

**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.**

**STATEMENT OF ALLEGATIONS  
OF STAFF OF THE ONTARIO SECURITIES COMMISSION**

Staff of the Ontario Securities Commission (“Staff”) make the following allegations:

**The Respondents**

1. 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.
2. Stinson is a real estate developer and is an officer, director and the operating mind of Sapphire Tower. Stinson is currently 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**

3. From 2002 until 2006 (the “material time”), Stinson and Sapphire Tower were involved in the development of a hotel-condominium project in downtown Toronto (the “Sapphire Tower Project”). During the material time, neither Stinson nor Sapphire Tower was registered with the Commission.

4. 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 such as Stinson’s nightly television advertising program entitled the “Condo Show” which regularly featured the Sapphire Tower Project as an investment opportunity for prospective purchasers.

5. At that time, 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.

6. 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.

7. In or around October 2004, Sapphire Tower ceased entering into conditional agreements of purchase and sale and ceased accepting deposits for Sapphire Tower Units and instead began to offer prospective purchasers the ability to reserve Sapphire Tower Units. Sapphire Tower continued to do so from October 2004 until March 2005. During that period, Stinson and Sapphire Tower also continued to market the sale of the Sapphire Tower Units through the use of sales brochures and Stinson’s condo show.

### **1 King West Inc.**

8. Based on discussions with Corporate Finance Staff in 2004, 1 King West Inc. (“1 King West Inc.”), a company with which Stinson was involved and which operated a hotel-condo project similar to the Sapphire Tower Project (the “1 King West Project”), filed an application with the Commission in October 2004 seeking exemptive relief pursuant to subsection 74(1) of the Act.

9. Prior to being contacted by Corporate Finance Staff in 2004, 1 King West had not taken any steps to file for exemptive relief despite the fact that it already sold a number of units in the 1 King West Project.

10. At the time, Stinson did not advise Corporate Finance Staff of the Sapphire Tower Project.

11. Notwithstanding that it should have been clear to Stinson at that point that a project involving the sale of condo-hotel units as part of a rental-pool program was considered to involve the sale of securities under the Act which required compliance with s. 25 and 35 of the Act, Stinson did not proceed with an application for exemptive relief for the Sapphire Tower Units as 1 King West had been required to do.

### **Improper Trading of Sapphire Tower Securities**

12. By the conduct as described in paragraphs 3 to 7 above, Stinson and Sapphire Tower engaged in trading in securities of Sapphire Tower 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.

13. The conduct of Stinson and Sapphire Tower contravened Ontario securities law and was contrary to the public interest.

**DATED AT TORONTO** this 15<sup>th</sup> day of December, 2006.