

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

NINTH REPORT OF THE MONITOR AND INTERIM RECEIVER
BDO DUNWOODY LIMITED
June 26, 2008

A. INTRODUCTION

1. On July 20, 2007, Sapphire Tower Development Corp. (the "Applicant") filed for and obtained protection from its creditors under the Companies' Creditors Arrangement Act, R.S.C. 1985, c.C-36, as amended ("CCAA") pursuant to an order of this Honourable Court dated July 20, 2005 (the "Initial Order").
2. Pursuant to the Initial Order, BDO Dunwoody Limited ("BDO") was appointed Monitor of the Applicant (the "Monitor").
3. By order dated August 16, 2007 an extension of the CCAA proceedings was granted to September 4, 2007. At the same time BDO was appointed as Interim Receiver (the "Interim Receiver") with a mandate to prepare a marketing and sale process, to disseminate it to stakeholders and to bring the same before the Court for approval on September 4, 2007. As part of the extension motion BDO filed its First Report dated August 14, 2007 ("First Report").
4. By Order dated September 4, 2007 an extension of the CCAA proceedings was granted to November 9, 2007. As part of the extension motion BDO filed its Second Report, dated

August 30, 2007 (“**Second Report**”). As part of the Order, the Court approved a marketing and sale process as set out in Schedule “A” to the **Second Report**, and instructed the Monitor and Interim Receiver to direct all known creditors, in writing, to review the materials regarding the marketing and sale process on the Sapphire Website, and to invite interested parties to apply to the Court by September 11, 2007 to vary or amend the sale process, such Motion to be returnable on September 24, 2007. No party brought such a motion. On November 7, 2007, the Court granted an extension of the Stay Period as defined in the Initial Order (the “**Stay Period**”) to December 14, 2007, to allow for the completion of the Sale Process. On December 14, 2007 the Court granted a further extension of the Stay Period to January 31, 2008. On January 30, 2008 the Court granted a further extension of the Stay Period to March 28, 2008 (the “**January 30 Order**”). On March 26, 2008 the Court extended the Stay Period to June 30, 2008 as part of the Claims Order (the “**Claims Order**”). Attached as Appendix “A” to this Ninth Report is a copy of the Claims Order.

5. The purpose of this, the Ninth Report of the Interim Receiver (“**Ninth Report**”) is to:
 - (a) Summarize the status of the Interim Receiver’s review of the creditor claims submitted in connection with the claims process established by the Claims Order for determining amounts owing to the creditors of the Applicant;
 - (b) Support the Applicant’s request for an Order extending the Stay of Proceedings to August 31, 2008.
6. Capitalized terms not defined in this Ninth Report are as defined in the Initial Order.

B. TERMS OF REFERENCE

7. In preparing this Ninth Report, the Interim Receiver has relied upon unaudited financial information, company records, claims submitted by creditors, and discussions with management of the Applicants, various stakeholders and consultants and advisors. The Monitor and Interim Receiver has not performed an audit, review or other verification of such information.
8. The Monitor and Interim Receiver assumes no responsibility or liability for any loss or damage occasioned by any party as a result of the circulation, publication, re-production

or use of this report. Any use which any party, other than the Court, makes of this report, or any reliance on or decision based on it, is the responsibility of such party.

C. BACKGROUND

9. The Applicant is a single purpose entity incorporated and resident in the Province of Ontario, that owned the Property, which was a single parcel of undeveloped real estate located at 66 Temperance Street, Toronto in the core downtown area of Toronto. This Property was sold by the Interim Receiver with the transaction closing on January 14, 2008. The site had been leased out as a parking lot. The Applicant had no active employees other than Harry Stinson ("Stinson"), the sole officer, shareholder and director of the Applicant, and at the time of filing was resident in Toronto. The Applicant had been pursuing the development of this site as a high rise condominium project of 50 or more stories in height.
10. The stakeholders in this matter are various parties holding mortgages or liens on the property, trade creditors, and various individuals who appear to be unsecured creditors who had advanced money in arrangements which included alleged purchases of interests in the prospective development.

D. POSTING OF ORDERS AND REPORTS OF THE MONITOR AND INTERIM RECEIVER

11. The Monitor and Interim Receiver has posted all court material on its website at <http://www.bdo.ca/Sapphire>, as required by the Order of the Honourable Mr. Justice Cumming, dated September 4, 2007.

E. POSSESSION OF ASSETS

12. Immediately following its appointment as Interim Receiver, the Monitor and Interim Receiver took possession of all of the personal property and books and records of the Applicant. The Monitor and Interim Receiver took steps to ensure that the rental payments by the tenant of the company's real property were made to the Monitor and Interim Receiver. The Monitor and Interim Receiver did not go into possession of the real property owned by the Applicant as it did not believe that there was any necessity to do so.

F. CONSULTATION WITH INVESTORS/UNSECURED CREDITORS

13. Following its appointment, the Monitor and Interim Receiver had various discussions and meetings with stakeholders with a view to soliciting their input and views. In particular, the Monitor and Interim Receiver met with certain creditors whose advances included a contracted interest in units which were to be built in the contemplated condominium project.
14. In addition, persons in this group raised the issue of wishing to have legal representation for this group, to be funded out of the proceeds of the sale of the Property. The Monitor/ Interim Receiver was supportive of this group obtaining representation, and supported the concept of a charge in favour of counsel for this group, so long as such a charge ranked immediately behind the interests of the secured creditors.
15. Accordingly, by the endorsement of the Honourable Mr. Justice Cumming dated October 19, 2007, the Court appointed Page, Martin LLP as representative counsel (the “**Representative Counsel**“) for all unsecured creditors, and Page, Martin LLP was granted a charge on the assets ranking immediately behind the administrative charges and the interest of the valid secured creditors, in accordance with paragraph 12 of the Monitor’s Second Report.

G. STATUS OF SALE OF PROPERTY TO SKYLINE

16. On December 14, 2007 Justice Cumming granted a Sale Approval and Vesting Order approving the sale of the Property to Skyline–66 Temperance Inc. (“**Skyline**”). The Interim Receiver and its counsel completed the transaction with Skyline and fulfilled all conditions to completing the APS. The transaction closed on January 14, 2008 as anticipated, and the Interim Receiver received sale proceeds of approximately \$24,000,000, net of closing adjustments (the “**Sale Proceeds**”). The only distributable assets of the Applicant are these Sale Proceeds.

H. CLAIMS PROCEDURE FOR SECURED CREDITORS

17. As noted in the Fifth Report of the Interim Receiver dated January 10, 2008 (the “**Fifth Report**”) and the Supplement to the Fifth Report dated January 11, 2008 (the “**Supplement**”), in order to implement a distribution to the secured creditors of the Applicant, on December 21, 2007 the Interim Receiver sent a form of proof of claim by

mail to all creditors of the Applicant known to the Interim Receiver, including those who had registered claims against the Property. The instruction sheet sent along with the proof of claim form requested that all proofs of claim be submitted to the Interim Receiver by January 4, 2008 to enable the Interim Receiver to report to the Court by January 8, 2008, and to enable a distribution on or about the closing date for the transaction with Skyline of January 14, 2008.

- 18. As a result of the request for claims, 45 secured creditors submitted claims. As noted in the Fifth Report and the Supplement, the Trustee requested that distributions be made to certain secured creditors in order to maximize realization to unsecured creditors. These distributions were approved by the Order of Justice Spence dated January 14, 2008 (the "Interim Distribution Order").

I. SUMMARY OF DISTRIBUTION TO SECURED CREDITORS

- 19. In accordance with the Interim Distribution Order, the Interim Receiver distributed \$18,952,852.97 to various secured creditors of the Applicant out of the Sale Proceeds.

J. SUMMARY OF RESERVES MAINTAINED

- 20. In accordance with the Interim Distribution Order, the Interim Receiver reserved \$3,401,728.73 out of the Sale Proceeds, for additional claims asserted by various creditors as secured claims.
- 21. By further Order of Justice Spence dated January 30, 2008 these reserved amounts were reduced to \$2,510,868.46. Subsequently, pursuant to the Order of Justice Morawetz dated May 14, 2008, attached as Appendix "B" to this Ninth Report, a number of reserved amounts were paid, and the claim of Graphic Arts of \$236,250.00 had been withdrawn leaving the following amounts reserved at this time:

Reserves

Syndicated Mortgage – 1%	
Admin Fee (see para. 27)	\$ 1,123,500.00
Rayan	\$ 630,000.00
	<hr/>
	\$1,753,500.00
	<hr/>

K. CLAIMS PROCEDURE

22. As it appears that sufficient sale proceeds remain to provide a significant distribution to the unsecured creditors of Sapphire, the Interim Receiver obtained the Claims Order to conduct a claims procedure to determine the claims of the unsecured creditors of Sapphire.
23. The unsecured creditors are divisible into two groups: the trade creditors; and those persons that claim that Sapphire purportedly sold them one or more “units” in the Sapphire Tower, and signed promissory notes as evidence of this indebtedness for the purchase of the “units”.
24. Pursuant to the Claims Order the Interim Receiver:
 - a. mailed a notice of the Claims Order to all known creditors by the Interim Receiver;
 - b. published a notice of the claims procedure in the *Globe and Mail* on April 4, 2008;
 - c. reviewed prior proofs of claim filed by the secured creditors and contacted known creditors to remind them to file proofs of claim by April 30, 2008 (the “**Claims Bar Date**”).
25. Attached as Appendix “C” to this Report is an updated listing of each of the claims filed and the amounts of the claims, as well as a division of the claims into the categories of claims by secured creditors, “Special Investor” claims and the claims of ordinary trade creditors. Twenty-one Special Investors filed claims totalling \$8,216,762.94. In addition, Twenty-three trade creditors and/or unsecured note holders filed claims totalling \$1,098,438.27.
26. In addition, Canada Revenue Agency has also filed a deemed trust claim for unremitted GST in the amount of \$1.00, and the Ontario Ministry of Finance has filed a claim for corporate tax in the amount of \$1.00. After the CRA and Ontario Ministry of Finance have completed their audits of the records of the Applicant, the Interim Receiver will advise the Court of the specifics of the claims of CRA and Ministry of Finance.

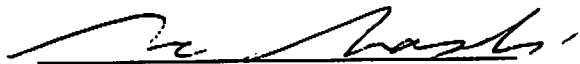
27. As a result of the Claims Procedure, the Interim Receiver has received further secured claims filed by some of the individual mortgagees under the Syndicated Mortgage claiming the 1% administration fee described in the Seventh Report. The Interim Receiver is currently reviewing these claims with a view to determining whether they should be disallowed as violating the provisions of s.8 of the *Interest Act*. Pending the determination of these claims, the Interim Receiver recommends that the reserve established with respect to the 1% administration fee be maintained.

L. EXTENSION OF STAY OF PROCEEDINGS

28. The Claims Order extended the Stay of Proceedings previously granted and extended to June 30, 2008. The Monitor / Interim Receiver was advised by counsel for the Applicant on June 25, 2008, that the Applicant intends to request this Honourable Court to grant a further extension of the Stay of Proceedings to August 31, 2008, or such other period as this Court deems just.
29. Further, the Monitor / Interim Receiver has been advised by counsel for the Applicant that the Applicant intends to prepare a Plan of Compromise and Arrangement for its creditors, to deal with the shortfall expected to be incurred by unsecured creditors once a final distribution has been determined, approved by this Honourable Court, and paid by the Interim Receiver.
30. The Monitor / Interim Receiver is of the view that the final determination of claims is likely to require at least until August 31, 2008, since a number of claims appear excessive and not supportable by the documentation provided by claimants. Further, counsel for the Rayans (\$630,000.00 reserved claim as noted in paragraph 21), has very recently provided information to support his clients' contention that they should enjoy a priority over the claims of other Special Investors and unsecured creditors.
31. Accordingly, the Monitor / Interim Receiver does not object to the Applicant's request to extend the Stay of Proceedings to August 31, 2008.

All of which is respectfully submitted this 26th day of June, 2008.

BDO DUNWOODY LIMITED
In its capacity as Court Appointed
Monitor and Interim Receiver of the Applicant

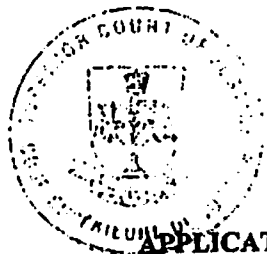


APPENDIX A

ONTARIO

SUPERIOR COURT OF JUSTICE
COMMERCIAL LIST

THE HONOURABLE MR.) WEDNESDAY, THE 26TH, DAY
JUSTICE MORAWETZ) OF MARCH, 2008



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

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CLAIMS ORDER

THIS MOTION, made by BDO Dunwoody Limited, the Court Appointed Interim Receiver (the "Interim Receiver") of Sapphire Tower Development Corporation (the "Applicant") appointed by the Order of Justice Cumming dated August 16, 2007 (the "Appointment Order"), for an order establishing a procedure for proving claims against the Applicant, which commenced proceedings under the Companies' Creditors Arrangement Act ("CCAA") pursuant to the Initial Order of Justice Cumming dated July 20, 2007 (the "Initial Order"), was heard this day at 330 University Avenue, Toronto, Ontario.

ON READING the Notice of Motion of the Interim Receiver dated March 20, 2008, the Seventh Report of the Interim Receiver, filed, and the Affidavit of Service reflecting service of the Motion Record of the Interim Receiver on the parties on the service list, and on hearing the submissions of counsel for the Applicant and the Interim Receiver, and upon being advised that no other person who might be interested in this proceeding was served with the Notice of Motion,

Service and Filing

1. **THIS COURT ORDERS** that the time for service and filing of the Notice of Motion and Motion Record is abridged so that this motion is properly returnable on this day, and that any further requirement for service of the Notice of Motion and the Motion Record is dispensed with.

Approval of Claims Procedure

2. **THIS COURT ORDERS** that the claims procedure attached as Schedule "A" (the "Claims Procedure") is approved and forms part of this Order.
3. **THIS COURT ORDERS** that the Interim Receiver may, if necessary, apply to this Court for directions regarding the Claims Procedure and the Interim Receiver's duties in connection with the Claims Procedure.
4. **THIS COURT ORDERS** that any capitalized term not otherwise defined in this Order shall have the meaning ascribed to it in the Claims Procedure.

Publication of Notice to Creditors

5. **THIS COURT ORDERS** that on or before April 4, 2008, the Interim Receiver shall cause the Notice to Creditors, substantially in the form attached as Schedule "1" to the Claims Procedure, to be published once in the Globe and Mail (National Edition) and shall post the Notice to Creditors at <http://www.bdo.ca/sapphire>.

Mailings of Claims Materials to Creditors and Special Investors

6. **THIS COURT ORDERS** that the Applicant shall provide to the Interim Receiver a list (the "Special Investor List") of all Persons who are shown on the books and records of the Applicant as having allegedly made investments with the Applicant or allegedly purchased an interest in real property from the Applicant and their respective addresses (a "Special Investor"), and that the Interim Receiver shall add each Special Investor on the Special Investor List to the list of Known Creditors.

7. **THIS COURT ORDERS** that the Interim Receiver shall mail the Claims Materials:
- (a) on or before April 1, 2008 to each Known Creditor shown on the books and records of the Applicant at such Known Creditor's address shown on the Applicant's books and records; and
 - (b) to each Unknown Creditor promptly after such Unknown Creditor provides to the Interim Receiver a request for any such materials.
8. **THIS COURT ORDERS** that any Person which acts directly or indirectly as agent for a Special Investor and which receives Claims Materials from the Interim Receiver or otherwise shall promptly deliver such Claims Materials to such Special Investor (if known).

Notice Sufficient

9. **THIS COURT ORDERS** that the publication of the Notice to Creditors, the mailing to Creditors and Special Investors referred to in paragraphs 6-9 of this Order of the Claims Materials, in accordance with the requirements of this Order, shall constitute good and sufficient service and delivery of this Order and the other documents referred to in this Order on all persons who may be entitled to receive notice and such other documents and who may wish to file a Proof of Claim and that no other notice or service need be given or made and no other document or material need be served.

Forms of Documents

10. **THIS COURT ORDERS** that the forms of Notice to Creditors, Proof of Claim, Instructions to Creditors, Notice of Revision or Disallowance, substantially in the forms respectively attached as Schedules "1", "2", "3", "4" and "5" to the Claims Procedure, are hereby approved. Despite the foregoing, the Interim Receiver may, from time to time, make minor changes to such forms.

Repudiation of Certain Obligations of the Applicant

11. **THIS COURT ORDERS** that all rights, leases, contracts, executory contracts or agreements of any kind, between the Applicant and any Person or Persons, including any

agreement with any of the Special Investors to purchase any interest in real property from the Applicant, (the "Repudiated Agreements"), are repudiated and terminated as at the Repudiation Date, other than the following:

- (a) the Sale Agreement with Skyline International Development Corporation;
- (b) all agreements, contracts or policies of insurance executed by the Applicant, including any directors and officers liability insurance policies obtained by the Applicant; and
- (c) all agreements with counsel for the Applicants;

unless, prior to the Repudiation Date, the Applicant provides a Confirmation Notice, in the form attached at Schedule "6" to the Claims Procedure, to a Person who is a party to any of the Repudiated Agreements with the Applicant, that the agreement between that Person and the Applicant is not being repudiated and terminated.

12. **THIS COURT ORDERS** that the Claims, if any, arising from the repudiation and termination by the Applicant, on or before the Repudiation Date of any of the Repudiated Agreements in existence on the Filing Date, either by the operation of this Order, or by written notice by the Applicant, to the applicable Person or Persons, of such repudiation or termination mailed on or before the Repudiation Date shall be determined in accordance with the Claims Procedure, unless a Confirmation Notice is provided by the Interim Receiver in Form "6", that such Repudiated Agreements, as the case may be, are not repudiated and terminated.

13. **THIS COURT ORDERS** that the ability of a Person to assert a claim in respect of the repudiation of the Repudiated Agreements in accordance with this Order, shall not constitute an acknowledgement by the Applicant that any such claim constitutes a Creditor Claim against the Applicant.

Claims Officer

14. **THIS COURT ORDERS** that the Interim Receiver is authorized, but not obligated, to appoint one or more Claims Officers to determine such Disputed Creditor Claims or such

Disputed Special Investor Claims as the Applicant, with consent of the Interim Receiver, deems necessary or desirable.

Barring of Creditor Claims

15. **THIS COURT ORDERS** that, subject to further Order of the Court, where a Creditor, other than creditors with Specified Unaffected Claims, fails to file a Proof of Claim in respect of any Creditor Claim with the Interim Receiver on or before the Claims Bar Date of April 30, 2008, except where such Creditor has filed a Prior Proof of Claim with the Interim Receiver, such Creditor Claim shall be forever barred and extinguished.

General

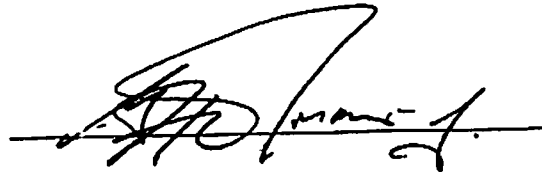
16. **THIS COURT ORDERS** that the terms of the Initial Order, including without limitation, the "Stay Period" as described in paragraph 11 to the Initial Order, be extended to June 30, 2008 subject to the terms of this Order.

17. **THIS COURT ORDERS** that in carrying out the Interim Receiver's duties and responsibilities under this Order and the Claims Procedure, the provisions of the Initial Order and the Appointment Order herein dealing with the Monitor and the Interim Receiver, apply to this Order, *mutatis mutandis*.

18. **THIS COURT ORDERS** that ~~the Interim Receiver's activities, as disclosed in the Seventh Report of the Interim Receiver dated March 24th, 2008 including the payment of the~~ *the payment* \$25,000 settlement amount to Dr. McNeely described at paragraph 26 of the Seventh Report, ~~and~~ *is* hereby approved. *of the*

19. **THIS COURT ORDERS** that the fees and disbursements of the Monitor/Interim Receiver, the fees and disbursements of Fraser Milner Casgrain LLP, counsel for the Monitor/Interim Receiver, and the fees and disbursements Page Martin LLP in its capacity as representative counsel, as set out in the Seventh Report, are hereby authorized and approved.

20. **THIS COURT ORDERS** that, pursuant to clause 7(3)(c) of the Canada *Personal Information Protection and Electronic Documents Act*, the Interim Receiver is authorized and permitted to disclose Proofs of Claim, the Prior Proofs of Claim, and supporting documentation on <http://www.bdo.ca/sapphire>, in accordance with the provisions of the Claims Procedure at Schedule "A" to this Order.

A handwritten signature in black ink, appearing to be "A. J. ...", written over a horizontal line.

...

SCHEDULE "A"

Court File No. 07-CL-7109

ONTARIO

**SUPERIOR COURT OF JUSTICE
COMMERCIAL LIST**

**IN THE MATTER OF THE *COMPANIES' CREDITORS
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**APPLICATION UNDER THE *COMPANIES' CREDITORS ARRANGEMENT ACT*, R.S.C. 1985,
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CLAIMS PROCEDURE

Definitions

1. The following terms shall have the following meanings in this Claims Procedure:

"Applicant" means Sapphire Tower Development Corporation.

"Business Day" means a day other than a Saturday, Sunday or statutory holiday in Ontario.

"CCAA" means the *Companies' Creditors Arrangement Act* (Canada).

"CCAA Initial Order" means the Order of the Court dated July 20, 2007, as amended by further Orders of the Court, ordering and declaring, *inter alia*, that the Applicant is a company to which the CCAA applies.

"CCAA Proceedings" means the proceedings commenced by the Applicant under the CCAA.

"Claim" means any right, or claim, of any Person against the Applicant, in connection with any indebtedness, liability or obligation of any kind or nature of the Applicant, which claim was in existence on the Claims Bar Date, including any claims by any Special Investor and any claim purported to be secured against the real or personal property assets of the Applicant, and any interest accrued thereon to and including the Claims Bar Date, but not paid prior to the Claims Bar Date, whether liquidated, unliquidated, fixed, contingent, absolute, matured, unmatured,

disputed, undisputed, asserted, unasserted, legal, equitable, secured, unsecured, perfected, unperfected, present, future, known or unknown, by guarantee, surety or otherwise, whether or not reduced to judgment, and whether or not such right is executory in nature, including the right or ability of any Person to advance a claim for contribution or indemnity, or otherwise, with respect to any matter, action, cause or chose in action, whether existing at present or commenced in the future based in whole or in part on facts, events or matters which exist, or occurred, on or before the Claims Bar Date, and specifically includes all claims relative to the claims of mortgagees or persons claiming a security interest in real property owned by the Applicant, or a proprietary interest in the Property, and including deemed trust claims and statutory liens in favour of the Crown in Right of Canada or in Right of any Province of Canada.

"Claims Bar Date" means April 30, 2008.

"Claims Materials" means copies of:

- (a) the Notice to Creditors;
- (b) the Claims Order;
- (c) blank form of a Proof of Claim;
- (d) the Instructions to Creditors.

"Claims Officer" means any individual appointed by the Interim Receiver to determine Disputed Creditor Claims.

"Claims Order" means the Order of the Court to which this Claims Procedure is attached as Schedule "A" establishing and approving this Claims Procedure as amended or varied by further Orders.

"Claims Procedure" means this claims procedure including the schedules hereto.

"Court" means the Ontario Superior Court of Justice.

"Creditor" means any Person, including a Special Investor, having a Claim against the Applicant, or a Specified Unaffected Claim against the Applicant, and includes the transferee of a Claim acknowledged by the Interim Receiver in accordance with this Claims Procedure, or a trustee, liquidator, receiver, receiver and manager or other Person acting on behalf of such Person.

"Creditor Claims" means collectively all Claims, including claims by Special Investors, but not Specified Unaffected Claims.

"Disputed Creditor Claim" means a Creditor Claim, or Special Investor Claim, or such portion thereof, which is not a Proven Claim, which is disputed by the Applicant and which is subject to adjudication before the Claims Officer or the Court or otherwise pursuant to the Claims Order.

"Filing Date" means July 20, 2007.

"Initial Order" means the Order of the Court made on July 20, 2007, commencing the CCAA Proceedings, as amended by the Court.

"Instructions to Creditors" means the instructions substantially in the form of Schedule "3".

"Interim Receiver" means BDO Dunwoody Limited in its capacity as the Interim Receiver appointed by the Order of Justice Cumming dated August 16th, 2007.

"Known Creditors" means those Creditors or Special Investors with Claims as at the Filing Date that are claims of which the Applicant or the Interim Receiver and the Monitor has, at the applicable time, actual knowledge based on the Applicant's accounting records at such time, or where a Creditor has provided a proof of claim to the Interim Receiver in the prior secured creditor claims process.

"Monitor" means BDO Dunwoody Limited in its capacity as Monitor of the Applicant.

"Notice of Dispute of Revision or Disallowance" means a notice substantially in the form of Schedule "6".

"Notice of Revision or Disallowance" means a notice substantially in the form of Schedule "5".

"Notice to Creditors" means the notice substantially in the form of Schedule "1".

"Order" means an order of a court of competent jurisdiction being, unless otherwise specified, the Court.

"Person" means an individual, partnership, joint venture, trust, corporation, group, firm, association, unincorporated organization, committee, government, or agency or instrumentality thereof, or any other juridical entity howsoever designated or constituted.

"Prior Proof of Claim" means a Proof of Claim form filed by a Creditor, or a Special Investor, including claims secured by the Property, in response to the claims process conducted by the Interim Receiver to determine Claims of secured Creditors of the Applicant.

"Proof of Claim" means a Proof of Claim to be filed by a Creditor or a Special Investor substantially in the form of Schedule "2".

"Property" means the real property formerly owned by the Applicant located at 66 Temperance Street, Toronto, Ontario.

"Proven Claim" means the amount of a Claim against the Applicant finally determined in accordance with the provisions of the Claims Order (including this Claims Procedure).

"Record Date" means March 26th, 2008 or such other date as may be ordered by the Court.

"Registered Special Investor List" means the list of Registered Special Investors provided by the Applicant to the Interim Receiver in accordance with paragraph 7 of the Claims Order.

"Registered Special Investors" means Special Investors whose names appear on the Registered Special Investor List.

"Sale Agreement" means the agreement with Skyline International Development Inc. ("Skyline"), as approved by the Order of the Court dated December 14, 2007, and all amendments thereto, as well as all documents executed by the Interim Receiver in connection therewith.

"Special Investors" means any person claiming to have made an investment made pursuant to the special investor program and, as part of that program, with the Applicant, who have received promissory notes from the Applicant and/or to whom the Applicant has purported to sell an alleged beneficial interest in real property owned by the Applicant or in a condominium unit that the Applicant planned to construct on the Property (the "Investment") and including all claims relating to any representations made on behalf of the Applicant related to the Investment, but not any Claims relating to the Dominion Club Canada Corp. ("Dominion Club") or the reimbursement of any personal membership introductory fee for the Dominion Club paid in connection with the alleged purchase of units or the purchase of a safety deposit box at Dominion Club.

"Specified Unaffected Claims" means:

- (a) all claims against the Applicant specifically assumed by Skyline under the terms of the Sale Agreement;
- (b) all claims with respect to reasonable fees, costs and expenses of counsel for the Applicant, the Interim Receiver, the Interim Receiver's counsel, the Claims Officer and such other advisors and consultants, as and to the extent authorized by the Court;
- (c) claims against the Applicant imposed by statute and referred to in section 18.2 of the CCAA;
- (d) claims against any Person other than the Applicant; and
- (e) Subrogated claims by any insurer pursuant to any policy of director and officer liability insurance.

"Units" means the condominium units alleged to have been sold by the Applicant to Special Investors in a future condominium that was intended to be constructed by the Applicant on the Property.

"Unknown Creditors" means Creditors or Special Investors with Claims, which are not Known Creditors.

Schedules

2. The following Schedules form part of this Claims Procedure:

Schedule "1" - Notice to Creditors

Schedule "2" - Proof of Claim

Schedule "3" - Instructions to Creditors

Schedule "4" - Notice of Revision or Disallowance

Schedule "5" - Notice of Dispute of Revision or Disallowance

Schedule "6" -- Confirmation Notice—Repudiated Agreements

Publishing Notice to Creditors

3. The Interim Receiver shall publish the Notice to Creditors as required by the Claims Order.

Creditor Claims of Known Creditors, Unknown Creditors and Others

4. The Interim Receiver shall mail the Claims Materials, to each of the Known Creditors, as well as to any other Creditor, including any Unknown Creditor, who, prior to the Claims Bar Date, requests the Interim Receiver to provide it with any such documents.

5. Every Known Creditor and Unknown Creditor, including all Special Investors, shall provide to the Interim Receiver a completed and signed Proof of Claim by such Known Creditor or Unknown Creditor with respect to any Creditor Claim of such Known Creditor or Unknown Creditor so that it is received by the Interim Receiver on or before the Claims Bar Date. The Interim Receiver shall post the Proofs of Claim at <http://www.bdo.ca/sapphire>.

6. A Known Creditor with a Creditor Claim, or an Unknown Creditor with a Creditor Claim that does not provide to the Interim Receiver a completed and signed Proof of Claim with respect to such Creditor Claim, so that it is received by the Interim Receiver on or before the Claims Bar Date, shall be forever barred as at the Claims Bar Date, from making such Creditor Claim against the Applicant, and such Creditor Claim shall be forever extinguished and barred.

Creditors with Specified Unaffected Claims

7. Creditors with Specified Unaffected Claims shall not participate in the Claims Procedure with respect to their Specified Unaffected Claims.

8. If Creditors with Specified Unaffected Claims contact the Interim Receiver or the Applicant by filing a Proof of Claim or otherwise, the Interim Receiver shall advise such Creditors of the extent to which the Interim Receiver has determined that they are Creditors with Specified Unaffected Claims, and that their Specified Unaffected Claims will not be comprised by these CCAA proceedings.

Procedure for Determination of Creditor Claims and Special Investor Claims

9. After the Claims Bar Date, the Interim Receiver, with the assistance of the Applicant, shall review each Proof of Claim and Prior Proof of Claim received by the Interim Receiver and the Interim Receiver shall accept, revise or reject the amount of the Creditor Claim, or Special Investor Claim, set out therein.

10. If the Interim Receiver revises or rejects a Creditor Claim set out in a Proof of Claim or Prior Proof of Claim, the Interim Receiver shall notify such Creditor that its claim has been revised or rejected, and the reasons therefor, by mailing to such Creditor a Notice of Revision or Disallowance.

11. If the Interim Receiver, accepts a Creditor Claim set out in a Proof of Claim or Prior Proof of Claim, the Interim Receiver shall not mail a Notice of Revision or Disallowance with respect to such Creditor Claim, and such Creditor Claim in the amount set out in such Proof of Claim or Prior Proof of Claim, shall be treated as a Proven Claim.

12. The Creditor Claim of a Creditor who receives a Notice of Revision or Disallowance shall be deemed to be as set out in the Notice of Revision or Disallowance, and shall be treated as a Proven Claim in such amount, unless the Creditor disputes the Notice of Revision or Disallowance by delivering to the Interim Receiver a Notice of Dispute of Revision or Disallowance, within 10 days of receipt of the Notice of Revision or Disallowance.

Disputed Claims

13. Upon receipt by the Interim Receiver of a Notice of Dispute of Revision or Disallowance in accordance with paragraph 10 above, the Interim Receiver shall review such Notice of Dispute of Revision or Disallowance, and attempt to resolve the dispute with the Creditor with the Disputed Creditor Claim.

14. In the event that the Interim Receiver is unable to resolve the dispute, it shall so notify the Creditor. The Interim Receiver, shall make arrangements, on notice to all the interested parties, to have the dispute determined by the Court or by a Claims Officer.

15. A Disputed Creditor Claim shall be determined by Order of the Court, or, in the sole discretion of the Interim Receiver, by a Claims Officer. The decision of a Claims Officer on a Disputed Creditor Claim shall be subject to appeal to the Court. Upon any final determination of a Disputed Creditor Claim as a valid Creditor Claim and the expiry of any and all applicable appeal periods, such Claim as finally determined shall be deemed to be a Proven Claim.

Notice of Transfers of Claims

16. The Interim Receiver shall not be obligated to give notice to or to otherwise deal with a transferee of the whole or any part of a Creditor Claim, transferred before, on, or after the Filing Date, unless written notice of, and satisfactory evidence of, such transfer have been received by the Interim Receiver on or before the Record Date, and the Interim Receiver has mailed to the transferee an acknowledgement of receipt of notice of such transfer and transferee. After such actual notice and evidence have been received by the Interim Receiver, on or before the Record Date, and the Interim Receiver has mailed such acknowledgement to the transferee, the transferee shall, for all purposes under these CCAA Proceedings constitute the applicable Creditor (instead of the transferor), and be bound by all notices previously given or steps previously taken in respect of the Claim, or the portion of the Claim transferred. For greater certainty, a reference to transfer in this Claims Procedure includes a transfer or assignment, whether absolute or intended as security.

17. Unless the Interim Receiver receives written notice of, and satisfactory evidence of a transfer in accordance with paragraph 16, a Creditor with a Creditor Claim, as at the Record Date, shall for all purposes of the CCAA Proceedings be deemed to be such Creditor whose name is set out in the applicable Notice of Creditor Claims or Creditor Proof of Claim.

18. If, after the Filing Date, the holder or subsequent holder of a Creditor Claim, or any part thereof, who has been acknowledged by the Interim Receiver in respect of such Creditor Claim, transfers such Creditor Claim or any part thereof to another Person, such transfer shall not create a separate Creditor Claim, and such Creditor Claim shall continue to constitute and be dealt with as a single Creditor Claim, notwithstanding such transfer. The Interim Receiver shall not be bound to recognize or acknowledge any such transfer or transferee until actual notice and satisfactory evidence of the transfer have been received by the Interim Receiver in accordance with paragraph 16.

General Provisions

19. The Interim Receiver shall, subject to further order of the Court, post at <http://www.bdo.ca/sapphire> copies of the Proofs of Claim, Prior Proofs of Claim and Notices of Revision or Disallowance.

20. For the purposes of this Claims Procedure, all monetary amounts denominated in a foreign currency and referred to in any Proof of Claim or Prior Proof of Claim, or other applicable document shall, to the extent required by the Interim Receiver to facilitate the Claims Procedure, be converted to Canadian dollars at the Bank of Canada noon spot rate of exchange on the Filing Date for exchanging such foreign currency to Canadian dollars.

21. The Interim Receiver shall use reasonable discretion as to the adequacy of completion and signing of any document referred to in this Claims Procedure and, where the Interim Receiver is satisfied that any matter to be proven under this Claims Procedure has been adequately proven, the Interim Receiver may waive strict compliance with the time limits of this

Claims Procedure and the requirements of this Claims Procedure, but only as to the completion and signing of documents.

22. Any document to be provided by the Interim Receiver pursuant to this Claims Procedure may, unless otherwise specified by this Claims Procedure, be provided by ordinary mail, courier, e-mail or fax transmission. A Creditor shall be deemed to have received any document provided pursuant to this Claims Procedure:

- (a) three Business Days after the document is mailed by ordinary mail;
- (b) one Business Day after the document is delivered by courier; or
- (c) one Business Day after it is sent by e-mail or fax transmission.

Documents shall not be provided by mail during a postal strike or work stoppage of general application.

23. All references to time in this Claims Procedure shall mean local time in Toronto, Ontario, Canada and any reference to an event occurring on a Business Day shall mean prior to 5:00 p.m. on such Business Day unless otherwise indicated.

24. The adjudication of Creditor Claims in accordance with this Claims Procedure shall be binding on the Applicant and all Creditors. Except as otherwise provided, any act or decision of the Interim Receiver performed or made in carrying out the provisions of this Claims Procedure shall be binding on the Applicant and all Creditors.

25. References in this Claims Procedure to the singular includes the plural, the plural includes the singular and any gender includes the other gender.

SCHEDULE "1"

NOTICE TO CREDITORS

PROVING CLAIMS AGAINST SAPPHIRE TOWER DEVELOPMENT CORP. (THE "APPLICANT")

On July 20, 2007, the Applicant was granted protection under the *Companies' Creditors Arrangement Act* (Canada) (the "CCAA") and commenced a process for compromising its obligations to certain creditors. On August 17th, 2007 BDO Dunwoody Limited was appointed as interim receiver of the Applicant (the "Interim Receiver").

NOTICE IS HEREBY GIVEN that pursuant to an Order of the Ontario Superior Court of Justice (the "Court") made on March 26, 2008 (the "Order"), a claims procedure (the "Claims Procedure") was established to determine the claims of the Creditors of the Applicant including the purchasers of interests in certain condominium units that the Applicant intended to construct which were allegedly purchased from the Applicant.

NOTICE IS HEREBY GIVEN that pursuant to the Order, all rights, contracts, leases and agreements between the Applicant and any Person, except those specifically listed in the Order, have been repudiated and terminated as at March 26, 2008, unless otherwise provided in the Order, as well as all Persons who have had any rights, contracts, agreements, or leases with the Applicant repudiated, except those agreements specifically exempted under the Order, shall have their claims determined in the Claims Procedure.

CREDITORS requiring copies of the Order or a form of proof of claim may contact BDO Dunwoody Limited (the "Interim Receiver"), in writing, at the address below.

CLAIMS BAR DATE

THE CLAIMS BAR DATE is April 30, 2008. Each Creditor must provide a completed proof of claim to the Interim Receiver so that it is actually received by the Interim Receiver on or before the Claims Bar Date.

CREDITORS WHO DO NOT PROVIDE A PROOF OF CLAIM SO THAT IT IS ACTUALLY RECEIVED BY THE INTERIM RECEIVER ON OR BEFORE APRIL 30, 2008 SHALL HAVE THEIR CLAIMS FOREVER EXTINGUISHED AND BARRED AGAINST THE APPLICANT.

IT IS YOUR RESPONSIBILITY TO DETERMINE WHETHER ANY CLAIM WHICH YOU HAVE AGAINST THE APPLICANT IS A CLAIM FOR WHICH YOU ARE REQUIRED TO FILE A PROOF OF CLAIM.

Any additional information required may be obtained from the Interim Receiver at the address below.

BDO Dunwoody Limited
123 Front St. W., Ste. 1200
Toronto Ontario
M5J 2M2

Gary Cerrato
Tel: (416) 369-6058
Fax: (416) 865 0904
Email: gcerrato@bdo.ca

Documents are available on the Interim Receiver's website which is as follows:

(<http://www.bdo.ca/sapphire>).

DATED April 10, 2008

SCHEDULE "2"

Court File No. 07-CL-7109

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**

PROOF OF CLAIM

A. DETAILS OF CREDITOR:

(1) Full Legal Name:

(2) Full Mailing Address:

(3) Telephone Number:

(4) Facsimile Number:

(5) E-mail Address:

(6) Attention (Contact Person):

B. CLAIM:

I, _____, [name of Creditor or authorized representative of the Creditor], do hereby certify that I have the following claims:

(a) I am a Creditor of Sapphire Tower Development Corp. (the "Applicant") [or I hold the position of _____ of a Creditor of the Applicant] and have knowledge of all the circumstances connected with the Creditor Claim described herein;

I am [or I hold the position of _____ with _____] making a Claim against _____, an officer and director of the Applicant and have knowledge of all of the circumstances connected with the claim described herein.

Creditor Claim \$ _____ (Cdn.)

(b) the Creditor holds security (if any) in respect of the Creditor Claim as follows:

Provide full particulars of any security, including the date on which the security was given and attach a copy of each security document.

C. DETAILS OF CREDITOR OR SPECIAL INVESTOR CLAIM:

I have previously filed a proof of claim in this proceeding in the amount of \$ _____ Yes No

And have provided copies of all supporting documentation.

If you have previously filed a proof of claim, send in this proof of claim form to the Interim Receiver prior to the Claims Bar Date indicating in the box above that you have filed a prior claim. The Interim Receiver will contact you if the Interim Receiver requires further supporting documentation.

D. DETAILS OF ORIGINAL CREDITOR FROM WHOM YOU ACQUIRED CLAIM, IF APPLICABLE:

- (1) Have you acquired this Claim by Assignment or Transfer? (if yes, attach copies of documents evidencing assignment or transfer) Yes No
- (2) Is the Assignment or Transfer absolute or intended as security? Absolute
Intended as security
- (3) Full Legal Name of original creditor(s): _____

This Proof of Claim must be provided to and received by the Interim Receiver on or before April 30, 2008, the Claims Bar Date, at the following address:

BDO Dunwoody Limited
123 Front St. W., Ste. 1200
Toronto Ontario
M5J 2M2

Gary Cerrato
Tel: (416) 369-6058
Fax: (416) 865 0904
Email: gcerrato@bdo.ca

DATED this day of , 2008.

(Print name of Creditor and, if the Creditor is a corporation, the name of the authorized signing officer of the corporation)

(Signature of Creditor or, if the Creditor is a corporation, the signature of the authorized signing officer of the corporation)

SCHEDULE "3"

**INSTRUCTIONS TO CREDITORS
AND SPECIAL INVESTORS**

March 26, 2008

To: Creditors of Sapphire Tower Development Corp. (the "Applicant")

Re: **Creditor Claims and Special Investors Claims against the Applicant in proceedings commenced under the *Companies' Creditors Arrangement Act***

We enclose in this package the following documents for your review and consideration:

1. Notice to Creditors;
2. the Order of the Ontario Superior Court of Justice dated March 26, 2008;
3. a blank form of a Proof of Claim; and

The purpose of these materials is to provide you with the documents required to facilitate the determination and settlement of your Creditor Claims.

PROVING CREDITOR CLAIMS

Please review all the enclosed documents carefully. If you are a Creditor of the Applicant, you must complete, sign and provide to the Interim Receiver a Proof of Claim so that it is received by the Interim Receiver on or before April 15, 2008 (the "Claims Bar Date"), otherwise such Creditor Claim will be forever extinguished and barred.

If you have previously filed a Proof of Claim in these proceedings, together with all relevant documentation, please check the box on the Proof of Claim form and indicate the amount of the claim previously filed prior to the Claims Bar Date. The Interim Receiver will contact you if the Interim Receiver requires further supporting documentation..

The Proof of Claim must be personally signed by the individual completing the form. If the individual is not the Creditor, the position or title of the individual must be stated in the Proof of Claim.

Please indicate the complete mailing address, including the fax number and email address, where all notices or correspondence are to be forwarded.

The details of a Creditor's Claim must be set out in the schedule to the Proof of Claim form.

A detailed, complete statement of account for all amounts claimed must be attached to the schedule setting out the basis of calculation of the Claim including, if applicable, the date, the number and the amount of all the invoices or charges, and the date, the number and the amounts of all credits, counterclaims, or payments. In particular, the total amount of indebtedness of each portion of any Claim must be set out in the schedule divided as follows (to the extent applicable):

- Principal;
- Unpaid interest and fees (not including interest or fees after the Filing Date).

If your Claim is denominated in a currency other than Canadian dollars, your Proof of Claim must state your Claim in the originating currency only. The originating currency must be clearly stated, and will be converted into Canadian dollars using exchange rates in effect on July 20, 2007, the date of the Initial Order under these proceedings, made by the Honourable Mr. Justice Cumming of The Ontario Superior Court of Justice, Commercial List.

FURTHER INFORMATION

If you have any questions regarding the process or any of the enclosed forms, please contact the Interim Receiver at the following address:

BDO Dunwoody Limited
123 Front St. W., Ste. 1200
Toronto Ontario
M5J 2M2

Gary Cerrato
Tel: (416) 369-6058
Fax: (416) 865 0904

Email: gcerrato@bdo.ca

You can view copies of documents relating to this process on the Interim Receiver's website which is as follows:

(<http://www.bdo.ca/sapphire>).

Sincerely,

BDO DUNWOODY LIMITED
In its capacity of Interim Receiver of.
Sapphire Tower Development Corp.

SCHEDULE "4"

Court File No. 07-CL-7109

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**

NOTICE OF REVISION OR DISALLOWANCE

TO: <insert name and address of Creditor >

BDO Dunwoody Limited in its capacity of Interim Receiver of Sapphire Tower Development Corp. has reviewed your:

Creditor Proof of Claim

dated ◊, 2008, and has revised or rejected your Claim for the following reasons:

Subject to further dispute by you in accordance with the provisions of the Claims Procedure, your Claim will:

- not be allowed in any amount; or
- be allowed only in the following amount:

\$ _____ (Cdn.) or (U.S.)

If you wish to appeal this Notice of Revision or Disallowance, in accordance with the Claims Procedure you must, within ten calendar days after receipt of this Notice of Revision or Disallowance, deliver to the Interim Receiver at its address set out below, a Notice of Dispute of Revision or Disallowance.

The name and address of the Interim Receiver are as follows:

BDO Dunwoody Limited
123 Front St. W., Ste. 1200
Toronto Ontario
M5J 2M2

Gary Cerrato
Tel: (416) 369-6058
Fax: (416) 865 0904

Email: gcerrato@bdo.ca

You can view copies of documents relating to this process on the Interim Receiver's website which is as follows:

<http://www.bdo.ca/sapphire>.

Sincerely,

BDO DUNWOODY LIMITED
In its capacity of Interim Receiver of.
Sapphire Tower Development Corp.

SCHEDULE "5"

Court File No. 07-CL-7109

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**

NOTICE OF DISPUTE OF REVISION OR DISALLOWANCE

**A. DETAILS OF CREDITOR OR
SPECIAL INVESTOR:**

- (1) Full Legal Name:
(2) Full Mailing Address:

- (3) Telephone Number:
(4) Facsimile Number:
(5) E-mail Address:
(6) Attention (Contact Person):

**B. DISPUTE OF CREDITOR CLAIM SET OUT IN NOTICE OF REVISION OR
DISALLOWANCE:**

The undersigned hereby disputes the amount of the undersigned's Creditor Claim as set out in the Notice of Revision or Disallowance and certifies that such is or are as follows:

C. REASONS FOR DISPUTE:

(Provide full details of your Creditor Claim set out in the Notice of Revision or Disallowance and copies of all supporting documentation, including amount, description of transaction(s) or agreement(s) giving rise to each Claim or Claims, date and number of all invoices, particulars of all credits, discounts, etc. claimed and whether a Claim is a contingent claim.)

(List all reasons why you are disputing the Creditor Claim as set out in the Notice of Revision or Disallowance.)

D. DETAILS OF ORIGINAL CREDITOR FROM WHOM YOU ACQUIRED CLAIM, IF APPLICABLE:

(1) Have you acquired this Claim by Assignment or Transfer? (if yes, attach copies of documents evidencing assignment or transfer)

Yes No

(2) Is the Assignment or Transfer absolute or intended as security?

Absolute
Intended as security

(3) Full Legal Name of original creditor(s):

This Notice of Dispute of Revision or Disallowance must be provided to and received by the Interim Receiver within ten (10) days after your receipt of the Notice of Revision or Disallowance at the following address:

IN THE MATTER OF the Companies' Creditors Arrangement Act, R.S.C. 1985, c.C-36, as amended
AND IN THE MATTER OF the Plan of Compromise and Arrangement of SAPPHIRE TOWER DEVELOPMENT CORP.
Interim Receiver Court File No. 07-CL-7109

ONTARIO
SUPERIOR COURT OF JUSTICE
(COMMERCIAL LIST)

Proceedings Commenced at Toronto

CLAIMS ORDER

FRASER MILNER CASGRAIN LLP
BARRISTERS AND SOLICITORS
1 First Canadian Place
100 King Street West,
Toronto, Ontario
M5X 1B2

Daniel R. Dowdall

LSUC: 16737D

Telephone: (416) 863-4700

Facsimile: (416) 863-4592

Email: dan.dowdall@fmec-law.com

Solicitors for the Monitor BDO DUNWOODY LIMITED

APPENDIX B



**ONTARIO
SUPERIOR COURT OF JUSTICE
COMMERCIAL LIST**

THE HONOURABLE MR.)
)
JUSTICE MORAWETZ) WEDNESDAY, THE 14TH DAY
)
) OF MAY, 2008

**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**

ORDER

THIS MOTION, made by BDO Dunwoody Limited ("BDO"), the Monitor and Interim Receiver (the "Interim Receiver") of Sapphire Tower Development Corp. (the "Applicant") for an order approving an interim distribution of the proceeds of sale of the Property of the Applicant, as well as for the determination of the validity of certain clauses of a mortgage (the "GA Mortgage") granted to Graphic Arts Building Incorporated ("Graphic Arts") with respect to the 66 Temperance Street Property (the "Property") and for other relief as set out in its Notice of Motion, was heard this day at 330 University Avenue, Toronto, Ontario.

ON READING the Eighth Report of the Interim Receiver (the "Eighth Report"), BDO Dunwoody Limited ("BDO"), the Seventh Report of the Interim Receiver (the "Seventh Report") the Initial Order, the Interim Receivership Order dated August 16, 2007 (the

“Interim Receivership Order”), the Interim Distribution Order dated January 14, 2008 (the “Interim Distribution Order”), and on hearing the submissions of counsel for BDO, the Applicant, and Page Martin LLP, representative counsel for the unsecured creditors;

SERVICE

1. **THIS COURT ORDERS** that the time for service of the Notice of Motion and the Motion Record is hereby abridged so that this motion is properly returnable today and hereby dispenses with further service thereof.

2. **THIS COURT ORDERS** that the actions and activities of BDO as Interim Receiver, and as Monitor, as set out in the Seventh Report and the Eighth Report, are hereby authorized and approved.

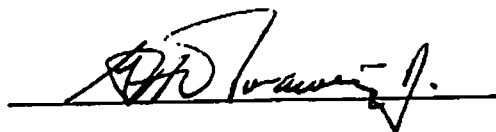
3. **THIS COURT ORDERS AND DECLARES** that the Penalty Interest Clause in the GA Mortgage, as described in the Eighth Report and attached as Appendix “B” to the Eighth Report, is unenforceable, ~~as it violates 3.8 of the Interest Act~~ ^{7.8} ~~197~~

4. **THIS COURT ORDERS** that the Interim Receiver may release the \$236,250.00 amount ordered reserved out of the Sale Proceeds by paragraph 3(ii) of the Interim Distribution Order with respect to the claim of Graphic Arts under the Penalty Interest Clause in the GA Mortgage;

5. **THIS COURT ORDERS** that the Interim Receiver shall proceed to make the distributions recommended by the Interim Receiver in the Eighth Report, to those creditors of the Applicant set out below:

TFA	\$	56,474.04
Oro		300,220.04
Walmsley		119,052.32
Bell		5,932.89
Mattson		59,482.33
		<hr/>
		\$541,161.62
		<hr/>

6. **THIS COURT ORDERS** that the fees and disbursements of the Monitor/Interim Receiver, the fees and disbursements of Fraser Milner Casgrain LLP, counsel for the Monitor/Interim Receiver, and the fees and disbursements of Page Martin LLP in its capacity as representative counsel, as set out in the Eighth Report, are hereby authorized and approved.



11. 1 - 2011

JSN

APPENDIX C

**SAPPHIRE TOWER DEVELOPMENT CORPORATION
CLAIMS BAR**

Claims Summary

Secured Creditor Claims:

<u>Creditor</u>	<u>Claim</u>
9 Glenda Margaret Bell	5,698.49
67 Roberta Mattson	56,080.10
68 Araneta, Juanito	\$59,084.69
69 Arora, Arlene & Deepak	66,502.33
70 Barlow, Jane Dixon	9,712.30
71 Connally, Catherine	127,265.75
72 Leong, Henry	70,393.38
73 Rejman, Elzbieta	951.68
74 Student Guide Corporation (Anges Wong)	63,632.88
13 CRA - GST	1.00
	<u>\$459,322.60</u>

General Creditor Claims:

<u>Creditor</u>	<u>Claim</u>
5 Altus Derbyshire	\$8,292.85
7 Arc Design Group	17,442.40
8 Bateman MacKay	3,460.73
10 Bousfields Inc.	12,169.01
11 CRA -Corporate Tax	1.00
20 FedEx	171.03
21 Fieldston Traders Limited	400,000.00
25 H.H. Angus & Associates Limited	17,120.00
27 Homes For Sale Magazine	4,063.80
29 Larden Muniak Consulting Inc.	6,134.58
30 Lasso Data Systems Inc.	2,703.00
32 Leipziger Kaminker	60,993.00
39 Myer Wassenaar Banch LLP	112,275.07
48 R. J. Burnside & Associates Ltd	10,702.02
53 RWDI	5,300.00
55 Sweetland, Jim	9,964.00
59 Wier Foulds	36,899.85
61 Wilbert Willcott	58,625.00
62 Yvon Willcott	58,625.00
63 Wilcox Sign Company Inc.	3,844.62
65 WJW Venture 2000 Inc.	117,250.00
66 Yolles Partnership Inc.	134,880.06
76 Cassius Adams	17,521.25
	<u>\$1,098,438.27</u>

Special Investor Claims:

<u>Creditor</u>	<u>Claim</u>
1 1049237 Ontario Ltd.	\$369,800.00
2 1579295 Ontario Inc.	566,950.00
4 The Raymond Aaron Group	100,000.00
6 Dr. Saira Ansari/Atique Ansari	132,450.00
17 Lloyd Arthur Courtney	233,700.00
18 Eric H. Cox	140,008.00
24 Grange Investment Club	364,000.00
34 Lincoln Lin	402,670.00
35 Liu - Chou Management	142,450.00
36 Cheryl Patricia Marshall	132,450.00
41 Trevor Orville Moo	619,728.50
43 Nawrocki Elizabeth	531,019.52
45 Oro Properties Limited	424,750.00
46 Parvez Patel	736,414.33
47 Prestige Corporation	545,471.59
50 Jay Rayan & Usha Rayan	630,000.00
52 Eyal Reingold	1,235,918.00
54 Wissam Shaia	151,538.00
56 Sheila Tedford / Peter Richardson	4,995.00
58 Tony Tullo	570,000.00
60 The Classic Organ Company Ltd.	182,450.00
	<u>\$8,216,762.94</u>

Grand Total

\$9,774,523.81