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January 27, 2010

for, B. Soc. Sc., LL.B.

70 Gloucester Street  
Ottawa, Ontario  
K2P 0A2

Dear Madam:

Re: **ONTARIO - Residential Lease-to-Own Program**

You have requested us to opine on any potential securities law implications in respect of lease-to-own programs the objective of which is to permit credit-challenged individuals to lease a home, which home in certain cases is selected by them, with a view to acquiring the home within a one or two-year time frame. These programs will be offered through the personal corporation ("Y Co") of your client, MR. X, the shares of which will be owned by a COMPANY, of which Mr. X his CAT & DOG, will be the principal beneficiaries. Essentially, Y Co would act as an intermediary between prospective home owners and providers of capital. Title to the home would be taken by the latter. During the occupancy of the leased home, the prospective homebuyer would make monthly payments to the owner of the home consisting of rent and "option credits" on the understanding that the latter, subject to certain conditions, will be applied towards the purchase of the home but are forfeit if the purchase and sale of the home is not consummated.

In rendering our opinion, we have reviewed the following materials provided to us by Mr. X, namely, a document entitled Lease to Own Programs, a Residential Lease with Option to Purchase Contract, an Occupancy Agreement and a Trust Agreement.

Based on our understanding of the proposed business, as described above, and our review of the aforesaid documents, we have concluded that the proposed venture does not raise any securities law concerns. We have reached this conclusion based on our view that the venture involves the creation of contractual obligations and the conveyance of interests in real property only. Therefore, the threshold question of determining the existence of an intangible interest qualifying as a "security" under the *Securities Act* (Ontario) is to be answered in the negative.

The proposed business does however raise other potential concerns, namely whether Mr. X and/or Y Co require to be licensed under the *Mortgage Brokerages, Lenders and Administrators Act* (Ontario) (the "MBLAA") or the *Real Estate and Business Brokers Act, 2002* (Ontario) (the "REBBA").

Section 2(2) of the MBLAA prohibits any entity or individual from carrying on the business of dealing in mortgages in Ontario unless he, she or it is duly licensed or exempted from being licensed. The phrase “dealing in mortgages” is defined in section 2(1) of the MBLAA as follows:

2. (1) For the purposes of this Act, a person or entity is dealing in mortgages in Ontario when he, she or it engages in any of the following activities in Ontario, or holds themselves out as doing so:

1. Soliciting another person or entity to borrow or lend money on the security of real property.
2. Providing information about a prospective borrower to a prospective mortgage lender, whether or not this Act governs the lender.
3. Assessing a prospective borrower on behalf of a prospective mortgage lender, whether or not this Act governs the lender.
4. Negotiating or arranging a mortgage on behalf of another person or entity, or attempting to do so.
5. Engaging in such other activities as may be prescribed.

Mr. X and Y Co. may be considered to be engaged in some of the enumerated activities, for example those described in sections 2. and 3. If so, they must either obtain a mortgage broker and mortgage brokerage license, respectively, or determine that a licensing exemption is available to each of them. In this latter respect, we believe that two exemptions could be available. Firstly, licensing is not required where no fee or other remuneration of any kind is earned in relation to the mortgage loan. While we do not have enough information to provide definitive advice in this respect, we surmise that contractual engagements between Y Co and the other parties to a transaction could be structured so as to avoid linking Y Co's compensation to vendor take-back or other mortgages. Alternatively, there exists a so-called “simple referral” exemption where a person or entity refers a prospective borrower to a prospective mortgage lender or *vice versa* and in so doing makes the required disclosures. We refer you in this respect to the applicable regulations which are reproduced in Schedule “A” to this letter for your convenience.

Section 4 of the REBBA prohibits anyone from trading in real estate unless registered under the Act. The definition of “trading” is broad and includes “*a disposition or acquisition of or transaction in real estate by sale, purchase, agreement for purchase and sale, exchange, option, lease, rental or otherwise and any offer or attempt to list real estate for the purpose of such a disposition, acquisition or transaction, and any act, advertisement, conduct or negotiation, directly or indirectly, in furtherance of any disposition, acquisition, transaction, offer or attempt*”. “Real estate” is defined so as to include leasehold interests.

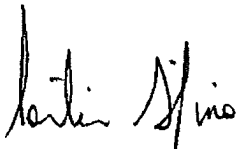
We have reviewed the various exemptions found in REBBA and its Regulations and have determined that none of them are likely to apply to Mr. X or Y Co. While this strongly suggests to us that they would both need to be licensed under REBBA to engage in the proposed

business, we have not reviewed the case law or spoken to anyone at the Financial Services Commission of Ontario, the governmental authority who is mandated with the administration of REBBA, in order to confirm our preliminary view. We would be happy to make such further enquiries if so directed.

The opinions expressed in this letter are limited to the laws of the province of Ontario and the laws of Canada applicable therein.

Sincerely,

**GOWLING LAFLEUR HENDERSON LLP**

A handwritten signature in black ink, appearing to read "Martin E. Aquilina". The signature is fluid and cursive, with the first name "Martin" and last name "Aquilina" clearly distinguishable.

Martin E. Aquilina  
MEA/ca

Encl.

## **SCHEDULE “A”**

### **EXEMPTIONS FOR SIMPLE REFERRALS**

#### **Excerpt from Ontario Regulation 407/07**

##### **When providing information to a prospective borrower**

1. (1) A person or entity who refers a prospective borrower to a prospective mortgage lender is exempted under subsection 6 (4) of the Act from the requirement in section 2 of the Act to have a brokerage licence or a mortgage broker’s or agent’s licence if the person or entity complies with both of the following requirements and criteria:

1. Before or at the time of making the referral, the person or entity informs the prospective borrower in writing,

i. that the person or entity has received or will or may receive a fee or other remuneration, whether directly or indirectly, for making the referral, and

ii. of the nature of the relationship between the person or entity and the prospective lender.

2. The only other information that the person or entity is permitted to give to the prospective borrower is the name, address, telephone number, fax number, email address or website address of the prospective lender or of an individual who acts on behalf of the prospective lender.

##### **When providing information to a prospective lender**

2. (1) A person or entity who refers a prospective mortgage lender to a prospective borrower is exempted under subsection 6 (5) of the Act from the requirement in section 2 of the Act to have a brokerage licence or a mortgage broker’s or agent’s licence if the person or entity complies with all of the following requirements and criteria:

1. Before making the referral, the person or entity informs the prospective borrower in writing,

i. that the person or entity has received or will or may receive a fee or other remuneration, whether directly or indirectly, for making the referral, and

ii. of the nature of the relationship between the person or entity and the prospective lender.

2. The person or entity then obtains the prospective borrower’s written consent to give specified information to the prospective lender.

3. The only information that the person or entity is permitted to give to the prospective lender is the name, address, telephone number, fax number, email address or website address of the prospective borrower or of an individual who acts on behalf of the prospective borrower.

4. The person or entity does not give the prospective lender any information about the prospective borrower other than the information that is authorized by both paragraph 3 and the written consent of the prospective borrower.

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