



BDO Dunwoody Limited

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31 July 2007

TO THE CREDITORS:

Re: *In the Matter of the Companies' Creditors Arrangement Act and
In the Matter of a Plan of Compromise or Arrangement of
Sapphire Tower Development Corp.*

Please be advised that Sapphire Tower Development Corp. ("Sapphire") filed for protection under the Companies' Creditors Arrangement Act ("CCAA") on 20 July 2007. BDO Dunwoody Limited was appointed by the Court as Monitor.

We attach hereto a copy of the Initial Order of the Honourable Mr. Justice P.A. Cumming, which is served on you as required by paragraph 34 of the Order.

A copy of the Initial Order can also be found on the Monitor's website, www.bdo.ca/sapphire and the website will be updated from time to time with news updates, Monitor's reports, and further Court Orders.

Sapphire filed for protection under the CCAA in the face of imminent power of sale proceedings initiated by the first mortgagee at 66 Temperance Street. Sapphire had on 17 July 2007 accepted an offer for the sale of that property, (as noted in paragraph 9 (a) of the Initial Order), and believes that the accepted offer is more attractive than what could likely be achieved in a distressed sale initiated by a mortgagee. The accepted offer is currently in a one-month due diligence period expiring about 17 August 2007.

The Initial Order provides a 30 day Stay of Proceedings, at the expiry of which Sapphire will likely seek extensions pending closing of the sale (or to seek another sale if this one were to abort), in the expectation of finalizing a sale of the real estate as soon as possible, and thereby maximizing a return for the creditors.

It is not necessary at this time to provide the Monitor with full particulars of your claims, or to submit supporting documentation.

It is Sapphire's intention to file a Plan of Compromise or Arrangement with its creditors, once a sale is finalized, and at that time a Claims Bar process would be implemented to settle the quantity and priority ranking of the claims of the various creditors, and groups of creditors.

Yours very truly,
BDO DUNWOODY LIMITED
Monitor

Per:

Uwe Manski, FCA, FCIRP
President

/bc
Encl.