



BDO Dunwoody Limited

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[www.bdo.ca](http://www.bdo.ca)

To the Creditors:

**RE: Final distribution of funds to the creditors of Sapphire Tower Development Corp.  
("Sapphire")**

We have had many requests from the unsecured creditors of Sapphire for information as to the likely timing of a distribution. Accordingly, we are writing to give some guidance as to the events that will follow in order to finally administer the estate of Sapphire.

As you may be aware, we sought directions from the Superior Court of Justice (the "Court") in respect of the claim of Jay and Usha Rayan (the "Rayans"), as the Rayans claimed a proprietary interest in the land that was to be the Sapphire development (the "Property"). On February 27, 2009 the Court dealt with the claim of the Rayans, by upholding our determination that the Rayans had no proprietary interest in the Property and were not entitled to priority over the other creditors of Sapphire.

In addition to successfully dealing with the claim of the Rayans, we have had 2 remaining issues to deal with. These additional issues relate to possible tax liabilities to the Canada Revenue Agency ("CRA") and the Ontario Minister of Finance ("Finance"). It is our position that nothing is owed to CRA, and that Finance is barred from making any additional claims. Accordingly, we are proceeding with the finalization of Sapphire's estate by seeking approval from the Court on May 26, 2009 to distribute the remaining funds of Sapphire to proven unsecured creditors. At this time, we estimate a distribution of funds on proven claims in the approximate amount of 35% on the dollar of your accepted claim amount. Provided we obtain the requested approval for the distribution, we anticipate a distribution of funds to the proven unsecured creditors of Sapphire shortly after the time period for any appeal of the distribution order has lapsed (30 days).

Additional information respecting the potential tax liabilities with CRA and Finance and further information in connection with the estimated distribution to the proven unsecured creditors of Sapphire can be found in the eleventh report of BDO Dunwoody Limited at [www.bdo.ca/sapphire](http://www.bdo.ca/sapphire).

We trust this report is helpful to you. Please do not hesitate to contact us, should you have any further questions or concerns.

Yours very truly,  
BDO DUNWOODY LIMITED  
In its capacity as Monitor and Interim Receiver of  
Sapphire Tower Development Corp.  
Per:

Uwe Manski, FCA, FCIRP  
Senior Vice President

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