

**IN THE MATTER OF THE *SECURITIES ACT*
R.S.O. 1990, C.S.5, AS AMENDED**

- AND -

**IN THE MATTER OF
HARRY STINSON AND SAPPHIRE TOWER DEVELOPMENT CORP.**

**SETTLEMENT AGREEMENT BETWEEN
STAFF OF THE ONTARIO SECURITIES COMMISSION,
HARRY STINSON AND SAPPHIRE TOWER DEVELOPMENT CORP.**

I. INTRODUCTION

1. By Notice of Hearing dated December 15, 2006, the Ontario Securities Commission (the “Commission”) announced that it proposed to hold a hearing to consider whether, pursuant to sections 127 and 127.1 of the *Securities Act*, R.S.O. 1990, c. S.5 (the “Act”), it is in the public interest for the Commission to make an order approving the settlement agreement entered into between Staff of the Commission (“Staff”) and the Respondents, Harry Stinson (“Stinson”) and Sapphire Tower Development Corp. (“Sapphire Tower”) on December 15, 2006 (the “Settlement Agreement”).

II. JOINT SETTLEMENT RECOMMENDATION

2. Staff recommend settlement of the proceeding initiated in respect of the Respondents in accordance with the terms and conditions set out below. The Respondents consent to the making of an order in the form attached as Schedule “A” on the basis of the facts set out below.

III. STATEMENT OF FACTS

3. The Respondents acknowledge that the facts set out in paragraphs 4 through 25 of this Settlement Agreement are correct.

Registration Background of Sapphire Tower and Stinson

4. Sapphire Tower is a Toronto-based real estate development company incorporated pursuant to the laws of Ontario. Sapphire Tower is not registered in any capacity with the Commission nor is it a reporting issuer in Ontario.

5. Stinson is a real estate developer and is an officer, director and the operating mind of Sapphire Tower. Stinson is registered with the Commission as the designated compliance officer of Stinson Financial Corporation (“Stinson Financial”), another entity of which Stinson is the operating mind but which was not involved in the conduct described herein.

Sapphire Tower Real Estate Securities

6. From 2002 until 2006, Stinson and Sapphire Tower were involved in the development of a hotel-condominium project in downtown Toronto (the “Sapphire Tower Project”).

7. In 2003, Stinson and Sapphire Tower began marketing the sale of units in the Sapphire Tower Project (the “Sapphire Tower Units”) through the use of sales brochures and other forms of advertising to the public.

8. Consistent with the practice in the real estate development industry, Sapphire Tower also began to pre-sell Sapphire Tower Units by entering into conditional agreements of purchase and sale and accepting accompanying deposits from purchasers.

9. The Sapphire Tower Units, which offer an investment in real estate together with an opportunity to profit through the purchaser’s participation in a rental pool program, are securities pursuant to the Act.

10. All of the amounts received by Sapphire Tower as deposits were fully refundable and were subject to final approval by the purchaser on closing, as regulated by applicable condominium laws.

11. Due to certain structural redesign issues associated with the Sapphire Tower Project, Sapphire Tower ceased entering into conditional agreements of purchase and sale and ceased accepting deposits for Sapphire Tower Units in October 2004.

12. Between October 2004 and March 2005, Sapphire Tower solely offered prospective purchasers the ability to reserve Sapphire Tower Units. During that period, however, Stinson and Sapphire Tower continued to market the sale of the Sapphire Tower Units.

1 King West Inc.

13. In October 2004, 1 King West Inc., a company which operated a hotel-condo project similar to the Sapphire Tower Project, had filed an application with the Commission seeking exemptive relief pursuant to subsection 74(1) of the Act (the “1 King West Application”).

14. Stinson did not, nor does he presently, have an ownership interest in 1 King West Inc. Stinson’s involvement in 1 King West Inc. has been limited to a management interest in the project through a related entity controlled by Stinson.

15. During that period, Stinson was not receiving independent legal advice concerning the Sapphire Tower Project. However, at that time, Stinson was advised by counsel to 1 King West Inc. that an application in respect of the Sapphire Tower Project similar to the 1 King West Application would need to be filed once the 1 King West Application was completed. Stinson was further advised, erroneously, that the application could only be filed once the final design of the Sapphire Tower Project had been determined. The basis provided for the opinion was that final specifications of the project were needed for the disclosure document which typically forms part of exemptive relief under section 74(1) of the Act. Stinson relied on this advice.

16. As there were continuing structural issues and other design approval matters pending with respect to the Sapphire Tower Project, Stinson did not proceed with an application for exemptive relief at that time.

Improper Trading of Sapphire Tower Securities

17. By a) marketing the sale of the Sapphire Tower units; b) entering into conditional agreements of purchase and sale; and c) accepting deposits for Sapphire Tower Units, Stinson and Sapphire Tower acted in furtherance of trades of the Sapphire Tower Units without complying with the registration and prospectus requirements set out in to sections 25 and 35 of the Act or, alternatively, without obtaining an exemption from such requirements pursuant to section 74(1) of the Act.

Status of the Sapphire Tower Project

18. In March 2005, Corporate Finance Staff contacted Stinson and Sapphire Tower to advise that Sapphire Tower required an exemption pursuant to subsection 74(1) in order to trade its securities without registration and without a prospectus.

19. From March 2005 through to December 2005, Stinson and Sapphire Tower, through their counsel, worked together with Corporate Finance and Enforcement Staff to file an application and prepare a draft ruling for exemptive relief with respect to the sale of Sapphire Tower Units.

20. As of December 2005, Sapphire Tower had filed its application and had agreed on a draft form of ruling which was intended to be submitted to the Commission jointly, with Staff, pending approval of a settlement of the matters described herein.

21. However, due to the inability of Sapphire Tower to obtain certain required approvals from the City of Toronto and due to certain economic factors, Stinson determined that he would not be proceeding with the original design of the Sapphire Tower Project and would not carry out any further marketing of suites to investors in a condominium-hotel rental pool. Stinson may, however, proceed with the development on the basis of a conventional residential or commercial condominium complex.

22. Stinson and Sapphire Tower provided notice of their intention to not pursue the Sapphire Tower Project in January 2006 and formally withdrew the application for exemptive relief on February 7, 2006.

23. Neither Staff nor the Respondents are aware of any investor losses associated with the pre-sale of the Sapphire Tower Units.

Conduct Contrary to the Public Interest

24. The conduct of Stinson and Sapphire Tower, as described above, contravened Ontario securities law and was contrary to the public interest.

25. Although Stinson believed that an application for exemptive relief for the Sapphire Tower Project could only be made once the project had been finalized, he acknowledges that neither he nor Sapphire Tower should have taken steps to either sell or market the sale of Sapphire Tower Units without having obtained exemptive relief from the Commission pursuant to subsection 74(1) of the Act.

IV. TERMS OF SETTLEMENT

26. Stinson and Sapphire Tower agree to a collective payment of \$10,000 toward the costs incurred by Staff in the investigation of this matter.

27. Stinson further agrees to the following terms of settlement:

- a. Stinson shall forthwith resign from any position(s) he holds as a compliance officer; and
- b. Stinson's registration with the Commission shall be subject to strict supervisory terms and conditions until June 30, 2007 and, in any event, until Stinson attends and completes the "Effective Management Seminar" offered by the Canadian Securities Institute or a like equivalent as approved by Staff.

V. STAFF COMMITMENT

28. If this Settlement Agreement is approved by the Commission, Staff will not initiate any proceeding under Ontario securities law in respect of any conduct or alleged conduct of the Respondents in relation to the facts set out in Part III of this Settlement Agreement, subject to the provisions of paragraph 32 below.

VI. PROCEDURE FOR APPROVAL OF SETTLEMENT

29. Approval of this Settlement Agreement shall be sought at a hearing of the Commission on December 20, 2006 or as soon thereafter as a hearing can be held by the Commission.

30. Staff and the Respondents may refer to any part, or all, of the Settlement Agreement at the Settlement Hearing. Staff and the Respondents also agree that if this Settlement Agreement is approved by the Commission, it will constitute the entirety of the evidence to be submitted

respecting the Respondents in this matter, and the Respondents agree to waive their rights to a full hearing, judicial review or appeal of the matter under the Act.

31. Staff and the Respondents agree that if this Settlement Agreement is approved by the Commission, neither Staff nor the Respondents will make any public statement inconsistent with this Settlement Agreement.

32. If this Settlement Agreement is approved by the Commission and, at any subsequent time, the Respondents fails to honour any of the Terms of Settlement set out in Part IV herein, Staff reserve the right to bring proceedings under Ontario securities law against the Respondents based on, but not limited to, the facts set out in Part III of the Settlement Agreement, as well as the breach of the Settlement Agreement.

33. If, for any reason whatsoever, this Settlement Agreement is not approved by the Commission or an Order in the form attached as Schedule "A" is not made by the Commission, each of Staff and the Respondents will be entitled to all available proceedings, remedies and challenges, including proceeding to a hearing of the allegations in the Statement of Allegations, unaffected by this Settlement Agreement or the settlement negotiations.

34. Whether or not this Settlement Agreement is approved by the Commission, the Respondents agrees that they will not, in any proceeding, refer to or rely upon this Settlement Agreement or the negotiation or process of approval of this Settlement Agreement as the basis for any allegation against the Commission of lack of jurisdiction, bias, appearance of bias, unfairness, or any other remedy or challenge that may otherwise be available.

VII. DISCLOSURE OF AGREEMENT

35. The terms of this Settlement Agreement will be treated as confidential by all parties hereto until approved by the Commission, and forever if, for any reason whatsoever, this Settlement Agreement is not approved by the Commission, except with the written consent of both the Respondents and Staff or as may be required by law.

36. Any obligations of confidentiality shall terminate upon approval of this Settlement Agreement by the Commission.

VIII. EXECUTION OF SETTLEMENT AGREEMENT

37. This Settlement Agreement may be signed in one or more counterparts which together shall constitute a binding agreement.

38. A facsimile copy of any signature shall be effective as an original signature.

DATED this 15th day of December, 2006.

Kathy Nahn

Witness

Harry Stinson

Harry Stinson

Harry Stinson

Sapphire Tower Development Corp.
I have authority to bind the corporation.

DATED this 15th day of December, 2006.

Kelley McKinnon

per: _____
Michael Watson
Director, Enforcement Branch