or ought to have known there was no reasonable expectation that the investors would be repaid. This deceitful conduct was repeated and widespread, involving numerous false and misleading statements, as well as misrepresentations by omission. In total, at least an estimated \$285.8 million was raised from investors between 2021 and 2024. By the time Drage, Lion's Share Group and Windrose Group were declared bankrupt in 2024, nearly \$90 million remained owing to nearly 450 investors.

4. Drage, Lion's Share Group, and Windrose Group also sold and facilitated the sale of promissory notes without complying with the prospectus and registration requirements under ss. 25(1), 25(3), and 53(1) of the Act, thus depriving investors of important safeguards to protect them from unscrupulous and fraudulent conduct.

5. Drage owned and controlled Lion's Share Group and Windrose Group, and is therefore also liable under s. 129.2 for their breaches of Ontario securities law.

B. GROUNDS

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

I. The Lion's Share Business

6. Lion's Share Group was incorporated under the Ontario *Business Corporations Act* on October 21, 2014 with its head office in Freelton, Ontario. Drage was the sole director and officer of Lion's Share Group at all material times. Between June 2018 and June 2023, Lion's Share Group also operated under the registered business name "The Windrose Group".

7. Windrose Group was incorporated under the Ontario *Business Corporations Act* on November 1, 2021, with the same head office in Freelton, Ontario as Lion's Share Group. Drage

was the sole director and officer of Windrose Group. Windrose Group carried out no separate operations and had no sources of revenue distinct from Lion's Share Group. At all times after its incorporation, Windrose Group operated together with Lion's Share Group as, effectively, one consolidated business referred to herein as "**Lion's Share**".

8. Lion's Share's operations consisted principally of the issuance of unsecured promissory notes (the **Lion Share Notes**) to individuals and corporations (the **Lion Share Lenders**), including Ontario investors. With the funds raised from issuing the Lion Share Notes, Lion's Share then advanced loans to other corporations and individuals (the **Lion Share Borrowers**), primarily by way of unsecured promissory notes issued by the Lion Share Borrowers.

9. Lion's Share also brokered unsecured promissory notes (the **Brokered Notes**) issued directly by borrowers (the **Brokered Notes Borrowers**) to lenders (the **Brokered Notes Lenders**), for which Lion's Share earned a fee.

10. There was overlap between Lion Share Lenders and Brokered Notes Lenders, as well as between Lion Share Borrowers and Brokered Notes Borrowers. Lion Share Lenders and Brokered Notes Lenders are hereinafter collectively referred to as "**Investors**". Lion Share Borrowers and Brokered Notes Borrowers are hereinafter collectively referred to as "**Borrowers**".

11. The Borrowers had little to no communication with the Investors. Communication between the Borrowers and Investors was made primarily through Drage and Lion's Share.

12. Lion's Share also created and distributed the promotional materials used to solicit Investors. In particular, Lion's Share created and distributed documents called "Promissory Note Loan Opportunity for Review" (the **Loan Opportunity Sheets**). The Loan Opportunity Sheets

were informational documents about the borrower of the funds (whether Lion's Share or another Borrower), the anticipated use of the money raised through the promissory notes, key terms of the loans, and other information conveying likelihood of repayment of the loan. As described in greater detail below, the Loan Opportunity Sheets contained several false and misleading statements.

13. The funds obtained from the Lion Share Notes and the Brokered Notes were to be used to cover the costs of various real estate projects undertaken by the Borrowers across Ontario. The notes were intended to be short term loans, no more than a year, and offered annual interest rates between 15% and 17%, compounding monthly.

14. The majority of Borrowers were pursuing "quick cash" strategies promoted by Drage and Lion's Share for Borrowers to purchase and renovate properties, with an ultimate goal of either "Flipping" (i.e., reselling) the renovated properties or pursuing a "BRRR" strategy (buy, rehabilitate, rent and refinance) to refinance the renovated properties in short order. The proceeds of sale or refinance could then be used to pay back promissory note lenders.

15. Drage owned and controlled Lion's Share. Drage also took an active role in Lion's Share's operations, including in the solicitation and onboarding of Investors as well as the evaluation, approval and ongoing monitoring of the Borrowers.

16. Between 2018 and February 2024, Lion's Share issued or brokered an estimated 8,049 promissory notes with a total estimated value of approximately \$583.5 million. These figures include initial loans and renewals.

II. Events Leading to Bankruptcy

17. Following COVID, Drage and Lion's Share became aware of various challenges the Borrowers were facing. Borrowers were struggling with increased renovation costs and delays, higher tenancy vacancy rates, reduced rental incomes, and difficulties obtaining refinancing on a timely basis (or at all).

18. Despite these challenges, the Borrowers continued to grow their portfolios throughout 2020-2023. In accordance with the financing strategies that Drage and Lion's Share promoted, the majority of Borrowers were making the purchases with little to no capital of their own. Rather, the property acquisitions were financed through private mortgages, often brokered by Drage and Lion's Share.

19. The combination of these factors led to liquidity issues which, to Drage and Lion's Share's knowledge, worsened between 2021 and 2024. Throughout that period, Borrowers were unable to meet their loan obligations and had numerous missed, deferred, late, or not-sufficient funds (NSF) payments. Lion's Share renewed loans to Borrowers notwithstanding their past failures to meet their loan obligations when they became due, and Lion's Share had to create a separate department to track the increasing number of such renewals. Lion's Share also covered certain Borrowers' payments to Investors. As the liquidity issues grew in severity, Borrowers commenced bankruptcy/insolvency proceedings and/or began liquidating portions of their portfolios, with some selling properties for less than the costs to acquire and renovate them.

20. Mirroring the Borrowers' liquidity issues, Lion's Share itself faced growing liquidity issues. Lion's Share had been operating, on a cash basis, at a loss each year beginning 2017. By

March 22, 2024, Lion's Share's negative retained earnings had accumulated to approximately \$8.6 million.

21. In or around 2023, Drage and Lion's Share began to have more frequent calls with Borrowers to discuss the liquidity issues they were facing.

22. In or around December 2023, Drage called an internal Lion's Share meeting to discuss potential ways for Lion's share to regroup and respond to the liquidity issues. Among other things, Drage discussed the acute need for Lion's Share to cut costs and stop onboarding new borrowers.

23. By in or around 2024, many of the top Borrowers had ceased making payments.

24. In or around February 2024, Drage made the decision for Lion's Share to stop borrowing additional funds from Investors. The last Brokered Note was issued on January 24, 2024, and the last Lion Share Note was issued on February 8, 2024.

III. Drage and Lion's Share Bankruptcy

25. By Orders of the Ontario Superior Court of Justice Commercial List on April 3, 2024, Lion's Share Group was deemed bankrupt and The Fuller Landau Group Inc. (**Fuller Landau**) was appointed as Receiver over the property, assets and undertakings of Lion's Share Group. Also on April 3, 2024, Fuller Landau was appointed as trustee in bankruptcy of the estate of Lion's Share Group.

26. On June 12, 2024, the Court issued an order expanding the Fuller Landau's appointment to apply to the property, assets and undertakings of Windrose Group.

27. On April 8, 2024, Drage filed an assignment in bankruptcy and a trustee in bankruptcy was appointed over Drage's estate.

28. On June 13, 2024, Fuller Landau replaced the initial trustee as trustee in bankruptcy of Drage's estate.

29. According to Fuller Landau's Receiver Reports, as at February 29, 2024, Lion's Share owed approximately \$89.5 million to 447 Lion's Share Lenders.

IV. Drage and Lion's Share Group's False and Misleading Statements to Investors

30. By no later than 2021, Drage and Lion's Share knew or ought to have known about the Borrowers' liquidity issues, and the corresponding risk to Lion's Share and the Borrowers' ability to meet their loan obligations to Investors. Despite this, Drage and Lion's Share made no disclosure to Investors or prospective investors of these financial concerns. On the contrary and as described in greater detail below, until February 2024, Drage and Lion's Share continued to solicit new investments and/or renewals by misleading Investors about the financial circumstances, contrary to s 126.1(1)(b) of the Act.

31. Between 2021 and 2024, Lion's Share raised over \$140 million through the issuance of new and renewed Lion Share Notes to Lion Share Lenders, and a further approximately \$125 million through new and renewed Brokered Notes.

i. Misrepresentations Regarding Financial Health

32. Between 2021 and 2024, Drage and Lion's Share solicited new Investors and/or renewals with a number of statements touting Lion's Share's and the Borrowers' financial health and success. Those statements were false and misleading. In particular,

- i. The Loan Opportunity Sheets for Brokered Notes made representations as to the purported successes and portfolio strengths of the Borrowers (e.g., by noting things like the number of properties owned, the purchase price, the

current value and anticipated monthly rental income). They made no disclosure of the significant liabilities of the Borrowers or, as applicable, their past failures to meet their loan obligations.

- ii. The Loan Opportunity Sheets for Lion Share Notes held out Lion's Share and Drage as financial successes and represented that their ability to repay the loans was near guaranteed and "extremely likely". They made no disclosure of Lion's Share's years of operating consistently at a loss or its millions in negative retained earnings, as described above.
- iii. Further to item (ii) above, Lion's Share represented that it made most of its money through its mortgage brokering business. Contrary to these representations, beginning fiscal 2020, most of Drage and Lion's Share's cash was earned from the promissory notes.
- iv. In soliciting renewals of Lion Share Notes, Lion's Share told Investors it was able to offer the loan renewal or extension "as a result of the continued success of our borrowers". Lion's Share did not disclose the liquidity issues Lion's Share and its Borrowers were facing.

ii. False and Misleading Assurances Against Overleveraging

33. Between 2021 and 2024, Drage and Lion's Share also solicited investments with representations and assurances to the effect that it and the Borrowers were not and would not become overleveraged. Those statements and assurances were false and misleading. In particular,

- i. Lion's Share represented in the Loan Opportunity Sheets that it had more assets than liabilities, which it stated was "key information" because

“[e]nsuring that you are borrowing less than you are loaning out ensure [sic] that the business is not over leveraged and that there are always financial resources to ensure repayment can occur.” Contrary to these representations, since fiscal 2020, Lion’s Share had significantly more liabilities than assets.

- ii. The Loan Opportunity Sheets further represented that Drage and Lion’s Share would “ensure” that the Borrowers were controlling their borrowing and not overleveraging on any properties. Contrary to these representations, Drage and Lion’s Share knew of numerous properties being developed by each of the top Borrowers with undisclosed debt levels that far exceeded the properties’ estimated values.
- iii. The Loan Opportunity Sheets for the Brokered Notes included representations of the “Loan to Value” ratio for the underlying property (i.e., the percentage of the property value that would be funded by debt, including any mortgages on the property, should the solicited loans be provided). Numerous of the represented “Loan to Value” ratios were false and failed to disclose the significantly overleveraged properties described in item (ii) above.

V. Unregistered Dealing and Advising

34. None of Drage, Lion’s Share Group or Windrose Group was registered with the Commission in any capacity under the Act with respect to the above-described conduct. No exemptions from the registration requirements were sought or granted to any of Drage, Lion’s Share Group or Windrose Group, and none were available under Ontario securities law.

35. Through their conduct described above, Drage, Lion's Share Group and Windrose Group have engaged in, or held themselves out as engaging in, the business of trading in securities and advising with respect to investing in securities without the necessary registration or an applicable exemption from the registration requirements, contrary to ss. 25(1) and (3) of the Act.

VI. Illegal Distribution

36. The sale of Lion Share Notes are trades in securities not previously issued and are, therefore, distributions.

37. No preliminary prospectus or prospectus was filed for the distribution of the promissory notes. The investments did not qualify for any exemption from the prospectus requirements, and no reports of exempt distribution were filed with the Commission.

38. By engaging in the conduct described above, Drage, Lion's Share Group and Windrose Group have engaged in distributions of securities without filing a preliminary prospectus or a prospectus and without an applicable exemption to the prospectus requirement, contrary to s. 53(1) of the Act.

VII. Authorizing, Permitting, or Acquiescing in Breaches of Ontario Securities Law

39. Drage, as director and officer of Lion's Share Group and Windrose Group, authorized, permitted or acquiesced in the conduct described above. As a result, Drage is deemed not to have complied with Ontario securities law pursuant to s. 129.2 of the Act.

C. BREACHES OF ONTARIO SECURITIES LAW

40. The Commission alleges the following breaches of Ontario securities law:

- i. Drage, Lion's Share Group, and Windrose Group directly or indirectly engaged or participated in an act, practice or course of conduct relating to securities, derivatives or the underlying interest of a derivative that they knew or reasonably ought to have known perpetrated a fraud on a person or company, contrary to s. 126.1(1)(b) of the Act;
- ii. Drage, Lion's Share Group, and Windrose Group engaged in, and held themselves out as engaging in, the business of trading and advising in securities without being registered to do so and without an applicable exemption from the registration requirements, contrary to ss. 25(1) and (3) of the Act;
- iii. Drage, Lion's Share Group, and Windrose Group engaged in distributions of securities without filing a preliminary prospectus or prospectus and without an applicable exemption from the prospectus requirement, contrary to s. 53(1) of the Act; and
- iv. Drage, as a director and officer of Lion's Share Group and Windrose Group, authorized, permitted or acquiesced in Lion's Share Group and Windrose Group's breaches of the obligations and duties described above and is therefore liable for these breaches pursuant to s. 129.2 of the Act

41. These allegations may be amended, and further and other allegations may be added as counsel may advise, and the Capital Markets Tribunal (the **Tribunal**) may permit.

D. ORDERS SOUGHT

42. The Commission requests that the Tribunal make an order pursuant to subsection 127(1) and 127.1 of the Act to approve the settlement agreement entered by Drage with respect to the matters set out herein.

DATED this 15 day of December, 2025

ONTARIO SECURITIES COMMISSION
20 Queen Street West, 22nd Floor
Toronto, ON M5H 3S8

Khrystina McMillan
Senior Litigation Counsel
kmcmillan@osc.gov.on.ca
Tel: 416-543-4271

Christine Gorgi
Litigation Counsel
cgorgi@osc.gov.on.ca
Tel: 416-263-7717