

**ONTARIO
SUPERIOR COURT OF JUSTICE
COMMERCIAL LIST**

**IN THE MATTER OF THE *COMPANIES' CREDITORS ARRANGEMENT ACT*,
R.S.C. 1985, c. C-36, AS AMENDED**

**AND IN THE MATTER OF A PLAN OF COMPROMISE OR ARRANGEMENT
OF SAPPHIRE TOWER DEVELOPMENT CORP.**

**APPLICATION UNDER THE *COMPANIES' CREDITORS ARRANGEMENT ACT*,
R.S.C. 1985, c. C-36, AS AMENDED**

**AFFIDAVIT OF HARRY STINSON
(Sworn August 15, 2007)**

I, **HARRY STINSON**, of the City of Toronto, Province of Ontario, MAKE
OATH AND SAY AS FOLLOWS:

INTRODUCTION

1. I refer to my Affidavit sworn July 19th, 2007 (my "First Affidavit") last in connection with an Application on behalf of Sapphire Tower Development Corp. ("Sapphire") pursuant to the provisions of the *Companies' Creditors Arrangement Act*. I continue to be the sole officer and director of Sapphire.
2. In paragraph 18 of my First Affidavit I referred to an earlier Accepted Offer from Tulip Business Developers ("TBD") relating to the purchase and sale of the lands and premises municipally known as 66 Temperance Street, Toronto, Ontario (the "Property"). Subsequent to the acceptance of the Offer, TBD retained local sophisticated Toronto counsel and architects who commenced comprehensive due diligence investigations on the Property. A senior partner of Shibley Righton LLP who specializes in commercial real estate matters diligently acted on behalf of Sapphire's best commercial interests. To

the best of our collective knowledge and understanding, all due diligence enquiries to my counsel or me and to me were adequately responded to. No enquiries or other issues were put into issue with my counsel that were not answered in all affirmative respects. For business reasons (and not issues relating to any of: (i) environmental, (ii) soil, (iii) planning, or (iv) zoning or other material issues impacting on a major development), TBD simply chose to withdraw from the ongoing due diligence for the Property and did not waive the Condition Date. Its counsel notified my counsel and we subsequently notified the Monitor. The \$500,000 initial deposit under the TBD Accepted Offer which was held in my solicitor's segregated trust account was thereupon returned to the lawyers acting for TBD. I believe that at all times TBD and its counsel were acting *bona fides*.

3. On July 20th, 2007, Mr. Justice Cumming granted an Initial Order (the "Initial Order") under the *Companies' Creditors Arrangement Act*, R.S.C. 1985, c. C-36, as amended (the "CCAA"), which Initial Order, *inter alia*, granted a stay of any and all proceedings against Sapphire for thirty (30) days from the date of the Initial Order (the "Stay Period").
4. The Stay Period as previously provided will expire on Sunday, August 19th, 2007.
5. BDO Dunwoody Limited, the Monitor appointed pursuant to the Initial Order, has prepared its First Report to the Court in its capacity as Monitor dated August 14, 2007, which has been filed in these proceedings which provides, *inter alia*, (i) an update on the Monitor's activities since its appointment on July 20th, 2007 and (ii) a report on the progress made with respect to the sale of the Property.
6. The Monitor and Sapphire are now of the opinion that a further period of ninety (90) days is required to effect an observable and effectively monitored sales process providing a level playing field in order to effectively maximize the sale price of the Property for the benefit of all creditors of Sapphire.
7. The Monitor and Sapphire are of the opinion that there are compelling reasons that exist that make such a request appropriate in all of the outstanding circumstances. In

addition, Sapphire has acted and is acting in good faith and with due diligence recognizing that time is of the essence in all respects.

8. From the date of the Initial Order, Sapphire has continued to work diligently and in good faith in order to maximize and to obtain the best commercial return for the sale of the Property.

9. The Property is stable and not deteriorating. At present, it is simply a paved parking lot in a downtown core location in Toronto, at Temperance and Sheppard Streets. Canada Auto Parks pays a licence fee pursuant to a licence agreement of \$20,000 per month, plus GST. The licence agreement for the Property can be terminated 30 days after written notice of commencement date of any proposed construction on the site.

10. The outcome of ongoing negotiations with prospective purchasers of the Property will obviously impact upon the ultimate distribution that will be effected to the creditors. As of the date hereof, in my professional judgment and experience, there is more than sufficient equity to satisfy the interests of all secured creditors. It is Sapphire's intention to maximize the overall consideration ultimately obtained on a net basis for ultimate distributions to its unsecured creditors.

11. A comprehensive letter of intent (LOI) for an adequate and appropriate purchase price was received for the Property on August 13th, 2007 from an international real estate developer that has full-time representatives in the City of Toronto. They are now engaging local experienced real estate and development counsel. It is my sincere desire not to place these negotiations in jeopardy in terms of parties that are not in my control and do not have Sapphire's best legal and financial interests at heart. Accordingly, I have instructed my counsel to submit the letter of intent (which is under current active negotiation) together with background material on the prospective purchaser in order to assist this Honourable Court and to request that the documents and information materials be subject to confidentiality and a sealing order of this Honourable Court. (The Monitor is in possession of the LOI). The overall intent of confidentiality and restricted access of the outstanding letter of intent is not to place Sapphire and the sale process in a

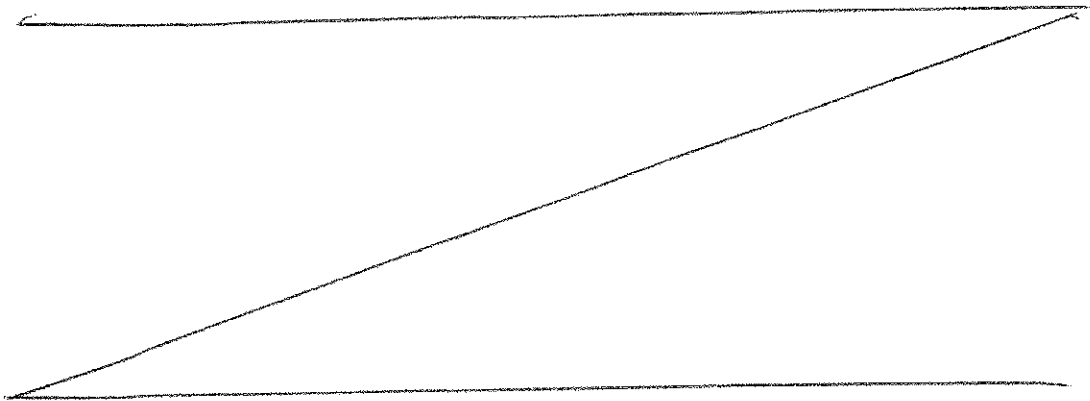
competitive disadvantage to the detriment financially of all creditors. It is to safeguard and to assist in protecting the process.

12. Sapphire continues to require the Court's appropriate protection until it can appropriately and timely conclude an effective agreement of purchase and sale together with the supervision of the Monitor and this Honourable Court. In the absence of a further extension of time in order to attract and conclude successfully an executed agreement of purchase and sale together with a successful closing in accordance with conventional real estate practice for a property of such characteristics, the resulting prejudice (if no extension) to the creditors of Sapphire will substantially outweigh the prejudice to them if such an order is granted.

13. I am advised by the Monitor and do verily believe that the Monitor is of the opinion that a further period of not more than ninety (90) days is required to effect the appropriate disposition and closing of the Property in accordance with current conventional real estate practices.

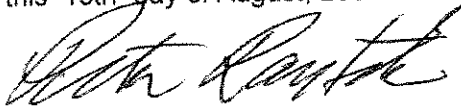
14. Sapphire is of the view that with the continued protection afforded by the regime under the CCAA, it is in the best interests of its stakeholders to effect the proposed extension.

15. Sapphire is in concurrence that the duties of the Monitor be extended with respect to the ongoing sale process and has reviewed the draft Order supplementing and amending its earlier duties for the benefit of all creditors.



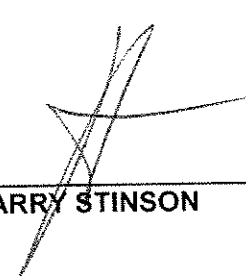
16. I swear this Affidavit in support of a further extension of the Stay Period under the Initial Order and for no other or improper purpose.

SWORN BEFORE ME at the
City of Toronto, Province of Ontario
this 15th day of August, 2007



A Commissioner, etc.

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Proceeding Commenced at Toronto

AFFIDAVIT OF HARRY STINSON
(Sworn August 15, 2007)

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